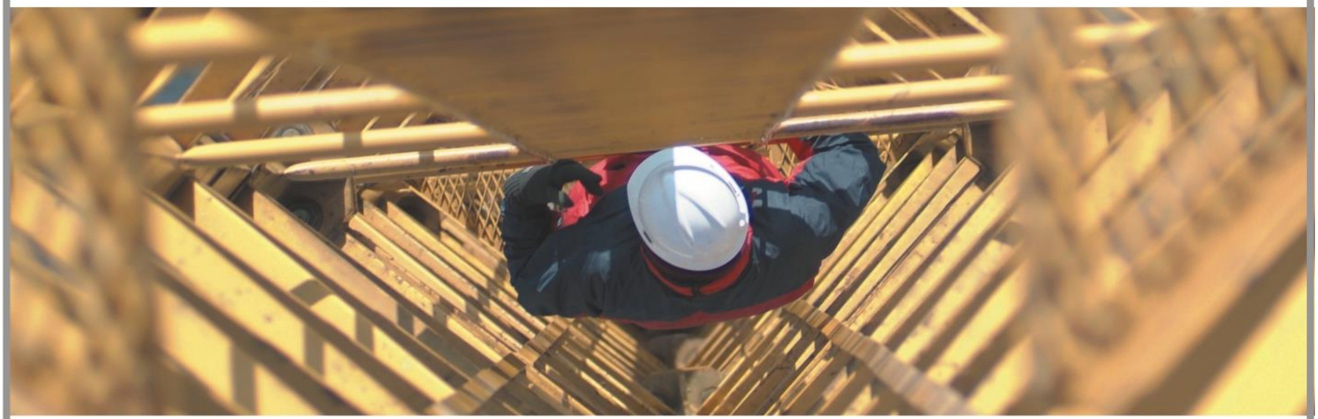

Separate financial statements prepared in conformity with the International Financial Reporting Standards as at 31 December 2017

inpro.com.pl

SPÓŁKA NOTOWANA NA GPW

CONTENTS

Gdańsk, 4 April 2018

Full name and function	signature
Piotr Stefaniak President of the Management Board	
Zbigniew Lewiński Vice-President of the Management Board	
Krzysztof Maraszek Vice-President of the Management Board	
Elżbieta Marks The person responsible for keeping the books	

Unless indicated otherwise, all amounts were given in thousands of PLN

SELECTED FINANCIAL DATA CONCERNING THE SEPARATE FINANCIAL STATEMENTS OF INPRO SA

Selected financial data concerning the separate financial statements of INPRO SA				
	01/01/2017 - 31/12/2017	**01/01/2016 - 31/12/2016**	**01/01/2017 - 31/12/2017**	**01/01/2016 - 31/12/2016**
	PLN '000		**EUR '000**	
Net sales revenues	123 275	147 684	29 042	33 751
Gross profit (loss) on sales	43 671	43 884	10 288	10 029
Profit (loss) on operating activities	26 849	30 590	6 325	6 991
Gross profit (loss)	27 348	31 280	6 443	7 148
Net profit (loss)	22 425	25 368	5 283	5 797
Profit (loss) per share (in PLN/EUR)	0,5601	0,6336	0,1319	0,1448
Net cash flows from operating activities	(5 558)	10 672	(1 309)	2 439
Net cash flows from investing activities	(1 947)	644	(459)	147
Net cash flows from financing activities	3 925	(18 120)	925	(4 141)
Net cash flows	(3 580)	(6 804)	(844)	(1 555)
	31/12/2017	**31/12/2016**	**31/12/2017**	**31/12/2016**
	PLN '000		**EUR '000**	
Total assets	351 505	309 581	84 276	69 978
Liabilities and provisions for liabilities	99 079	69 570	23 755	15 726
Provisions for liabilities	7 623	7 476	1 828	1 690
Long-term liabilities	9 914	14 790	2 377	3 343
Short-term liabilities	81 542	47 304	19 550	10 693
Equity	252 426	240 011	60 521	54 252
Number of shares (pcs)	40 040 000	40 040 000	40 040 000	40 040 000
Book value per share (in PLN/EUR)	6,3043	5,9943	1,5115	1,3549
PLN TO EURO CONVERSION RATES	average PLN rate in the period 01/01/2017-31/12/2017		average PLN rate as at 31/12/2017	
	4,2447		4,1709	
	average PLN rate in the period 01/01/2016-31/12/2016		average PLN rate as at 31/12/2016	
	4.3757		4.4240	

Unless indicated otherwise, all amounts were given in thousands of PLN

STATEMENT OF TOTAL INCOME FOR THE PERIOD ENDED ON 31 DECEMBER 2017

Statement of total income	**Note**	**01/01/2017 -31/12/2017 (audited)**	**01/01/2016 -31/12/2016 (audited)**
Continuing operations			
Sales revenues	11.1	123 275	147 684
Cost of sales	11.2	(79 604)	(103 800)
Gross profit (loss) on sales		**43 671**	**43 884**
Selling costs	11.2	(6 024)	(3 889)
Administrative expenses	11.2	(11 003)	(10 287)
Other operating revenues	11.3	594	1 156
Other operating costs	11.4	(389)	(274)
Profit (loss) on operating activities		**26 849**	**30 590**
Financial revenues	11.5	777	1 066
Financial costs	11.6	(278)	(376)
Gross profit (loss)		**27 348**	**31 280**
Income tax	12	(4 923)	(5 912)
Net profit (loss) from continuing operations		**22 425**	**25 368**
TOTAL INCOME		**22 425**	**25 368**

Earnings (loss) per share:	**01/01/2017-31/12/2017**	**01/01/2016-31/12/2016**
- basic	0.5601	0.6336
- diluted	0.5601	0.6336

Unless indicated otherwise, all amounts were given in thousands of PLN

STATEMENT OF THE FINANCIAL POSITION AS AT 31 DECEMBER 2017

ASSETS	Note	31/12/2017 (audited)	31/12/2016 (audited)
Fixed (long-term) assets		108 032	103 952
Property, plant and equipment	**16**	5 403	4 256
Other intangibles	**18**	19	26
Investment properties		3 122	3 326
Shares in subsidiaries	**19**	64 321	59 121
Other financial assets	**20**	35 150	37 216
Other assets	**20**	17	7
Current (short-term) assets		243 473	205 629
Inventory	**21**	192 145	181 736
Trade and other receivables	**22**	16 145	9 276
Current tax assets		1 014	222
Other financial assets	**20**	26 637	3 283
Cash and cash equivalents	**23**	7 532	11 112
TOTAL ASSETS		**351 505**	**309 581**

Unless indicated otherwise, all amounts were given in thousands of PLN

STATEMENT OF THE FINANCIAL POSITION AS AT 31/12/2017 *(CONTINUED)*

EQUITY AND LIABILITIES		**31/12/2017 (audited)**	**31/12/2016 (audited)**
Equity	**25**	252 426	240 011
Issued share capital		4 004	4 004
Reserves		531	531
Retained profits		247 891	235 476
Long-term liabilities		14 151	19 789
Retirement benefit liabilities (a provision)	**26**	285	201
Deferred income tax provision	**12.4**	3 952	4 798
Long-term credits and bank borrowings	**27**	8 239	12 910
Other financial liabilities (lease)	**28**	18	81
Trade and other liabilities	**30**	1 657	1 799
Short-term liabilities		84 928	**49 781**
Short-term provisions	**26**	3 386	2 477
Credits and borrowings	**27**	26 060	7 124
Other financial liabilities (lease)	**28**	-	-
Current income tax liabilities	**36**	69	67
Trade and other liabilities		-	-
Accruals/prepayments in relation to long-term contracts	**29,31**	55 413	40 113
Total liabilities		99 079	**69 570**
TOTAL EQUITY AND LIABILITIES		**351 505**	**309 581**

Unless indicated otherwise, all amounts were given in thousands of PLN

STATEMENT OF THE CHANGES IN EQUITY FOR THE PERIOD ENDED ON 31 DECEMBER 2017

Changes in equity	Share capital	Share premium capital	Revaluation reserve	Retained profit	Total
As at 01/01/2017	**4 004**	**62 237**	**531**	**173 239**	**240 011**
Dividend payment	-		-	(10 010)	**(10 010)**
Net profit (loss) for the financial year	-	-	-	22 425	**22 425**
As at 31/12/2016	**4 004**	**62 237**	**531**	**185 654**	**252 426**

Changes in equity	Share capital	Share premium capital	Revaluation reserve	Retained profit	Total
As at 01/01/2016	**4 004**	**62 237**	**531**	**159 883**	**226 655**
Dividend payment	-	-	-	(12 012)	**(12 012)**
Net profit (loss) for the financial year	-	-	-	25 368	**25 368**
As at 31/12/2015	**4 004**	**62 237**	**531**	**173 239**	**240 011**

Unless indicated otherwise, all amounts were given in thousands of PLN

CASH FLOW STATEMENT FOR THE PERIOD ENDED ON 31 DECEMBER 2017

Cash flows from operating activities	01/01/2017 -31/12/2017 (audited)	01/01/2016 -31/12/2016 (audited)
Gross profit/(loss)	27 348	31 280
Adjustments:	**(32 906)**	**(20 608)**
Depreciation	814	942
Income tax paid		
Net interest and dividends	(6 561)	(5 659)
Profit/(loss) on investing activities	(364)	(424)
(Increase)/ decrease of receivables	(302)	(113)
(Increase)/decrease of uninvoiced receivables from the settlement of long-term contracts	(6 891)	514
(Increase)/ decrease of inventory	(13 291)	10 201
Increase/ (decrease) of liabilities	(7 318)	(26 681)
Increase/ (decrease) of accrued/prepaid expenses	13	(6)
(Increase)/decrease of accruals/prepayments in relation to long-term contracts	-	(74)
Change in provisions	994	692
Net cash flows from operating activities	**(5 558)**	**10 672**

Cash flows from investing activities	01/01/2017 -31/12/2017 (audited)	01/01/2016 -31/12/2016 (audited)
Sale of property, plant, equipment and intangibles	34	113
Interest received	321	694
Repayment of loans allowed	1 320	2 550
Dividends from related entities	596	702
Acquisition of financial assets	(5 200)	(1 296)
Acquisition of property, plant, equipment and intangibles	(1 430)	(478)
Other expenses	-	(1 641)
Other investment inflows for the sale of investment property	2 412	-
Proceeds from the sale of financial assets	-	-
Net cash flows from investing activities	**(1 947)**	**644**

Unless indicated otherwise, all amounts were given in thousands of PLN

CASH FLOW STATEMENT OF THE FINANCIAL POSITION FOR THE PERIOD ENDED ON 31 DECEMBER 2017 *(CONTINUED)*

Cash flow from financing activities	**01/01/2017 -31/12/2017 (audited)**	**01/01/2016 -31/12/2016 (audited)**
Proceeds from the issue of debt securities	-	
Proceeds in relation to loans/credits obtained	49 429	58 400
Payments in relation to finance lease agreements	(61)	(98)
Repayment of loans/credits	(35 165)	(64 034)
Interest paid	(268)	(376)
Dividends paid	(10 010)	(12 012)
Buyout of debt instruments	-	-
Net cash flows from financing activities	**3 925**	**(18 120)**

Net change in cash and cash equivalents	**(3 580)**	**(6 804)**
Cash at the beginning of the period	**11 112**	**17 916**
Cash at the end of the period	**7 532**	**11 112**
- including restricted cash (on escrow accounts)	-	-

Unless indicated otherwise, all amounts were given in thousands of PLN

ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

The financial statements of INPRO SA with its registered office in Gdańsk, ul. Opata Jacka Rybińskiego 8, were prepared in conformity with the International Financial Reporting Standards (IFRS).

The main object of INPRO SA is the construction and sale of residential and commercial real estate in conformity with the Polish Classification of Activity (PKD) 4110Z.

The Company was incepted on 6 April 1987 on the basis of the memorandum and articles of association of a limited liability company drawn up as the notarised deed, Register A/A, No. 825/1987, before a notary public of the State Notary Public Office in Gdańsk. Przedsiębiorstwo Budowlane INPRO decided on the transformation of that limited liability company into a joint stock one.
The Company is registered in the National Court Register on the basis of an order of the District Court in Gdańsk, 7th Business Division, under number KRS 306071.
The Company was given the REGON business registry number 008141071 and the tax identification number 589-000-85-40.

In conformity with the Company's memorandum and articles of association, the duration of the Company is unlimited.
INPRO SA is the parent entity of the INPRO SA Capital Group.

As at 31 December 2017, the share capital of INPRO was PLN 4,004 k and was divided into 30,030,000 ordinary series A bearer shares of the nominal value of 10 groszes each, and 10,010,000 ordinary series B bearer shares of the nominal value of PLN 0,10 each.

2. Share capital structure

SHAREHOLDING STRUCTURE AS AT 31/12/2017

Entity (Full name)	Series	Number of shares	Value in PLN	Share in the share capital	Number of votes	Share in the number of votes
Piotr Stefaniak	A	8 460 000	846 000	21,13%	8 460 000	21,13%
Zbigniew Lewiński	A	9 460 000	946 000	23,63%	9 460 000	23,63%
Krzysztof Maraszek	A	10 010 000	1 001 000	25,00%	10 010 000	25,00%
NATIONALE NEDERLANDEN - PTE S.A.	A	2 100 000	210 000	17,93%	7 177 704	17,93%
	B	5 077 704	507 770			
Akcjonariusze poniżej 5% głosów	B	4 932 296	493 230	12,31%	4 932 296	12,31%
TOTAL		**40 040 000**	**4 004 000**	**100%**	**40 040 000**	**100%**

Unless indicated otherwise, all amounts were given in thousands of PLN

SHAREHOLDING STRUCTURE AS AT 31/12/2016						
Entity (Full name)	Series	Number of shares	Value in PLN	Share in the share capital	Number of votes	Share in the number of votes
Piotr Stefaniak	A	8 460 000	846 000	21.13%	8 460 000	21.13%
Zbigniew Lewiński	A	9 460 000	946 000	23.63%	9 460 000	23.63%
Krzysztof Maraszek	A	10 010 000	1 001 000	25.00%	10 010 000	25.00%
ING OFE	A	2 100 000	210 000	17.93%	7 177 704	17.93%
	B	5 077 704	507 770			
Other	B	4 932 296	493 230	12.31%	4 932 296	12.31%
TOTAL		**40 040 000**	**40 004 000**	**100%**	**40 040 000**	**100%**

Compared to the status as at 31/12/2016, no significant changes in the shareholding structure occurred by 31/12/2017.

In the period from 31 December 2017 until the submission of this report, the shareholders did not advise of any change in the shareholdings in INPRO SA.

3. Composition of the Parent Company's Management Board and Supervisory Board

As at the date of preparation of these financial statements, the composition of the Management Board was as follows:

- Piotr Stefaniak - President of the Management Board
- Krzysztof Maraszek - Vice-President of the Management Board
- Zbigniew Lewiński - Vice-President of the Management Board

No changes in the composition of the body occurred in the period in question.
For the shareholdings of the members of the Management Board, see the shareholding structure in note 2.

As at the date of preparation of these financial statements, the composition of the Supervisory Board was as follows:

- Jerzy Glanc - Chairman of the Supervisory Board
- Krzysztof Gąsak - Deputy Chairman of the Supervisory Board
- Łukasz Maraszek - Member of the Supervisory Board
- Szymon Lewiński - Member of the Supervisory Board
- Wojciech Stefaniak - Member of the Supervisory Board

No changes in the composition of the body occurred in the period in question.

4. Approval of the financial statements

These financial statements were approved by the Management Board for publication on 4 April 2018.

5. Grounds for the preparation of the financial statements

The financial statements were prepared in conformity with the historical cost principle.

The financial statements were prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements, no circumstances are found to exist which indicate a threat to the Company to continue as a going concern.

On 21 September 2010 the Extraordinary General Assembly adopted a resolution on the basis of which the Company prepares financial statements in conformity with the IFRS commencing with the statements for periods starting on 1 January 2010.

These financial statements were prepared in Polish zlotys (PLN). The Polish zloty is the functional and reporting currency of INPRO SA. Unless indicated otherwise, the data in financial statements have been presented in thousands of zlotys.

