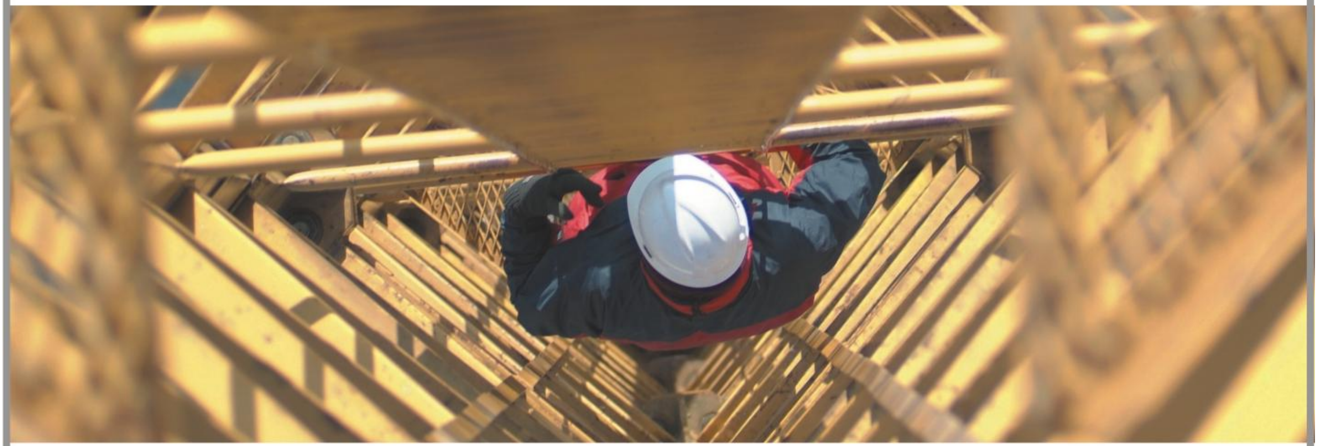

Consolidated financial statements

of the INPRO SA Corporate Group

prepared in conformity with the International Financial Reporting Standards as at 31 December 2018

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SPÓŁKA NOTOWANA NA GPW

Approval of the consolidated financial statements

of the INPRO SA Corporate Group

prepared in conformity with the International Financial Reporting Standards as at 31 December 2018

Gdańsk, 3 April 2019

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 of accounts	

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Unless indicated otherwise, all amounts are stated in thousands of zlotys

SELECTED FINANCIAL DATA CONCERNING THE CONSOLIDATED FINANCIAL STATEMENTS OF THE INPRO SA CORPORATE GROUP

Selected data concerning the interim condensed consolidated financial statements of the INPRO SA Corporate Group				
	01/01/2018 - 31/12/2018	**01/01/2017 - 31/12/2017**	**01/01/2018 - 31/12/2018**	**01/01/2017 - 31/12/2017**
		PLN '000		**EUR '000**
Net sales revenues	258 982	202 891	60 761	47 799
Gross profit (loss) on sales	84 315	70 306	19 782	16 563
Profit (loss) on operating activities	52 767	38 783	12 380	9 137
Gross profit (loss)	50 280	37 082	11 797	8 736
Net profit (loss)	40 858	30 309	9 586	7 140
- including attributable to non-controlling shareholders	2 914	2 180	684	514
Earnings (loss) per share in the Parent Entity	0.9476	0.7025	0.2223	0.1655
Net cash flows from operating activities	28 331	(8 020)	6 647	(1 889)
Net cash flows from investing activities	(15 890)	(1 351)	(3 728)	(318)
Net cash flows from financing activities	3 049	5 726	715	1 349
Net cash flows	15 490	(3 645)	3 634	(859)
	31/12/2018	**31/12/2017**	**31/12/2018**	**31/12/2017**
		PLN '000		**EUR '000**
Total assets	543 855	425 701	126 478	102 065
Liabilities and provisions for liabilities	248 193	160 255	57 719	38 422
Provisions for liabilities	9 214	9 925	2 143	2 379
Long-term liabilities (without provisions)	62 536	36 592	14 543	8 773
Short-term liabilities (without provisions)	176 443	113 738	41 033	27 269
Equity	295 662	265 446	68 758	63 642
- including attributable to non-controlling shareholders	16 144	13 927	3 754	3 339
Number of shares (pcs)	40 040 000	40 040 000	40 040 000	40 040 000
Book value per share	7.3842	6.6295	1.7172	1.5895
ZLOTY TO EURO CONVERSION RATES	average EUR rate in the period 01/01/2018 -31/12/2018		average EUR rate as at 31/12/2018	
	4.2623		4.3000	
	average EUR rate in the period 01/01/2017 -31/12/2017		average EUR rate as at 31/12/2017	
	4.2447		4.1709	

Unless indicated otherwise, all amounts are stated in thousands of zlotys

CONSOLIDATED STATEMENT OF TOTAL INCOME FOR THE PERIOD ENDED ON 31/12/2018

	Note	01/01/2018 -31/12/2018 (audited) PLN '000	01/01/2017 -31/12/2017 (audited) PLN '000
Continuing operations			
Sales revenues	12.1	258 982	202 891
Cost of sales	12.2	(174 667)	(132 585)
Gross profit (loss) on sales		**84 315**	**70 306**
Selling costs	12.2	(11 106)	(10 565)
Administrative expenses	12.2	(20 887)	(21 232)
Other operating revenues	12.3	2 666	1 164
Other operating costs	12.4	(2 221)	(890)
Profit (loss) on operating activities		**52 767**	**38 783**
Financial revenues	12.5	171	190
Financial costs	12.6	(2 658)	(1 891)
Gross profit (loss)		**50 280**	**37 082**
Income tax	13.1	(9 422)	(6 773)
Net profit (loss) from continuing operations		**40 858**	**30 309**
TOTAL INCOME		**40 858**	**30 309**
Net profit (loss) attributable to:		**40 858**	**30 309**
- the parent entity's shareholders		37 944	28 129
- non-controlling shareholders		2 914	2 180
Total income attributable to:		**40 858**	**30 309**
- the parent entity's shareholders		37 944	28 129
- non-controlling shareholders		2 914	2 180
Earnings per share from continued activities, attributable to shareholders of the parent entity (PLN/share):			
- basic		0.9476	0.7025
- diluted		0.9476	0.7025

Unless indicated otherwise, all amounts are stated in thousands of zlotys

CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION AS AT 31/12/2018

ASSETS	**Note**	**31/12/2018 (audited)**	**31/12/2017 (audited)**
Non-current (long-term) assets		**129 627**	**117 164**
Property, plant and equipment	17	52 550	105 942
Goodwill	20.1	6 708	6 708
Other intangibles	19	44	77
Long-term receivables		5	-
Investment property	18	68 456	2 819
Other long-term prepaid expenses		10	20
Deferred income tax assets	13.4	1 854	1 598
Current (short-term) assets		**414 228**	**308 537**
Inventory	21	292 055	241 838
Trade and other receivables	22	26 447	22 910
Current tax assets		263	1 286
Other financial assets	23	66 106	28 674
Cash and cash equivalents	24	29 357	13 829
TOTAL ASSETS		**543 855**	**425 701**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION AS AT 31/12/2018 *(CONTINUED)*

EQUITY AND LIABILITIES	Note	31/12/2018 (audited)	31/12/2017 (audited)
Equity (attributable to the parent entity's shareholders)	25	**279 518**	**251 519**
Issued share capital		4 004	4 004
Provisions		51	51
Retained profit		213 226	185 227
Share premium		62 237	62 237
Capital attributable to non-controlling shareholders	25.5	**16 144**	**13 927**
Total equity		**295 662**	**265 446**
Long-term liabilities		**66 393**	**41 953**
Deferred income tax provision	13.4	2 600	4 968
Provision for retirement benefits obligations	26	409	393
Long-term credit and bank borrowings	27	32 611	31 373
Debt instrument liabilities	27.37	23 651	-
Other financial liabilities (lease)	27	2 662	3 643
Trade and other liabilities		3 612	1 576
Other long-term provisions		848	-
Short-term liabilities		**181 800**	**118 302**
Short-term provisions	26	5 357	4 564
Short-term credit and borrowings	27	24 012	32 461
Debt instrument liabilities	27.37	1 181	-
Other financial liabilities (lease)	27	1 663	1 344
Current income tax liabilities		1 339	80
Trade and other liabilities	28	148 248	79 853
Total liabilities		**248 193**	**160 255**
TOTAL EQUITY AND LIABILITIES		**543 855**	**425 701**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

CONSOLIDATED STATEMENT OF THE CHANGES IN EQUITY FOR THE PERIOD ENDED ON 31/12/2018

	Share capital	Share premium	Revaluation reserve	Retained profit	Attributable to non-controlling shareholders	Total
As at 01/01/2018	**4 004**	**62 237**	**51**	**185 227**	**13 927**	**265 446**
Dividend payment to the parent entity's shareholders	-	-	-	(10 010)	-	**(10 010)**
Dividend payment – non-controlling shareholders	-	-	-	(10)	(697)	**(707)**
Net profit (loss) for the financial year	-	-	-	37 944	2 914	**40 858**
Impact of IFRS 15	-	-	-	75	-	**75**
As at 31/12/2018	**4 004**	**62 237**	**51**	**213 226**	**16 144**	**295 662**

	Share capital	Share premium	Revaluation reserve	Retained profit	Attributable to non-controlling shareholders	Total
As at 01/01/2017	**4 004**	**62 237**	**51**	**167 225**	**12 119**	**245 636**
Dividend payment to the parent entity's shareholders	-	-	-	(10 010)	-	**(10 010)**
Dividend payment – non-controlling shareholders	-	-	-	(50)	(439)	**(489)**
Net profit (loss) for the financial year	-	-	-	28 129	2 180	**30 309**
Increase of the share capital in inBet Sp. z o.o.	-	-	-	(67)	67	**-**
As at 31/12/2017	**4 004**	**62 237**	**51**	**185 227**	**13 927**	**265 446**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED ON 31/12/2018

	01/01/2018 -31/12/2018 (audited) PLN '000	01/01/2017 -31/12/2017 (audited) PLN '000
Profit /(loss) before tax (gross)	**50 280**	**37 083**
Adjustments:	(21 949)	(45 103)
Depreciation	4 463	3 847
Income tax paid	(9 905)	(7 863)
Exchange gains (losses)	(34)	27
Interest and dividends	2 433	1 627
Profit / (loss) on investing activities	(68)	(2)
Increase / (decrease) of receivables	(3 183)	(12 258)
Increase / (decrease) of inventory	(50 421)	(34 609)
Increase / (decrease) of liabilities	33 093	2 621
Increase / (decrease) of accrued/prepaid expenses	(114)	(11)
Increase / (decrease) of deferred income	-	87
Change in provisions	1 787	1 431
Other	-	-
Net cash flows from operating activities	**28 331**	**(8 020)**

	01/01/2018 -31/12/2018 (audited) PLN '000	01/01/2017 -31/12/2017 (audited) PLN '000
Sale of property, plant, equipment and intangibles	116	181
Interest received	-	18
Acquisition of property, plant, equipment and intangibles	(16 006)	(3 961)
Transfer of investment in property and intangibles	-	2 411
Net cash flows from investing activities	**(15 890)**	**(1 351)**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED ON 31/12/2018 (continued)

	01/01/2018 -31/12/2018 (audited) PLN '000	**01/01/2017 -31/12/2017 - (audited) PLN '000**
Proceeds in relation to loans/credit obtained	43 945	59 984
Payments in relation to finance lease agreements	(1 641)	(1 568)
Repayment of loans/credit	(51 202)	(40 860)
Interest paid	(2 054)	(1 274)
Dividends paid to:	(10 717)	(10 499)
- the parent entity's shareholders	*(10 010)*	*(10 010)*
- non-controlling shareholders	*(707)*	*(489)*
Issue of debt securities (bonds)	24 642	-
Other financial expenditure	-	(57)
Other financial proceeds	76	-
Net cash flows from financing activities	**3 049**	**5 726**
Total net cash flows	**15 490**	**(3 645)**
Balance sheet change in the position	**15 528**	**(3 680)**
Change in cash in relation to foreign exchange gains/losses	**(38)**	**35**
Cash at the beginning of the period	**13 863**	**17 509**
Cash at the end of the period	**29 353**	**13 863**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

ADDITIONAL INFORMATION AND EXPLANATIONS

1. General information

The INPRO SA Corporate Group (the "Group") consists of the parent entity, i.e. INPRO SA, and its subsidiaries (see Note 2). The consolidated financial statements of the Group cover the year ended on 31 December 2018 and comprise comparatives for the year ended on 31 December 2017.

The basic object of the Corporate Group is the property development activity that is the construction and sale of residential and commercial premises (Inpro SA, PB Domesta Sp. z o.o.).

In addition, other companies within the Group are involved in the following:
- manufacture of precast concrete and reinforced concrete elements (inBet Sp. z o.o.),
- hotel services (Dom Zdrojowy Sp. z o.o. and, from 01/01/2018 to 30/06/2018, Hotel Mikołajki Sp. z o.o.),
- renting of own real property (Hotel Mikołajki Sp. z o.o. until 01/07/2018),
- plumbing and heating systems (Przedsiębiorstwo Instalacyjne ISA Sp. z o.o.),
- interior fit-out and construction finishing services (SML Sp. z o.o.),

INPRO SA (the "Parent Company," "Company") was established by way of the notarised deed of 6 April 1987. On 29 May 2008 the company's legal status was changed from a limited liability company to a joint-stock company.
The registered office of the Parent Company is in Gdańsk at ul. Opata Jacka Rybińskiego 8.
The Parent Company is recorded in the register of entrepreneurs of the National Court Register kept by the District Court in Gdańsk, 7th Business Division of the National Court Register, under number KRS 306071. The Parent Company was given the REGON business registry number 008141071 and the tax identification number: 589-000-85-40.

The duration of the Parent Company and entities in the Corporate Group is unlimited.

In relation to the paid tenancy agreement of 22 June 2018 concerning the Mikołajki Hotel, Hotel Mikołajki Sp. z o.o. changed its objects from the hotel activity to renting and managing own real property as from 01/07/2018. Apart from the change at Hotel Mikołajki Sp. z o.o., the Group did not discontinue any kind of its activity in the period of twelve months ended on 31 December 2018.

In the reporting period, the share capital of INPRO did not change. As at 31/12/2018, it was PLN 4,004,000.00 and was divided into 40,040,000 ordinary bearer shares of the nominal value of 10 groszes each.

Parent entity's shareholding structure as at the balance sheet date:

<table>
<tr><th colspan="8">SHAREHOLDING STRUCTURE AS AT 31/12/2018</th></tr>
<tr><th>Entity (first name and surname)</th><th>Series</th><th>Number of shares</th><th>Nominal value in PLN</th><th>Share in the share capital</th><th>Number of votes</th><th>Share in the number of votes</th></tr>
<tr><td>Piotr Stefaniak</td><td>A</td><td>8 460 000</td><td>846 000</td><td>21.13 %</td><td>8 460 000</td><td>21.13 %</td></tr>
<tr><td>Zbigniew Lewiński</td><td>A</td><td>9 460 000</td><td>946 000</td><td>23.63 %</td><td>9 460 000</td><td>23.63 %</td></tr>
<tr><td>Krzysztof Maraszek</td><td>A</td><td>10 010 000</td><td>1 001 000</td><td>25.00 %</td><td>10 010 000</td><td>25.00 %</td></tr>
<tr><td rowspan="2">NATIONALE NEDERLANDEN - OFE</td><td>A</td><td>2 100 000</td><td>210 000</td><td rowspan="2">17.93 %</td><td rowspan="2">7 177 704</td><td rowspan="2">17.93 %</td></tr>
<tr><td>B</td><td>5 077 704</td><td>507 770</td></tr>
<tr><td>Shareholders holding less than 5 % of votes</td><td>B</td><td>4 932 296</td><td>493 230</td><td>12.31 %</td><td>4 932 296</td><td>12.31 %</td></tr>
<tr><td colspan="2">TOTAL</td><td>40 040 000</td><td>4 004 000</td><td>100 %</td><td>40 040 000</td><td>100 %</td></tr>
</table>

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Parent entity's shareholding structure as at 31/12/2017:

SHAREHOLDING STRUCTURE AS AT 31/12/2017						
Entity (first name and surname)	Series	Number of shares	Nominal 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 - OFE	A	2 100 000	210 000	17.93 %	7 177 704	17.93 %
	B	5 077 704	507 770			
Shareholders holding less than 5 % of votes	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 %**

No significant changes in the shareholding structure occurred in 2018. In the period after 31/12/2018 and until the submission of this report, the shareholders did not advise of any change in the shareholdings in INPRO SA. No change in the executives' shareholdings took place in that period, either. The members of the supervising body of INPRO SA do not hold the Company's shares.