6. The platform of the applied International Financial Reporting Standards

6.1 Statement on compliance with the provisions of law

Polish legal provisions impose the obligation on the Company to draw up financial statements in conformity with the IFRS endorsed by the EU. In view of the ongoing IFRS implementation process in the EU and the Company's operations, as regards the accounting principles used by the Company, there is no difference between the IFRS to have come into force and those approved by the EU for the reporting period ended on 31 December 2017.

These financial statements were made in conformity with the International Financial Reporting Standards approved by the EU. The IFRS cover the standards and interpretations approved by the International Accounting Standards Committee ("IASC") and the International Financial Reporting Interpretations Committee ("IFRIC").

6.2 Standards used for the first time

The following new or amended standards and interpretations issued by the International Accounting Standards Committee or the International Financial Reporting Interpretations Committee have been in force since 1 January 2017:

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IFRS 12 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

The above amendments do not have significant influence on the Company's financial standing and profits from business operations as well as on the scope of information presented in these financial statements.

6.3 Standards and interpretations published but not adopted

This report does not take into account the amendments to the standards and interpretations, which await approval by the European Union or those which have been approved by it but have or will become effective after the balance sheet date.

The following standards and interpretations were issued by the International Accounting Standards Committee or the International Financial Reporting Interpretations Committee but did not become effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 27 February 2018 (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).

- **Amendments to IFRS 1 and IAS 28 due to "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018).

IFRSs as approved by the EU do not vary considerably from the regulations adopted by the International Accounting Standards Committee (IASC) except the standards below, changes thereto and the interpretation thereof which, as at 04/04/2018, were not adopted for use in the EU (the effective dates below refer to the standards in their full version):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018),

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

With respect to the changes concerning **IFRS 15** Revenue from contracts with customers, the Company carried out a general analysis of the impact of the above standard on the results of operations and the scope of information presented in the financial statements. The above analysis mainly included the moment of recognition of revenue from the sale of products in the sale of apartments, service points or parking spaces. The Company's current approach to recognizing revenues in the date of the protocols for the transfer of products to the customer is in line with the changes introduced in IFRS 15, hence the Company does not expect significant changes due to the application of this standard. The company will apply this from 1 January 2018, adopting an approach without adjusting the comparative data.

With reference to the amendments concerning **IFRS 9** Financial Instruments, the Company estimates that the application of the amended standard will not have a material impact on the financial statements, however, this is at the stage of verification and assessment of the previously used model of measurement and measurement of assets and their impairment. Most assets currently recognized as loans and receivables (including trade receivables and cash) will continue to be measured at amortized cost.

In terms of impairment, the Company plans to apply simplifications and practical solutions permitted by IFRS 9 in this respect and does not expect a material impact of these changes on the financial position, results of the Group's operations and the scope of information presented in the financial statements.

Based on the overall analysis, the Company expects that the application of the amended standard will not have a material impact on the financial statements, however, this is at the stage of verification and assessment of the impairment model used so far.

6.4 Early adoption of standards and interpretations

The Company did not take advantage of the opportunity of early adoption of any standards, amendments thereto, or interpretations.

7. Amendments to accounting principles in use

During the preparation of these financial statements, standards and interpretations effective for annual periods commencing on or after 1 January 2017 were used.
The Company's last financial statements were those for the year ended on 31 December 2016, made in conformity with the International Financial Reporting Standards and approved for publication on 21 March 2017.

The Company did not make significant changes in the accounting principles in use in the reporting period except changes presented in note No. 6.2.

8. Material values based on professional judgement and estimates

8.1 Professional judgement

In the event that a transaction is not regulated in any standard or interpretation, the Management Board, while being guided by a subjective judgement, specifies and applies an accounting policy, which ensures that the financial statements contain appropriate and credible information and will:
- present a true, clear and fair view of the economic and financial position of the Company, the results of its activity and cash flows,
- reflect the commercial substance of transactions,
- be objective,
- be prepared in conformity with the conservative valuation principle,
- be complete in all essential aspects.

Recognition of sales revenues
Revenues from the sale of real estate (mainly residential units) are recognised upon the transfer to the buyer of the real estate of the control of the real estate being acquired and of the significant risks and benefits typical of the ownership title. In the opinion of the company's managers, this takes place upon the delivery of the real estate to the buyer on the basis of an acceptance report signed by the parties, on condition that all the payments towards the price of the acquisition of the real estate were made by the buyer.

Unless indicated otherwise, all amounts were given in thousands of PLN

Discount rate

The discount rate taken influences the figures presented in the consolidated report of the financial situation. This concerns, for example, the value of the provisions for employee benefits. That rate is also used during goodwill testing for permanent impairment. The discount rate taken by the Management Board is based on the interest rate on 10-year treasury bonds.

8.2 Uncertainty of estimates

The preparation of financial statements requires the Company's Management Board to make estimates because much information in the financial statements cannot be valued precisely. The Management Board reviews the estimates on the basis of the changes of factors taken into consideration when the estimates were made, of new information or of previous experience. It is for that reason that the estimates as at 31 December 2017 may be revised in the future. The main estimates have been described in the following notes:

Note		Kind of disclosure
21	Impairment of fixed assets and the analysis of the realisable net selling price of inventories	The Company tests fixed assets and inventories for impairment test in case factors indicating possible impairment occur. Impairment tests regarding goodwill acquired by merging business entities are conducted at the end of each financial year. The analysis of the net realisable selling price of inventories in the case of finished products (completed residential premises) is conducted by comparing their book value with current market selling prices of premises for a given stage of a project implemented by the Company.
22	Trade receivable valuation allowances	Given the grounds, the Group verifies the recovery of various trade receivables and estimates the valuation allowances on that basis.
12	Income tax	The Company recognises deferred tax assets on the basis of the assumption that a tax profit allowing the use of deferred tax will be achieved in the future. The deterioration of the tax results obtained in the future could make that assumption groundless.
26	Employee benefits	Provisions for retirement benefits and unused vacation leaves. The discount rate: 2,7%, the wage growth rate: 10%.
26	Provisions	Provisions for guarantees and sureties given and provisions for claims and court cases
9.2	Useful life of fixed assets and intangibles	The useful life of assets and their depreciation method is reviewed at least at the end of each financial year.

9. Accounting principles applied

9.1 Conversion of items denominated in foreign currencies

Transactions in currencies other than the Company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Unless indicated otherwise, all amounts were given in thousands of PLN

The following rates have been taken for the purposes of the balance sheet valuation:

Rate binding on the last day of the period	31/12/2017	31/12/2016
EURO	4,1709	4,424

The average rate, calculated as the arithmetic mean of the rates binding on the last day of each month in a period	01/01/2017 -31/12/2017	01/01/2016 -31/12/2016
EURO	4,2447	4,3757

9.2 Property, plant and equipment

Property, plant and equipment are reported at the price of acquisition / cost of manufacture less depreciation and all impairment losses. The initial value of fixed assets comprises their acquisition price increased by all the costs directly related to the purchase and to making an asset suitable for use. The cost also includes the cost of replacement of components of machinery and equipment when such cost is incurred, if the recognition criteria have been met. The costs arising after the date of placing a fixed asset in service, such as maintenance and repair costs, are charged to the income statement when they are incurred.
Upon acquisition, fixed assets are disaggregated into components of a considerable value, to which relevant useful life may be allocated.

Important spare and service parts reported as property, plant and equipment are amortised in conformity with the estimated period of use, but not longer than the useful life of fixed assets which they service.

The balance sheet value of a fixed asset comprises the costs of regular significant inspections, which are necessary to prevent faults, and whose value in various reporting periods varies considerably. The value of an inspection is depreciated until the next inspection or until the end of useful life of a fixed asset, whichever is sooner. Any residual balance sheet value of the costs of the previous inspection is derecognised.

Depreciation is computed on a straight-line basis throughout the estimated useful life of an asset, that period being:

Type	Period
Land	
Buildings and constructions	22 – 67 years
Machinery and equipment	5 – 22 years
Office equipment	5 years
Motor vehicles	5 – 20 years
Computers	3 years
Other fixed assets	4 – 15 years

If during the preparation of financial statements any circumstances have occurred which indicate that the balance sheet value of property, plant and equipment may not be recoverable, an inspection of those assets is performed from the point of view of their impairment. If there are factors indicating that impairment may have occurred, and the balance sheet value exceeds the estimated recoverable amount, then the value of those assets or cash generating units, to which those assets belong, is brought down to the level of the recoverable amount. The recoverable amount corresponds to the lower of the following two values: the fair value less the cost of sales or the value in use. When determining the value in use, the projected future cash flows are discounted to the current value with the use of the gross discount rate reflecting the current market assessments of the time value of money and any risk related to an asset. In the case of an asset which does

not generate cash flows in a significantly separate way, the recoverable amount is determined for a cash generating unit, to which that asset belongs. Impairment losses are recognised in the income statement under other operating costs.
An item of property, plant and equipment may be derecognised upon its disposal or when no economic benefits following from the further use of such an asset are expected. Any profits or losses following from the derecognition of an asset (calculated as the difference between any net proceeds from the sale and the balance sheet value of an item) are recognised in the income statement in the period in which such derecognition was effected.
Commenced investments concern fixed assets in the process of construction or erection and are reported at the cost of acquisition or manufacture. Fixed assets under construction are not depreciated until the end of construction and placing them in service.
The residual value, useful life and depreciation method of fixed assets are reviewed and revised if necessary at the end of each financial year.

9.3 Borrowing costs

The borrowing costs directly relating to the acquisition or manufacture of assets requiring an extended period to bring them into use are capitalised as a part of the cost of acquisition or manufacture until those assets are ready for use or sale. Borrowing costs comprise interest and exchange gains or losses up to the amount corresponding to the interest cost adjustment.

Other borrowing costs are recognised as costs when they are incurred.

9.4 Investment property

Investment property is recognised at the acquisition price or the cost of manufacture with the transactions costs taken into consideration. After initial recognition the value of investment property is decreased by depreciation and impairment losses.
Investment property is derecognised on disposal or when permanently withdrawn from use, and no future benefits are expected from its disposal. Any profits or losses following from the derecognition of investment property are recognised in the income statement in the period in which such derecognition was effected.
Assets are transferred to investment property only when a change in their use takes place as confirmed by the end of the use of an asset by its owner, the conclusion of an operating lease agreement or the completion of construction/manufacture of investment property.
If investment property is transferred to assets used by the owner or to inventory, the deemed cost of such an asset, which will be taken for its recognition in another category, is equal to the fair value of property determined as at the date of the change in use. If an asset used by the owner (the Company) becomes investment property, the Company applies the principles described under *Property, plant and equipment* until a change in use of that property. If assets are transferred from inventory to investment property, the difference between its fair value as at the date of transfer and the previous balance sheet value is recognised in profit or loss. When the Company completes the construction or manufacture of investment property, the difference between its fair value as at that date and the previous balance sheet value is recognised in profit or loss.

9.5 Lease and the right of perpetual usufruct of land

Finance lease agreements which basically transfer the whole risk and all the benefits following from the possession of an object of the lease to the Company are recognised in the balance sheet as at the date of commencement of lease at the lower of the following: the fair value of a fixed asset being the object of the lease or the current value of minimum lease payments. Lease payments are disaggregated between financial costs and the decrease of the lease liability in a way permitting a fixed interest rate on the liability remaining to be paid. Financial costs are recognised directly as an expense.
Fixed assets used on the basis of finance lease agreements are amortised over the shorter of the following two periods: estimated useful life or the lease period.

Lease agreements in conformity with which the lessor basically retains the whole risk and all the benefits following from the possession of the object of the lease are classified as operating lease agreements. Operating lease payments are recognised in the income statement as costs on a straight-line basis throughout the lease.

If the lease agreement covers both land and buildings, an entity classifies each of those elements separately as a finance or operating lease. In determining whether land should be classified into an operating or finance lease, the fact that land usually has an unrestricted useful life is taken into account.

The right of perpetual usufruct of land received by the Company free of charge on the basis of an administrative decision is excluded from assets. If such rights are acquired on the secondary market, they are recognised as intangibles and amortised over their estimated useful life.

9.6 Intangibles

Intangibles acquired separately are valued at the price of acquisition or the cost of manufacture. The price of acquisition of intangibles acquired in the merger of business entities is equal to their fair value as at the merger date. After initial recognition, intangibles are reported at the price of acquisition or cost of manufacture less depreciation and/or impairment losses. Expenses on intangibles manufactured on one's own account, except the recognised costs of development work, are not capitalised but recognised in the costs of the period in which they were incurred.
The Company decides on whether the useful life of intangibles is limited or indefinite. Intangibles of limited useful life are amortised over that life and tested for impairment each time when there are factors indicating impairment of such assets. The period and method of depreciation of intangibles with limited useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or in the pattern in which economic benefits from an asset are expected to be consumed are recognised by changing, as appropriate, the period or method of depreciation, and treated as the changes of estimates. A depreciation charge on intangibles with a limited useful life is recognised in the income statement in the category which corresponds to the function of a given intangible asset.
Intangibles with an indefinite useful life and those which are not used are reviewed every year for impairment with reference to the various assets or at the cash generating unit level. Other intangibles are assessed every year from the point of view of the factors which may signify their impairment.

The costs of research work are written to the income statement when they are incurred. The costs of development work carried out as part of a given project are transferred to the next period if it may be assumed that they will be recovered in the future. After initial recognition of the costs of development work, applied is the historical cost convention, which requires that assets are recognised at the price of acquisition less accumulated depreciation and accumulated impairment losses. Any costs transferred to the next period are amortised over the period when proceeds from the sale of a given project are expected.
Costs of development work are assessed for possible impairment on an annual basis if an asset has not been placed in use yet or, more frequently, when in the reporting period there occurs an impairment factor indicating that their balance sheet value may not be recoverable.

Profits or losses following from the derecognition of intangibles are measured as the difference between net proceeds from the sale and the balance sheet value of an asset and recognised in the income statement when such asset is derecognised.

9.7 Recoverable amount of long-term assets

As at each balance sheet date, the Company evaluates assets for factors indicating their impairment. If such factors exit, the Company performs a formal assessment of the recoverable amount. When the balance sheet value of an asset or cash generating unit exceeds its recoverable amount, the impairment of such an asset is recognised and its value written down to the recoverable amount level. The recoverable amount is the higher of the following two amounts: the fair value less the costs of disposal or the value in use of an asset or cash generating unit.

9.8 Financial instruments

A financial instrument is any agreement which causes a financial asset to come into being on the one part and a financial liability or equity instrument on the other.

The Company classifies financial instruments in a hierarchical way, in conformity with the three main levels of valuation with reference to the fair value, which reflect the base taken for the valuation of each of the instruments.

The fair value hierarchy is as follows:

Level 1 **-** the prices of market quotations from active markets for identical assets and liabilities (e.g. shares and bonds quoted);
Level 2 **-** the prices from active markets, but other than the prices of market quotations – fixed directly (by comparison with actual transactions) or indirectly (through valuation techniques based on actual transactions), e.g. the majority of derivative instruments;
Level 3 **-** prices not originating from active markets.

The position of a financial instrument in the fair value hierarchy depends on the lowest valuation base affecting the determination of the fair value of such a financial instrument.

The Company classifies financial assets into the following categories:

- financial assets measured at the fair value through profit or loss,
- loans and receivables,
- held-to-maturity financial assets,
- available-for-sale financial assets.

Financial liabilities are divided into:

- financial liabilities measured at the fair value through profit or loss,
- financial liabilities valued at the amortised cost.

The purpose of the acquisition of financial assets and their nature is the basis for classification. The Company determines the classification of their financial assets at their initial recognition, and then reviewed that classification as at each reporting date.

Financial assets
Financial assets are measured upon their recognition in the books at the fair value. The initial valuation is increased by transaction costs except for financial assets classified into the categories measured at the fair value through profit or loss. The transaction costs of a possible disposal of an asset are not taken into account in the subsequent valuation of financial assets. A financial asset is recognised in the balance sheet when the Company becomes a party to an agreement (contract), from which such a financial asset follows.
The Company measures as at the balance sheet date whether there are factors indicating the impairment of a financial asset (of a group of such assets). In the case of instruments classified as available for sale, in determining whether an impairment has taken place the significant or extended decrease of the fair value of a security below cost is taken into consideration.

Financial assets at FVTPL
Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

• it has been acquired principally for the purpose of selling it in the near term; or

• on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

• it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

• the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

• it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Financial assets measured at the fair value through profit or loss are measured with the use of stock exchange quotations and, if there are none, with appropriate valuation techniques which comprise the use of the prices from recent transactions or of tender prices, a comparison with similar instruments, and option valuation models. The fair value of debt instruments is constituted by future cash flows discounted with the current market interest rate appropriate for similar instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Depending on their maturity date, they are classified as fixed assets (mature more than 1 year from the reporting date) or current assets (mature within up to 1 year from the reporting date). Loans and receivables are valued as at the balance sheet date at the amortised cost. The Company includes in that group mainly trade receivables, bank deposits, other cash as well as loans and acquired unquoted debt instruments not included into other categories of financial assets.

Held-to-maturity financial assets

Held-to-maturity financial assets are investments with fixed or determinable payments and a fixed maturity date, as to which assets the Company intends and is able to hold them to maturity. The Company includes in that category only quoted debt instruments if not previously categorised as financial assets measured at the fair value through profit or loss or as available-for-sale financial assets. Held-to-maturity financial assets are valued as at each reporting date at the amortised cost with the application of the effective interest rate.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as "available for sale" or are not classified into any other category. The Company includes in available-for-sale assets mainly debt instruments acquired to invest cash surpluses, if those instruments were not categorised as financial assets measured at the fair value through profit or loss in view of the Company's intention to hold them for a short time. Moreover, the Company classifies equity investments not covered by the consolidation obligation into that category.

Available-for-sale financial assets are classified as fixed assets if there is no intention to dispose of investments within 1 year from the balance sheet date or otherwise as current assets. Available-for-sale financial assets are measured at the fair value as at each reporting date, and profits and losses (except impairment losses) are recognised in equity.

Shares in subsidiaries and related entities

Shares in subsidiaries are reported by the Company in conformity with IAS 27 at the historical cost less impairment losses.

Financial liabilities
Financial liabilities are measured upon their recognition in the books at the fair value. The initial valuation includes transaction costs except for financial liabilities classified into the categories measured at the fair value through profit or loss. The transaction costs of a possible disposal of a financial liability are not taken into account in the subsequent valuation of those liabilities. A financial liability is recognised in the balance sheet when the Company becomes a party to an agreement (contract), from which such a financial liability follows.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.
A financial liability is classified as held for trading if:

• it has been incurred principally for the purpose of repurchasing it in the near term;

• on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

• it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

• such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

• the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

• it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

The fair value of debt instruments is constituted by future cash flows discounted with the current market interest rate appropriate for similar instruments.

Financial liabilities valued at the amortised cost
Other financial liabilities, not classified as financial liabilities measured at the fair value through profit or loss, are classified as financial liabilities measured at the amortised cost. The Company includes in that category primarily trade liabilities and loans and credits taken out. Liabilities included in that category are measured at the amortised cost with the application of the effective interest rate.

9.9 Derivative instruments

Derivative instruments
Derivative instruments are measured at the fair value as at the date of contract conclusion, and then revalued to the fair value as at each balance sheet date. The resulting profit or loss is recognised in the income statement immediately unless a derivative instrument fulfils the function of a security. In such a case the moment of recognition of profit or loss depends on the nature of the hedging relationship. The Company defines the designated derivative instruments as fair value hedges for specified assets and liabilities or firm commitments (fair value hedges), for highly probable forecast transactions, for a currency exchange risk of firm commitments (cash flow hedges) or as hedges for net investments in foreign operations. Instruments are presented as fixed assets or long-term liabilities if the period to the instrument's maturity exceeds 12 months and it is not foreseen that such an instrument is realised or settled within 12 months. Other derivative instruments are reported as current assets or short-term liabilities.

Embedded derivative instruments

Embedded derivative instruments are segregated from agreements and treated as derivative instruments if all of the following conditions are met:

- the economic character and the risk of an embedded instrument are not closely linked to the economic character and risk of the agreement into which a given derivative instrument is embedded;
- an independent instrument with identical conditions of realisation as those of an embedded instrument would comply with the definition of a derivative instrument;
- a hybrid (combined) instrument is not reported at the fair value, and the changes of its fair value are not charged to the income statement.
- Embedded derivative instruments are recognised in a way similar to independent derivative instruments which are not treated as hedging instruments.

The scope in which in conformity with IAS 39 the economic features and the risk specific to an embedded derivative instrument in a foreign currency are closely linked to the economic features and the risk specific to the host agreement (main contract) also comprises situations in which the currency of the host contract is a customary currency for the contracts of sale or purchase of non-financial items on the market for a given transaction.

9.10 Inventory

Inventory is valued at the lower of two values: the acquisition price / cost of manufacture and net realisable selling price.

The costs incurred in bringing each asset to its present location and condition, both in relation to the current and previous year, are recognised in the following way:

Materials	- at the acquisition price determined by way of the first in – first out method,
Finished products and work in progress	- the cost of direct materials and labour and an appropriate indirect labour determined on the assumption of the normal utilisation of production capacity,
Goods for resale	- at the price of acquisition.

The price of acquisition or cost of manufacture of inventory comprises all the purchase, processing and other costs incurred in bringing inventory to its present location and condition.

The costs of purchase of inventory comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The net realisable price is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory is reported at the net value (less revaluation deductions). Inventory revaluation deductions are created in relation to the loss of inventory value, with a view to bringing the value of inventory to the realisable net value level. Revaluation deductions are recognised directly as an expense. The value of a revaluation deduction reduces the balance sheet value of inventory comprised by such a deduction.

9.11 Trade and other receivables

Trade and other receivables are valued as at the balance sheet date at the amortised cost (i.e. discounted with the application of the effective interest rate) less impairment losses. In the case of short-term receivables with the term of payment up to 360 days, that valuation corresponds to the sum due.

When the influence of the time value of money is significant, the receivable is determined by discounting the projected future cash flows to the current value with the use of the gross discount rate reflecting the current market assessments of the time value of money. If discounting has been used, an increase of the receivable in relation to the passage of time is recognised as financial revenues.

Non-financial receivables are initially recognised at their nominal value and measured at the payable amount as at the balance sheet date.

Receivables are revalued with the probability of their payment taken into consideration, by way of a revaluation deduction. Impairment of trade receivables is deducted when there is objective evidence that it will not be possible to re receive all the sums due following from the original contract conditions. An assessment whether objective evidence of impairment of receivables exists is performed on an ongoing basis, on receipt of information on the occurrence of objective evidence, which may determine impairment, at least as at the balance sheet date.

If there is objective evidence of impairment of receivables reported as at the amortised cost, the impairment loss is fixed as the difference between the balance sheet value of an asset and the current value of the future cash flows discounted on the basis of the effective interest rate. The probability of the future cash flows is determined on the basis of the analysis of historical data. The probability of losing the receivables was determined as a result of estimates based on the analysis of historical data - the deductions may be decreased if the Management Board has credible documents from which it follows that the receivables were secured and their payment is highly probable.

In particular, a 100% valuation allowance is made with regard to the receivables:

- from debtors in liquidation or bankruptcy, up to the amount not covered by a guarantee or another security,
- from debtors in the case of dismissal of a bankruptcy petition if the debtor's assets are not sufficient to cover the costs of bankruptcy proceedings to the full claim amount,
- challenged by the debtors and those outstanding to the amount not covered by a guarantee or other securities, if the assessment of the debtor's economic and financial position indicates that the repayment of the receivable in the agreed amount in the nearest semi-annual period is not possible,
- equivalent to the amounts increasing the receivables in relation to those against which a valuation allowance was previously made up to those amounts before they were received or reduced,
- overdue or not overdue receivables with a high probability of uncollectibility, in a credibly estimated allowance for uncollectible receivables,
- due interest for late payment,
- receivables whose maturity as at the balance sheet date exceeded 180 days.

Valuation allowances on receivables are recognised as selling costs. The reversal of valuation allowances on receivables is recognised if in the next periods impairment was decreased, and the increase in the value of a financial asset may be attributed to events occurring after the allowance was recognised. As a result of the reversal of the allowance, the balance sheet value of financial assets may not exceed the amortised cost, which would have been determined if the impairment loss had not been recognised previously. The reversal of the allowance is recognised in the income statement as the reduction of selling costs.

9.12 Uninvoiced receivables from the settlement of long-term contracts

Within the above item, the Company reports a surplus revenue recognised at a given contract over the invoiced revenue by the percentage of completion method.

9.13 Cash and cash equivalents

Cash and short-term deposits reported in the balance sheet comprise cash at bank and at hand as well as short-term deposits with original maturity not exceeding three months.

The balance of cash and cash equivalents reported in the consolidated cash flow statement consists of the above-specified cash and cash equivalents.

9.14 Fixed assets for disposal

Fixed assets (or their groups) for disposal are classified as held for sale if their balance sheet value will be recovered through sale transactions rather than through continued use provided that they are available for sale immediately in their present condition, subject to the conditions customarily used in the sale of those assets (or disposal groups) and that their sale is highly probable.
Immediately before the qualification of an asset (or a disposal group) as held for sale, those assets are measured i.e. their balance sheet value is determined in conformity with the provisions of relevant standards. Property, plant and equipment as well as intangibles are amortised to the reclassification date, and if factors indicating possible impairment occur, an impairment test is conducted and, consequently, an allowance is recognised, in conformity with IAS 36 "Impairment of Assets."

Fixed assets (or disposal groups), whose value was fixed in the above way are reclassified to assets held for sale. On reclassification, those assets are measured at the lower of the following two: the balance sheet value or the fair value less the costs of disposal. The difference from the measurement at the fair value is recognised in other operating costs. Upon subsequent valuation, any reversal of the fair value is recognised in other operating revenues.
If an entity no longer meets the criteria for the classification of an asset as held for sale, an asset is recognised in that balance sheet item from which it had been reclassified previously and measured at the lower of the following two amounts:

- the balance sheet value as at the date preceding the classification of an asset as held for sale, adjusted by amortisation or revaluation, which would have been recognised had the asset not been classified as held for sale, or
- the recoverable amount at the date of the decision not to sell.

9.15 Equity

Equity is recognised in accounting books with a division into its kinds and with reference to the principles set out in the provisions of law and the Company's Statutes.
Share capital is reported in the amount shown in the Statutes and the National Court Register. Declared but not paid-in capital contributions are recognised as capital not paid-in. Own shares and share capital not paid in decrease the Company's equity.
Share premium capital – that capital constitutes surpluses achieved at the issue of shares less the costs of such an issue of shares.
Other capital is constituted by the revaluation reserve from the measurement of the fair value of financial assets included in the category of available-for-sale financial assets.
Retained profits are constituted by: supplementary capital and reserves from profit for subsequent years, retained profit or non-financed loss from previous years (accumulated profits/losses from previous years), and the profit or loss for a current financial year.

9.16 Interest bearing credits, loans and debt securities

On initial recognition, all credits, loans and debt securities are recognised at the price of acquisition corresponding to the fair value of cash received less credit or loan costs.
After initial recognition, interest-bearing credits, loans and debt securities are subsequently valued at the amortised cost with the application of the effective interest rate method.
The costs related to a loan or credit and the discounts or bonuses obtained upon the settlement of a liability are taken into account in the determination of the amortised cost.
Profits and losses are recognised in the income statement on the derecognition of a liability from the balance sheet, and also as a result of the calculation of an allowance.

9.17 Trade and other liabilities

Liabilities are a present obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits.

Financial and non-financial liabilities measured at the fair value through profit or loss are measured as at the balance sheet date at the amortised cost (i.e. discounted with the application of the effective interest rate). In the case of short-term liabilities with the term of payment up to 360 days, that valuation corresponds to the sum due.

Liabilities not classified as financial liabilities are measured at the amount required to be paid.

9.18 Provisions

Provisions are created when the Company has the obligation (legal or customarily expected) stemming from past events and when it is likely that meeting such obligation will cause the outflow of economic benefits as well as when the amount of that liability may be estimated credibly. If the Company expects that the costs covered by the provision will be reimbursed, for example on the basis of an insurance agreement, such reimbursement is recognised as a separate asset but only when it is virtually certain that such reimbursement will actually take place. Costs pertaining to a provision are reported in the income statement after all reimbursements have been deducted. When the influence of the time value of money is significant, the amount of the provision is determined by discounting the projected future cash flows to the current value with the use of the gross discount rate reflecting the current market assessments of the time value of money and any risk related to a given liability. If discounting has been used, an increase of the provision in relation to the passage of time is recognised as financial costs.

9.19 Accrued income from the settlement of long-term contracts

That item comprises the surplus of the invoiced revenue on construction contracts over the revenue recognised and measured by the proportion of works completed.

9.20 Revenues

Revenues are recognised in the amount in which the Company will probably obtain economic benefits related to a given transaction and when the revenue may be measured in a reliable way. Revenues are recognised after tax on goods and services (VAT), other taxes (except excise) and rebates (discounts and bonuses) have been deducted.

Revenues are measured at the fair value of the consideration received or receivable. Revenues are measured at the discounted value when the impact of the time value of money is significant (the significant impact being considered when the period over which the payment was obtained was longer than 360 days).

The criteria presented below also pertain to revenue recognition.

Sale of products and goods for resale
Revenues are recognised if the significant risk and benefits following from the ownership right of products or goods for resale were transferred to the acquirer and when the revenue may be reliably measured.

Performance of services
Revenues in relation to the performance of services, which may be reliably estimated and for which the level of performance may be specified, are recognised on the percentage of completion basis.
When the agreement value cannot be estimated in a reliable way, the revenues related to that agreement are recognised to the degree to which it is likely that the costs incurred in relation to that agreement will be covered by those revenues. The costs related to an agreement are recognised as the costs of the period in

which they were incurred. If the costs of the agreement are likely to exceed the relevant revenues, the forecast loss is recognised as a cost immediately.

Revenues from long-term agreements
In the case of long-term agreements under construction contracts being performed, the revenues are recognised in conformity with the percentage of completion method. The percentage of completion of the works is measured as the ratio of the costs incurred from the conclusion of the agreement to the total costs of construction in the budget.

Interest
Interest revenue is recognised gradually as it accrues (with the effective interest rate method taken into account, that rate being the discounting rate for future cash proceeds over the estimated period of use of financial instruments) in relation to the net balance sheet value of a financial asset.

Dividends
Dividends are recognised when the shareholders' right to receive payment is established.

Rent-related revenues
Revenues related to the rental of investment property are recognised on a straight-line basis over the period of rental in relation to open agreements.

9.21 Income tax

Current tax
Current tax expense is calculated on the basis of taxable income (the taxable base) in a given financial year. The tax profit (loss) differs from the accounting profit (loss) in connection with the exclusion of revenues which are not subject to tax and of the non-allowable costs. Tax expenses are calculated on the basis of tax rates in force in a given financial year.

Deferred tax
For the requirements of financial reporting, the income tax reserve is created by way of the balance sheet liability method in relation to all temporary differences occurring as at the balance sheet date between the positive value of assets and liabilities and their balance sheet value shown in the financial statements.

The deferred tax liability is recognised in relation to all taxable temporary differences:
- except when the deferred tax liability arises as a result of the initial recognition of goodwill or of the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither gross accounting profit nor taxable income or loss, and
- in the case of taxable temporary differences following from investments in subsidiaries or associates and interests in joint ventures – except when the timing of the reversal of temporary differences is controlled by the investor and when it is probable that temporary differences will not be reversed in the foreseeable future.

The deferred tax assets are recognised for all deductible temporary differences, unused tax assets and unused tax losses carried forward to next years, in the amount in which it is probable that taxable income will be available, which will permit the above-mentioned differences, assets and losses to be utilised:
- except when the deferred tax assets pertaining to deductible temporary differences arise as a result of the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither gross accounting profit nor taxable income or loss, and
- in the case of deductible temporary differences following from investments in subsidiaries or associates and interests in joint ventures, a deferred tax asset is recognised in the balance sheet only in the amount in which it is probable that the above temporary differences will be reversed in the foreseeable future and that taxable income will be available, which will permit the deductible temporary differences to be deducted.