2. Information on the entities comprised by the Corporate Group:

2.1 Corporate Group's composition and its changes

As at 31/12/2018, the Group consists of INPRO SA and the following subsidiaries:

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 residential buildings	59.57	59.57	13 926
4.	The Mikołajki Hotel Sp. z o.o.	Gdańsk, ul. Opata Jacka Rybińskiego 8	Hotel services, renting and managing own real property	100.00	100.00	17 984*
5.	PI ISA Sp. z o.o.	Gdańsk, ul. Opata Jacka Rybińskiego 8/6	Plumbing and heating systems	76.92	76.92	2 183
6.	SML Sp. z o.o.	Gdańsk, ul. Opata Jacka Rybińskiego 8	Construction finishing services	100.00	100.00	201
						64 321

* The total equity interest of INPRO SA in a subsidiary, Hotel Mikołajki Sp. z o.o., comprises, in addition to the shares specified above, returnable additional contributions (PLN 35,150 k) provided in 2015.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Attention should be paid to the following events:

a) On 22/06/2018 Hotel Mikołajki Sp. z o.o. signed with Dobry Hotel Mięczkowski Sp. komandytowa a lease agreement under which Dobry Hotel Mięczkowski Spółka komandytowa with its registered office in Sopot has leased the hotel facility in Mikołajki belonging to Hotel Mikołajki Sp. z o.o. as from 01/07/2018 (for 10 years). Dobry Hotel Mięczkowski Spółka komandytowa also took over the rights and obligations under lease agreements for apartments located in the same building as the hotel, but constituting separate units of real property, owned by third parties, as well as stepped into other obligation relations concerning the running of that hotel facility. The lease agreement was described in current reports Nos. 13/2018 of 12/06/2018, 18/2018 of 18/06/2018, 19/2018 of 22/06/2018, and 20/2018 of 29/06/2018.

b) On 27/06/2018 the Extraordinary General Meeting of Hotel Mikołajki Sp. z o.o. adopted a resolution on the change of the company's registered office from 11-730 Mikołajki, ul. Spacerowa 11 to 80-320 Gdańsk, ul. Opata Jacka Rybińskiego 8. The resolution was adopted in relation to signing the lease agreement described in item a) above.

As at 31/12/2017, the Group consisted of INPRO SA and the following subsidiaries:

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 residential buildings	59.57	59.57	13 926
4.	The Mikołajki Hotel 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	Plumbing and heating systems	76.92	76.92	2 183
6.	SML Sp. z o.o.	Gdańsk, ul. Opata Jacka Rybińskiego 8	Construction finishing services	100.00	100.00	201
						64 321

* The total equity interest of INPRO SA in a subsidiary, Hotel Mikołajki Sp. z o.o., comprises, in addition to the shares specified above, returnable additional contributions (PLN 35,150 k) made in 2015.

In addition to the interests mentioned above, INPRO SA is associated with Hotel Oliwski Sp. z o.o., that company being personally related through Mr Piotr Stefaniak, who holds 162 shares of the nominal value of PLN 10,000 each, totalling 100 % of the shares in that entity's capital (PLN 1,620,000).

Moreover, in the reporting period, as part of its activity, Inbet Sp. z o.o. shows transactions with the following related entities:

– Solutio Sp. z o.o., personally related through Mr Paweł Maraszek, the President of the Management Board of that company, a relative of Mr Krzysztof Maraszek, the Vice-President of the Group's parent entity;

Unless indicated otherwise, all amounts are stated in thousands of zlotys

- PKB Meronk S.C. personally related to Inbet Sp. z o.o. through the company owner, Mr Andrzej Meronk, a minority shareholder holding 19.68 % shares in Inbet Sp. z o.o.

The transactions with related entities are presented in note 31 to these statements.

As at 31/12/2018, the share in the total number of votes held by the Group in subsidiaries equals the Group's share in the capital of those entities.

Companies excluded from consolidation as at 31/12/2018 and as at the end of the comparable period:
As at the balance sheet date, all the companies within the Corporate Group were comprised by the full method consolidation.
SML Sp. z o.o. was established on 1 July 2016 (the registration in the National Court Register on 14/07/2016). The financial data of SML Sp. z o.o. was first included in the full method consolidation on 2017.

There are no shares in uncontrolled entities in INPRO SA related companies.

Changes in the Group's composition in 2018:
The composition of the INPRO SA Corporate Group did not change in relation to the previous year.

Changes in the Group's composition in 2017:
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 on 12 May 2017, the number of shares held by INPRO SA in inBet Sp. z o.o is 197,795, which is 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. After the registration of the shares on 19 July 2017, the number of shares held by INPRO SA in Hotel Mikołajki Sp. z o.o. is 17,980.

2.2. Share capital of entities within the Corporate Group

Share capital of the various entities comprised by the INPRO Group as at 31/12/2018

Entity	Share capital as at 31/12/2018
INPRO SA	4 004
Przedsiębiorstwo Budowlane DOMESTA Sp. z o.o.	301
inBet Sp. z o.o.	13 791
Dom Zdrojowy Sp. z o.o.	19 140
Hotel Mikołajki Sp. z o.o.	17 980
PI ISA Sp. z o.o.	80
SML Sp. z o.o.	200

Unless indicated otherwise, all amounts are stated in thousands of zlotys

3.2 Securities on shares in subsidiaries

The following securities are established on the shares held by INPRO SA in subsidiaries:

	31/12/2018	31/12/2017
Securities established on financial assets for the benefit of Group companies	17 980	17 980
Total	**17 980**	**17 980**

Registered pledge of 04/10/2017 on the shares in Hotel Mikołajki Sp. z o.o. in the amount of PLN 17,980 k for the following credit agreement:
- investment credit of 05/09/2011 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.
If the whole or part of the secured claim is not repaid, the satisfaction of the claims may take place by the satisfaction of the pledgee's claims, at its choice, in the manner prescribed by the regulations on enforcement proceedings, by the seizure of the title to the object of the pledge or by its sale in a public tender organised by a bailiff or notary public.

On the date of the registration of the pledge in the pledge register maintained by the Gdańsk-North District Court in Gdańsk, 9th Business Division of Pledge Registers (i.e. as from 16/11/2017), the agreement of 5 September 2011 for the registered pledging on rights, as amended, and the agreement of 23 May 2013 for the registered pledging of rights were terminated.

In the account year ended on 31/12/2017, the securities established on the shares in subsidiaries were the same as those presented for the accounting year ended on 31/12/2018.

2.4 Details concerning subsidiaries holding non-controlling shares

Company	% held in the entity's share capital by non-controlling shareholders		Net profit/loss attributable to non-controlling shareholders	Accumulated value of non-controlling shares	
	31/12/2018	**31/12/2017**	**2018**	**31/12/2018**	**31/12/2017**
inBet Sp. z o.o.	19.68 %	19.68 %	655	3 849	3 193
PB Domesta Sp. z o.o.	40.43 %	40.43 %	2 179	12 031	10 550
PI ISA Sp. z o.o.	23.08 %	23.08 %	80	264	185
		Total	**2 914**	**16 144**	**13 928**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Condensed financial information on subsidiaries holding non-controlling shares

Item in the financial statements	inBet Sp. z o.o.		PB Domesta Sp. z o.o.		PI ISA Sp. z o.o.	
	2018	2017	2018	2017	2018	2017
Current assets	6 107	11 284	81 914	54 676	1 830	1 688
Non-current assets	22 783	13 234	2 952	1 856	113	123
Short-term liabilities	5 379	5 465	45 398	23 024	720	743
Long-term liabilities	1 573	2 727	9 404	6 434	-	2
Sales revenues	25 638	21 281	10 153	29 299	6 490	6 780
Other revenues	123	139	114	54	4	24
Net profit/loss/total net revenues	5 059	3 426	6 055	3 975	197	106
Net profit/loss attributable to shareholders in the parent entity	4 403	2 860	3 876	3 976	118	64
Net profit/loss attributable to non-controlling shareholders	655	566	2 179	1 607	80	42
Dividends paid to non-controlling shareholders	-	-	(687)	(368)	(9)	(69)

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

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

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

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

The Company's Supervisory Board, at its session on 14/06/2018, while acting on the basis of Article 201 § 4 of the Commercial Companies Code, in connection with § 7 par. 4 and 5 of the Company's Statues, adopted resolutions Nos. 13, 14 and 15 on the appointment of the Members of the Management Board for the next 5-year term of office i.e. for 2018 - 2023, in the bench consisting of three persons (the President and two Vice-Presidents of the Management Board), that is:

- appointment of Mr Piotr Stefaniak member of the Management Board and giving him the function of the President of the Management Board,
- appointment of Mr Krzysztof Maraszek member of the Management Board and giving him the function of the Vice-President of the Management Board,
- appointment of Mr Zbigniew Lewiński member of the Management Board and giving him the function of the Vice-President of the Management Board,

For the shareholdings of the members of the Management Board, see the shareholding structure in note 1.

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

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

Within the Supervisory Board, there operates the Audit Committee in the bench consisting of:

- Krzysztof Gąsak - Chairman of the Audit Committee, independent member
- Jerzy Glanc - independent member of the Audit Committee
- Łukasz Maraszek - member of the Audit Committee.

4. Approval of the financial statements

These consolidated financial statements were approved by the Management Board for publication on 4 April 2019.

5. Grounds for the preparation of the consolidated financial statements

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

The consolidated financial statements were prepared on the assumption that the Group companies will be able to 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 Group companies to continue as a going concern.

The functional currency of the parent entity and other companies included in these consolidated financial statements is Polish zloty. Polish zloty is also the reporting currency of the Corporate Group.

These consolidated financial statements were prepared in Polish zlotys (PLN). Unless indicated otherwise, the data in the consolidated financial statements have been presented in thousands of zlotys.

6. The platform of the applied International Financial Reporting Standards

6.1 Statement on compliance

Polish legal provisions impose the obligation on the Group to draw up consolidated financial statements in conformity with the IFRS endorsed by the EU. In view of the ongoing IFRS implementation process in the EU and the Group's operations, as regards the accounting principles used by the Group, there is no difference between the IFRS to have come into force and those endorsed by the EU for the reporting period ended on 31/12/2018.

These consolidated financial statements were made in conformity with the International Financial Reporting Standards endorsed 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").

The Group's subsidiaries keep their books of accounts in conformity with the accounting policy (principles) specified by the Accounting Act of 29 September 1994 (the "Act") and the regulations issued on its basis (the "Polish accounting standards"). The consolidated financial statements contain adjustments not included in the accounting books of the Group' entities in order to bring the financial statements of those entities to compliance with the IFRS.

6.2 Standards used for the first time

Accounting principles used for the preparation of these financial statements are coherent with those used for the preparation of the statements for the year ended on 31 December 2017 except the application of principles on the basis of new IFRS 9 and IFRS 15 introduced on 1 January 2018.

The impact of the application of the new principles on these separate financial statements is presented in this note.

- **IFRS 15 "Revenue from Contracts with Customers" and amendments to IFRS 15 "Effective Date of IFRS 15**" – approved in the EU on 22 September 2016 (effective for annual periods commencing on 1 January 2018 or after that date); IFRS 15 was issued by the IASC on 28 May 2014 (on 11 September 2015 the IASC deferred the effective date of IFRS 15 to 1 January 2018, and specified the standard on 12 April 2016). The standard specifies how and when to recognise the revenues, and requires more detailed disclosures. The standard replaces IAS 18 "Revenues," IAS 11 "Construction Contracts" and many interpretations related to revenue recognition. The standard applies to nearly all contracts with customers (the main exceptions concern lease agreements, financial instruments and insurance contracts). The fundamental principle of the new standard is to recognise revenues so as to reflect the transfer of goods and services to customers and in an amount which reflects the remuneration (i.e. the payment) to which the company expects to acquire the right in exchange for goods or services. The standard also provides guidelines for the recognition of transactions which were not addressed in detail by the previous standards (e.g. revenues from services or contract modifications) and more detailed explanations on the recognition of multiple-element arrangements.

As for amendments to IFRS 15 "Revenue from Contracts with Customers," the Group made changes to its accounting policy with regard to the measurement of sales revenues from the manufacture of precast elements in relation to the manufacture of products without an alternative use. The revenues from the sales of that asset for the entity are reported as performance obligations, which are fulfilled over time. The entity recognises revenues with the passage of time on the basis of the degree to which the liabilities under a contract have been met.

The impact of the application of IFRS 15 in 2017 was estimated at not more than a PLN 200 k increase of sales revenues and approximately PLN 75 k increase of the Group's gross profit. The impact of that change on the selected results presented as at 31/12/2018 for the accounting year 2018 is as follows:

– increase of sales revenues: + PLN +273 k,
– reduction of the cost of sales: + PLN 167 k,
– increase of gross profit: + PLN +106 k,
– increase of income tax: + PLN +20 k,
– increase of net profit: + PLN +86 k,
– increase of retained profit: + PLN 75 k,
– decrease of inventory: - PLN 372 k,
– increase of the balance sheet total: + PLN 198 k,
– increase of total equity: + PLN 161 k.

The application of IFRS 15 "Revenue from Contracts with Customers" also governs the approach to the recognition of the variable part of the remuneration earned by the Group under the tenancy agreement for the hotel facility by Hotel Mikołajki Sp. z o.o. for 2018.

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

- **IFRS 9 "Financial Instruments"** – approved in the EU on 22 November 2016 (effective for annual periods commencing on or after 1 January 2018).

  The standard was issued by the IASC on 24 July 2014 and replaces IAS 39 "Financial Instruments: Recognition and Measurement."

  IFRS 9 sets out the requirements regarding the recognition, measurement, impairment, cessation of recognition and hedge accounting.

  Classification and measurement – IFRS 9 introduces a new approach to the classification of financial assets, which is based on the characteristics of cash flows and of a business model related to particular assets. Such a uniform approach based on the principles replaces the existing requirements based on the rules pursuant to IAS 39. The new model also results in the unification of the impairment model in relation to all financial instruments.

Impairment – IFRS 9 introduces a new impairment model based on expected losses, which requires the current recognition of expected credit losses. In particular, the new standard requires entities to recognise expected credit losses when financial instruments are first recognised, and to recognise all expected losses throughout the life of the instruments more quickly than in the current method.
Hedge Accounting – IFRS 9 introduces a reformed hedge accounting model with extended disclosure requirements to include risk management activities. The new model means a considerable change in hedge accounting, which aims at the adaptation of accounting principles to the practical risk management activity.
Own credit risk – IFRS 9 eliminates financial result variability caused by credit risk changes of liabilities held for fair value measurement. That change means that profits on liabilities caused by the deterioration of the entity's own credit risk are not recognised in the income statement.

IFRS 9 did not have a significant impact on the consolidated financial statements, therefore the adjustment as at the day of the first application on 1 January 2018 was not made.

The accounting principles for the impairment of financial assets and the classification of assets and financial liabilities are described in note 10.13.

The impact of the implementation of IFRS 9 in the change of the classification of the Group's financial assets is shown in note 34.

- **Amendments to IFRS 4 "Insurance Agreements"** – the application of IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Instruments" approved in the EU on 3 November 2017 (effective for annual periods commencing on or after 1 January 2018 or upon the application of IFRS 9 "Financial Instruments" for the first time),

- **Amendments to IAS 40 "Investment Property"** – Transfers of Investment Property – approved in the EU on 14 March 2018 (effective for annual periods commencing on or after 1 January 2018),

- **Amendments to IFRS 1 and IAS 28 following the "Improvements to the IFRS (the 2014-2016 cycle)"** – amendments made within the procedure for the introduction of annual improvements to the IFRS (IFRS 1, IFRS 12 and IAS 28) mainly aiming at minimising inconvenience and specifying the vocabulary – approved in the EU on 7 February 2018 (amendments to IFRS 1 and IAS 28 effective for annual periods commencing on or after 1 January 2018),

- **Interpretation of IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** – approved in the EU on 28 March 2018 (effective for annual periods commencing on or after 1 January 2018),

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** – Explanations to IFRS 15 "Revenue from Contracts with Customers" – approved in the EU on 31 October 2017 (effective for annual periods commencing on or after 1 January 2018),

6.3 New standards and amendments to the existing standards issued by the IASC and endorsed by the EU, but not effective yet

While approving these consolidated financial statements, the Group did not apply the following standards, amendments to and interpretations of the standards, which were published by the IASC and approved for use in the EU, but have not become effective yet:

- **IFRS 16 "Lease"** – approved in the EU on 31 October 2017 (effective for annual periods commencing on or after 1 January 2019),

- **Amendments to IFRS 9 "Financial Instruments"** – Prepayment Features with Negative Compensation – approved in the EU on 22 March 2018 (effective for annual periods commencing on or after 1 January 2019).

- **Amendments to IAS 19 "Employee Benefits"** – Plan Amendment, Curtailment or Settlement – approved in the EU on 13 March 2019 (effective for annual periods commencing on or after 1 January 2019),

- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** – Long-term shares in associates and joint ventures – approved in the EU on 8 February 2019 (effective for annual periods commencing on or after 1 January 2019),

- **Amendments to various standards – "Improvements to IFRS (the 2015 - 2017 cycle)"** – amendments made within the procedure for the introduction of annual improvements to the IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) mainly aiming at minimising inconvenience and specifying the vocabulary – approved in the EU on 14 March 2019 (effective for annual periods commencing on or after 1 January 2019),

- **Interpretation of IFRIC 23 "Uncertainty over Income Tax Treatments"** - approved in the EU on 23 October 2018 (effective for annual periods commencing on or after 01 January 2019).

The Group decided not to take advantage of the opportunity of early adoption of the above-mentioned new standards and amendments to the existing standards.

According to the estimates made in relation to the Group, the amendments to IFRS 9 would not have had significant impact on these consolidated financial statements if applied by the Group as at 31/12/2018.

The Group expects, however, the influence of IFRS 16 on the consolidated financial statements and on the separate financial statements of the Group companies in 2019.
According to IFRS 16, a lessee shall recognise the right of use of an asset and the liability in relation to the lease.
The right of use of an asset is treated in a way similar to that of other non-financial assets and is subject to depreciation. Lease liabilities are initially measured at the current value of the lease charge payable during the lease term, discounted by the rate implicit in the lease, if it is easy to determine. Otherwise the lessee shall use the marginal lending rate.
The defining factor for the lessor as finance lease is the transfer of the substantially entire risk of and benefits from holding the relevant assets. In another case lease is treated as operating lease.

The Company does not transform comparative data, but has estimated the impact which of the implementation of the new standard would have had on the data presented in these consolidated financial statements.

The estimated impact of the adoption of the new standard in relation to 2018 concerns the increase in fixed assets and in the rights of use at PLN 938 k as recognised by the Group.

The following items are comprised in the value of the assets recognised in relation to the estimate above:
- land (in relation to holding the perpetual usufruct right to land at 8 Opata Jacka Rybińskiego Street in Gdańsk by Inpro SA and to land at Cementowa Street in Gdańsk by PB Domesta Sp. z o.o.) PLN– PLN 1,269 k (PLN 51 k as the long term part, PLN 1,218 k as the long-term part of the liabilities)
- buildings – PLN 345 k (PLN 119 k as the short-term part and PLN 226 k as the long-term part of the liabilities).