Unless indicated otherwise, all amounts were given in thousands of PLN

The balance sheet value of the deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.
Income tax on items recognised directly in equity is recognised in equity, and not in the income statement.

9.22 Net earnings per share

Net earnings per share for each period is calculated by dividing net profit for a given period by the weighted average number of shares in the given reporting period.

10. Information on operating segments

An operating segment is a component of an entity:

a) that engages in business activities in relation to which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
c) for which discrete financial information is available.

In accordance with the requirements of IFRS 8, operating segments shall be identified on the basis of internal reports concerning those elements of the Company, which are regularly reviewed by persons deciding on the allocation of a resource to a given segment and assessing its financial performance.

The Company's activity is focussed on one operating segment, which is the property development activity. The Company's activity is pursued in the whole territory of Poland.

11. Costs and revenues

11.1 Sales revenues

Sales revenues	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Sales of products	121 278	135 538
Sales of goods for trade and materials	1	6 380
Sales of services	1 996	5 766
Total sales revenues	**123 275**	**147 684**

11.2 Costs by category, including employee benefits

Costs by category	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Depreciation of fixed assets	758	929
Depreciation of intangibles	19	14

Unless indicated otherwise, all amounts were given in thousands of PLN

Depreciation of investment properties	37	
Consumption of materials and energy	24 132	30 795
External services	58 452	53 083
Taxes and charges	2 743	1 258
Costs of employee benefits, including:	16 466	15 363
- payroll	*13 658*	*12 967*
- costs of social insurances and other benefits	*2 808*	*2 396*
Other costs, including:	3 633	2 743
- costs of credit	*1 122*	*1 140*
- entertainment and advertising	*2 094*	*1 142*
- property and personal insurances	*211*	*163*
- business trips	*27*	*37*
- other operating costs	*179*	*261*
Total costs by category	**106 240**	**104 185**
Change in products, work in progress and accruals (+/-)	(6 729)	8 720
Costs of products for the entity's own needs (-)	(2 881)	(870)
Selling costs (-)	(6 024)	(3 888)
Administrative expenses (-)	(11 003)	(10 287)
Value of goods for resale and materials sold	1	5 941
Cost of sales	**79 604**	**103 801**
Total costs of products, goods for resale and materials sold, cost of sales and administrative expenses	**96 631**	**117 976**

11.3 Other operating revenues

Other operating revenues	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Net profit from the disposal of non-financial fixed assets	302	113
Revenue from the liquidation of property, plant and equipment and intangible assets	6	-
Cancelled and time-barred liabilities	25	632
Penalties and damages received	175	236
Reimbursement of costs of court proceedings	9	2
received budget interest	2	-
Settlement of other provisions	75	172
Total other operating revenues	**594**	**1 156**

Unless indicated otherwise, all amounts were given in thousands of PLN

11.4 Other operating costs

Other operating costs	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Other revaluation write-offs	-	-
Valuation allowance for time-barred, cancelled receivables and bad debts	2	10
Provision for penalties, court costs and damages	275	82
Donations given	70	127
Penalties, fines and damages	20	41
Costs of court proceedings	15	13
Odsetki budżetowe	7	-
Other	-	1
Total other operating costs	**389**	**274**

11.5 Financial revenues

Financial revenues	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Revenues related to interest, including:	111	280
interest on bank deposits	*-*	*182*
interest on loans	*36*	*97*
interest on cash and cash equivalents	*75*	-
interest for late payments	*-*	*1*
Dividends received	596	702
Other	70	84
Financial revenues	**777**	**1 066**

11.6 Financial costs

Financial costs	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Interest costs, including:	278	376
interest on credits and borrowings	*265*	*370*
interest on finance lease	*4*	*6*
interest on trade liabilities	*9*	-
Other	-	-

Financial costs	**278**	**376**
Net financial revenues and costs	**498**	**690**

11.7 Borrowing costs

	01/01/2017 -31/12/2017	01/01/2016 -31/12/2016
Borrowing costs capitalised in work in progress	1 122	1 140

12. Income tax

12.1 Income tax disclosed in the statement of total income

Statement of total income	01/01/2017 -31/12/2017	01/01/2016 -31/12/2016
Current income tax	**5 769**	**4 827**
Current income tax expense	6 126	4 862
Adjustments concerning current income tax from previous years	(357)	(35)
Deferred income tax	**(846)**	**1 085**
Related to the creation and reversal of temporary differences	(846)	1 085
Tax expense reported in the statement of total income	**4 923**	**5 912**

As regards income tax, the Company is subject to the general provisions of law. The Company doesn't conduct activity in a special economic zone, which would make a difference in the determination of tax burdens in relation to the general provisions of law. The tax and balance sheet year coincides with the calendar year.

12.2 Income tax recognised in equity – not applicable

12.3 Reconciliation of income tax on gross accounting profit

The reconciliation of income tax on gross accounting profit before tax as per the statutory tax rate with income tax calculated with reference to the Company's effective tax rate for the year ended on 31 December 2017 and 31 December 2016 is as follows:

	01/01/2017 -31/12/2017	01/01/2016 -31/12/2016
Gross profit / (loss) from continuing operations before tax	**27 348**	**31 280**
Gross profit / (loss) before tax	**27 348**	**31 280**
Gross profit / (loss) before tax	27 348	31 280
Tax effect of revenues not classified as revenues in conformity with tax laws	2 474	(365)
Tax effect of revenues from previous years and of revenues of future periods constituting tax income of the current year	346	710

Unless indicated otherwise, all amounts were given in thousands of PLN

Tax effect of costs not classified as allowable costs	3 523	(4 578)
Tax effect of costs from previous years classified as allowable costs in the current year	(1 290)	(1 438)
Effect concerning operating lease settlements	(132)	(166)
Others	(26)	(51)
Basis for calculating current and deferred income tax	**32 243**	**25 392**
Basis for calculating current and deferred income tax	32 243	25 392
Income tax with reference to the tax rate binding in Poland, 19%	**6 126**	**4 824**
Adjustments concerning current income tax from previous years	(357)	3
Deferred income tax	(846)	1 085
Income tax disclosed in the statement of total income	**4 923**	**5 912**
Effective tax rate	**18,00%**	**18,90%**

Effective income tax rate for 2017 has been distorted by the value of income tax adjustments for the previous years 357 k. (2011,2015,2016). Considering the above, the effective tax rate is 19.3%.

12.4 Deferred income tax

01/01/2017-31/12/2017	**Status as at the beginning of the period**	**(Increases) charged to accounting profit**	**(Decreases) charged to accounting profit**	**Status as at the end of the period**
Temporary differences concerning deferred income tax assets:				
Provision for repairs under the guarantee	38	188	(38)	188
Provision for unused annual leave and retirement severance pay	86	98	(86)	98
Provision for outstanding payroll payable	31	41	(31)	41
Provision for doubtful debts	76	44	(76)	44

Unless indicated otherwise, all amounts were given in thousands of PLN

Provision for construction works to be incurred		76		76
Provision for the balance sheet audit	3	5	(3)	5
Provision for the loss of profit in relation to price reduction	383	84		467
Other	3	43	(3)	43
	620	579	(237)	962
Temporary differences concerning the deferred income tax provision:				
Result on the sale of premises on the basis of the handover and receipt report	5 186	4 744	(5 186)	4 744
Interest on cash deposits and loans allowed	70		(54)	16
Property, plant and equipment	163		(9)	154
	5 419	4 744	(5 249)	4 914
Total provision / deferred tax assets after compensation:				**3 952**

01/01/2016-31/12/2016	**Status as at the beginning of the period**	**(Increases) charged to accounting profit**	**(Decreases) charged to accounting profit**	**Status as at the end of the period**
Temporary differences concerning deferred income tax assets:				
Provision for repairs under the guarantee	80	38	(80)	38
Provision for unused annual leave and retirement severance pay	87	86	(87)	86
Provision for outstanding payroll payable	55	31	(55)	31
Provision for doubtful debts	-	76	-	76
Provision for the balance sheet audit	3	3	(3)	3
Provision for the loss of profit in relation to price reduction	54	329		383
Questionable budget liabilities	33		(33)	-
Other	82	-	(79)	3
	394	**563**	**(337)**	**620**

Unless indicated otherwise, all amounts were given in thousands of PLN

Temporary differences concerning the deferred income tax provision:

Result on the sale of premises on the basis of the handover and receipt report	3 761	1 425		5 186
Interest on cash deposits and loans allowed	187		(113)	70
Property, plant and equipment	160	7	(4)	163
	4 108	**1 432**	**(120)**	**5 419**

Total provision / deferred tax assets after compensation:	**4 798**

13. Assets and liabilities relating to the Company's Welfare Fund

The Group has created the fund and made periodical deductions in the amount of the deduction from pay until the end of 2015. The Fund's objective was to subsidise the Company's welfare activity, grants allowed to its employees and other welfare costs.

The Company compensated the Fund's assets with the Company's liabilities towards the Fund as those assets do not constitute the Company's separate assets.

The table below presents the analysis of the Fund's assets, liabilities and costs.

	31/12/2017	**31/12/2016**
Cash at bank account of the Company's Welfare Fund	15	23
Receivables in relation to loans allowed	-	3
Total assets of the Company's Welfare Fund	15	26
Liabilities - special funds	15	26
Assets - liabilities of the Company's Welfare Fund	**-**	**-**
Allowance charged to costs in the period	-	-

On the basis of annexe No. 6 to the Remuneration Rules, INPRO SA stopped the creation of the Company's Welfare Fund on 1 January 2016. The money at the account of the Company's Welfare Fund will be spent and settled in conformity with previous rules until it has been used up. Unreconciled benefits awarded to the employees from the Company's Welfare Fund will be settled in conformity with the agreements signed.

14. Earnings per share

The basic earnings per share are calculated by dividing net profit for a period, such profit falling to the Company's ordinary shareholders, by the average weighted number of the issued ordinary shares occurring in the period.
The diluted earnings per share are calculated by dividing net profit for a period, such profit falling to ordinary shareholders (following the deduction of interest on redeemable privileged shares convertible into ordinary shares) by the average weighted number of the issued ordinary shares occurring in the period (such number having been adjusted by the impact of diluting options and diluting privileged shares convertible into ordinary ones).
The figures concerning profit and shares used for the calculation of the basic and diluted earnings per share have been presented below:

Unless indicated otherwise, all amounts were given in thousands of PLN

Earnings per share	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Net profit from continuing operations	22 425	25 368
Net profit from discontinued operations	-	-
Net profit attributable to ordinary shareholders for diluted earnings per share calculation	22 425	25 368

The weighted average number of issued ordinary shares used for the calculation of the earnings per share from continuing operations is presented below.

Basic earnings per share from continuing operations	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Net profit from continuing operations	22 425	25 368
Weighted average number of ordinary shares	40 040	40 040
Basic earnings per share (PLN/share)	0,5601	0.6336

Diluted earnings per share	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Net profit attributable to the shareholders used for diluted earnings per share calculation	22 425	25 368
Adjusted weighted average number of ordinary shares used for diluted earnings per share calculation	40 040	40 040
Diluted earnings per share (PLN/share)	0,5601	0.6336

15. Dividends paid and proposed

Declared and paid dividends for ordinary shares in the period:	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Dividend paid from profit for 2015		12 012
Dividend paid from profit for 2016	10 010	-
	10 010	**12 012**

In conformity with the resolution No. 11 Ordinary General Assembly of Inpro SA on the division of the Company's net profit for the period from 1 January 2016 to 31 December 2016, the part of the profit in the amount of PLN 10,010 k i.e. PLN 0.25 per share was paid as a dividend to the shareholders of Inpro. The General Assembly set out 13/06/2017 as the dividend date and 27/06/2017 as the dividend payment date.

In conformity with the resolution No. 12 Ordinary General Assembly of Inpro SA on the division of the Company's net profit for the period from 1 January 2015 to 31 December 2015, the part of the profit in the amount of PLN 12,012 k i.e. PLN 0.30 per share was paid as a dividend to the shareholders of Inpro. The General Assembly set out 26/05/2016 as the dividend date and 10/06/2016 as the dividend payment date.

Unless indicated otherwise, all amounts were given in thousands of PLN

16. Property, plant and equipment

MOVEMENT OF FIXED ASSETS 01/01/2017 – 31/12/2017	Land	Buildings, premises and civil and hydraulic engineering structures	Machinery and equipment	Motor vehicles	Other fixed assets	Fixed assets under construction	TOTAL
a) gross value of fixed assets as at the beginning of the period	20	1 815	5 057	3 878	3 149	746	**14 665**
b) increases (in relation to) (+)	4	1 592	62	804	213		**2 675**
-purchase			62	804	207		**1 073**
-modernization		850					**850**
-investment outlays for fixed assets under construction	4	742					**746**
-others					6		**6**
c) decreases (in relation to) (-)			**-5**	**-370**	**-47**	**-746**	**-1 168**
- sale				-370	-4		**-374**
- liquidation			-5		-43		**-48**
- reclassification						-746	**-746**
d) gross value of fixed assets as at the end of the period	**24**	**3 407**	**5 114**	**4 312**	**3 315**	**0**	**16 172**
e) accumulated amortisation (depreciation) as at the beginning of the period (-)	**-20**	**-1 001**	**-3 313**	**-3 268**	**-2 809**		**-10 411**
f) depreciation for the period (in relation to) (-)		**-35**	**-339**	**105**	**-89**		**-358**
- annual depreciation charge		-35	-344	-265	-114		**-758**
- sale				370			**370**
- reclassification			5		25		**30**
-others							**0**

Unless indicated otherwise, all amounts were given in thousands of PLN

g) accumulated amortisation (depreciation) as at the end of the period (-)	**-20**	**-1036**	**-3652**	**-3163**	**-2898**	**0**	**-10 769**
h) net value of fixed assets as at the beginning of the period	**-**	**815**	**1 744**	**610**	**341**	**746**	**4 256**
i) net value of fixed assets as at the end of the period	**4**	**2 371**	**1 462**	**1 149**	**417**	**-**	**5 403**

COMPARATIVE DATA (PROCESSED DATA)

MOVEMENT OF FIXED ASSETS 01/01/2016 – 31/12/2016	Land	Buildings, premises and civil and hydraulic engineering structures	Machinery and equipment	Motor vehicles	Other fixed assets	Fixed assets under construction	TOTAL
a) gross value of fixed assets as at the beginning of the period	**20**	**1 815**	**4 693**	**3 723**	**3 085**	**803**	**14 139**
b) increases (in relation to) (+)	**-**	**-**	**369**	**274**	**63**	**-**	**706**
- purchase			**369**	**274**	**63**	**-**	**706**
c) decreases (in relation to) (-)	**-**	**-**	**(5)**	**(119)**	**-**	**(57)**	**(181)**
- sale			**(5)**	**(119)**		**(57)**	**(181)**
- reclassification							**-**
d) gross value of fixed assets as at the end of the period	**20**	**1 815**	**5 057**	**3 878**	**3 149**	**746**	**14 665**
e) accumulated amortisation (depreciation) as at the beginning of the period (-)	**(20)**	**(923)**	**(2 960)**	**(3 205)**	**(2 545)**	**-**	**(9 653)**
f) depreciation for the period (in relation to) (-)	**-**	**(78)**	**(353)**	**(63)**	**(262)**	**-**	**(756)**
- annual depreciation charge	**-**	**(78)**	**(358)**	**(182)**	**(262)**		**(880)**
- sale			**5**	**119**			**124**
g) accumulated amortisation (depreciation) as at the end of the period (-)	**(20)**	**(1 001)**	**(3 313)**	**(3 268)**	**(2 808)**	**-**	**(10 409)**
h) net value of fixed assets as at the beginning of the period	**-**	**892**	**1 733**	**518**	**540**	**803**	**4 486**
i) net value of fixed assets as at the end of the period	**-**	**815**	**1 744**	**610**	**341**	**746**	**4 256**

Unless indicated otherwise, all amounts were given in thousands of PLN

The balance sheet value of all the fixed assets used as at 31 December 2017 on the basis of finance lease agreements and lease agreements with a purchase option was PLN 196 k PLN (31 December 2016: PLN 255 k).