Discount rates used for the calculations above were established on the basis of the average interest rate on the working capital credit of the parent company and PB Domesta Sp. z o.o., as the recognised assets concern only those companies.

In addition to the change of the balance sheet total, the changes above following from the implementation of new IFRS 16 commencing from 2019 will affect, among other figures, the amount of operating profit, cash flows and EBITDA.

7. Early adoption of standards and interpretations

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

8. Amendments to accounting principles in use

In the reporting period, the Group did not make any significant changes in the accounting principles in use except the changes following from the application of new International Financial Reporting Standards (IFRS).

9. Material values based on professional judgement and estimates

9.1 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 accounting policies, which will ensure 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 Group, 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 property (mainly residential units) are recognised upon satisfying the performance obligation by delivering the promised goods to the customer. In the Group's opinion, 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.

Discount rate
The discount rate taken influences the figures presented in the consolidated report on 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 of the parent entity is based on the interest rate on 10-year treasury bonds.

9.2 Uncertainty of estimates

The preparation of consolidated financial statements requires the Company's Management Board to make estimates because much information in the financial statements cannot be measured 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 2018 may be revised in the future. The main estimates have been described in the following notes:

Note		
21	Impairment of fixed assets and the analysis of the realisable net selling price of inventories	The Group 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 Group.
22	Trade receivable valuation allowances	The Group makes the valuation of the allowance for the expected credit losses in the amount equal to the expected credit losses in the entire life of the instrument.
13	Income tax	The Group 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
26	Provisions	Provisions for guarantees and sureties given and provisions for claims and court cases
10.6	Useful life of property, plant and equipment and of intangibles	Depreciation rates are determined on the basis of the estimated useful life of property, plant and equipment and the value of intangibles.

10. Accounting principles in use

10. Consolidation principles

The condensed consolidated financial statements comprise those of INPRO SA and its subsidiaries, such statements having been prepared for the year ended on 31 December 2018. The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the parent entity, with the application of consistent accounting principles, on the basis of uniform accounting principles applied to the transactions and economic events of a similar character. Adjustments are introduced to eliminate any differences in the accounting principles applied.
All the significant balances and transactions between the entities within the Group, including unrealised gains arising out of the transactions within the Group have been entirely eliminated. Unrealised losses are eliminated unless they demonstrate impairment.

10.2 Investments in subsidiaries

The subsidiaries are all the business entities controlled by the Group. The Group controls an entity when the Group is exposed or has the right to variable returns from its interest in that entity and can influence those returns by exercising authority over that entity.

The Company reviews its control of other entities if a situation has occurred which indicates a change of one or several conditions of control as mentioned above.

If the Company has less than the majority of voting rights in the entity, but the voting rights held are sufficient for enabling the Company to single-handedly manage the significant activities of that entity, that means that the Company has the authority over that entity. When evaluating if the voting rights in the entity are sufficient for ensuring authority, the Company analyses all the significant circumstances, including:

- the size of the voting package compared to the amount of the shares and the degree of dispersion of the voting rights held by other shareholders;
- potential voting rights held by the Company, other shareholders or other parties;
- rights under other contractual arrangements, and
- additional circumstances which may demonstrate that the Company is or is not able to manage the significant activities at the points of making decisions, including voting patterns observed at previous general meetings.

Subsidiaries are subject to full consolidation as from the transfer of control to the Group. Consolidation shall stop upon the cessation of control.

The revenues and costs of a subsidiary acquired or transferred during the year are recognised in the consolidated statement of profit and losses as well as other total income in the period from the takeover of control by the Company to the loss of control of that subsidiary.

The profit/loss and all components of other total income are attributed to the Company's owners and non-controlling shares. The total revenues of subsidiaries are attributed to the Company owners and non-controlling shares, even if this causes the deficit on the part of the non-controlling shares.

10.3 Business combinations

The acquisitions of other entities are reconciled by means of the acquisition method. The payment transmitted in the business combination transaction is measured at a fair value calculated as the total amount of the fair values as at the date of acquisition of the assets transferred by the Group, the liabilities contracted by the Group in relation to the previous owners of the target entity and of equity instruments issued by the Group in return for the takeover of control of the target entity. The costs related to the acquisition are recognised in the bottom line profit/loss as they are incurred.

The identifiable assets and liabilities are measured at a fair value as at takeover date with the following exceptions:

- deferred income tax assets and liabilities or those related to agreements for employee benefits are recognised and measured in conformity with IAS 12 "Income Tax" and ISA 19 "Employee Benefits";
- equity liabilities or instruments related to payment programmes settled on the basis of the shares in the target entity or in the Group, which are to replace similar agreements binding at the target entity, are measured in conformity with IFRS 2 "Share Based Payments" as at the takeover date and
- assets (or a group of assets held for sale) classified as assets held for sale in conformity with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" shall be measured in conformity with the requirements of that standard.

Goodwill is measured as a surplus of the transferred payment, the amount of the non-controlling shares at the target entity and the fair value of the assets held by the acquiring entity in the target entity over the amount of the fair value of identifiable net assets and liabilities measured as at the takeover date. If, following a repeated review, the net value of the identifiable assets and liabilities measured as at the takeover date exceeds the total of the transferred payment, the value of non-controlling shares in the target entity and the fair value of the shares in that entity as previously held by the acquiring entity, the surplus is directly recognised as a profit on the bargain acquisition.

Non-controlling shares constituting a part of the owner's shares and authorising the holders to the pro-rata share in the entity's net assets in the case of its liquidation may be initially measured at a fair value or as appropriate in relation to the proportion of the non-controlling shares in the recognised value of the identifiable net assets of the target entity. The measurement method is selected individually for each takeover transaction. Other kinds of non-controlling shares are measured at a fair value or by means of another method prescribed by the IFRS.

If the payment transferred in the business combination transaction includes assets or liabilities under the conditional payment agreement, that payment shall be measured at a fair value as at the takeover date and recognised a part of the remuneration transferred in the business combination transaction. The changes of the fair value of the conditional payment which qualify as adjustments for the period comprised by the measurement are recognised retrospectively, in correspondence with the relevant goodwill adjustments. Adjustments concerning the measurement period are such which are the outcome of the procurement of additional information pertaining to the "period comprised by the measurement" (which period may not be longer than one year from the takeover date), such information concerning the facts and circumstances as at the takeover date.

The changes of the fair value of the conditional payment which do not qualify as adjustments concerning the measurement period are reconciled depending on the classification of the conditional payment. The conditional payment classified as equity is not re-measured, and its subsequent settlement is reconciled as part of equity. The conditional payment classified as a component of assets or liabilities is subject to revaluation over the consecutive reporting days in conformity with IAS 39 or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets," and the revaluation gains or losses recognised in the bottom line profit or loss.

In the case of a staged business combination, the shares in the target entity previously held by the Group are revalued to the fair value as at the takeover date, and the resulting gain or loss is recognised as profit or loss. Amounts following from holding shares in the target entity as at the takeover date, previously recognised in other total income, are carried to the income statement, if such treatment were correct upon the transfer of such shares.

If the initial accounting settlement of the business combination as at the end of the reporting period in which the combination has taken place is not complete, the Group presents in its financial statements the provisional amounts pertaining to the items whose settlement is incomplete. In the measurement period, the Group adjusts the provisional amounts recognised as at the takeover date (see above) or recognises additional assets or liabilities to reflect new facts and circumstances occurring as at the takeover date which if known, would have influenced the recognition of those amounts on that date.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

10.4 Changes in ownership is subsidiaries

The changes in the Group's shareholdings in subsidiaries which do not result in the loss of control of those entities by the Group, are settled as equity transactions. The balance sheet value of the Group's shares and non-controlling shares is adjusted to reflect the changes in shareholdings in subsidiaries. Differences between the adjustment amount of non-controlling shares and the fair value of the payment made or obtained is recognised directly in equity and attributes to the Company owners.

If the Group loses control of a subsidiary, the gain or loss calculated as the difference between (i) the aggregated amount of the received payment and the fair value of the retained shares and (ii) the original balance sheet value of the assets (including goodwill) and liabilities of that subsidiary and non-controlling shares shall be recognised in the income statement. All the amounts related to that subsidiary, originally recognised in other total income, are recognised as if the Group directly transferred the assets or liabilities of the subsidiary corresponding to those amounts (i.e. those amounts are transferred to the profit or loss or to another equity category pursuant to the provisions of the relevant IFRS). The fair value of the investments held in the former subsidiary as at the date of control loss is treated as a fair value upon initial recognition to enable the possible settlement of the costs incurred upon the initial recognition of the investment in an associated entity or joint venture in conformity with IAS 39.

10.5 Conversion of items denominated in foreign currencies

Transactions in a currency other than the functional currency (in foreign currencies) are shown at the conversion rate binding on the transaction date. As at the balance sheet date, assets and liabilities denominated in foreign currencies are converted on the basis of the rate binding on that date. Non-cash items measured at fair value and denominated in foreign currencies are measured on the basis of the rate binding on the fair value date. Non-cash items are measured on the basis of the historical cost.

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

Rate binding on the last day of the period	**31/12/2018**	**31/12/2017**
EURO	4.3000	4.1709

The average rate, calculated as the arithmetic mean of the rates binding on the last day of each month in a period	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
EURO	4.2623	4.2447

10.6 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.

10.7 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.

10.8 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.

In view of the application of the cost model, in the case of a transfer of investment property to or from assets used by the owner or to/from inventory, there is no change of the value of real property.

10.9 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 Group 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 Group companies 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.

10.10 Goodwill

Goodwill following the takeover of another entity is recognised as at the cost fixed on the takeover date of that entity less impairment

For the purposes of the impairment test, goodwill is allocated to the various cash flow centres within the Group (or to groups of such centres), which may benefit from the synergies resulting from the business combination.

A cash flow centre to which goodwill is allocated is tested for impairment once a year or more frequently, if circumstances occur which indicate possible impairment. If the recoverable amount of the cash flow centre is smaller than its balance sheet value, the impairment allowance is allocated, in the first instance, to reduce the balance sheet amount of goodwill allocated to that centre, and the remaining part is allocated to other assets of that centre, pro rata to the balance sheet value of each of them. An impairment loss is recognised directly in the bottom line profit or loss. Impairment losses are not reversed in the next period.

Upon the transfer of a cash flow centre, goodwill allocated to it is taken into consideration in the calculation of the profit or loss on the transfer.

10.11 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 Group 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.

10.12 Recoverable amount of long-term assets

As at each balance sheet date, the Group evaluates assets for factors indicating their impairment. If such factors exit, the Group 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.

10.13 Financial instruments

As from 01/01/2018

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

The Group classifies financial assets into the following categories:
- measured at the amortised cost,
- measured at fair value through other total income,
- measured at fair value through profit or loss.

Financial liabilities are divided into:
- measured at the amortised cost,
- measured at fair value through profit or loss.

The classification of financial assets is based on the business model and cash flow characteristics. Upon of initial recognition, it is possible to irrevocably designate financial assets as measured at fair value through profit or loss, if the inconsistency of the measurement or recognition is eliminated or considerably mitigated in that way, which lack of cohesion would have otherwise arisen due to the measurement of assets or liabilities or the recognition of relevant profits or losses according to various principles.

Initial measurement
A financial asset or liability is recognised in the statements when and only when the Group becomes bound by the provisions of the instrument agreement.

All standard financial asset purchase and sale transactions are recognised on the transaction date i.e. on the date on which the entity has undertaken to acquire a given asset. Standard financial asset purchase or sale transactions are purchase or sale transactions in which the time limit for the delivery of the assets to the other party is basically set out in the regulations or by market customs.

Upon initial recognition, a financial asset or liability is measured at fair value which, in the case of financial assets or liabilities not measured at fair value through profit or loss is increased or decreased by transaction costs which may be directly allocated to the acquisition or issue of those financial assets or liabilities. The above does not concern trade receivables which do not have a significant financing component. Such receivables are measured upon initial recognition at their transaction price.

Financial assets measured at the amortised cost
A financial asset is measured at the amortised cost if both conditions below are met:
- the business model taken assumes the maintenance of the asset to accumulate cash flows under the agreement;
- cash flows under the agreement and concerning one instrument comprise only the repayment of the principal and interest on the principal remaining to be paid.

The Group classifies, first of all, the following as financial assets measured at the depreciated cost: trade receivables, cash and cash equivalents, investment security deposits and other receivables.

Financial assets measured at fair value through other total income
Assets measured at fair value through other total income are as follows:
- asset components, if two conditions are met: the asset is maintained in the business model which aims at obtaining agreed cash flows in relation to financial assets held and in relation to the sale of financial assets, and contractual conditions give the right to obtain cash flows constituting only the principal and interest on the principal at specific dates;
- equity instruments which were, upon initial recognition, classified into that category, with the omission of instruments for trading, for which such a choice is unavailable.

Financial assets measured at fair value through profit or loss
The category of assets measured at a fair value through profit or loss includes those financial instruments which were not allocated to the groups of assets measured at the amortised cost or fair value through other total income and those instruments about which the Group made a decision on such classification.

In the Group, that category includes, first of all, derivative instruments (the Group does not use hedge accounting), and debt or equity instruments acquired for resale in a short time.

Assets classified as financial assets measured at fair value through profit or loss are measured as at each reporting date at fair value, and any profits or losses charged to financial revenues or costs.

Embedded derivative instruments

An embedded derivative instrument is a hybrid contract component which also comprises the basic agreement, which is not a derivative instrument. That component causes some cash flows following from the combined instrument to change in way similar to cash flows which would follow from the derivative instrument occurring independently.

If the hybrid contract comprises the basic contract which is a financial asset, the entity measures the entire hybrid contract as appropriate. In the opposite case embedded derivative instruments are segregated from contracts 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 fair value, and the changes of its fair value are not recognised in profit or loss (i.e. a derivative instrument embedded in a financial liability measured at fair value through a profit or loss is not separated).

Embedded derivative instruments are recognised in the same way as independent derivative instruments (financial assets are measured at fair value through profit or loss).

Financial liabilities measured at the amortised cost

The Group classifies all the financial liabilities as measured, after initial recognition, at the depreciated cost, with the exception of:

- financial liabilities measured at fair value through profit or loss,
- financial liabilities which have arisen as a result of the transfer of a financial asset, which does not qualify for the cessation of recognition, or when the interest maintenance approach applies,
- financial guarantee agreements,
- obligations to grant a loan bearing interest below the market interest rate,
- conditional payment recognised by the acquiring entity as part of a business combination to which IFRS 3 applies.

The Group classifies the following, first of all, as financial liabilities measured at the amortised cost: credit, loans, trade liabilities and other liabilities.

Financial liabilities measured at fair value through profit or loss

The Group classifies financial liabilities meeting one of the following conditions as financial liabilities measured at fair value:

- compliance with the definition of holding for trade (liabilities acquired or contracted mainly for sale or resale in the near term or upon initial recognition; those liabilities are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of the current actual mode of generation of short-term profits or those liabilities are a derivative instrument, except derivative instruments being financial guarantee agreements or designated and effective hedging instruments),
- upon initial recognition, they are held by the Group as measured at fair value through profit or loss pursuant to law,
- are held upon initial recognition or later as measured at fair value through profit or loss.

In the Group, financial liabilities measured at fair value through profit or loss include primarily derivative instruments with a negative fair value (the Group does not use hedge accounting).

Measurement of financial assets and liabilities at fair value

Derivative instruments are measured at fair value as at the balance sheet date and at the end of each reporting period on the basis of valuations performed by banks effecting the transactions. Other financial assets measured at fair value 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.

The Group 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.

Impairment of financial assets
To estimate the impairment of financial assets, the Group uses the expected loss model based on the calculation of expected losses irrespective of whether there were any circumstances for that or not.

With the exception of financial liabilities acquired or issued with impairment, expected credit losses are recognised an allowance at the amount equal to:
- the total of expected credit losses over 12 months (the losses which may arise as a result of debtors' failure to meet the liabilities under financial instruments in the period of 12 months from the date of the financial statements);
- the total of expected credit losses over the entire life of an asset. Those losses should be recognised before the financial instrument becomes overdue.

The Group uses impairment requirements to recognise and measure the allowance for expected credit losses related to the financial assets which are measured at fair value through other total income. The allowance is recognised in other total income and that allowance does not reduce the balance sheet value of the financial asset in the statement of financial position.

Impairment of financial instruments, with regard to which a considerable increase of credit risk is noted from initial recognition, irrespective of whether they were measured individually or collectively, should take into consideration all rational and documentable information including information concerning the future.

In its profit or loss, the Group recognises as profit or impairment loss the amount of expected credit losses (or the amount of the dissolved provision), which is required in order to adjust the allowance for expected credit losses as at the reporting date to the amount to be recognised in conformity with IFRS 9.

Until 31/12/2017

Financial instruments
A financial instrument is any agreement which causes a financial asset to arise on one part and a financial liability or equity instrument on the other.

The Group 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 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 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 fair value. The initial valuation is increased by transaction costs except for financial assets classified into the categories measured at 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 Group 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 measured at fair value through profit or loss (the Warsaw Stock Exchange)

Financial assets are classified as measured at the WSE when those assets are held for trading or measurement at the WSE.

A financial asset qualifies as an asset held for trading if it:
- was purchased first of all for resale in the near future; or
- is a part of a specific portfolio of financial instruments, which the Group manages jointly, in conformity with the current and factual benchmark for short-term profit generation; or
- is a derivative instrument not held as a security and not operating as such.