17. Investment property

In the current reporting period, the net value of investment properties decreased from PLN 3.326 k to PLN 3.122 k due to the sale of the apartment.

In 2017, the following movements on investment property took place:
Increases:
- acceptance from inventory (products) of business premises in Gdańsk ul. Tandeta 1/87 with land PLN 2.031 k

Decreases:
- sale of apartment No. 325 in Hotel Mikołajki net value with land – PLN 590 k
- sales of business premises in Gdańsk at ul. Olsztyńska 3 C – PLN 877 k
- sales of business premises in Gdańsk at Tandeta 1/87 – PLN 675 k

In 2016, the net value of investment properties increased from PLN 1.730 k. PLN to 3.326 k due to the purchase of apartments.

	31/12/2017	31/12/2016
Investment property	3122	3 326
Total	**3122**	**3 326**

Unless indicated otherwise, all amounts were given in thousands of PLN

18. Intangibles

CHANGES IN THE VALUE OF INTANGIBLES (BY CATEGORY) 01/01/2017 - 31/12/2017	Cost of completed development work	Goodwill	Software	Other intangibles	TOTAL
a) gross value of intangibles as at the beginning of the period			**303**	**5**	**308**
b) increases (in relation to)	**-**	**-**	**12**	**-**	**12**
- purchase	**-**	**-**	**12**	**-**	**12**
c) decreases (in relation to)	**-**	**-**	**-**	**-**	**-**
- liquidation	**-**	**-**	**-**	**-**	**-**
d) gross value of intangibles as at the end of the period	-	-	**315**	**5**	**320**
e) accumulated depreciation as at the beginning of the period	**-**	**-**	**(277)**	**(5)**	**(282)**
f) depreciation for the period (in relation to) (-)	**-**	**-**	**(19)**	**-**	**(19)**
- depreciation (the annual charge)	-	-	(19)		(19)
- liquidation	**-**	**-**	**-**	**-**	**-**
g) accumulated amortisation (depreciation) as at the end of the period	-	-	(296)	(5)	(301)
h) net value of intangibles as at the beginning of the period	**-**	**-**	**26**	**-**	**26**
i) net value of intangibles as at the end of the period	-	-	**19**	**-**	**19**

Unless indicated otherwise, all amounts were given in thousands of PLN

CHANGES IN THE VALUE OF INTANGIBLES (BY CATEGORY) 01/01/2016 - 31/12/2016	Cost of completed development work	Goodwill	Software	Other intangibles	TOTAL
a) gross value of intangibles as at the beginning of the period	-	-	277	5	283
b) increases (in relation to)	-	-	25	-	25
- purchase	-	-	25	-	25
c) decreases (in relation to)	-	-	-	-	-
- liquidation	-	-	-	-	-
d) gross value of intangibles as at the end of the period	-	-	303	5	308
e) accumulated depreciation as at the beginning of the period	-	-	(262)	(5)	(267)
f) depreciation for the period (in relation to) (-)	-	-	(14)	-	(14)
- depreciation (the annual charge)	-	-	(14)	-	(14)
- liquidation	-	-	-	-	-
g) accumulated amortisation (depreciation) as at the end of the period	-	-	(277)	(5)	(282)
j) net value of intangibles as at the beginning of the period	-	-	15	-	15
k) net value of intangibles as at the end of the period	-	-	26	-	26

Unless indicated otherwise, all amounts were given in thousands of PLN

19. Shares in related entities

Specification of shares in related entities as at the balance sheet date of 31/12/2017

No.	Entity's name	Registered office	Object	Share in the share capital (%)	Share in voting rights (%)	Acquisition price of the shares
1.	inBet Sp. z o.o.	Kolbudy, ul. Przemysłowa 10	Manufacture of reinforced concrete, concrete and steel elements	80,32%	80,32%	10 907
2.	Dom Zdrojowy Sp. z o.o.	Jastarnia, ul. Tadeusza Kościuszki 2A	Hotel services	100,00%	100,00%	19 120
3.	P.B. Domesta Sp. z o.o.	Gdańsk, ul. Cementowa 5-9	Property development activity, main contracting for multi-family residential buildings	59,57%	59,57%	13 926
4.	Hotel Mikołajki Sp. z o.o.	Mikołajki, Aleja Spacerowa 11	Hotel services	100,00%	100,00%	17 984*
5.	PI ISA Sp. z o.o.	Gdańsk, ul. Opata Jacka Rybińskiego 8/6	Sanitary and heating installations	76,92%	76,92%	2 183
6.	SML Sp. z o.o.	Gdańsk, ul. Opata Jacka Rybińskiego 8	Construction services	100,00%	100,00%	201
						64 321

***** For the total capital involvement of INPRO SA in a subsidiary - Hotel Mikołajki Sp. z o.o. in addition to the shares shown above, they are also contributed in 2015. return subsidies to capital (PLN 35,150 k)

Unless indicated otherwise, all amounts were given in thousands of PLN

Specification of shares in related entities as at the balance sheet date of 31/12/2016

No.	Entity's name	Registered office	Object	Share in the share capital (%)	Share in voting rights (%)	Acquisition price of the shares
1.	inBet Sp. z o.o.	Kolbudy, ul. Przemysłowa 10	Manufacture of reinforced concrete, concrete and steel elements	74,85%	74,85%	7 907
2.	Dom Zdrojowy Sp. z o.o.	Jastarnia, ul. Tadeusza Kościuszki 2A	Hotel services	100.00%	100.00%	19 120
3.	P.B. Domesta Sp. z o.o.	Gdańsk, ul. Cementowa 5-9	Property development activity, main contracting for multi-family residential buildings	59.57%	59.57%	13 926
4.	Hotel Mikołajki Sp. z o.o.	Mikołajki, Aleja Spacerowa 11	Hotel services	100.00%	100.00%	15 785*
5.	PI ISA Sp. z o.o.	Gdańsk, ul. Opata Jacka Rybińskiego 8/6	Sanitary and heating installations	76.92%	76.92%	2 183
6.	SML Sp. z o.o.	Gdańsk, ul. Opata Jacka Rybińskiego 8/6	Construction services	100.00%	100.00%	201
						59 122

* For the total capital involvement of INPRO SA in a subsidiary - Hotel Mikołajki Sp. z o.o. in addition to the shares shown above, they are also contributed in 2015. return subsidies to capital (PLN 35,150 k).

As at 31 December 2017, the value of shares in the Hotel Mikołajki Sp. z o.o., Dom Zdrojowy Sp. z o.o. and Isa Sp. z o.o. has been verified in terms of impairment. The analysis was based on the current financial and property situation of the Companies and on their prospects for development in the future as well as on the analysis of macroeconomic factors and the characteristics of the markets in which the Companies operate. The impairment tests were carried out with a 5-year time horizon. The discount rates used were respectively for individual Companies: Hotel Mikołajki Sp. z o.o. - 7.56%, Dom Zdrojowy Sp. z o.o. - 9.25% and Isa Sp. z o.o. - 9.4%.

As a result of the conducted tests, no need to create revaluation write-offs for shares was identified.

Change in shares held in related entities in 2017 and 2016:

On 06/04/2016 the Extraordinary General Meeting of inBet Sp. z o.o. adopted a resolution on the increase of the share capital from PLN 9,695,672 to PLN 10,790,864, that is by the sum of PLN 1,095,192, by way of creation of 19,557 new shares of the nominal value of PLN 56 each, which were subscribed for by INPRO SA by cash. After the registration of the capital increase (11/05/2016), the number of shares held by INPRO SA in inBet Sp. z o.o is 144,224, which constitutes 74.85% of the share capital. The increase of the capital was registered by the National Court Register on 11/05/2016.

On 01/07/2016 INPRO SA established a new subsidiary under the business name of SML Sp. z o.o. INPRO SA subscribed for 4,000 shares in the share capital at the nominal value of PLN 50 per share, totalling PLN 200,000 (100%), which were covered by that amount in cash.
SML Sp. z o.o. was registered in the National Court Register on 14/07/2016 under number 0000628286. The main object of that entity is interior fit-out and construction finishing services.

Unless indicated otherwise, all amounts were given in thousands of PLN

As at the balance sheet date, the financial data of the newly created subsidiary was irrelevant from the Group's point of view, therefore SML Sp. z o.o. was not comprised by consolidation.

On 30/03/2017 the Extraordinary General Meeting of inBet Sp. z o.o. adopted a resolution on the increase of the share capital from PLN 10,790,864 to PLN 13,790,840; that is by the sum of PLN 2,999,976, by way of creation of 53,571 new shares of the nominal value of PLN 56 each, which were subscribed for by INPRO SA by cash. After the registration of the capital increase (12/05/2017), the number of shares held by INPRO SA in inBet Sp. z o.o is 197,795, which constitutes 80.32% of the share capital.

On 26/04/2017 the Extraordinary General Meeting of Hotel Mikołajki Sp. z o.o. adopted a resolution on the increase of the share capital from PLN 15,780,000 to PLN 17,980,000; that is by the sum of PLN 2,200,000; by way of creation of 2,200 new shares of the nominal value of PLN 1,000 each, which were subscribed for by INPRO SA by cash. After the registration of the capital increase (19/07/2017), the number of shares held by INPRO SA in Hotel Mikołajki Sp. z o.o is 17,980.

Securities on shares in subsidiaries:

	01/01/2017 -31/12/2017	01/01/2016 -31/12/2016
Securities on shares in subsidiaries	17 980	15 780
Total	**17 980**	**15 780**

I Registered pledge of 04th October 2017 on the shares in Hotel Mikołajki Sp. z o.o. in the amount of PLN 17,980 k for the following credit agreements:
- investment credit of 5th September 2011 in the amount of PLN 36,214 k granted to Hotel Mikołajki Sp. z o.o. by PKO BP SA; the highest security amount fixed in the pledge agreement being PLN 54,321 k;
Claim satisfaction conditions:
1. The satisfaction of the Pledgee's claims, as its discretion, in the procedure prescribed by the provisions of law on enforcement proceedings, by taking over the ownership of the object of the pledge or through the sale in a public tender held by a bailiff or notary public.

When the National Court Register, Distric Court in Gdańsk (IX Business Division – Pledge Register) , had registered the above pledge (that is 16th November 2017), the agreements of pledge dated 5th September 2011 and 23rd May 2013 were cancelled.

In the last financial year ended 31 December 2016 the following securities were established on shares in subsidiaries:

I Registered pledge of 5 September 2011 on the shares of Hotel Mikołajki Sp. z o.o. in the total amount of PLN 15,582 k for the following credit agreement:
- investment credit of 5 September 2011 in the amount of PLN 36,214 k. granted to Hotel Mikołajki Sp. z o.o. by PKO BP SA; the highest amount of collateral specified in the pledge agreement is PLN 137,617 k. Conditions for satisfying claims in the event of failure to pay all or part of a secured claim may take place through:
1. Satisfying the claims of the Pledgee according to the choice under the provisions on enforcement proceedings, by taking ownership of the subject of the pledge (at the market price of the value of shares determined in the valuation) or by sale through a public tender carried out by a bailiff or notary.
2. The pledgee resigns from the possibility of exercising corporate rights (including the exercise of voting rights) towards Hotel Mikołajki Sp. z o.o.
II Registered pledge of 23 May 2013 on the shares of Hotel Mikołajki Sp. z o.o. in the total amount of PLN 198 k. for the following credit agreement
- investment credit of 5 September 2011 in the amount of PLN 36,214 k. granted to Hotel Mikołajki Sp. z o.o. by PKO BP SA; the highest amount of collateral specified in the pledge agreement is PLN 72, 428 k. Conditions for satisfying claims in the event of failure to pay all or part of a secured claim may take place through:

Unless indicated otherwise, all amounts were given in thousands of PLN

1. Satisfying the claims of the Pledgee according to the choice under the provisions on enforcement proceedings, by taking ownership of the subject of the pledge (at the market price of the value of shares determined in the valuation) or by sale through a public tender carried out by a bailiff or notary.
2. The pledgee resigns from the possibility of exercising corporate rights (including the exercise of voting rights) towards Hotel Mikołajki Sp. z o.o.

20. Other financial assets

Other financial assets (short-term)	31/12/2017	31/12/2016
Short-term deposits – funds on trust accounts	26 176	3 283
Loans allowed	461	-
Total	**26 637**	**3 283**

Other financial assets (long-term)	31/12/2017	31/12/2016
Returnable additional contribution to equity of subsidiary	35 150	35 150
Loans allowed	-	2 066
Total	**35 150**	**37 216**

21. Inventory

Inventory	31/12/2017	31/12/2016
Materials at the price of acquisition	49	37
Work in progress at the cost of manufacture	49 093	44 661
Finished products at the cost of manufacture	40 387	37 512
Goods for resale at the price of acquisition	102 616	99 526
Total	**192 145**	**181 736**

Unless indicated otherwise, all amounts were given in thousands of PLN

Mortgages to secure existing and future claims and ordinary mortgages to secure credit repayment are established on inventory (land in perpetual usufruct recorded in commodities). Details of securities: see note 27 in additional information.

The value of the borrowing costs capitalised in work in progress in the current period was presented in note 11.7.

In 2017, the Company created a write-down for the value of parking spaces on the City Park estate in the B C building and has updated (increased) the existing write-off for parking spaces in the A B City Park building.

In 2016, the Company made a write-down revaluating inventories in the amount of PLN 1.732 k ,PLN 1.591 k resulted from the expropriation of land by the City of Gdańsk at the Chmielna Park. The amount of the write-down was determined as the difference between the value of land acquisition and the estimated value of compensation for the land transferred. The remaining amount is write-down updating the value of parking spaces in buildings A and B at the City Park estate.

Obsolescence allowances on inventory	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Obsolescence allowances on inventory as at the beginning of the period	2 016	284
Obsolescence allowance made	283	1 732
Obsolescence allowances on inventory as at the end of the period	**2 299**	**2 016**

22. Trade and other receivables

	31/12/2017	**31/12/2016**
Receivables from related entities	**1 132**	**3 372**
Gross value of trade receivables	1 063	3 244
Other receivables	69	128
Receivables from other entities	**14 913**	**5 782**
Gross value of trade receivables	11 494	1 544
Receivables from the budget other than current income tax	1 184	2 426
Advances on inventory	2 214	1 800
Advance on fixed assets	-	9

Unless indicated otherwise, all amounts were given in thousands of PLN

Other non-financial receivables	21	3
Gross receivables	**16 045**	**9 154**
Valuation allowance on receivables	**-**	**-**
Short-term prepayments, including:	**100**	**123**
- subscription of periodicals	4	4
- computer software, domains and licences	19	16
- costs of insurances	65	67
- advertising	8	19
- other prepayments	4	17
Total receivables (net)	**16 145**	**9 277**

The conditions of transactions with related entities are presented in item 33 of additional information.

Trade accounts receivable are not interest-bearing and their time-limit for payment is usually 30 days.
Trade and other receivables are valued as at the amortised cost with the application of the effective interest rate, with valuation allowances on receivables taken into account. The book value of receivables is close to their fair value. Trade receivables with the maturity date below 360 days from the date on which they arise are not subject to discounting.

The description of risks relating to trade and other receivables and the Company's policy concerning the management of those risks was presented in item 34 of additional information.

23. Total cash and cash equivalents

The balance of cash and cash equivalents shown in the statement of the financial position and in the cash flow statement consisted of the following items as at 31/12/2017:

	31/12/2017	31/12/2016
Cash in bank and at hand	7 532	6 112
Cash at bank deposits (without overnight)	-	5 001
Total cash and cash equivalents	**7 532**	**11 112**

	31/12/2017	31/12/2016
Cash in PLN	7 532	11 112
Total cash and cash equivalents	**7 532**	**11 112**

Free cash is accumulated at bank accounts and invested in fixed-time and overnight deposits. The Company obtains both variable and fixed interest rates on cash.