A financial asset other than held for trading may be classified as measured at fair value through profit or loss upon initial recognition if
- such classification eliminates or significantly reduces a measurement or recognition inconsistency occurring in other circumstances; or
- a financial asset belongs to the group of financial assets or liabilities or to both of those groups comprised by management, and its results are measured at fair value in conformity with the Group's documented risk or investment management strategy as part of which information on asset grouping is provided internally; or
- an asset is a contract asset under a contract comprising one or more embedded derivative instruments, and IAS 39 allows the classification of the entire contract as measured through profit or loss.

Financial assets measured at the WSE are recognised at fair value, and any profits and losses in relation to remeasurement are recognised as profit or loss. The gain or loss recognised as profit or loss comprises all dividends or interest on financial assets and is recognised in the other revenues or financial cost line.

Other financial assets measured at 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 held 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 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 non-current 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 fair value as at each reporting date, and profits and losses (except impairment losses) are recognised in equity.

Financial liabilities
Financial liabilities are measured upon their recognition in the books at fair value. The initial valuation includes transaction costs except for financial liabilities classified into the categories measured at fair value through profit or loss. The transaction costs of a possible transfer of a financial liability are not taken into account in the subsequent measurement 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 assets measured at fair value through profit or loss (the Warsaw Stock Exchange)
This category comprises financial liabilities held for trading or as measured at the WSE.
A financial liability is classified as held for trading if it:

- was undertaken first of all for repurchase at a short term;
- is a part of a specific portfolio of financial instruments, which the Group manages jointly, in conformity with the current and factual benchmark for short-term profit generation; or
- is a derivative instrument which is unclassified and not operating as a security.

Financial liabilities other than those held for trading may be held as measured at the WSE upon initial recognition if:

- such classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise in other circumstances; or
- a financial asset belongs to the group of financial assets or liabilities or to both of those groups covered by management, and its results are measured at fair value in conformity with the Group's documented risk or investment management strategy as part of which information on asset grouping is provided internally; or
- is a part of a contract containing one or more embedded derivative instruments, and IAS 39 permits the classification of the entire contract as items measured at the WSE.

Financial liabilities measured at the WSE are recognised at fair value and all revaluation profits or losses are recognised in profit or loss. The gain or loss recognised as profit or loss comprises all interest paid on financial liabilities and is recognised as other financial revenues or costs.

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 measured at the amortised cost
Other financial liabilities, not classified as financial liabilities measured at 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 credit taken out as well as issued bonds. Liabilities included in that category are measured at the amortised cost with the application of the effective interest rate.

10.14 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 determined by way of the specific identification (land) or by means of the FIFO method (other commodities)

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 a cost of sales. The value of a revaluation deduction reduces the balance sheet value of inventory comprised by such a deduction.

10.15 Trade and other receivables

Trade receivables and other financial 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 1 year, where the significant financing component does not occur, the valuation at the amortised cost 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 and the contractor's credit risk. 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.

The principles concerning financial assets are used to determine revaluation deductions on receivables. In the case of trade receivables or assets under agreements arising from transactions covered by IFRS 15, the Group measures the allowance for expected credit losses in the amount equal to those losses over the entire life of the instrument.

Expected credit loss revaluation deductions on receivables are recognised as other operating costs. The reduction of the allowances is recognised in the income statement as other operating revenues.

10.16 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.

10.17 Non-current assets held for disposal

Non-current assets (or their groups) held 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 Asset*s."

Non-current 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.

A non-current asset is not depreciated if it is classified as held for sale or is included in a disposal group that is classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

If the Group 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.

10.18 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 is constituted by 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.

10.19 Interest bearing credit, loans and debt securities

Upon initial recognition, all credit, 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 credit, 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.

10.20 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.

10.21 Provisions

Provisions are created when the Group 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.

The recognised provision amount reflects possibly the most precise estimate of the amount required for the settlement of the current liability as at the balance sheet, with the risk and uncertainty of that liability taken into consideration. If the provision is measured by estimated cash flows necessary for the settlement of the current liability, the balance sheet value of the provision corresponds to the current value of those cash flows (when the influence of the time value of money is significant).

If the Group 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 and its reliable measurement is possible.

The amount of provisions is updated twice a year – after six months and at the end of a financial year.

10.22 Revenues

Revenues are recognised in such a way as to reflect the transfer of the promised goods or services to the customer, in the amount which reflects the remuneration to which the Group, as expected by it, will be entitled in consideration of those goods or services.

The Group recognises a revenue under an agreement with the customer only when all the following criteria are met jointly:

- the parties entered into an agreement (in writing, orally or in accordance with other customary trade practices) and are obliged to meet their obligations;
- the Group is able to identify each party's rights concerning the goods or services to be handed over;
- the Group is able to identify the terms of payment for the goods or services to be handed over;
- the agreement has economic contents;

- the Group is likely to receive the remuneration to which the Group will be entitled in consideration of the goods and services which will be handed over to the customer.

Upon conclusion of the agreement, the Group evaluates the goods or services promised in the agreement with the customer and identifies each promise made to the customer to provide the following as a performance obligation:
- discernible goods or a service (or a package of goods or services); or
- group of relevant goods or services, which are substantially the same and in the case of which their handover to the customer is of the same nature.

The Group recognises revenues on satisfying (or in the process of satisfying) the performance obligation through the handover of the promised goods or a service (i.e. an asset) to the customer. Asset handover takes place upon the customer gaining control of that asset, that is when the customer becomes able to dispose of that asset directly and derive substantially all other benefits from the asset. In the case of revenues from the property development activity, the Group acknowledges that control is transferred upon signing an acceptance inspection report in condition that the customer made all the payments towards the price of real estate.

The Group transfers the control of the goods or service with the passage of time and thus satisfies the performance obligation and recognises the revenues with the passage of time if one of the following conditions has been met:
- the customer simultaneously receives and derives benefits from the performance as it is provided by the Group;
- as the performance is being provided, an asset comes into being or is improved (e.g. work in progress), and control of that asset, as it comes into being or becomes improved) is exercised by the customer; or
- an asset with the alternative use for the Group does not come into being, and the Group is entitled to an enforceable right to the payment for the performance provided previously.

With regard to each performance obligation satisfied with the passage of time, the Group recognises the revenues with the passage of time while measuring the extent to which the performance obligation was satisfied. The purpose of the measurement is to determine the progress in the satisfaction of the Group's obligation to transfer control of the goods or services promised to the customer (i.e. the extent to which the performance obligation was fulfilled).

After the performance obligation has been fulfilled (or when it is being provided), the Group recognises as a revenue the amount equal to the transaction price (except the estimated values of the variable remuneration) which was allocated to that performance obligation. The transaction price does not include tax on goods and services (VAT), other taxes (except excise) and rebates (discounts and bonuses).

If the remuneration fixed in the agreement comprises the variable amount, the Group estimates the remuneration to which it will be entitled in consideration of the handover of the promised goods or services to the customer. At the end of each reporting period, the Group updates the estimated transaction prices so that they reliably reflect the circumstances at the end of the reporting period and the changes of the circumstances during that period.

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.

10.23 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.

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.

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.

10.24 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.

11. Information on operating segments

Operating segments were created at the level of various companies in the Group with differences in products and services taken into consideration. The data regarding the sale of homogeneous products and services by various Group companies were aggregated for reporting purposes. Aggregation for reporting purposes was based on the kind of activity i.e. the kind of products and services sold.

The Group distinguishes the following operating segments for reporting purposes:
- property development activity segment which comprises INPRO SA, PB Domesta Sp. z o.o., SML Sp. z o.o. and part of the activity of Hotel Mikołajki Sp. z o.o. consisting in the sale of apartments;
- hotel services segment comprising Dom Zdrojowy Sp. z o.o. and Hotel Mikołajki Sp. z o.o. (until the end of the half of 2018), except the part of the activity consisting in the sale of apartments;
- own real property lease segment comprising Hotel Mikołajki, commencing with the beginning of the second half of 2018;
- the segment involving the manufacture of precast concrete and reinforced concrete as well as steel elements with inBet Sp. z o.o.;
- plumbing and heating system segment comprising PI ISA Sp. z o.o.

The whole of the activities in the above-mentioned segments are pursued in the territory of Poland.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Figures for the period 1/1/2018-31/12/2018	Continuing operations						Exclusions	Total activities
	Property development activity	Hotel services	Manufacture of precast items	Plumbing and heating systems	Renting of real property	Total		
Revenues								
Sales to external customers	216 475	20 520	18 449	658	2 880	258 982	-	258 982
Sales between segments	3 595	122	7 189	5 832	4	16 742	(16 742)	-
Total revenues of the segment	**220 070**	**20 642**	**25 638**	**6 490**	**2 884**	**275 724**	**(16 742)**	**258 982**
Profit (loss) of the segment	**66 268**	**4 789**	**9 817**	**1 031**	**2 838**	**84 743**	**(428)**	**84 315**
Selling costs	(6 404)	(842)	(2 138)	-	(1 722)	**(11 106)**	**-**	(11 106)
Administrative expenses	(16 060)	(2 796)	(1 350)	(781)	790	**(20 197)**	**(690)**	(20 887)
Other operating revenues/costs	369	102	1	(21)	44	**495**	(50)	445
Profit (loss) on operating activities	**44 173**	**1 253**	**6 330**	**229**	**1 950**	**53 935**	**(1 168)**	**52 767**
Interest revenue	52	16	-	-	2	**70**	(19)	51
Interest cost	(1 210)	(313)	(145)	-	(475)	**(2 143)**	19	(2 124)
Other net revenues/financial costs	592	(2)	51	(7)	(65)	**569**	(983)	(414)
Profit (loss) before tax	**43 607**	**954**	**6 236**	**222**	**1 412**	**52 431**	**(2 151)**	**50 280**
Income tax	(8 353)	(215)	(1 178)	(25)	136	**(9 635)**	213	(9 422)
Net profit (loss) for the financial year	**35 254**	**739**	**5 058**	**197**	**1 548**	**42 796**	**(1 938)**	**40 858**
- including attributable to non-controlling shareholders								***2 914***

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Figures as at 31/12/2018	Continuing operations						Exclusions	Total activities
	Property development activity	Hotel services	Manufacture of precast items	Plumbing and heating systems	Renting of real property	Total		
Assets and liabilities								
Segment assets	522 031	24 629	28 890	1 943	71 362	648 856	(105 001)	543 855
Total assets	**522 031**	**24 630**	**28 890**	**1 943**	**71 362**	**648 856**	**(105 001)**	**543 855**
Total equity	301 849	20 164	21 187	1 223	49 950	394 373	(98 710)	295 663
Segment liabilities	220 182	4 466	7 703	720	21 412	254 483	(6 291)	248 192
Total liabilities and capital	**522 031**	**24 630**	**28 890**	**1 943**	**71 362**	**648 856**	**(105 001)**	**543 855**

Other information concerning segments for 2018	Property development activity	Hotel services	Manufacture of precast items	Plumbing and heating systems	Renting of real property	Total	Exclusions	Total activities
Increases in fixed assets and intangibles in the period	1 503	3 282	10 449	1	115	15 350	-	15 350
Depreciation of non-current assets	(1 852)	(878)	(850)	(11)	(896)	(4 487)	24	(4 463)
Total asset impairment loss as at 31/12/2018	(677)	(57)	(69)	-	(14)	(817)	-	(817)

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Figures for the period 1/1/2017-31/12/2017	Continuing operations					Exclusions	Total activities
	Property development activity	Hotel services	Manufacture of precast items	Plumbing and heating systems	Total		
Revenues							
Sales to external customers	154 405	30 827	15 916	1 743	202 891	-	202 891
Sales between segments	661	81	5 365	5 037	11 144	(11 144)	-
Total revenues of the segment	**155 066**	**30 908**	**21 281**	**6 780**	**214 035**	**(11 144)**	**202 891**
Profit (loss) of the segment	**54 343**	**7 425**	**8 267**	**1 034**	**71 069**	**(763)**	**70 306**
Selling costs	(7 139)	(955)	(2 471)	-	(10 565)	**-**	(10 565)
Administrative expenses	(14 575)	(4 207)	(1 519)	(931)	(21 232)	**-**	(21 232)
Other operating revenues/costs	223	(224)	74	14	87	187	274
Profit (loss) on operating activities	**32 852**	**2 039**	**4 351**	**117**	**39 359**	**(576)**	**38 783**
Interest revenue	120	11	18	-	149	(36)	113
Interest cost	(599)	(944)	(156)	-	(1 699)	36	(1 663)
Other net revenues/financial costs	611	(65)	(93)	(7)	446	(596)	(150)
Profit (loss) before tax	**32 984**	**1 041**	**4 120**	**110**	**38 255**	**(1 173)**	**37 082**
Income tax	(5 862)	(364)	(694)	(4)	(6 924)	151	(6 773)
Net profit (loss) for the financial year	**27 122**	**677**	**3 426**	**106**	**31 331**	**(1 022)**	**30 309**
- including attributable to non-controlling shareholders							***2 180***

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Figures as at 31/12/2017	Continuing operations					Exclusions	Total activities
	Property development activity	Hotel services	Manufacture of precast items	Plumbing and heating systems	Total		
Assets and liabilities							
Segment assets	408 747	93 226	24 518	1 811	528 302	(102 601)	425 701
Total assets	**408 747**	**93 226**	**24 518**	**1 811**	**528 302**	**(102 601)**	**425 701**
Total equity	278 864	67 828	15 993	1 066	363 751	(98 305)	265 446
Segment liabilities	129 883	25 398	8 525	745	164 551	(4 296)	160 255
Total liabilities and capital	**408 747**	**93 226**	**24 518**	**1 811**	**528 302**	**(102 601)**	**425 701**

Other information concerning segments for 2017	Property development activity	Hotel services	Manufacture of precast items	Plumbing and heating systems	Total	Exclusions	Total activities
Increases in fixed assets and intangibles in the period	2 406	538	1 892	3	4 839	(261)	4 578
Depreciation of non-current assets	(1 265)	(1 957)	(700)	(19)	(3 941)	94	(3 847)
Total asset impairment losses as at 31/12/2017	(2 299)	(86)	(37)	-	(2 422)	-	(2 422)

Unless indicated otherwise, all amounts are stated in thousands of zlotys

12. Costs and revenues

12.1 Sales revenues

Sales revenues	01/01/2018 -31/12/2018	01/01/2017 -31/12/2017
Revenues from the sales of products	232 158	165 510
Revenues from the sales of services	26 442	36 944
Proceeds from the sale of goods for resale and materials	382	437
Total sales revenues	**258 982**	**202 891**

12.2 Costs by category, including employee benefits

Costs by category	01/01/2018 -31/12/2018	01/01/2017 -31/12/2017
Depreciation	4 463	3 847
Consumption of materials and energy	66 934	46 572
External services	115 332	89 307
Taxes and charges	3 864	4 325
Costs of employee benefits, including:	39 249	37 393
- payroll	*33 159*	*30 916*
- costs of social insurances and other benefits	*6 090*	*6 477*
Other costs	3 463	4 563
Total costs by category	**233 305**	**186 007**
Change in products, work in progress and accruals (+/-)	(26 841)	(18 854)
Costs of products for the entity's in-house needs (-)	(246)	(3 039)
Selling costs (-)	(11 106)	(10 565)
Administrative expenses (-)	(20 887)	(21 232)
Value of goods for resale and materials sold	442	266
Cost of sales	**174 667**	**132 585**
Total costs of products, goods for resale and materials sold, cost of sales and administrative expenses	**206 660**	**164 382**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

12.3 Other operating revenues

Other operating revenues	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
Net profit from the disposal of non-financial non-current assets	124	533
Revenues from liquidation of property, plant, equipment and intangibles	-	6
Grants received	7	-
Cancelled and time-barred liabilities	-	25
Penalties and damages received	1 663	242
Reimbursement of court costs by the recipient and claims recovered by enforcement	14	13
Tax reimbursement	306	188
Interest from state budget	-	2
Settlement of the provision for contentious issues	91	75
Other	460	80
Total other operating revenues	**2 666**	**1 164**

The penalties and damages comprise PLN 1,205 k received by the parent company from the City of Gdańsk as damages for expropriated land for a road at Chmielna Street in Gdańsk and other damages paid by insurance companies to the Group companies.

12.4 Other operating costs

Other operating costs	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
Revaluation deduction on the value of property, plant and equipment	50	-
Valuation allowance on trade receivables	16	5
Costs of liquidation of property, plant, equipment and intangibles	-	1
Valuation allowance for time-barred and cancelled receivables and bad debts	23	4
Provision for penalties, court costs and damages	551	284
Donations given	135	85
Penalties, fines and damages	170	48
Costs of court proceedings	7	17
State budget interest	-	7
Other operating costs concerning investment property generating lease revenues	369	-
Other	900	439
Total other operating costs	**2 221**	**890**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

PLN 900 k shown in the item titled "Other" in the schedule of other operating costs mainly comprises the value of land expropriated by the City of Gdańsk for a road at Chmielna Street, as shown in the statements by Inpro SA. The cost of land after a revaluation deduction is PLN 846 k.

12.5 Financial revenues

Financial revenues	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
Interest revenue, including:	51	112
- interest on bank deposits	47	18
- interest on loans	-	-
- interest on cash and cash equivalents	4	94
- other interest	-	-
Exchange gains, including:	58	-
concerning bank credit, loans received and finance lease	*2*	-
concerning cash and cash equivalents	*44*	-
concerning other financial assets	*12*	-
Other financial revenues	62	78
Financial revenues	**171**	**190**

12.6 Financial costs

Financial costs	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
Interest revenue, including:	2 131	1 669
- in relation to loans and credit	*1 916*	1 452
- in relation to finance lease	*194*	204
- concerning trade liabilities	*9*	13
- other interest	*12*	-
Measurement of debt security issue at depreciated cost	333	-
Commissions	169	-
Exchange losses, including:	-	84
Exchange losses concerning cash and cash equivalents	-	29
Exchange losses concerning bank credit, loans received and finance lease	-	7
Exchange losses concerning other financial assets	-	48
Other financial costs	25	138
Financial costs	**2 658**	**1 891**
Net financial revenues and costs	**(2 487)**	**(1 701)**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

13. Income tax

13.1 Income tax disclosed in the statement of total income

Income tax	01/01/2018 -31/12/2018	01/01/2017 -31/12/2017
Consolidated statement of total income		
Current income tax	**12 026**	**6 983**
Current income tax liability	12 024	7 340
Adjustments concerning current income tax from previous years	2	(357)
Deferred income tax	**(2 604)**	**(210)**
Relating to the establishment and reversal of temporary differences	(2 604)	(210)
Tax liability shown in the consolidated statement of total income	**9 422**	**6 773**

As regards income tax, the Group is subject to the general provisions of law. The Group is not a capital tax group, neither does it 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.

13.2 Income tax recognised in equity – not applicable

13.3 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 Group's effective tax rate for the year ended on 31 December 2018 and 31 December 2017 is as follows:

	01/01/2018 -31/12/2018	01/01/2017 -31/12/2017
Gross profit / (loss) from continuing operations before tax	50 280	37 082
Profit / (loss) from discontinued operations before tax	-	-
Profit /(loss) before tax	**50 280**	**37 082**
Income tax with reference to the statutory 19 % tax rate binding in Poland (2018 – 19 %)	**9 553**	**7 046**
Tax effect of differences between the value of book and tax revenues	5 777	764
Tax effect of differences between the value of book and tax costs	(3 046)	240

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Tax effect concerning operating lease settlements	(2 697)	(490)
Negative temporary differences on which deferred income tax assets have not been recognised	-	(2)
Other	32	1
Tax effect of tax losses of subsidiaries	109	8
Tax effect of the tax loss deducted for previous years	(308)	(437)
	9 420	**7 130**
Adjustments concerning current income tax from previous years	2	(357)
Income tax disclosed in the statement of total income	**9 422**	**6 773**
Effective rate, %	**18.74 %**	**18.26 %**

Unrecognised deferred income tax assets and unused tax allowances:

	As at 31/12/2018	**As at 31/12/2017**
	PLN'000	**PLN'000**
As at the balance sheet date, the following deferred tax assets were not reported:	-	-
- Unused tax losses	586	-
- Unused tax allowances	-	-
- Temporary differences	-	-
	-	**-**

The unused tax losses recognised in company assets as deferred tax assets expire in the following years:

2019 – none, 2020- PLN 3,510 k, 2021 – PLN 291 k, 2022 – PLN 150 k, PLN 146 k.

13.4 Deferred income tax

31/12/2018	Status as at the beginning of the period	(Increases) charged to profit or loss	(Decreases) charged to profit or loss	**Status as at the end of the period**
Temporary differences concerning deferred income tax assets:				
Provision for repairs under the guarantee	**189**	61	(189)	**61**
Provision for unused vacation leave and retirement severance pay	**225**	198	(215)	**208**
Unpaid payroll	**210**	64	(210)	**64**
Doubtful receivables	**60**	78	(48)	**90**
Provision for additional payroll payable	**-**	50	-	**50**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Unrealised profit or loss in the Group	**3 224**	8,445	(6 996)	**4,673**
Tax loss in a subsidiary	**562**	675	(566)	**671**
Provision for a balance sheet audit	**11**	11	(11)	**11**
Provision for the loss of profit in relation to price reduction/inventory revaluation	**467**	-	(339)	**128**
Other	**72**	148	(67)	**153**
Effect of deferred CIT asset offset against deferred CIT provisions at the level of separate financial statements of Inpro Group entities	**(3 422)**	(833)	-	**(4 255)**
	1 598	**8,897**	**(8 641)**	**1 854**

Temporary differences concerning the deferred income tax provision:

Result on the sale of premises on the basis of the handover and receipt report	**7 596**	10 339	(12 119)	**5 816**
Interest on deposits and loans allowed	**17**	3	(15)	**5**
Property, plant and equipment	**802**	657	(585)	**874**
Differences in the valuation of fixed assets – unrealised profit or loss	**(25)**	85	75	**135**
Impact of changes in accounting policy - IFRS 15	**-**	38		**38**
Other	**-**	-	(13)	**(13)**
Effect of deferred CIT asset offset against deferred CIT provisions at the level of separate financial statements of Inpro Group entities	**(3 422)**	(833)	-	**(4 255)**
	4 968	**10 289**	**(12 657)**	**2 600**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

31/12/2017	Status as at the beginning of the period	(Increases) charged to profit or loss	(Decreases) charged to profit or loss	**Status as at the end of the period**
Temporary differences concerning deferred income tax assets:				
Provision for repairs under the guarantee	**39**	188	(38)	**189**
Provision for unused vacation leave and retirement severance pay	**203**	218	(196)	**225**
Unpaid payroll	**129**	210	(129)	**210**
Doubtful receivables	**16**	45	(1)	**60**
Provision for additional payroll payable	**76**	-	(76)	**-**
Unrealised profit or loss in the Group	**1 703**	3 340	(1 819)	**3 224**
Tax loss in a subsidiary	**863**	170	(471)	**562**
Provision for a balance sheet audit	**6**	12	(7)	**11**
Provision for contentious state budget issues	-	-	-	**-**
Provision for the loss of profit in relation to price reduction/inventory revaluation	**383**	84	-	**467**
Provision for contentious court cases	**-**	-	-	**-**
Other	**89**	63	(80)	**72**
Effect of deferred CIT asset offset against deferred CIT provisions at the level of separate financial statements of Inpro Group entities	**(1 896)**	(1 526)	-	**(3 422)**
	1 611	**2 804**	**(2 817)**	**1 598**
Temporary differences concerning the deferred income tax provision:				
Result on the sale of premises on the basis of the handover and receipt report	**6 298**	9 244	(7 946)	**7 596**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Interest on deposits and loans allowed	**71**	-	(54)	**17**
Property, plant and equipment	**746**	573	(517)	**802**
Differences in the valuation of fixed assets – unrealised profit or loss	**(29)**	4	-	**(25)**
Effect of deferred CIT asset offset against deferred CIT provisions at the level of separate financial statements of Inpro Group entities	**(1 897)**	(1 525)	-	**(3 422)**
	5 189	**8 296**	**(8 517)**	**4 968**

14. Assets and liabilities relating to the Company Social Welfare Fund

The Group companies create the fund and make periodical deductions in the amount of the deduction from pay. The Fund's objective is to subsidise the Company's welfare activity, grants allowed to its employees and other welfare costs.
The Group companies compensated the Fund's assets with the Company's liabilities towards the Fund as those assets do not constitute the Group's separate assets. The surplus of the Fund's assets over its liabilities adjusted the other receivables of the companies.

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

	31/12/2018	**31/12/2017**
Balance at the Company Social Welfare Fund's bank account	61	115
Loans receivable	-	-
Total assets of the Company Social Welfare Fund	61	115
Fund's special purpose funds	59	115
Assets and liabilities of the Company Social Welfare Fund	**2**	**-**
Allowance booked as costs in the period	**71**	**59**

On the basis of annexe No. 6 to the Remuneration Rules, INPRO SA stopped the creation of the Company Social Welfare Fund on 1 January 2016. The funds at the Company Social Welfare Fund were fully used by the parent company in 2018.

15. Earnings per share

The basic earnings per share are calculated by dividing net profit for a period, such profit falling to ordinary shareholders of the Parent Company, 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).

Unless indicated otherwise, all amounts are stated in thousands of zlotys

The figures concerning profit and shares used for the calculation of the basic and diluted earnings per share are presented below:

Earnings per share	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
Net profit (loss) from continuing operations	37 944	28 129
Net profit from discontinued operations	-	-
Net profit attributable to shareholders in the parent entity	**37 944**	**28 129**
Weighted average number of ordinary shares	**40 040**	**40 040**

Basic earnings per share	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
Net profit	37 944	28 129
Weighted average number of ordinary shares	40 040	40 040
Basic earnings per share (PLN/share)	0.9476	0.7025

Diluted earnings per share	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
Net profit attributable to the parent entity's shareholders used for diluted earnings per share calculation	37 944	28 129
Adjusted weighted average number of ordinary shares used for diluted earnings per share calculation	40 040	40 040
Diluted earnings per share (PLN/share)	0.9476	0.7025

Basic earnings per share from continuing operations	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
Net profit from continuing operations	37 944	28 129
Weighted average number of ordinary shares	40 040	40 040
Basic earnings per share (PLN/share)	0.9476	0.7025

Diluted earnings per share from continuing operations	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
Net profit attributable to Shareholders used for the calculation of diluted earnings per share from continuing operations	37 944	28 129
Adjusted weighted average number of ordinary shares used for diluted earnings per share calculation	40 040	40 040
Diluted earnings per share (PLN/share)	0.9476	0.7025

Unless indicated otherwise, all amounts are stated in thousands of zlotys

16. Dividends paid and declared

Dividends paid and proposed	01/01/2018 -31/12/2018	01/01/2017 -31/12/2017
Declared and paid dividends for ordinary shares:	**10 020**	**10 060**
- dividend proposed and paid to the parent entity's shareholders from profit for 2017	10 010	-
- dividend proposed and paid to the non-controlling shareholders from profit for 2017	10	-
- dividend proposed and paid to the parent entity's shareholders from profit for 2016	-	10 010
- dividend proposed and paid to the non-controlling shareholders from profit for 2016	-	50
Total dividends reducing the Group's profit	**10 020**	**10 060**
Dividend declared and paid to non-controlling shareholders	697	439
Total dividends and other payments to owners	**10 717**	**10 499**

Dividend payment in 2018:

Pursuant to resolution No. 11/2018 of 14 June 2018 the Ordinary General Meeting of INPRO SA decided to allocate part of the Company's net profit for 2017 in the amount of PLN 10,010,000 i.e. PLN 0.25 per share towards the dividend to the Company's shareholders. The General Assembly set out 16 August 2018 as the record date and 30 August 2018 as the dividend date.

Based on resolution No. 6/2018 of 24 May 2018, the General Meeting of PB Domesta Sp. z o.o. made a decision on the payment to the shareholders of the dividend for 2017 in the amount of PLN 1,700 k, including PLN 1,013 k to INPRO SA.

Based on resolution No. 4/2018 of 18 June 2018, the General Meeting of PI ISA Sp. z o.o. made a decision on the payment to the shareholders of the dividend for 2017 in the amount of PLN 40 k, including PLN 20 k to INPRO SA.

Dividend payment in 2017:

Pursuant to resolution No. 11/2017 of 2 June 2017 the Ordinary General Meeting of INPRO SA decided to allocate part of the Company's net profit for 2016 in the amount of PLN 10,010,000 i.e. PLN 0.25 per share towards the dividend to the Company's shareholders. The dividend comprises all the shares of the Company. The General Assembly set out 13 June 2017 as the record date and 27 June 2017 as the dividend date.

Based on resolution No. 7/2017 of 9 June 2017, the General Meeting of PB Domesta Sp. z o.o. made a decision on the payment to the shareholders of the dividend for 2016 in the amount of PLN 1,085 k, including PLN 595,800 to INPRO SA.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

17. Property, plant and equipment

01/01/2018 -31/12/2018	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 (converted data)	**5 135**	**87 648**	**26 676**	**8 445**	**11 824**	**1 000**	**140 728**
Adjustment of comparative data for 2017 – transfer between items	**-**	*(234)*	*234*	**-**	**-**	**-**	**-**
b) increases (in relation to)	**11**	**4 284**	**8 199**	**1 111**	**969**	**11 218**	**25 792**
- purchase	11	3 521	525	839	969	769	**6 634**
- receipt from investments	-	-	7 671	-	-	-	**7 671**
- modernisation	-	763	3	-	-	-	**766**
- capital expenditure on fixed assets under construction	-	-	-	-	-	10 449	**10 449**
- taken over on the basis of a finance lease agreement	-	-	-	272	-	-	**272**
c) decreases (in relation to)	**(3 390)**	**(57 253)**	**(10 626)**	**(2 566)**	**(2 995)**	**(9 206)**	**(86 036)**
- sale	-	-	-	(576)	(10)	-	**(586)**
- liquidation	-	-	(175)	(11)	(390)	(86)	**(662)**
- reclassification to investments	(3 390)	(57 253)	(10 451)	(1 979)	(2 595)	(9 120)	**(84 788)**
d) gross value of fixed assets as at the end of the period	**1 756**	**34 445**	**24 483**	**6 990**	**9 798**	**3 012**	**80 484**
e) accumulated amortisation (depreciation) as at the beginning of the period (converted data)	**(147)**	**(10 472)**	**(10 234)**	**(4 956)**	**(8 977)**	**-**	**(34 786)**
f) depreciation for the period (in relation to)	**(5)**	**2 500**	**2 389**	**242**	**1 726**	**-**	**6 852**
- annual depreciation charge	(5)	(810)	(1 519)	(787)	(1 155)	-	**(4 276)**
- sale of a fixed asset	-	-	-	539	10	-	**549**
- liquidation of a fixed asset	-	-	175	11	381	-	**567**
- other	-	-	-	-	43	-	**43**
- reclassification to investments	-	3 310	3 733	479	2 447	-	**9 969**
g) accumulated amortisation (depreciation) as at the end of the period	**(152)**	**(7 972)**	**(7 845)**	**(4 714)**	**(7 251)**	**-**	**(27 934)**
h) deductions related to the permanent impairment as at the beginning of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) write-offs related to the permanent impairment as at the end of the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) net value as at the beginning of the period	**4 988**	**76 942**	**16 675**	**3 489**	**2 847**	**1 000**	**105 941**
k) net value as at the end of the period	**1 604**	**26 473**	**16 638**	**2 276**	**2 547**	**3 012**	**52 550**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

COMPARATIVE DATA

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 (converted data)	**5 134**	**85 545**	**25 595**	**7 379**	**10 837**	**1 165**	**135 655**
b) increases (in relation to)	**4**	**2583**	**1150**	**1488**	**1247**	**2336**	**8 808**
- purchase	-	231	968	1 335	1 122	378	4 034
- receipt from investments	-	2 320	107	-	-	-	2 427
- modernisation	-	-	75	-	113	-	188
- capital expenditure on fixed assets under construction	4	32	-	-	-	1 958	1 994
- taken over on the basis of a finance lease agreement	-	-	-	153	-	-	153
- other	-	-	-	-	12	-	12
c) decreases (in relation to)	**(2)**	**(479)**	**(69)**	**(423)**	**(260)**	**(2 501)**	**(3 734)**
- sale	(2)	-	(3)	(423)	(8)	-	**(436)**
- liquidation	-	(479)	(66)	-	(252)	(74)	**(871)**
- reclassification to investments	-	-	-	-	-	(2 427)	**(2 427)**
d) gross value of fixed assets as at the end of the period	**5 136**	**87 649**	**26 676**	**8 444**	**11 824**	**1 000**	**140 729**
e) accumulated amortisation (depreciation) as at the beginning of the period (converted data)	**(143)**	**(9 759)**	**(8 988)**	**(4 828)**	**(8 024)**	**-**	**(31 742)**
f) depreciation for the period (in relation to)	**(5)**	**(712)**	**(1 245)**	**(130)**	**(953)**	**-**	**(3 045)**
- annual depreciation charge	(5)	(747)	(1 312)	(543)	(1 160)	-	**(3 767)**
- sale of a fixed asset	-	-	3	413	1	-	**417**
- liquidation of a fixed asset	-	35	64	-	222	-	**311**
- other)	-	-	-	-	(6)	-	**(6)**
g) accumulated amortisation (depreciation) as at the end of the period	**(147)**	**(10 473)**	**(10 234)**	**(4 956)**	**(8 977)**	**-**	**(34 787)**
h) deductions related to the permanent impairment as at the beginning of the period	**-**	**(38)**	**-**	**-**	**-**	**-**	**(38)**
increase (in relation to)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
decrease (in relation to)	**-**	**38**	**-**	**-**	**-**	**-**	**38**
- sale of a fixed asset	-	-	-	-	-	-	**-**
- liquidation of a fixed asset	-	38	-	-	-	-	**38**
i) write-offs related to the permanent impairment as at the end of the period	**-**	**-**	**-**	**-**	**-**	**-**	**0**
j) net value as at the beginning of the period	**4 991**	**75 748**	**16 607**	**2 551**	**2 812**	**1 165**	**103 874**
k) net value as at the end of the period	**4 989**	**77 176**	**16 442**	**3 488**	**2 847**	**1 000**	**105 942**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

In the reporting period, the balance sheet value of property, plant and equipment decreased by PLN 53,392 k. Such a large decrease is related to the fact that, following the signing by Hotel Mikołajki of a tenancy agreement for the hotel with furnishings, the way of presentation of property, plant and equipment has changed. From now on, those assets will be presented as long-term investments until the end of the tenancy agreement.

The Company did not effect material liquidation of fixed assets in the reporting period.

The biggest increases in fixed assets were related to the takeover of a new production line for use along with the extension of a production facility by Inbet Sp. z o.o., and to the refurbishment of real property of Dom Zdrojowy Sp. z o.o.

The balance sheet value of all the fixed assets used as at 31 December 2018 on the basis of finance lease agreements and lease agreements with a purchase option was PLN 902 k (31 December 2017: PLN 8,495 k).

The securities on fixed assets as at 31/12/2018 were detailed in note No. 30.

18. Investment property

The net value of investment real estate increased considerably in 2018 to the level of PLN 68,456 k against the previous year:

Investment property	31/12/2018	31/12/2017
Investment property	68 456	2 819
Total	**68 456**	**2 819**

In the current reporting period, following the signing by Hotel Mikołajki Sp. z o.o. of a tenancy agreement for the hotel with furnishings, the way of presentation of property, plant and equipment has changed. From now on, those assets will be presented as investment property until the end of the tenancy agreement.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

19. Intangibles

In relation to the change of the presentation of the fixed assets of Hotel Mikołajki Sp. z o.o., the table below shows the exclusion of those items in the line titled the "reclassification to investment property."