Cash at bank and in hand bears interest in accordance with variable interest rates, which depend on the interest rate on one day bank deposits. Short-term deposits are made for various periods ranging from one day to six months depending on the Company's current demand for cash. Deposits bear interest in accordance with interest rates fixed for them The fair value of cash and cash equivalents as at 31 December 2017 is PLN 7,532 k (31 December 2016: PLN 11,112 k).

Unless indicated otherwise, all amounts were given in thousands of PLN

As at 31 December 2017 the Company had unused credit (working capital credits for property development projects) in the amount of PLN 90,000 k and an open credit line in the amount of PLN 16,000 k (31 December 201 PLN 58,759 k and open credit line in the amount of PLN 16,000 k). These funds will be used as the construction works progress.

24. Explanatory note to the cash flow statement

No.	Item	Change in the period 01/01/2017 -31/12/2017
1.	Balance sheet change in provisions	148
2.	Change in provisions in the cash flow statement	994
3.	Difference	846
4.	Explanation of the difference:	846
-	Change in provisions in relation to CIT	846
1.	Balance sheet change in prepayments	13
2.	Change in prepayments in the cash flow statement	13
3.	Difference	0.00
1.	Balance sheet change in inventory	(10 410)
2.	Change in inventory in the cash flow statement	(13 291)
3.	Difference	(2 881)
	Explanation of the difference:	(2 881)
-	Finished products reclassified to "investment property" item	(2 881)
1.	Balance sheet change in net long and short-term receivables	(7 683)
2.	Change in receivables in the cash flow statement	(6 891)
3.	Difference	792
4.	Explanation of the difference:	792
-	change in receivables in relation to CIT	792
1.	Balance sheet change in long and short-term liabilities and accruals	29 362
2.	Change in long and short-term accruals in the cash flow statement	(7 318)
3.	Difference	(36 680)
4.	Explanation of the difference:	(36 680)
-	change in short and long-term loans and credits	(14 265)
-	change in liabilities in relation to CIT	61
-	change in liabilities in relation to finance lease	416
-	change in liabilities in relation to the acquisition of fixed assets, fixed assets under construction and intangibles	(22 892)
1.	Balance sheet change in cash	(3 580)
2.	Change in cash in the cash flow statement	(3 580)
3.	Difference	-

Unless indicated otherwise, all amounts were given in thousands of PLN

25. Share and other capital

25.1 Share capital

As at:	31/12/2017	31/12/2016
Registered share capital	4 004	4 004

SHARE CAPITAL AS AT 31/12/2017						
Series	Kind of shares	Kind of privilege on the shares	Kind of restriction of the right to shares	Number of shares	Nominal value of one share in PLN	Value of the series/issue with reference to the nominal value in PLN
A	ordinary	none	none	30 030 000	0.10	3 003 000
B	ordinary	none	none	10 010 000	0.10	1 001 000
Total				**40 040 000**		**4 004 000**

SHARE CAPITAL AS AT 31/12/2016						
Series	Kind of shares	Kind of privilege on the shares	Kind of restriction of the right to shares	Number of shares	Nominal value of one share in PLN	Value of the series/issue with reference to the nominal value in PLN
A	ordinary	none	none	30 030 000	0.10	3 003 000
B	ordinary	none	none	10 010 000	0.10	1 001 000
Total				**40 040 000**		**4 004 000**

The shareholding structure was described in detail in note No. 2 in Additional Information

Nominal share value

All the issued shares have the nominal value of PLN 0.10 and were fully paid for.

Shareholders' rights

Series A and B shares have one vote per share. The shares are equally preferred as to the dividend and return from equity.

25.2 Supplementary capital

Supplementary capital was created from profits from previous years in conformity with resolutions adopted by the shareholders and from the issue of shares above their nominal value.

25.3 Other capital

Unless indicated otherwise, all amounts were given in thousands of PLN

The revaluation reserve from financial assets available for sale – not applicable.
The reserve related to exchange gains/losses from the conversion of subordinate units – not applicable.

25.4 Retained profits and restrictions on capital

On the basis of § 396 of the Commercial Companies Code, INPRO SA is obliged to maintain retained profit (reserve capital) up to 1/3 of the share capital only for the financing of possible financial losses.
As at 31/12/2017, retained profit exceeded the value of the share capital many times and amounted to PLN 185,654 k.

26. Provisions

26.1 Change in provisions

01/01/2017 -31/12/2017	Retirement and other post-employment benefits	Provision for contentious issues, penalties, fines and damages	Provision for guarantees and sureties given	Other provisions	Total
Status as at the beginning of the period	**201**	**190**	**201**	**2 086**	**2 678**
Increase (+)	285	230	983	2 079	**3 577**
Decrease (-)	(201)	(102)	(194)	(2 087)	**(2 584)**
Status as at the end of the period	**285**	**318**	**990**	**2 078**	**3 671**

01/01/2016 -31/12/2016	Retirement and other post-employment benefits	Provision for contentious issues, penalties, fines and damages	Provision for guarantees and sureties given	Other provisions	Total
Status as at the beginning of the period	**183**	**508**	**423**	**872**	**1 986**
Increase (+)	18	82	201	2 086	**2 387**
Decrease (-)		(400)	(423)	(872)	**(1 695)**
Status as at the end of the period	**201**	**190**	**201**	**2 086**	**2 678**

Time structure of provisions	31/12/2017	31/12/2016
Long-term	285	201
Short-term	3 386	2 477
Total provisions	**3 672**	**2 678**

26.2 Retirement severance pay

The Company pays retiring employees retirement severance pay in the amount set out by the Labour Code.
The Company does not separate assets which could be used to settle the retirement severance pay in the future. The Company creates a provision for future retirement severance pay liabilities to allocate the costs to the periods concerned.
The provision is revised two times a year- at half-year and at the end of a financial year.

Unless indicated otherwise, all amounts were given in thousands of PLN

For the purpose of the update of the provision the Company took the available inflation forecasts, the analysis of the increase of the minimum pay ratios and the projected profitability of highly liquid securities.
The main assumptions taken by the Company as at the balance sheet date and for the years ended on 31 December 2017 and 31 December 2016 for the calculation of the liability are as follows:

	31/12/2017	31/12/2016
Discount rate	2.7%	2,7%
Estimated salary growth rate	0%	0%

26.3 Employment termination benefits

In the event of employment termination, Group employees are entitled to benefits prescribed by the provisions of labour law in force in Poland, such benefits including the annual leave equivalent and indemnities in relation to the non-competition obligations.
The amount of the provision for the unused vacation leave equivalent is revised on the last day of the financial year and on the last day of the half-year of a given financial year.

Provisions for other employment termination benefits are created upon the expiry of the employment relationship.

26.4 Other provisions

That item is composed of, among other things, the following provisions:

- for unused vacation leave (368 k PLN)
- for the audit of the financial statements (25 k PLN)
- for the construction costs invoiced in 2018, concerning premises delivered in 2017 (1 045 k PLN)
- costs of works to be performed related to the road contract regarding Chmielna (400 k PLN)
- provision for preparing additional tax documentary (10 k PLN)
- for the additional management fee (depends on achieved result) (230 k PLN)

27. Interest-bearing bank credits, loans, issued bonds and liabilities relating to finance lease

Long-term financial liabilities	31/12/2017	31/12/2016
Liabilities in relation to finance lease and lease agreements with a purchase option	18	81
Loans and credits	8 239	12 910
Total	**8 257**	**12 991**

Short-term financial liabilities	31/12/2017	31/12/2016
Liabilities in relation to finance lease and lease agreements with a purchase option	69	67
Loans and credits	26 060	7 124
Total	**26 129**	**7 191**

There were no cases of violation of credit agreements in the periods covered by these financial statements.

Unless indicated otherwise, all amounts were given in thousands of PLN

Liabilities of INPRO SA in relation to credits as at 31/12/2017

Financing party	Credit currency	Credit/limit amount	Credit value as at the balance sheet date	Deadline for repayment	Securities – mortgage			Other securities
					Mortgage	Object	Location	
mBank S.A.	PLN	42 500	-	31.08.2020	Mortgage up to the sum of PLN 63,750 k	GD1Y/00114340/5	Gdynia, Wielkopolska street	assignment of rights under the insurance policy, blank promissory note
Alior Bank SA	PLN	6 500	4 290	31.12.2019	Mortgage up to the sum of PLN 9,750 k.	GD1G/00278657/2 GD1G/00064314/3	Gdańsk, Chmielna street	power of attorney to accounts, notarised power of attorney to sell the premises credited in the case of the lack of payment, assignment from the property insurance policy, subjecting the Company to rigori Article 777 of the Code of Civil Procedure, unconfirmed transfer of receivables from sale contracts for credited premises
Consortium SGB Bank SA, Bank Spółdzielczy w Tczewie, Bank Spółdzielczy w Pruszczu Gdańskim	PLN	22 500	15 589	30.12.2018	Mortgage up to PLN 22,500 k to SGB-Bank SA, up to PLN 2,250 k for the benefit of BS in Tczew and in the amount of PLN 9,000 k for the benefit of Bank Spółdzielczy in Pruszcz Gdański	GD1G//00049979/1	Gdańsk, Stężycka street	assignment from the premises insurance policy, three blank promissory notes, power of attorney to the current account and trust account, assignment of receivables from the current and trust account in SGB-Bank SA to other banks, declaration of submission to enforcement Article 777 of the Code of Civil Procedure
Consortium SGB Bank SA, Bank Spółdzielczy w Tczewie	PLN	7 000	3 510	28.09.2018	mortgage on an equal priority basis up to the amount of PLN 7,875,000 established for the benefit of SGB-Bank S.A., up to PLN 2,625,000 to BS in Tczew	GD1Y/00103465/7, GD1Y/00109619/4	Gdynia, Fleszarowa – Muskat street	Two blank promissory notes, power of attorney to the current account assignment of receivables from the current account declaration of submission to enforcement Article 777 of the Code of Civil Procedure

Unless indicated otherwise, all amounts were given in thousands of PLN

Alior Bank SA	PLN	14 800	-	30.11.2019	Mortgage up to the sum of PLN 22,200 k	GD1G/00287858/0	Pruszcz Gdański	power of attorney to accounts, subjecting the Company to rigori Article 777 of the Code of Civil Procedure, unconfirmed transfer of receivables from sale agreements premises , assignment from a building policy, financial and registered pledge on the account, notarised power of attorney to sell the premises credited
mBank SA	PLN	16 700	-	29.03.2019	Mortgage up to the sum of PLN 25,050 k	GD1G/00285339/9	Gdańsk, Opacka street	assignment of rights under the insurance policy, blank promissory note
Alior Bank SA	PLN	6 850	6 868	31.12.2019	contractual mortgage to a given of PLN 10,275 k	GD1G/00243821/9	Gdańsk, Stężycka street	power of attorney to accounts, subjecting the Company to rigori Article 777 of the Code of Civil Procedure, unconfirmed transfer of receivables from sale agreements of 10 houses at stage D of Golf Park
SGB Bank SA Bank Spółdzielczy w Tczewie	PLN	4 200	4 042	31.10.2019	Mortgage up to the sum of PLN 3,150 k	GD1G/00040518/9	Pruszcz Gdański	Two blank promissory notes, power of attorney to the current account, assignment of receivables from the current account, declaration of submission to enforcement Article 777 of the Code of Civil Procedure
Total credit liabilities			**34 299**					

Open credit lines as at 31/12/2017

Financing party	Credit currency	Credit/limit amount	Credit value as at the balance sheet date	Deadline for repayment	Securities			
					Mortgage	Object	Location	Other securities
Alior Bank SA	PLN	16 000		20.09.2018	Mortgage up to the sum of PLN 25,075 k	GD1G/00036115/3, GD1G/00068140/0, GD1G/00083407/1, GD1G/00261401/1	Gdańsk, Myśliwska street; Gdańsk, Opata Jacka Rybińskiego 8 street; Gdańsk, Jana Pawła II street	power of attorney to accounts, assignment from the real estate insurance policy in Gdańsk, street Opata Jacka Rybińskiego 8, subjecting the Company to rigori Article 777 of the Code of Civil Procedure.
			-					

Unless indicated otherwise, all amounts were given in thousands of PLN

Liabilities of INPRO SA in relation to credits as at 31/12/2016

Financing party	Credit currency	Credit/limit amount	Credit value as at the balance sheet date	Deadline for repayment	Securities – mortgage			Other securities
					Mortgage	Object	Location	
Alior Bank SA	PLN	4 300	240	06.02.2017	Mortgage up to the sum of PLN 25,075 k	GD1G/00036115/3, GD1G/00068140/0, GD1G/00083407/1, GD1G/00261401/1	Gdańsk, Myśliwska street; Gdańsk, Opata Jacka Rybińskiego 8 street; Gdańsk, Jana Pawła II	power of attorney to accounts, assignment of silent claims from contracts for the sale of single-family houses, Wróbla Staw, stages D and H
Alior Bank SA	PLN	8 200	754	28.04.2017	Mortgage up to the sum of PLN 12,300 k	GD1G/00084697/7 (participation in the perpetual usufruct right and ownership of the building)	Gdańsk, Tandeta 1 street	transfer of monetary claims in relation to the sale of premises, power of attorney to accounts, transfer of claims under insurance, notarised power of attorney to sell the premises credited in the case of the lack of payment
Alior Bank SA CDF Gdańsk	PLN	7 500	6 450	31.12.2018	Mortgage up to the sum of PLN 11,250 k	GD1G/00285339/9	Gdańsk, Opacka street	power of attorney to accounts
Consortium SGB Bank SA Kaszubski Bank Spółdzielczy in Wejherowo	PLN	8 000	2 118	30.09.2017	two mortgages - one up to PLN 7,200 k the other in the amount of PLN 4,800 k	GD1Y/00114340/5	Gdańsk,Wielkopolska street	power of attorney to accounts, two blank promissory notes, assignment of receivables from the current account
Consortium SGB Bank SA Kaszubski Bank Spółdzielczy in Wejherowo	PLN	6 000	1 818	30.11.2018	Two mortgages- up to the sum of 4,500 k each	GD1G/00264763/7, GD1G/00278657/2 (participation in the perpetual usufruct right and ownership of the building)	Gdańsk, Chmielna street	assignment from the premises insurance policy, two blank promissory notes, power of attorney to accounts, assignment of claims from the current account for the benefit of Bank Spółdzielczy in Tczew, declaration on submission to enforcement up to PLN 4 500 000 for each bank

Unless indicated otherwise, all amounts were given in thousands of PLN

Consortium SGB Bank SA Bank spółdzielczy in Pruszcz Gdański Bank Spółdzielczy in Tczew	PLN	22 500	5 548	30.12.2018	The mortgages - on an equal priority basis up to PLN 22,500,000 established for the benefit of SGB-Bank SA, up to PLN 2,250,000 for BS in Tczew and up to PLN 9,000,000 for the benefit of Bank Spółdzielczy in Pruszcz Gdański	GD1G/00049979/1	Gdańsk, Stężycka street	assignment from the premises insurance policy, three blank promissory notes, power of attorney to the current account and trust account, assignment of claims from the current account and trust account, declaration of submission to enforcement
Consortium SGB Bank SA Bank Spółdzielczy in Tczew	PLN	7 000	0,00	28.09.2018	The mortgages - on an equal priority basis up to the amount of PLN 7,875,000 established for the benefit of SGB-Bank S.A., up to PLN 2,625,000 to BS in Tczew	GD1Y/00103465/7, GD1Y/00109619/4	Gdynia, Fleszarowa – Muskat street	declaration of submission to enforcement, two blank promissory notes, power of attorney to accounts, assignment of claims from the current account
mBank SA	PLN	31 000	3 106	28.09.2018	Mortgage up to the sum of PLN 46,500 k	GD1G/00261213/6	Gdańsk, Opacka street	assignment of rights under an insurance policy, blank promissory note,
Total credit liabilities			**20 034**					