CHANGES IN THE VALUE OF INTANGIBLES (BY CATEGORY) ON 01/01/2018-31/12/2018	Cost of completed development work	Goodwill	Software	Other intangibles	TOTAL
a) gross value of intangibles as at the beginning of the period	**-**	**6 708**	**649**	**238**	**7 595**
b) increases (in relation to)	**-**	**-**	**96**	**35**	**131**
- purchase	-	-	96	35	**131**
c) decreases (in relation to)	**-**	**-**	**(477)**	**-**	**(477)**
- liquidation	-	-	(40)	-	**(40)**
- reclassification to investment property	-	-	(437)	-	**(437)**
d) gross value of intangibles as at the end of the period	**-**	**6 708**	**268**	**273**	**7 249**
e) accumulated depreciation as at the beginning of the period	**-**	**-**	**(604)**	**(206)**	**(810)**
f) depreciation for the period (in relation to)	**-**	**-**	**356**	**(43)**	**313**
- depreciation (the annual charge)	-	-	(70)	(43)	**(113)**
- liquidation	-	-	40	-	**40**
- reclassification to investment property	-	-	386	-	**386**
g) accumulated amortisation (depreciation) as at the end of the period	**-**	**-**	**(248)**	**(249)**	**(497)**
h) write-offs related to the permanent impairment as at the beginning of the period	**-**	**-**	**-**	**-**	**-**
i) write-offs related to the permanent impairment as at the end of the period	**-**	**-**	**-**	**-**	**-**
j) net value of intangibles as at the beginning of the period	**-**	**6 708**	**45**	**32**	**6 785**
k) net value of intangibles as at the end of the period	**-**	**6 708**	**20**	**24**	**6 752**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

COMPARATIVE DATA

CHANGES IN THE VALUE OF INTANGIBLES (BY CATEGORY) ON 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	**-**	**6 708**	**620**	**242**	**7 570**
b) increases (in relation to)	**-**	**-**	**47**	**-**	**47**
- purchase	-	-	47	-	47
c) decreases (in relation to)	**-**	**-**	**(18)**	**(4)**	**(22)**
- liquidation	-	-	(18)	(4)	(22)
d) gross value of intangibles as at the end of the period	**-**	**6 708**	**649**	**238**	**7 595**
e) accumulated depreciation as at the beginning of the period	**-**	**-**	**(583)**	**(168)**	**(751)**
f) depreciation for the period (in relation to)	**-**	**-**	**(20)**	**(38)**	**(58)**
- depreciation (the annual charge)	-	-	(38)	(42)	(80)
- liquidation	-	-	18	4	22
g) accumulated amortisation (depreciation) as at the end of the period	**-**	**-**	**(604)**	**(206)**	**(810)**
h) write-offs related to the permanent impairment as at the beginning of the period	**-**	**-**	**-**	**-**	**-**
i) write-offs related to the permanent impairment as at the end of the period	**-**	**-**	**-**	**-**	**-**
j) net value of intangibles as at the beginning of the period	**-**	**6 708**	**37**	**74**	**6 819**
k) net value of intangibles as at the end of the period	**-**	**6 708**	**45**	**32**	**6 785**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

19.1 Goodwill

As a result of the purchase of 51 % of shares in P.B. Domesta Sp. z o.o., good was shown in the amount of PLN 5,624 k.

As a result of the purchase of 76.92% of shares in Przedsiębiorstwo Instalacyjne ISA Sp. z o.o. on 01/07/2015, goodwill was disclosed in the amount of PLN 1,084 k.

20. Business combinations

20.1 Goodwill from consolidation

	31/12/2018	31/12/2017
Balance sheet goodwill from consolidation		
PB Domesta Sp. z o.o.	5 624	5 624
PI ISA Sp. z o.o.	1 084	1 084
Total balance sheet value	**6 708**	**6 708**

The following changes in goodwill on consolidation occurred in 2018 and 2017:

	01/01/2018 - 31/12/2018	01/01/2017 - 31/12/2017
Goodwill on consolidation at the beginning of the period	6 708	6 708
Increases of goodwill on consolidation	-	-
Decreases of goodwill on consolidation	-	-
Goodwill on consolidation at the end of the period	**6 708**	**6 708**

As a result of the purchase of 51 % of shares in P.B. Domesta Sp. z o.o., good was shown in the amount of PLN 5,624 k.

The price of purchase of 51 % of shares in P.B. Domesta Sp. z o.o. on 12 August 2010 was fixed on the basis of the valuation of P.B. Domesta Sp. z o.o. at its fair value measured by the income method. Goodwill was determined as the difference between the value of the purchased share in the net assets of the company and the purchase price.

As a result of the purchase of 76.92 % of shares in Przedsiębiorstwo Instalacyjne ISA Sp. z o.o. on 01/07/2015, goodwill was disclosed in the amount of PLN 1,084 k.

The price for the purchase of 76.92 % shares in PI ISA Sp. z o.o. on 1/07/2015 was fixed on the basis of the valuation of PI ISA Sp. z o.o. in conformity with the fair value determined by means of the comparable data method with data from the active market in relation to similar trades and those affecting the company under valuation. The valuation was made as at 31/03/2015. Goodwill was determined as the difference between the value of the purchased share in the net assets of the company and the purchase price.

A goodwill impairment test as at 31/12/2018 conducted for goodwill arising in relation to the acquisition of shares at PI ISA Sp. z o.o. in 2015 and goodwill arising as at the acquisition of P.B. Domesta Sp z o.o. in 2010 confirmed that the value shown in the statements was realistic.

The recoverable value of PI ISA Sp. z o.o. and P.B. Domesta Sp. z o.o. as at 31/12/2018 was determined by calculating the value in use on the basis of estimated cash flows in a 5-year period. The discount rate applied to cash flows of the companies is respectively as follows: PI ISA Sp. z o.o. - 9.48 %, P.B. Domesta Sp z o.o. - 7.32 %.

Main assumptions used in the calculation of the value in use:

The calculation of the value in use is the most susceptible to assumptions pertaining to:

- gross margin,
- discount rate,
- discount rate taken for the extrapolation of cash flows beyond the forecast period.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

PI ISA Sp. z o.o. and P.B. Domesta Sp. z o.o. calculated gross margins for the period covered by the forecast on the basis of the average gross margin achieved in the period directly proceeding the start of the period covered by the forecast (the average actual margin from the last 3 years i.e. 2016-2018). The values taken for key assumptions therefore reflect the previous experience.

PI ISA Sp. z o.o. took the assumption that the weighted average cost of capital is equal to the equity cost because that company did not use and, as at the date of the forecast, does not intend to use significant external finance. The cost of equity was determined as the total interest on 10-year treasury bonds and a risk premium.
The estimated growth rate is based on sectoral analyses and estimates made by the Management Board.

PB Domesta Sp. z o.o. took the assumption that the weighted average cost of capital is partly equal to equity cost (9.48 %) and external capital (3.82 %). The cost of equity was determined as the total interest on 10-year treasury bonds and a risk premium.
The estimated growth rate is based on sectoral analyses and estimates made by the Management Board

20.2 Acquisition of business entities

The Corporate Group did not acquire new business entities in 2018 and 2017.

20.3 Inception of new entities

No inception of new entities took place in 2018 or 2017.

21. Inventory

Inventory	**31/12/2018**	**31/12/2017**
Materials (at the acquisition price)	1 252	1 372
Work in progress (at the cost of manufacture)	125 224	72 139
Finished goods (at the acquisition price / cost of manufacture)	16 161	42 459
Goods for resale (at the acquisition price)	149 418	125 868
Total inventory at the lower of two values: the acquisition price (cost of manufacture) and net realisable value	**292 055**	**241 838**

Mortgages are established on inventories to secure credit repayment. Details information on mortgages established on inventory is included in note 27 to additional information.

In 2018 the Group made an inventory revaluation deduction of PLN 10 k in relation to bringing them down to the net selling prices. Moreover, the revaluation deduction on the value of land taken over by the City of Gdańsk for a road at Chmielna Street was dissolved. In December 2018 the City of Gdańsk paid damages for the acquired.
In 2017 the Group made an inventory revaluation deduction of PLN 283 k in relation to bringing them down to the net selling prices.

Inventory revaluation deductions	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
Inventory revaluation deductions as at the beginning of the period	**2 337**	**2 054**
Revaluation deduction made	10	283
Reversed revaluation deduction	(1 660)	-

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Inventory revaluation deductions as at the end of the period	**687**	**2 337**

22. Trade and other receivables

	31/12/2018	31/12/2017
Receivables from related entities	**74**	**9**
Trade receivables	74	9
Other receivables	-	-
Receivables from other entities	**26 155**	**22 682**
Gross trade receivables	14 741	13 327
State budget receivables other than current income tax	2 422	2 442
Advances on inventory	7 595	2 758
Advances on fixed assets	666	2 028
Advances on intangibles	-	42
Other non-financial receivables	730	2 085
Total gross receivables	**26 229**	**22 691**
Valuation allowances for receivables	**(80)**	**(87)**
Short-term prepayments, including:	**298**	**306**
- subscription costs	2	6
- software, domains, licences	43	55
- cost of insurances	184	172
- payments under remaining lease agreements	11	22
- rent	1	4
- advertisements	22	22
- payments for perpetual usufruct, real property tax	3	-
- other prepaid expenses	33	25
Total receivables (net)	**26 447**	**22 910**

The conditions and specification of transactions with related entities are presented in note 31 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 1 year from the date on which they arise are not subject to discounting.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

The description of risks relating to trade and other receivables and the Group's policy concerning the management of those risks was presented in note 32.5 of additional information.

23. Other financial assets

Other financial assets	31/12/2018	31/12/2017
Short-term financial assets – advances on separate revenue (escrow) accounts	66 106	28 674
Total	**66 106**	**28 674**

24. Cash and cash equivalents

The balance of cash and cash equivalents shown in the consolidated statement of the financial position and in the consolidated cash flow statement consisted of the following items:

Cash	31/12/2018	31/12/2017
Cash at bank and in hand	23 695	13 826
Cash at bank deposits (without overnight deposits)	5 662	3
Total cash and cash equivalents	**29 357**	**13 829**

	31/12/2018	31/12/2017
Cash in PLN	28 991	9 620
Cash in foreign currency	366	4 209
Total cash and cash equivalents	**29 357**	**13 829**

Free cash is accumulated at bank accounts and invested in fixed-time and overnight (o/n) deposits. The Group obtains both variable and fixed interest rates on cash.

Cash at bank accounts 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 depending on the current Group's 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 2018 is PLN 29,357 k (31 December 2017: PLN 13.829 k).

As at 31 December 2018 the Group had unused credit (working capital credit for property development projects and overdraft facilities) in the amount of PLN 112,814 k (31 December 2017: 91,296 k zlotys), which funds will be used as the construction works proceed.

24.1 Explanation to the cash flow statement for the period 01/01/2018 – 31/12/2018

No.	Item	Change in the period 01/01/2018 -31/12/2018
1.	Balance sheet change in provisions	(711)
2.	Change in provisions in the cash flow statement	1 787

Unless indicated otherwise, all amounts are stated in thousands of zlotys

3.	Difference	2 498
4.	Explanation of the difference:	2 498
-	change in provisions in relation to CIT	2 368
-	other	130
1.	Balance sheet change in long and short-term prepayments	(239)
2.	Change in prepayments in the cash flow statement	(114)
3.	Difference	125
4.	Explanation of the difference:	125
-	change in assets in relation to CIT	256
-	other	(131)
1.	Balance sheet change in net long and short-term receivables	(2 519)
2.	Change in receivables in the cash flow statement	(3 184)
3.	Difference	(665)
4.	Explanation of the difference:	(665)
-	change in receivables in relation to the application of IFRS 15	297
-	change in receivables in relation to the transfer of fixed assets, fixed assets under construction and intangibles	68
-	change in receivables in relation to CIT	(1 028)
-	other	(2)
1.	Balance sheet change in short and long-term liabilities	88 505
2.	Change in short- and long-term liabilities in the cash flow statement	33 093
3.	Difference	(55 412)
4.	Explanation of the difference:	(55 412)
-	change in short and long-term loans and credit	7 672
-	change in liabilities in relation to CIT	(1 221)
-	change in liabilities in relation to finance lease	633
-	change in liabilities in relation to the acquisition of fixed assets, fixed assets under construction and intangibles	286
-	change in liabilities in relation to grants	(150)
-	change of advances on separate revenue accounts	(37 432)
-	change in deferred income	(796)
-	change in liabilities in relation to bond issue	(24 431)
-	other	27
1.	Balance sheet change in inventory	(50 217)
2.	Change in inventory in the cash flow statement	(50 421)
3.	Difference	(204)
4.	Explanation of the difference:	(204)
-	Change in inventory in relation to the application of IFRS 15	(204)
1.	Balance sheet change in cash	15 528
2.	Change in cash in the cash flow statement	15 490
3.	Difference	38
4.	Explanation of the difference:	38
-	change in cash in relation to foreign exchange gains/losses	38

Unless indicated otherwise, all amounts are stated in thousands of zlotys

25. Share and other capital

25.1 Share capital

Status as at:	31/12/2018	31/12/2017
Registered share capital	4 004	4 004

SHARE CAPITAL AS AT 31/12/2018 IN PLN						
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 31/12/2017 IN PLN						
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**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

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 carry one vote per share. The shares are equally preferred as to the dividend and return from equity.

Changes in the share capital of subsidiaries and the current shareholding structure as at the date of signing these consolidated financial statements were described in detail in note 2 of additional information.

25.2 Supplementary capital

Supplementary capital was created from profits from previous years in conformity with resolutions adopted by the shareholders. Supplementary capital is presented under retained profits.

25.3 Other capital

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

The statutory financial statements of inBet Sp. z o.o., Dom Zdrojowy Sp. z o.o., P.B. Domesta Sp. z o.o., Hotel Mikołajki Sp. z o.o., PI ISA Sp. z o.o. and SML Sp. z o.o. are prepared in conformity with Polish accounting standards. A dividend may be paid on the basis of profit fixed in the annual separate financial statements prepared for statutory purposes.

On the basis of § 396 of the Commercial Companies Code, the parent company INPRO SA is obliged to maintain retained profit (the so-called supplementary capital) up to 1/3 of the share capital only for the financing of possible financial losses. As at 31/12/2018, the parent entity's retained profit exceeded the value of the share capital many times and amounted to PLN 267,037 k.

25.5 Non-controlling shares

Non-controlling shares	**01/01/2018 -31/12/2018**	**01/01/2017- 31/12/2017**
As at the beginning of the period	**13 927**	**12 119**
Dividend payment	(697)	(439)
Share in the current period's profit or loss	2 914	2 180
Share increase in a subsidiary – inBet Sp. z o.o.	-	67
As at the end of the period	**16 144**	**13 927**

Condensed financial information concerning the Group subsidiaries holding non-controlling shares as at 31 December 2018 and for the period from 1 January 2018 to 31 December 2018 and relevant comparative data is presented in note 2.4.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

26. Provisions

26.1 Change in provisions

01/01/2018 -31/12/2018	Benefits after the employment period	Provision for contentious issues, penalties, fines and damages	Provision for guarantees and sureties given	Other provisions	Total provisions
Status as at the beginning of the period	**393**	**318**	**990**	**3 256**	**4 957**
Increase (+)	77	547	321	5 029	**5 974**
Decrease (-)	(59)	(189)	(990)	(3 079)	**(4 317)**
Status as at the end of the period	**411**	**676**	**321**	**5 206**	**6 614**

01/01/2017 -31/12/2017	Benefits after the employment period	Provision for contentious issues, penalties, fines and damages	Provision for guarantees and sureties given	Other provisions	Total provisions
Status as at the beginning of the period	**296**	**190**	**201**	**2 840**	**3 527**
Increase (+)	356	230	983	3 250	**4 819**
Decrease (-)	(259)	(102)	(194)	(2 834)	**(3 389)**
Status as at the end of the period	**393**	**318**	**990**	**3 256**	**4 957**

Time structure of provisions	31/12/2018	31/12/2017
Long-term part	1 256	393
Short-term part	5 358	4 564
Total provisions	**6 614**	**4 957**

26.2 Retirement severance pay

The Group companies pay retiring employees retirement severance pay in the amount set out by the Labour Code.
The companies do not separate assets which could be used to settle the retirement severance pay in the future.
The Group companies create a provision for future retirement severance pay liabilities to allocate the costs to the periods concerned.
The provision is updated twice a year – after six months and at the end of a financial year.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

The main assumptions taken at the balance sheet date and for the years ended on 31 December 2018 and 31 December 2017 for the calculation of the liability are as follows:

	31/12/2018	31/12/2017
Discount rate (%)	2.7	2.7
Estimated remuneration growth rate (%)	7.00	10.00

There is no employee share ownership plan at the Group companies.