Unless indicated otherwise, all amounts were given in thousands of PLN

Open credit lines as at 31/12/2016

Financing party	Credit currency	Credit/limit amount	Credit value as at the balance sheet date	Deadline for repayment	Securities			
					Mortgage	Object	Location	Other securities
Alior Bank SA	PLN	16 000	-	21/09/2017	mortgage up to the sum of PLN 20,075 k	GD1G/00036115/3, GD1G/00068140/0, GD1G/00083407/1, GD1G/00261401/1	Gdańsk, Opata Jacka Rybińskiego 8 street; Gdańsk, Myśliwska street; Gdańsk, Jana Pawła II street	power of attorney to accounts, assignment of rights under the construction site insurance agreement, subjecting the Company to rigori Article 777 of the Code of Civil Procedure
			-					

Unless indicated otherwise, all amounts were given in thousands of PLN

28. Liabilities relating to finance lease agreements and lease agreements with a purchase option

Nominal value of minimum lease payments	31/12/2017	31/12/2016
Within 1 year	69	67
Within 1 to 3 years	18	81
Total liabilities related to finance lease - total minimum lease payments	**87**	**147**
Financial costs in relation to finance lease	4	6

As at the balance sheet date, the Company had the following liabilities relating to lease agreements:

Financing party	Object of the agreement	Agreement number	Initial value in thousands of PLN	Date of termination of the agreement	Liability as at the end of the period	Short-term part	Long-term part
Caterpillar Financial Service Poland Sp. z o.o.	428 F digger-loader	OL-028331	294	2019-03-05	87	69	18
					87	**69**	18

Liabilities of INPRO SA in relation to lease agreements as at 31/12/2016:

Financing party	Object of the agreement	Agreement number	Initial value in thousands of PLN	Date of termination of the agreement	Liability as at the end of the period	Short-term part	Long-term part
Caterpillar Financial Service Poland Sp. z o.o.	428 F digger-loader	OL-028331	294	2019-03-05	147	67	81
					147	**67**	**81**

Unless indicated otherwise, all amounts were given in thousands of PLN

29. Trade and other liabilities

Long-term liabilities	31/12/2017	31/12/2016
Long-term liabilities in relation to related entities	**187**	**172**
Trade liabilities	187	172
Long-term liabilities in relation to other entities	**1 470**	**1 627**
Trade liabilities	1 470	1 627
Other liabilities	-	-
Total trade and other long-term liabilities	**1 657**	**1 799**

Short-term liabilities	31/12/2017	31/12/2016
Short-term liabilities in relation to related entities	**1 098**	**746**
Trade liabilities	1 098	746
Other non-financial liabilities	-	-
Short-term liabilities in relation to other entities	**54 315**	**39 366**
Trade and other liabilities	10 318	8 626
Payroll payable	367	333
Liabilities towards the state budget other than current income tax	805	713
Advances received	42 694	29 163
Other liabilities	131	531
Total short term trade and other liabilities	**55 413**	**40 112**
Total trade and other liabilities	**57 070**	**41 911**

The conditions of transactions with related entities are presented in item 33 of additional information.
Trade liabilities are not interest-bearing and are usually settled within 30-day periods.
Other liabilities are not interest-bearing and their average payment term is usually 1 month.
The amount following from the difference between value added tax receivable and payable is paid to the competent tax authorities in the required periods.

Unless indicated otherwise, all amounts were given in thousands of PLN

30. Long-term contracts

In the reporting period, INPRO SA did not execute any long-term contracts. In 2016. The company implemented one long-term contract - construction of a covered link between the part of Hotel Mikołajki located on the Island and a hotel part situated on the Peninsula. The contract has been completed by 30/06/2016.

The costs related to the performance of the contract in question were recognized in the statement of comprehensive income in the amount of actually incurred costs

The revenues related to the performance of the contract in question were recognized in the statement of comprehensive income in accordance with the zero-profit method.

	01/01/2017 -31/12/2017	01/01/2016 -31/12/2016	Cumulative to 31/12/2017
Revenues as per percentage of completion (shown in the statement of total income)	-	3 276	**1 195**
Invoiced revenues	-	3 202	**1 269**
Difference	-	74	**(74)**
Costs incurred	-	3 084	**1 195**

31. Contingent liabilities and receivables

31.1 Other contingent liabilities

Continent liabilities	31/12/2017	31/12/2016
Surety for a bill of exchange	5 348	5 348
Other contingent liabilities	36 214	36 214
Total contingent liabilities	**41 562**	**41 562**

Contingent liabilities as at 31/12/2017:

1. Unconditional subordinate loan enhancement agreement for Hotel Mikołajki sp. z o.o. to cover additional costs, if any, of the project in excess of those specified in the business plan submitted to PKO BP and to repay credits awarded by that Bank. Surety for the non-revolving working capital credit under agreement No. 59 1020 1811 0000 0796 0048 7611 in the amount of PLN 36,214 k of 5 September 2011. (credit obtained by Hotel Mikołajki Sp. z o.o.).

2. Joint and severable civil law surety given by INPRO S.A. for the liabilities of Hotel Mikołajki Sp. z o.o. in relation to investment credit agreement No. 59 1020 1811 0000 0796 0048 7611 of 05/09/2011, as amended, such a surety granted on the basis of Annexe No. 4 of 25/06/2015 in total amount on PLN 28,517,303.81 k. The debt under the credit as at 31 December 2017 is PLN 19,645 k (leasing debt as at 31 December 2017 is PLN 2,911,682.30)

3. Surety for a bill of exchange granted by INPRO S.A. for the liabilities of inBet Sp. z o.o. under operating lease agreement No. 38/0211/15 of 10/07/2015 of PLN 5,347,553.56 k signed with PEKAO Leasing Sp. z o.o.

Unless indicated otherwise, all amounts were given in thousands of PLN

Contingent liabilities as at 31/12/2016:

1. Unconditional subordinate loan enhancement agreement for Hotel Mikołajki sp. z o.o. to cover additional costs, if any, of the project in excess of those specified in the business plan submitted to PKO BP and to repay credits awarded by that Bank. Surety for the non-revolving working capital credit under agreement No. 59 1020 1811 0000 0796 0048 7611 in the amount of PLN 36,214 k of 5 September 2011. (credit obtained by Hotel Mikołajki Sp. z o.o.).

2. Joint and severable civil law surety given by INPRO S.A. for the liabilities of Hotel Mikołajki Sp. z o.o. in relation to investment credit agreement No. 59 1020 1811 0000 0796 0048 7611 of 05/09/2011, as amended, such a surety granted on the basis of Annexe No. 4 of 25/06/2015 in total amount on 25/06/2015 PLN 28,517 k (the debt as at 31/12/2016 is PLN 24.929 k).

3. Surety for a bill of exchange granted by INPRO S.A. for the liabilities of inBet Sp. z o.o. under operating lease agreement No. 38/0211/15 of 10/07/2015 of PLN 5,348 k signed with PEKAO Leasing Sp. z o.o. (the debt as at 31/12/2016 is PLN 2,912 k).

31.2 Contingent receivables

Contingent receivables	**31/12/2017**	**31/12/2016**
Guarantees received	67	381
Total contingent receivables	**67**	**381**

31.3 Investment liabilities

Investment liabilities in relation to the payment for the purchased fixed assets were PLN 102 k both at 31 December 2017 and PLN 500 k both at 31 December 2016

31.4 Significant court cases

The Company was not a party to significant court proceedings as at 31 December 2017.

31.5 Tax settlements

Tax settlements and other areas of activity subject to the regulations (e.g. customs or foreign currency matters) may be inspected by administrative bodies authorised to impose high penalties and other sanctions. The lack of reference to established legal provisions in Poland causes ambiguities and inconsistencies in the binding legal provisions. Frequent differences in opinions about the legal interpretation of tax provisions both within state bodies and between them and enterprises cause the rise of uncertainty and conflict areas. Those phenomena cause the tax risk in Poland to be significantly higher than that existing in countries with a more developed tax system.
Tax settlements may be the subject to inspection for a five year period from the end of a year in which tax was paid. As a result of inspections, the Company's previous tax settlements may be increased by additional tax liabilities.

32. Securities established on Company's assets

Securities established on the Company's assets - the fair value	**31/12/2017**	**31/12/2016**
- on fixed assets	25 075	25 075
- on current assets	142 900	155 275
Total	**167 975**	**180 350**

Unless indicated otherwise, all amounts were given in thousands of PLN

Securities established on the Company's assets as at 31 December 2017

Securities on fixed assets in 2017

Contractual mortgage up to PLN 25,075 k in favour of Alior Bank on the share of INPRO S.A. in the amount of 5799/10000 parts in the perpetual usufruct right to the real estate situated in Gdańsk, Opata Jacka Rybińskiego street (Land and Mortgage Register no. GD1G/00068140/0) and on ownership of apartment number 2 in Gdańsk, Opata Jacka Rybińskiego 8 street (Land and Mortgage Register no. GD1G/00083407/1).
(details RB nr 24/2016 of 22/09/2016)

Securities on current assets

This item concerns legal securities established on current assets. A schedule of mortgages established on current assets is in note No. 27. As at 31 December 2017 in the total amount of PLN 142,900 k.

33. Information about related entities

33.1 Transactions with related entities

The following table presents the total amounts of transactions effected with related entities for the financial years 2017 and 2016.

Revenues from sales to a related entity (products, services, goods for resale, materials and other revenues)	**01/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
inBet Sp. z o.o.	137	97
Dom Zdrojowy Sp. z o.o.	175	175
P.B. Domesta Sp. z o.o.	8	5
Hotel Mikołajki Sp. z o.o.	347	3 801
Isa Sp. z o.o.	57	68
SML Sp. z o.o.	15	5
Transactions with the members of the Management Board	24	324
Total	**763**	**4 475**

Unless indicated otherwise, all amounts were given in thousands of PLN

Purchase from a related entity	01/01/2017 -31/12/2017	01/01/2016 -31/12/2016
inBet Sp. z o.o.	3 592	3 873
Dom Zdrojowy Sp. z o.o.	75	67
P.B. Domesta Sp. z o.o.	11	-
Hotel Mikołajki Sp. z o.o.	3	1 740
Isa Sp z o.o.	3 966	5 031
Total	**7 647**	**10 711**

The data in the table concerning the sales by INPRO SA to Hotel Mikołajki Sp. z o.o. were presented by long-term contracts.

Sales of INPRO SA as per invoices	1/1/2017 -31/12/2017	1/1/2016 -31/12/2016
inBet Sp.z o.o.	137	97
Dom Zdrojowy Sp. z o.o.	175	175
P.B.Domesta Sp. z o.o.	8	5
Hotel Mikołajki Sp. z o.o.	347	3 727
Isa Sp z o.o.	57	68
SML Sp. z o.o.	15	5
Transakcje z członkami Zarządu	24	324
Total	763	4 401

Loans granted by Inpro SA	1/1/2017 -31/12/2017	1/1/2016 -31/12/2016
To related entities:		
Dom Zdrojowy Sp. z o.o.	461	2 066
Total	461	2 066

Receivables from related entities

	31/12/2017	31/12/2016
Trade receivables - up to 12 months	**1 034**	**2 787**
inBet Sp. z o.o.	26	7
Dom Zdrojowy Sp. z o.o.	17	26
Hotel Mikołajki Sp. z o.o.	986	2 752
Isa Sp. z o.o.	4	1
SML Sp. z o.o.	1	1
Trade receivables - over 12 months	**29**	**457**
Hotel Mikołajki Sp. z o.o.	29	457

Unless indicated otherwise, all amounts were given in thousands of PLN

Other receivables- up to 12 months	**69**	**128**
inBet Sp. z o.o.	9	10
Hotel Mikołajki Sp. z o.o.	60	118
Total short-term receivables	**1 132**	**3 372**
inBet Sp. z o.o.	36	17
Dom Zdrojowy Sp. z o.o.	17	26
Hotel Mikołajki Sp. z o.o.	1 074	3 327
Isa Sp. z o.o.	4	1
SML Sp. z o.o.	1	1

Liabilities towards related entities

	31/12/2017	**31/12/2016**
Trade liabilities - up to 12 months	**1 098**	**747**
inBet Sp. z o.o.	526	359
Hotel Mikołajki Sp. z o.o.	-	2
Isa Sp. z o.o.	572	386
Trade liabilities - over 12 months	**187**	**172**
inBet Sp. z o.o.	34	28
Isa Sp. z o.o.	153	144
Total short-term liabilities	**1 285**	**919**
inBet Sp. z o.o.	559	387
Hotel Mikołajki Sp. z o.o.	-	2
Isa Sp. z o.o.	726	530

33.2 Conditions of transactions with related entities

Transactions with related entities are effected on terms and conditions equivalent to those binding in transactions with other entities.

33.3 Loan allowed to a member of the Management Board

The Company did not give loans to the members of the Management Board.

33.4 Remuneration of the Company's senior management

The remuneration of the Company's senior management comprises:

Remuneration paid to senior management (with surcharges)	**0 1/01/2017 -31/12/2017**	**01/01/2016 -31/12/2016**
Management Board	**2 937**	**2 050**
-Short-term employee benefits	2 937	2050
Supervisory Board	**140**	**93**
-Short-term employee benefits	140	93
Remaining senior management	**966**	**978**
-Short-term employee benefits	966	977
-Benefits related to employment relationship termination	-	1

Unless indicated otherwise, all amounts were given in thousands of PLN

Total	**4 043**	**3 121**

33.5 Participation of senior management in the employee share programme

Not applicable.

34. Purposes and objectives of financial risk management

The main financial instruments used by the Company include bank credits, loans, finance lease agreements, lease agreements with a purchase option, cash and short-term deposits. The main purpose of those financial instruments is to obtain funds for the Company's activity. The Company also has other financial instruments such as trade receivables and liabilities which arise directly in the course of the Company's activity.

The main kinds of risk arising from the Company's financial instruments comprise the interest rate, liquidity, currency and credit risks. The Management Board reviews and agrees the principles of managing each of those kinds of risk. Those principles were briefly discussed below.

34.1 Interest rate risk

The Company has credit liabilities for which interest is computed on the basis of a variable interest rate, in relation to which there is a risk of the increase of those rates against the time when the agreement was entered into. Moreover, the Company invests free cash in investments bearing variable interest, in which case the profits from investments decrease if interest rates fall down. Information on assets and liabilities exposed to the interest rate risk was presented in the notes below.

In view of the fact that the Company had both assets and liabilities bearing variable interest (a fact which balanced the risk) in the reporting period and of insignificant fluctuations of interest rates in the past periods, as well as in view of no foreseeable sudden interest rate changes in the next reporting periods, the Company did not use interest rate hedging because it considered the interest rate risk not to be significant.

Irrespective of the present situation, the Company monitors the interest rate risk exposure and the forecast interest rates and does not exclude hedging activities in the future.

The table below shows the balance sheet value of the Company's financial instruments exposed to the interest rate risk broken down to various age categories.

01/01/2017-31/12/2017					
Fixed interest rate	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Cash and cash equivalents					-
Liabilities relating to finance lease and lease agreements with a purchase option	(69)	(18)			(87)
Total	**(69)**	**(18)**	**-**	**-**	**(87)**

Variable interest rate	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Cash and cash equivalents	7 532				7 532
Short-term financial assets	26 176				26 176
Loans allowed	461				461
Bank credits	(26 060)	(8 239)			(34 299)
Total	**8 109**	**(8 239)**	**-**	**-**	**(130)**

Unless indicated otherwise, all amounts were given in thousands of PLN

01/01/2016-31/12/2016					
Fixed interest rate	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Cash and cash equivalents					-
Liabilities relating to finance lease and lease agreements with a purchase option	(67)	(81)			(148)
Total	**(67)**	**(81)**	**-**	**-**	**(148)**

Variable interest rate	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Cash and cash equivalents	11 112				11 112
Short-term financial assets	3 283				3 283
Loans allowed	-	2 066			2 066
Bank credits	(7 124)	(12 910)			(20 034)
Total	**7 271**	**(10 844)**	**-**	**-**	**(3 573)**

The interest rate on variable interest rate financial instruments is updated in periods below one year. Interest on fixed interest financial instruments is fixed throughout the period to the maturity of those instruments. The Company's other financial instruments not covered in the tables above do not bear interest and are therefore not subject to the interest rate risk.

34.2 Foreign currency risk

The Company is not exposed to the currency conversion rate risk because of insignificant sales of products in a foreign currency and because of the coverage of the majority of the costs of production in the national currency. Moreover, all the Company's credits, loans and deposits are denominated in the national currency. The currency risk is insignificant.