26.3 Other provisions

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

- for the construction costs invoiced in 2019, concerning premises delivered in 2018 (PLN 2,893 k)
- for unused holiday (PLN 545 k),
- for the audit of financial statements (PLN 61 k),
- for the refurbishment of the Dom Zdrojowy in Jastarnia (PLN 40 k)
- for additional remuneration of the Management Board on profit (PLN 1,531 k)

27. Interest bearing credit, leases and bonds issued

Long-term financial liabilities	31/12/2018	31/12/2017
Loans and credit	32 611	31 373
Long-term bonds	23 651	-
Liabilities relating to finance lease and tenancy agreements with a purchase option	2 662	3 643
Other	900	-
Total	**59 824**	**35 016**

Short-term financial liabilities	31/12/2018	31/12/2017
Loans and credit	24 012	32 461
Bond issue – the short-term part	1 181	-
Liabilities relating to finance lease and tenancy agreements with a purchase option	1 663	1 344
Total	**26 856**	**33 805**

As at 31/12/2018 and 31/12/2017, the Group had the following credit and liabilities in relation to lease agreements:

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Liabilities of the INPRO SA Corporate Group in relation to credit as at 31/12/2018

Financing party	Credit currency	Credit/limit amount	Liability value as at the balance sheet date	Deadline for repayment	Securities			Other securities
					Mortgage	Mortgage object	Location	
Alior Bank SA	PLN	6 500	540	31/12/2019	mortgage up to PLN 9,750 k	GD1G/00278657/2 GD1G/00064314/3	Gdańsk, Chmielna Street	power of attorney to accounts, notarised power of attorney for the Bank to sell the credited premises if credit is not repaid, assignment of rights under the insurance policy for the real property, Company's submission to Article 777 of the Civil Procedure Code, unconfirmed assignment of claims under sale agreements for the credited premises
Alior Bank SA	PLN	6 850	3 425	31/12/2019	contractual real estate mortgage up to PLN 10,275 k	GD1G/00243821/9	Gdańsk, Stężycka Street	power of attorney to accounts, Company's submission to Article 777 of the Civil Procedure Code, unconfirmed assignment of claims under sale agreements for 10 houses at stage D of the Golf Park estate
Alior Bank SA	PLN	8 250	5 294	15/06/2020	joint contractual real estate mortgage up to PLN 12,375 k	GD1G/00281583/6, GD1G/00279506/6, GD1G/00285339/9, GD1G/00284240/1, GD1G/00000020/9	Gdańsk, Opacka Street	power of attorney to bank accounts Company's submission to Article 777 of the Civil Procedure Code unconfirmed assignment of claims under sale agreements for 5 premises and 3 houses at the following projects: Golf Park stage D, Hotel Mikołajki (an apartament), Kwartał Kamienic, Harmonia Oliwska stages I and II
Consortium of SGB Bank SA and Kaszubski Bank Spółdzielczy in Wejherowo	PLN	16 300	1 916	31/12/2020	mortgages on the basis of the equal priority principle up to PLN 18,600,000 in favour of SGB-Bank S.A, and up to PLN 5,850,000 in favour of KBS in Wejherowo	GD1G/00287857/0	Pruszcz Gdański	assignment under the insurance policy 2 blank promissory notes power of attorney to the current and escrow account assignment of claims from the current and escrow account at SGB Bank S.A. in favour of KBS in Wejherowo statement on submission to enforcement (Article 777 of the Civil Procedure Code)
Consortium of SGB Bank SA Bank Spółdzielczy in Tczew	PLN	4 200	1 750	31/10/2019	two mortgages up to PLN 3,150 k	GD1G/00040518/9	Pruszcz Gdański	2 blank promissory notes, power of attorney to the current account, assignment of claims from the current account, statement on submission to enforcement (Article 777 of the Civil Procedure Code)
mBank SA	PLN	34 200	-	30/09/2020	mortgage up to PLN 51,300 k	GD1G/00301345/3	Gdańsk, Opacka Street	assignment of rights under insurance policy, blank promissory note

Unless indicated otherwise, all amounts are stated in thousands of zlotys

mBank S.A.	PLN	42 500	4 757	31/08/2020	contractual real estate mortgage up to PLN 63,750 k	GD1Y/00114340/5	Gdynia, Wielkopolska Street	assignment of rights under insurance policy, blank promissory note
Powiślański Bank Spółdzielczy SA	PLN	5 000	4 722	31/10/2021	Contractual real estate mortgage up to PLN 7,500 k	GD1Y/00109619/4, GD1Y/00103465/7	Gdynia, Fleszarowej – Muskat Street	Blank promissory note, power of attorney to bank accounts
Millennium Bank S.A.	PLN	6 000	-	31/05/2020	contractual real estate mortgage up to PLN 9,000,000	GD1G/00220688/7	Gdańsk, Szczecińska Street	assignment under the insurance policy, assignment under sale agreements for the premises Assignment under a suspensory condition of all the rights to site records, statement under Article 777 of the Civil Procedure Code
PKO BP SA	PLN	36 214	17 697	31/12/2027	joint mortgage up to PLN 54,321 k	OL1M/00025679/2*, OL1M/00026392/3 District Court in Mrągowo	the island and peninsula at Lake Mikołajskie	registered pledge on the shares in Hotel Mikołajki, blank promissory note, assignment under the insurance policy, Inpro's sponsor statement, power of attorney to bank accounts, assignment of claims under apartment lease agreements, INPRO's surety under civil law, INPRO's statement on submission to enforcement under Article 777 of the Civil Procedure Code, Hotel Mikołajki's statement on submission to enforcement under Article 777 of the Civil Procedure Code
Consortium of SBG Bank S.A. and Bank Spółdzielczy in Tczew	PLN	6 650	3 915	31/03/2020	mortgage up to PLN 10,000 k mortgage up to PLN 3,300 k	plots Nos. 359/10, 359/11 and 359/12- land and mortgage register GD1G/0001758/8	Gdańsk, Dąbrówki Street	two blank promissory notes, power of attorney to the current account, assignment of claims from the current account, statement on submission to enforcement (Article 777 of the Civil Procedure Code)
Consortium of SBG Bank S.A. and Bank Spółdzielczy in Tczew	PLN	3 900	1 540	02/12/2019	mortgage up to PLN 3,900 k, mortgage up to PLN 3,900	GD1G/00047052/3, GD1G/00047941/2, GD1G/00049614/5	Gdańsk, Kruczkowskiego Street	two blank promissory notes, power of attorney to the current account, assignment of claims from the current account, statement on submission to enforcement (Article 777 of the Civil Procedure Code)
Consortium of SBG Bank S.A. and Bank Spółdzielczy in Tczew	PLN	8 000	8 000	18/04/2021	Mortgage up to PLN 1,500 k, mortgage up to PLN 10,500 k	Plot No. 16/3 and plot 15/7 – perpetual usufruct right– land and mortgage register GD1G/00064755/6	Gdańsk, 2/6 Struga Street	2 blank promissory notes, power of attorney to the current account, assignment of claims from the current account, bridging insurance for the credit amount until legally valid mortgage establishment, statement on submission to enforcement (Article 777 of the Civil Procedure Code)
Consortium of SBG Bank S.A. and Bank Spółdzielczy in Tczew	PLN	2 310	2 310	21/06/2021	Mortgage up to PLN 2,079 k, mortgage up to PLN 1,386 k	Plot No. 241/15 and plot 241/17 – KW GD1G/00276536/4	Gdańsk, Niepołomicka Street	2 blank promissory notes, power of attorney to the current account, statement on submission to enforcement (Article 777 of the Civil Procedure Code)
Total credit liabilities:			**55 866**					

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Liabilities of the INPRO SA Corporate Group in relation to credit as at 31/12/2017

Financing party	Credit currency	Credit/limit amount	Liability value as at the balance sheet date	Deadline for repayment	Securities			Other securities
					Mortgage	Mortgage object	Location	
Alior Bank SA	PLN	6 500	4 290	31/12/2019	mortgage up to PLN 9,750 k	GD1G/00278657/2 GD1G/00064314/3	Gdańsk, Chmielna Street	power of attorney to accounts, notarised power of attorney for the Bank to sell the credited premises if credit is not repaid, assignment of rights under the insurance policy for the real property, Company's submission to Article 777 of the Civil Procedure Code, unconfirmed assignment of claims under sale agreements for the credited premises
Alior Bank SA	PLN	6 850	6 868	31/12/2019	contractual real estate mortgage up to PLN 10,275 k	GD1G/00243821/9	Gdańsk, Stężycka Street	power of attorney to accounts, Company's submission to Article 777 of the Civil Procedure Code, unconfirmed assignment of claims under sale agreements for 10 semi-detached houses at stage D of the Golf Park estate
Alior Bank SA	PLN	14 800	-	30/11/2019	contractual real estate mortgage up to PLN 22,200 k	GD1G/00287858/0	Pruszcz Gdański	power of attorney to accounts, Company's submission to Article 777 of the Civil Procedure Code, unconfirmed assignment of claims, assignment under construction insurance policy, financial and registered pledge at the account, notarised power of attorney for the Bank to sell premises being credited
Consortium of SGB Bank SA, Bank Spółdzielczy in Tczew, Bank Spółdzielczy in Pruszcz Gdański	PLN	22 500	15 589	30/12/2018	mortgages up to PLN 22,500 k for SGB-Bank SA, up to PLN 2,250 k for Bank Spółdzielczy in Tczew and up to PLN 9,000 for Bank Spółdzielczy in Pruszcz Gdański	GD1G//00049979/1	Gdańsk, Stężycka Street	assignment under premises insurance policy, 3 blank promissory notes, power of attorney to the current and escrow account, assignment of claims from the current and escrow account at SGB-Bank SA in favour of the other banks, statement on submission to enforcement under Article 777 of the Civil Procedure Code
Consortium of SGB Bank SA and Bank Spółdzielczy in Tczew	PLN	7 000	3 510	28/09/2018	mortgages on the basis of the equal priority principle up to PLN 8,875,000 in favour of SGB-Bank S.A, and up to PLN 2,625,000 in favour of BS in Tczew	GD1Y/00103465/7, GD1Y/00109619/4	Gdynia, Fleszarowej – Muskat Street	2 blank promissory notes, power of attorney to the current account, assignment of claims from the current account, statement on submission to enforcement under Article 777 of the Civil Procedure Code
SGB Bank SA Bank Spółdzielczy in Tczew	PLN	4 200	4 042	31/10/2019	mortgage up to PLN 3,150 k mortgage up to PLN 3,150 k	GD1G/00040518/9	Pruszcz Gdański	Two blank promissory notes, power of attorney to the current account, assignment of claims from the current account, statement on submission to

Unless indicated otherwise, all amounts are stated in thousands of zlotys

								enforcement under Article 777 of the Civil Procedure Code
SBG Bank S.A. and Bank Spółdzielczy in Tczew	PLN	6 650	6 490	31/03/2020	mortgage up to PLN 10,000 k mortgage up to PLN 3,300 k	plots Nos. 359/10, 359/11 and 359/12- land and mortgage register GD1G/0001758/8	Gdańsk, Dąbrówki Street	two blank promissory notes, power of attorney to the current account, assignment of claims from the current account, statement on submission to enforcement (Article 777 of the Civil Procedure Code)
SBG Bank S.A. and Bank Spółdzielczy in Tczew	PLN	3 900	3 360	02/12/2019	mortgage up to PLN 3,900 k, mortgage up to PLN 3,900 k	GD1G/00047052/3, GD1G/00047941/2, GD1G/00049614/5	Gdańsk, Kruczkowskiego Street	two blank promissory notes, power of attorney to the current account, assignment of claims from the current account, statement on submission to enforcement (Article 777 of the Civil Procedure Code)
mBank SA	PLN	16 700	-	29/03/2019	mortgage up to PLN 25,050 k	GD1G/00285339/9	Gdańsk, Opacka Street	assignment of rights under insurance policy, blank promissory note
mBank S.A.	PLN	42 500	-	31/08/2020	contractual real estate mortgage up to PLN 63,750 k	GD1Y/00114340/5	Gdynia, Wielkopolska Street	assignment of rights under insurance policy, blank promissory note
PKO BP	PLN	36 214	19 646	31/12/2027	joint mortgage up to PLN 54,321 k	OL1M/00025679/2*, OL1M/00026392/3 District Court in Mrągowo	the island and peninsula at Lake Mikołajskie	registered pledge on the shares in Hotel Mikołajki, blank promissory note, assignment under the insurance policy, Inpro's sponsor statement, power of attorney to bank accounts, assignment of claims under apartment lease agreements, INPRO's surety under civil law, INPRO's statement on submission to enforcement under Article 777 of the Civil Procedure Code, Hotel Mikołajki's statement on submission to enforcement under Article 777 of the Civil Procedure Code
Total credit liabilities:			**63 795**					

* this mortgage also comprises land and mortgage registers of the premises segregated from land and mortgage register OL1M/00025679/2, that is registers with the following numbers: OL1M/00037334/9, OL1M/00037335/6, OL1M/00037336/3, OL1M/00037337/0, OL1M/00037481/4, OL1M/00037338/7, OL1M/00037339/4

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Loans payable by the INPRO SA Corporate Group as at 31/12/2018

Financing party	Loan currency	Loan amount	Liability value as at the balance sheet date	Deadline for repayment	Securities			
					Mortgage	Mortgage object	Location	Other
Idea Leasing SA	PLN	55	29	31/08/2021				Registered pledge on the electronic truck weighbridge up to PLN 66,420.00
Total loans payable			**29**					

Loans payable by the INPRO SA Corporate Group as at 31/12/2017

Financing party	Loan currency	Loan amount	Liability value as at the balance sheet date	Deadline for repayment	Securities			Other securities
					Mortgage	Mortgage object	Location	
Idea Leasing SA	PLN	55	35	31/08/2021				Registered pledge on the electronic truck weighbridge up to PLN 66,420.00
Total loans payable			**35**					

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Open credit lines as at 31/12/2018

Financing party	Credit currency	Credit/limit amount	Liability value as at the balance sheet date	Deadline for repayment	Securities			
					Mortgage	Mortgage object	Location	Other
Alior Bank S.A.	PLN	16 000	-	19/09/2019	joint mortgage up to PLN 25,075 k	GD1G/00036115/3, GD1G/00068140/0 and GD1G/00083407/1, GD1G/00261401/1	Gdańsk, Myśliwska, 8 Opata Jacka Rybińskiego, Jana Pawła II streets	power of attorney to bank accounts, assignment under insurance policy for real property in Gdańsk, 8 Opata Jacka Rybińskiego Street, Company's submission to Article 777 of the Civil Procedure Code
BANK MILLENNIUM S.A.	PLN	300	-	04/02/2019	mortgage securing existing and future claims up to PLN 510 k	GD1G/00082949/5	Gdańsk, 8 Opata Jacka Rybińskiego Street	blank promissory note
Bank Polska Kasa Opieki S.A.	PLN	1 500	728	31/01/2019				blank promissory note, power of attorney to accounts, Inpro statement on support of Inbet Sp. z o.o. in the letter of comfort formula
Alior Bank S.A.	PLN	4 000	-	20/12/2019	mortgage up to PLN 6,000 k		Gdańsk, Cementowa Street	Assignment of rights under real property insurance policy, power of attorney to the current account, the de minimis guarantee for 15 months up to 60 % of the credit amount
Total credit liabilities:			**728**					

Open credit lines as at 31/12/2017

Financing party	Credit currency	Credit/limit amount	Liability value as at the balance sheet date	Deadline for repayment	Securities			
					Mortgage	Mortgage object	Location	Other
Alior Bank S.A.	PLN	16 000	-	20/09/2018	joint mortgage up to PLN 25,075 k	GD1G/00036115/3, GD1G/00068140/0 and GD1G/00083407/1, GD1G/00261401/1	Gdańsk, Myśliwska, 8 Opata Jacka Rybińskiego, Jana Pawła II streets	power of attorney to bank accounts, assignment under insurance policy for real property in Gdańsk, 8 Opata Jacka Rybińskiego Street, Company's submission to Article 777 of the Civil Procedure Code
BANK MILLENNIUM S.A.	PLN	300	-	04/02/2018	mortgage securing existing and future claims up to PLN 510 k	GD1G/00082949/5	Gdańsk, 8 Opata Jacka Rybińskiego Street	blank promissory note
BANK PEKAO S.A.	PLN	1 000	4	31/12/2018	contractual real estate mortgage up to PLN 2,000 k	GD1G/00072944/7	Gdańsk, Cementowa Street	
Total credit liabilities:			**4**					

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Liabilities of the INPRO SA Corporate Group in relation to lease agreements as at 31/12/2018

Financing party	Object of the agreement	Agreement number	Initial value	Date of termination of the agreement	Liability as at the end of the period	Short-term part	Long-term part
Inpro SA							
Caterpillar Financial Service Poland	428 F2 digger loader	OL-028331	294	05/03/2019	18	18	-
Toyota Leasing Polska Sp. z o.o.	Toyota Auris	27582018	59	10/03/2021	42	18	24
Toyota Leasing Polska Sp. z o.o.	Toyota Auris	27592018	59	10/03/2021	42	18	24
Toyota Leasing Polska Sp. z o.o.	Toyota Yaris	27572018	43	10/03/2021	30	13	17
Toyota Leasing Polska Sp. z o.o.	Toyota Rav 4	37972018	110	10/05/2023	88	18	70
SML							
Toyota Leasing Polska Sp. z o.o.	Toyota Yaris	68972016	49	20/11/2019	14	14	-
Domesta Sp. z o.o.							
VOLKSWAGEN LEASING GMBH SP. Z O.O.	SKODA	6706907-1216-06621	47	31/05/2019	7	7	-
mLeasing Sp. z o.o. with its registered office in Warsaw	Cabin set – office and sanitary cabins	0131172016/GD/ 236559	411	15/12/2021	198	45	153
mLeasing Sp. z o.o. with its registered office in Warsaw	POTAIN tower crane	0338592016/GD/ 248696	462	15/12/2021	182	41	141
– inBed Sp. z o.o. with its registered office in Kolbudy.	Cabin set – sanitary cabins	0981482017/GD/ 282110 and 0981482017/GD/ 282486	71	15/10/2020	39	8	31
mLeasing Sp. z o.o. with its registered office in Warsaw	Cabin set – office and sanitary cabins	0953152017/GD/ 280972	235	15/10/2020	133	26	107