No receivables in foreign currencies occurred as at the balance sheet date or 31 December 2017.

As at the balance sheet date and 31 December 2016, the Company did not have any involvement in a foreign currency.

34.3 Other price risk

The Company is not exposed to another significant price risk related to financial instruments, there is, however, a price risk related to the prices of both the Company's products and of the materials. The Company's products and raw materials are not commonly offered on commodity exchanges, a fact which prevents the implementation of hedging strategies. The increase in prices of materials and services is compensated by the increase in the sale price of apartments on the development market.

34.4 Market risk sensitivity analysis

As at 31 December 2017 and 31 December 2016 the Company does not have receivables and liabilities expressed in a foreign currency.

The potentially possible changes concerning the market risk were assessed by the Company as follows:
1.0% change of the PLN interest rate (an increase or decrease of that rate),
The above figures were determined on the annual basis.
The sensitivity analysis conducted by the Company takes the impact of taxation into account.
The influence of potentially possible changes on the Company's accounting profit and capital is presented in the table below:

Unless indicated otherwise, all amounts were given in thousands of PLN

31/12/2017

Item in the financial statements	value of the item	Interest rate risk			
		impact on the result		impact on the capital	
		+100 base points	-100 base points	+100 base points	-100 base points
Short-term bank deposits	7 532	75	(75)	-	-
Credits incurred	34 299	(343)	343	-	-
Other financial liabilities (lease)	87	(1)	1		
Loans allowed	461	5	(5)		
Total increase / (decrease) before taxation		**(94)**	**94**		
the impact of taxation		**(18)**	**18**		
Total increase / (decrease) after taxation		**(112)**	**112**		

31/12/2016

Item in the financial statements	value of the item	Interest rate risk			
		impact on the result		impact on the capital	
		+100 base points	-100 base points	+100 base points	-100 base points
Short-term bank deposits	8 283	83	(83)	-	-
Credits incurred	20 034	(200)	200		
Other financial liabilities (lease)	147	(1)	1	-	-
Loans allowed	2 066	21	(21)		
Total increase / (decrease) before taxation		**(97)**	**97**		
the impact of taxation		**18**	**(18)**		
Total increase / (decrease) after taxation		**(79)**	**79**		

1. Bank deposits

31/12/2017

This item comprises short-term deposits (with variable interest - overnight) and interest-bearing funds on escrow accounts totalling PLN 7,532 k. Sensitivity to change by +/- 100 base points of market percentage rates in PLN. [PLN 7,532 k x 100pb]= PLN 75 k.

31/12/2016

This item comprises short-term deposits (with variable interest - overnight) and interest-bearing funds on escrow accounts totalling PLN 8,283 k. Sensitivity to change by +/- 100 base points of market percentage rates in PLN. [PLN 8,283 k x 100pb]= PLN 83 k.

Unless indicated otherwise, all amounts were given in thousands of PLN

2. Bonds

31/12/2017

No bonds occurred as at the balance sheet date or 31 December 2017.

31/12/2016

No bonds occurred as at the balance sheet date or 31 December 2016.

3. Credits

31/12/2017

Variable interest credits in the amount of PLN 34,299 k.

Sensitivity to change by +/- 100 base points of market percentage rates in PLN.

[PLN 34,299 k x 100 base points] = PLN 343 k.

31/12/2016

Variable interest credits in the amount of PLN 20,034 k.

Sensitivity to change by +/- 100 base points of market percentage rates in PLN.

[PLN 20,34 k x 100 base points] = PLN 200 k.

4. Loans

31/12/2017

Variable interest loans in the amount of PLN 461 k.

Sensitivity to change by +/- 100 base points of market percentage rates in PLN.

[PLN 461 k x 100 base points] = PLN 5 k.

31/12/2016

Variable interest loans in the amount of PLN 2.066 k.

Sensitivity to change by +/- 100 base points of market percentage rates in PLN.

[PLN 2,066 k x 100 base points] = PLN 21 k.

34.5 Commodity price risk

The Company is not exposed to another significant price risk related to financial instruments, there is, however, a price risk related to the prices of both the Company's products and of the materials. The Company's products and raw materials are not commonly offered on commodity exchanges, a fact which prevents the implementation of hedging strategies. The increase in prices of materials and services is compensated by the increase in the sale price of apartments on the development market.

34.6 Credit risk

The Company is exposed to credit risk understood as the risk of the creditors failing to meet their obligations and thus causing the Company to suffer losses. The maximum exposure to credit risk as at the balance sheet date is PLN 12,530 k (31 December 2016: PLN 4,922 k) and was estimated as the balance sheet value of trade and other receivables (without short-term accruals, advances on inventory and receivables from the budget).

01/01/2017-31/12/2017			**Unimpaired overdue receivables**				
Age structure of receivables	Nominal value of receivables	Non-overdue receivables which did not lose their value	<30 days	31-90 days	91-180 days	181-365 days	>365 days
Trade receivables	**12 556**	11 502	69	90	2	428	466

Unless indicated otherwise, all amounts were given in thousands of PLN

01/01/2016-31/12/2016			Unimpaired overdue receivables				
Age structure of receivables	Nominal value of receivables	Non-overdue receivables which did not lose their value	<30 days	31-90 days	91-180 days	181-365 days	>365 days
Trade receivables	**4 788**	2 079	32	382	1 152	1 125	18

In the opinion of the Company's Management Board, no significant concentration of the credit risk occurs because the Company has many customers. The Company takes steps aiming the limitation of the credit risk, such steps consisting in: checking the customers' credit rating, fixing credit limits, monitoring the customers' situation, obtaining securities (promissory notes, letters of credit, sureties and securities on movable property and real estate). As at 31/12/2017 receivables were not secured.

In view of the above, in the opinion of the Company's Management Board, the credit risk was covered in the financial statements by way of creation of valuation allowances. As at the balance sheet date and as at 31/12/2016 not created valuation allowances.

Credit risk related to bank deposits, derivative instruments and other investments is considered insignificant because the Company effected transactions with companies with an established financial position.

There are no significant concentrations of credit risk in the Company.

34.7 Liquidity risk

The Company is exposed to liquidity loss risk understood as the risk of losing the capacity to pay liabilities within the specified time limits. The risk stems from the potential restriction of access to financial markets, which may result in the lack of an opportunity to obtain new finance or to refinance its debt. In the opinion of the Company's Management Board, the safe amount of cash as at the balance sheet date (note 23) available credit lines (note 27), new credit agreements signed after the balance sheet date (note 39) and the Company's good financial condition cause that the liquidity loss risk should be assessed as slight.

Cash at bank and in hand (rating grade by EuroRating):

Item in the financial statements	31/12/2017	31/12/2016
cash at bank and in hand	7 532	11 112
Other short-term financial assets (advances on separate revenue accounts)	26 176	3 283
Total	**33 708**	**14 395**

Rating grade	31/12/2017	31/12/2016
Bank with rating grade A-	92	2 931
Bank with rating grade BBB	23 327	-
Bank with rating grade BB+	3 941	10 398
Bank with rating grade BB-	6 339	1 063
Cash	9	3
Total	**33 708**	**14 395**

The analysis of financial liabilities in time intervals was presented below. The figures constitute non-discounted cash flows, which are the Company's maximum risk exposure.

Unless indicated otherwise, all amounts were given in thousands of PLN

Age structure of financial liabilities:

01/01/2017-31/12/2017		Liabilities mature in the period			
Age structure of financial liabilities	**Total liabilities**	**up to 30 days**	**from 31 to 90 days**	**from 91 to 365 days**	**above 365 days (see note below)**
Trade liabilities	13 073	8 608	2 232	577	1 656
Loans and credits	34 299	915	7 246	17 899	8 239
Other financial liabilities	87	6	11	52	18
Total	**47 459**	**9 529**	**9 489**	**18 528**	**9 913**

Liabilities mature above 365 days	1-3 years	3-5 years	>5 years	Total
Trade liabilities	537	1 110	9	1 656
Loans and credits	8 239			8 239
Other liabilities	18			18
Total	**8 794**	**1 110**	**9**	**9 913**

01/01/2016-31/12/2016		Liabilities mature in the period			
Age structure of financial liabilities	**Total liabilities**	**up to 30 days**	**from 31 to 90 days**	**from 91 to 365 days**	**above 365 days (see note below)**
Trade liabilities	11 172	6 200	1 038	2 134	1 799
Loans and credits	20 034	1 033	1 996	4 095	12 910
Other financial liabilities	147	5	11	50	81
Payroll payable	333	333	-	-	-
Other liabilities	531	531	-	-	-
Total	**32 218**	**8 104**	**3 045**	**6 280**	**14 790**

Liabilities mature above 365 days	1-3 years	3-5 years	>5 years	Total
Trade liabilities	922	872	5	1 799
Loans and credits	12 910	-	-	12 910
Other liabilities	81	-	-	81
Total	**13 913**	**872**	**5**	**14 790**

Unless indicated otherwise, all amounts were given in thousands of PLN

35. Capital management

The Company manages its capital to retain the capacity to continue as a going concern with the implementation of the planned investments taken into account to be able to generate a return to the shareholders and yield benefits to the other stakeholders.
In accordance with the market practice, the Company monitors capital on the basis of, among other things, the net worth ratio and the credit, loan and other sources of finance to EBITDA ratio.
The ratio concerning the financing of assets with equity is calculated as the equity to total assets ratio. In relation to the previous year, that ratio decreased by 6% to the level of 72%.

The debt to equity ratio calculated as the relationship of liabilities to equity increased to the level of 0.36 (0.29 as at 31 December 2016).

The net worth ratio is calculated as the net value of property, plant and equipment (equity less intangibles) to the balance sheet total.

The credits, loans and other sources of finance to EBITDA ratio is calculated as the ratio of credits, loans and other sources of finance to EBITDA. Credits, loans and other sources of finance means the total liability in relation to credits, loans and leases, and EBITDA is the profit from operating activities plus depreciation.

To maintain financial liquidity and credit capacity enabling borrowing at a reasonable cost level, the Company assumes that it will maintain the net worth ratio at the level not lower than 0.4, and of the credits, loans and other sources of finance to EBITDA ratio at the level of up to 10.

Equity to total assets ratio	**31/12/2017**	**31/12/2016**
Equity	252 426	240 011
Total assets	351 505	309 581
	72%	**78%**

Relationship between liabilities and equity	**31/12/2017**	**31.12.2016**
Total liabilities	91 456	69 570
Equity	252 426	240 011
	0.36	**0,29**

Net worth ratio	**31/12/2017**	**31.12.2016**
Equity less intangibles	252 407	239 985
Balance sheet total	351 505	309 581
	0.72	**0,78**

Credits, loans and other sources of finance/ EBITDA	**31/12/2017**	**31.12.2016**
Profit from operating activities	26 849	30 590
Plus: depreciation	814	942
EBITDA	**27 663**	**31 532**
Credits, loans and other sources of finance	**34 299**	**20 034**
	1.24	**0,64**

Unless indicated otherwise, all amounts were given in thousands of PLN

36. Financial instruments

The fair value of the financial instruments held by the Company as at 31 December 2017 and 31 December 2016 did not differ considerably from the figures presented in the financial statements for the particular periods for the following reasons:
• a discounting effect, if any, in relation to short-term instruments is not significant;
• those instruments concern the transactions effected on market conditions.

Financial assets	Category	31/12/2017	31/12/2016
Trade receivables	loans and receivables	12 556	4 788
Loans given – long term		-	2 066
Loans given – short term		461	-
Short term financial assets		26 637	3 283
Cash and cash equivalents		7 532	11 112
		47 186	**21 249**

Financial liabilities	Category	31/12/2017	31/12/2016
Long-term loans and bank credits	financial liabilities valued as at the amortised cost	8 239	12 910
Short-term loans and bank credits	as above	26 060	7 124
Trade liabilities	as above	13 073	11 172
Debt instrument liabilities- long term	as above	-	-
Payroll payable	as above	-	333
Other long-term financial liabilities (lease)	as above	18	81
Other short-term financial liabilities (lease)	as above	69	67
Other liabilities	as above	-	-
		47 459	**31 687**

Unless indicated otherwise, all amounts were given in thousands of PLN

Revenue, cost, profit and loss items included in the statement of total income divided into financial instrument categories

01/01/2017 -31/12/2017	cash	Loans	Financial liabilities valued at the amortised cost	Total
Interest revenues/costs	75	36	(278)	**(167)**
Changes in liabilities in relation to the issue of debt securities, following from the time for meeting the liability getting closer	-	-	-	**-**
Total	**75**	**36**	**(278)**	**(167)**

01/01/2016 -31/12/2016	Loans and receivables	Financial assets held for trading	Financial liabilities valued at the amortised cost	Total
Interest revenues/costs	1	279	(376)	**(96)**
Changes in liabilities in relation to the issue of debt securities, following from the time for meeting the liability getting closer	-	-	-	**-**
Total	**1**	**279**	**(376)**	**(97)**

37. Employment structure

The average employment level at the Company in the period from January to December 2017 and in the comparative period was as follows:

	01/01/2017 -31/12/2017	01/01/2016 -31/12/2016
Management Board*	3	3
Administration	33	30
Sales Department	6	5
Production Division	91	97
Other	8	7
Total	**141**	**142**

Unless indicated otherwise, all amounts were given in thousands of PLN

38. Remuneration of the statutory auditor or entity authorised to audit financial statements

1. For 2017:

a) audit of the separate and consolidated annual financial statements	PLN 36 k
b) review of the interim separate and consolidated financial statements	PLN 26 k

2. For 2016:

a) audit of the separate and consolidated annual financial statements	PLN 36 k
b) review of the interim separate and consolidated financial statements	PLN 26 k

39. Events after the balance sheet date

a) On 16/01/2018, inBet Sp. z o.o. has signed a credit agreement with PEKAO SA on the current account in the amount of PLN 1,000,000. The term of the contract is 31/01/2019 The legal security for the loan repayment is the statement of INPRO SA about the borrower's support in the letter of comfort formula, blank promissory note, power of attorney.
b) On 17/01/2018, INPRO SA signed a land purchase agreement in Gdańsk, at ul. Szczecińska 39, 37 (University Quarter Stage III). The land purchase price does not exceed 10% of the Issuer's equity.
c) On 24/01/2018, INPRO SA signed a preliminary purchase agreement for the land in Rumia. The land purchase price does not exceed 10% of the Issuer's equity.
d) On 15/02/2018, INPRO SA signed a contract for the perpetual usufruct of a plot of land in Gdańsk, at ul. Opacka. The price of the fee does not exceed 10% of the Issuer's equity.
e) On 20/02/2018, INPRO SA obtained a building permit for the Brawo housing estate in Pruszcz Gdański.
f) On 22/02/2018, INPRO SA obtained a building permit for the construction of the second and third stage of the Debiut housing estate in Pruszcz Gdański.
g) On 08/03/2018, the District Court Gdańsk - Północ in Gdańsk, III Division of Land and Mortgage Registers, entered the fourth branch of land and mortgage register no. GD1G / 00287857/0, contractual mortgage up to PLN 22,200 k on the assets of INPRO SA, constituting legal security for the repayment of the working capital credit for the financing project, Debut stage I in the amount of PLN 14,800 k. granted by Alior Bank SA.
h) On 16/03/2018, INPRO SA signed a working capital credit agreement with mBank SA in the amount of PLN 34,200,000 intended to finance the construction of stage III of the Harmony Oliwa. The contract has been described in Current Report No. 3/2018 of 16/03/2018.
i) On 19/03/2018, Dom Zdrojowy Sp. z o.o. made a partial repayment (in the amount of PLN 200,000 k) of a loan granted by INPRO SA. The outstanding debt is PLN 180 k.
j) At the end of March 2018, inBet Sp. z o.o. has completed the essential work related to the investment started in 2017 involving the change of the use of part of the administrative building (adaptation to a hotel for workers)
k) On 29/03/2018, INPRO SA signed a preliminary purchase agreement for the land in Gdańsk (Siedlce district). The land purchase price does not exceed 10% of the Issuer's equity.