Unless indicated otherwise, all amounts are stated in thousands of zlotys

VOLKSWAGEN LEASING GMBH SP. Z O.O.	SKODA – 3 pcs	6706907-1217-12639, 6706907-1217-12641, 6706907-1217-12641	151	15/10/2020	79	46	33
NBP Paribas Lease Group Sp.z o.o.	Digger loader	K 06680	281	16/10/2021	187	63	124
mLeasing Sp. z o.o. with its registered office in Warsaw	Cabin set – sanitary cabins	160672018/GD/318178	274	30/06/2022	178	29	149
VOLKSWAGEN LEASING GMBH SP. Z O.O.	SKODA	6706907-1216-06621	46	30/04/2021	36	16	20
VOLKSWAGEN LEASING GMBH SP. Z O.O.	AUDI Q5	6706907-1418-07114	238	31/05/2020	147	77	70
VOLKSWAGEN LEASING GMBH SP. Z O.O.	SKODA	6706907-1218-17900	54	30/09/2021	45	17	28
Hotel Mikołajki Sp. z o.o.							
PKO Leasing SA	machine for disposal	B/O/WA/2014/11/46	157	31/01/2019	3	3	-
PKO Leasing SA	Toyota Auris	Agreement B/DU/O/WW/2017/10/0005	61	30/10/2020	46	3	43
PKO Leasing SA	VW Passat	Agreement B/DU/O/WW/2017/10/0005	113	30/09/2021	95	17	78
Dom Zdrojowy Sp. z o.o.							
VOLKSWAGEN	Skoda Superb	6922827-1218-23357	100	30/04/2018	69	24	45
inBet Sp. z o.o.							
RCI Leasing Polska Spółka z o.o.	Nissan new Micra ACENTA	9000002616	33	05/02/2019	1	1	-

Unless indicated otherwise, all amounts are stated in thousands of zlotys

SG Equipment Leasing Polska Sp. z o.o.	JCB 411HT loader	50399	251	01/05/2022	130	30	100
SG Equipment Leasing Polska Sp. z o.o.	Aggregate transport line	50448	98	05/08/2022	54	11	43
RCI Leasing Polska Spółka z o.o.	Nissan new Micra ACENTA	9000003077	32	17/08/2019	5	5	-
BGŻ BNP Paribas Spółka Akcyjna	ALUP compressor and drier	62597/12/2015	55	13/12/2020	24	9	15
Idea Leasing Spółka z o.o. sp.k.	EURA 16/9 bending machine	19398/SK	841	30/11/2019	268	268	-
Pekao Leasing Sp. z o.o.	Construction accessories production line	38/0211/15	5,178	12/04/2021	1 646	683	963
Idea Leasing S.A.	Stair flight production formwork	116 377	114	31/05/2021	43	18	25
Idea Leasing S.A.	Stair flight production formwork	116 378	114	31/05/2021	43	18	25
Pekao Leasing Sp. z o.o.	Toyota Avensis	38/0514/16	103	12/09/2021	66	21	45
FCA Leasing Polska Sp. z o.o.	Fiat Transporter Ducato	50285/08/2017	105	20/07/2022	71	19	52
Bank Polska Kasa Opieki 8SA	Four GH gantry cranes	38/0575/16	405	12/09/2022	296	59	237
					4 325	**1 663**	**2 662**

In the last quarter of 2018, Inbet Sp. z o.o. also signed the following agreements:

1. Operating lease agreement No. 870838-MU-0 with ING Lease (Polska) Sp. z o.o. The object of lease is the Zeppelin Hyster fork-lift truck, the initial value of the object of lease is PLN 145,869.90.
2. Finance lease agreement No. 38/0484/18 of 25/10/2018 with Pekao Leasing Sp. z o.o. The object of lease is the HAK 30T supported battery-operated transport platform; the acquisition price of the object of lease is PLN 234,800.00 net.
3. Operating lease agreement No. 38/0483/18 of 25/10/2018 with Pekao Leasing Sp. z o.o. The object of lease is the Fortech 5T double-girder hook gantry crane; the acquisition price of the object of lease is PLN 145,000 net.
4. Operating lease agreement No. 38/0482/18 of 25/10/2018 with Pekao Leasing Sp. z o.o. The object of lease is the rail-mounted Fortech 10T double-girder hook gantry crane; the acquisition price of the object of lease is PLN 172,500 net.

The above items were not included in the table above because the objects of lease of those lease agreements were not received as fixed assets until the balance sheet date.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Liabilities of the INPRO SA Corporate Group in relation to lease agreements as at 31/12/2017

Financing party	Object of the agreement	Agreement number	Initial value	Date of termination of the agreement	Liability as at the end of the period	Short-term part	Long-term part
Inpro SA							
Caterpillar Financial Service Poland	428 F2 digger loader	OL-028331	294	05/03/2019	86	68	18
SML							
Toyota Leasing Polska Sp. z o.o.	Toyota Yaris	68972016	49	20/11/2019	28	14	14
Domesta Sp. z o.o.							
Raiffeisen Leasing Polska S.A.	SUBARU	15/011787(UL)	104	31/05/2018	15	15	-
VOLKSWAGEN LEASING GMBH SP. Z O.O.	SKODA	6706907-1216-06621	47	31/05/2019	21	14	7
mLeasing Sp. z o.o. with its registered office in Warsaw	Cabin set – office and sanitary cabins	0131172016/GD/236559	411	15/12/2021	241	43	198
mLeasing Sp. z o.o. with its registered office in Warsaw	POTAIN tower crane	0338592016/GD/248696	462	15/12/2021	221	39	182
mLeasing Sp. z o.o. with its registered office in Warsaw	Cabin set – sanitary cabins	0981482017/GD/282110 and 0981482017/GD/282486	71	15/10/2020	47	8	39
mLeasing Sp. z o.o. with its registered office in Warsaw	Cabin set – office and sanitary cabins	0953152017/GD/280972	235	15/10/2020	158	25	133

Unless indicated otherwise, all amounts are stated in thousands of zlotys

VOLKSWAGEN LEASING GMBH SP. Z O.O.	SKODA – 3 pcs	6706907-1217-12639, 6706907-1217-12641, 6706907-1217-12641	151	15/10/2020	125	46	79
NBP Paribas Lease Group Sp. z o.o.	Digger loader	K 06680	281	16/10/2021	248	61	187
Hotel Mikołajki Sp. z o.o.							
PKO Leasing SA	machine for disposal	B/O/WA/2014/11/46	157	15/11/2018	63	63	-
PKO Leasing SA	Toyota Auris	Agreement B/DU/O/WW/2017/10/0005	61	30/10/2020	49	3	46
PKO Leasing SA	VW Passat	Agreement B/DU/O/WW/2017/10/0005	113	30/09/2021	111	16	95
Dom Zdrojowy Sp. z o.o.							
VOLKSWAGEN	Skoda Superb	6922827-1215-5480	100	30/04/2018	9	9	-
PSA Finance	CITROEN C4 Cactus	9400876372	48	25/05/2018	6	6	-
PSA Finance	CITROEN Berlingo VAN	9400876382	45	25/05/2018	6	6	-
inBet Sp. z o.o.							
RCI Leasing Polska Spółka z o.o.	Nissan new Micra ACENTA	9000002616	33	05/02/2019	8	7	1
SG Equipment Leasing Polska Sp. z o.o.	JCB 411HT loader	50399	251	01/05/2022	158	28	130
SG Equipment Leasing Polska Sp. z o.o.	JCB SC240 sweeper	20449	23	05/05/2018	3	3	-

Unless indicated otherwise, all amounts are stated in thousands of zlotys

SG Equipment Leasing Polska Sp. z o.o.	Aggregate transport line	50448	98	05/08/2022	64	10	54
RCI Leasing Polska Spółka z o.o.	Nissan new Micra ACENTA	9000003077	32	17/08/2019	12	7	5
BGŻ BNP Paribas Spółka Akcyjna	ALUP compressor and drier	62597/12/2015	55	30/11/2019	33	9	24
Idea Leasing Spółka z o.o. sp.k.	EURA 16/9 bending machine	19398/SK	841	13/11/2020	331	63	268
Pekao Leasing Sp. z o.o.	Construction accessories production line	38/0211/15	5 178	12/04/2021	2 301	655	1 646
Idea Leasing S.A.	Stair flight production formwork	116377	114	31/05/2021	59	17	42
Idea Leasing S.A.	Stair flight production formwork	116378	114	31/05/2021	59	17	42
Pekao Leasing Sp. z o.o.	Toyota Avensis	38/0514/16	103	12/09/2021	84	18	66
FCA Leasing Polska Sp. z o.o.	Fiat Transporter Ducato	50285/08/2017	105	20/07/2022	89	18	71
Pekao Leasing Sp. z o.o.	Four GH gantry cranes	38/0575/16	405	12/09/2022	352	56	296
					4 987	**1 344**	**3 643**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Minimum future lease payments in relation to those agreements are as follows:

Nominal value of minimum lease payments	31/12/2018	31/12/2017
Within 1 year	1 663	1,344
Within from 1 to 3 years	2 509	2,993
Within from 3 to 5 years	153	650
Total liabilities relating to finance lease - minimum total lease payments	**4 325**	**4 987**

28. Trade and other liabilities

Long-term liabilities	31/12/2018	31/12/2017
In relation to related entities	**-**	**-**
trade liabilities	-	-
In relation to other entities	**3 612**	**1 576**
trade liabilities	2 600	1 481
other liabilities	1 012	95
Total trade and other long-term liabilities	**3 612**	**1 576**

Short-term liabilities	31/12/2018	31/12/2017
In relation to related entities	**64**	**53**
trade liabilities	64	53
other liabilities	-	-
In relation to other entities	**148 184**	**79 800**
trade liabilities	20 238	19 154
payroll payable	779	1 032
state budget liabilities other than current income tax	1 439	1 663
advances received	125 307	57 552
other liabilities	421	399
Total trade and other short -term liabilities	**148 248**	**79 853**

Total trade and other liabilities	**151 860**	**81 429**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

The conditions of transactions with related entities are presented in note 31 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.

29. Contingent liabilities and receivables

29.1 Contingent liabilities

Contingent liabilities	**31/12/2018**	**31/12/2017**
Liabilities in relation to bank guarantees granted mainly as a security on the performance of trade agreements	103	-
Other contingent liabilities	528	-
Total contingent liabilities	**631**	**-**

Contingent liabilities within the Group were excluded in the consolidation process. Their schedule with description is included in the separate financial statements of INPRO SA.

29.2 Contingent receivables

Contingent receivables	**31/12/2018**	**31/12/2017**
Guarantees received	560	67
Total contingent receivables	**560**	**67**

29.3 Planned capital expenditure

The Group's capital expenditure planned for 2018 is approximately PLN 1,500 k and is related, among other things, to the purchase of production machinery for approximately PLN 1,000 k and the refurbishment of an office building for approximately PLN 500 k at inBet Sp. z o.o.

29.4 Court cases

The Group was not a party to significant court proceedings as at 31 December 2018.

29.5 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

Unless indicated otherwise, all amounts are stated in thousands of zlotys

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 the risk usually existing in countries with a more developed tax system.
Tax settlements may be the subject to inspection during five years from the end of the year in which tax was paid. As a result of inspections, the Group's previous tax settlements may be increased by additional tax liabilities.

30. Securities on the Group's assets

Securities established on the Groups assets as at 31 December 2018 and 31 December 2017

Securities established for Group companies - the fair value	31/12/2018	31/12/2017
- on non-current assets*	135 604	93 886
- on current assets**	205 040	164 000
Total	**340 644**	**257 886**

Securities established by Group companies as at 31/12/2018

*** Securities on fixed assets**
1. Joint contractual real estate mortgage up to PLN 54,321 k established on real estate situated in Mikołajki (land and mortgage registers No. OL1M/00026392/3 and OL1M/00025679/2) in favour of Powszechna Kasa Oszczędności Bank Polski S.A., the Regional Corporate Branch Office in Gdańsk, in relation to credit granted to Hotel Mikołajki Sp. z o.o.

2. Inbet Sp.z o.o.– a joint contractual real estate mortgage up to 5 million zlotys on real estate covered by land and mortgage registers Nos. GD1G/00099866/1, GD1G/00093764/4, GD1G/00089506/7, GD1G/00090982, GD1G/00091255/9, GD1G/00091429/0 for PEKAO Leasing Sp. z o.o. as a security of operating lease agreement No. 38/0211/15 of 24 June 2015.

3. Inbet Sp. z o.o. – a joint contractual real estate mortgage up to EUR 1,674 k on real property covered by land and mortgage registers Nos. D1G/00099866/1, GD1G/00093764/4, GD1G/00089506/7, GD1G/00090982, GD1G/00091255/9, GD1G/00091429/0 in favour of Bank PEKAO S.A. as a security for the letter of credit under agreement of 22 December 2017.

4. Mortgage up to PLN 6,000 k established on plot No. 186/2 located in Gdańsk, ul. Cementowa 5-9, – land and mortgage register GD1G/00072944/7, in favour of Alior Bank SA to secure an overdraft facility granted to PB DOMESTA Sp. z o.o.

5. Mortgage up to PLN 510 k on real estate located in Gdańsk, 8 Opata Jacka Rybińskiego Street, land and mortgage register No. GD1G/00082949/5, constituting security for an overdraft facility obtained by PI ISA Sp. z o.o.

6. Registered pledges on the shares of INPRO in Hotel Mikołajki Sp. z o.o., detailed in note No. 2.3.

7. Contractual mortgage up to PLN 25,075 k in favour of Alior Bank SA on the share of INPRO SA 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, on the right to non-residential premises No.2 in Gdańsk, ul. Opata Jacka Rybińskiego 8, land and mortgage register GD1G/00083407/1 (a legal security for the repayment of an overdraft facility; details in current report No. 24/2016 of 22/09/2016.

8. Contractual real estate mortgage up to PLN 37,500 k established on the ownership title to premises with the 56,820/100,000 share in the joint ownership of the real estate from which the premises were separated, such real estate situated in Jastarnia, ul. Kościuszki 2A - land and mortgage register GD2W/00040638/7 (Dom Zdrojowy) in favour of MWW TRUSTEES Sp. z o.o. with its registered office in Warsaw as a security for 25,000 bearer bonds of the nominal value of PLN 1 k each, issued by INPRO SA on 10/10/2018.

Securities on current assets

This concerns legal securities established on current assets. The schedule of mortgages established on current assets as at 31/12/2018 in the total amount of PLN 205,040 k is included in note No. 27

Securities established by Group companies as at 31/12/2017

*** Securities on fixed assets**

1. Joint contractual real estate mortgage up to PLN 54,321 k established on real estate situated in Mikołajki (land and mortgage registers No. OL1M/00026392/3 and OL1M/00025679/2) in favour of Powszechna Kasa Oszczędności Bank Polski S.A. The Regional Corporate Branch Office in Gdańsk, in relation to credit granted to Hotel Mikołajki Sp. z o.o.
2. Inbet Sp.z o.o. – a joint contractual real estate mortgage up to 5 million zlotys on real estate covered by land and mortgage registers Nos. GD1G/00099866/1, GD1G/00093764/4, GD1G/00089506/7, GD1G/00090982, GD1G/00091255/9, GD1G/00091429/0 for PEKAO Leasing Sp. z o.o. as a security of operating lease agreement No. 38/0211/15 of 24 June 2015.

3. Inbet Sp. z o.o.-
Inbet Sp. z o.o. – a joint contractual real estate mortgage up to EUR 1,674 k on real property covered by land and mortgage registers Nos. D1G/00099866/1, GD1G/00093764/4, GD1G/00089506/7, GD1G/00090982, GD1G/00091255/9, GD1G/00091429/0 in favour of Bank PEKAO S.A. as a security for the letter of credit under agreement of 22 December 2017.

4. Mortgage up to PLN 2,000 k established on plot No. 186/2 located in Gdańsk, ul. Cementowa 5-9, – land and mortgage register GD1G/00072944/7, in favour of PEKAO SA to secure an overdraft facility granted to PB DOMESTA Sp. z o.o.

5. Mortgage up to PLN 510 k on real estate located in Gdańsk, ul. Opata Jacka Rybińskiego 8, land and mortgage register No. GD1G/00082949/5, constituting security for an overdraft facility obtained by PI ISA Sp. z o.o.

6. Registered pledges on the shares of INPRO in Hotel Mikołajki Sp. z o.o., detailed in note No. 2.3.

7. Contractual mortgage up to PLN 25.075 k in favour of PKO BP 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 (a legal security for the repayment of revolving working capital overdraft facility).

**** Securities on current assets**
This concerns legal securities established on current assets.
The schedule of mortgages established on current assets as at 31/12/2017 in the total amount of PLN 164,000 k is included in note No. 27.

31. Information on transactions with related entities

31.1 Transactions with related entities

Transactions between the Company (INPRO SA) and its subsidiaries and between the Company's subsidiaries as related parties were eliminated during consolidated and are not disclosed in this note. Detailed information on transactions to which the parties include the Company and its subsidiaries are presented in the separate financial statements of INPRO SA.
Information on transactions between the Group and other related parties for the accounting years 2018 and 2017 is presented below.

SHORT-TERM TRADE RECEIVABLES/LIABILITIES at 31/12/2018			DEBTOR										
			related entities – full consolidation							other related entities			
			Inpro SA	inBet Sp. z o.o.	Dom Zdrojowy Sp. z o.o.	P.B. Domesta Sp. z o.o.	Hotel Mikołajki Sp. z o.o.	Isa Sp. z o.o.	SML Sp. z o.o.	Oliwski Hotel Sp. z o.o.	Members of the Management Board	Solutio Sp z o.o.	PKB Meronk S.C.
CREDITOR	related entities	Inpro SA	settlements eliminated in the consolidation process							-	-	-	-
		inBet Sp. z o.o.								-	-	65	-
		Dom Zdrojowy Sp. z o.o.								-	9	-	-
		P.B. Domesta Sp. z o.o.								-	-	-	-
		Hotel Mikołajki Sp. z o.o.								-	-	-	-
		Isa Sp. z o.o.								-	-	-	-
		SML Sp. z o.o.								-	-	-	-
	TOTAL for related entities												**74**
	other related entities	Hotel Oliwski Sp. z o.o.	-	-	-	-	-	-	-				
		Members of the Management Board	-	-	1	-	-	-	-				
		Solutio Sp z o.o.	-	63	-	-	-	-	-				
		PKB Meronk S.C.	-	-	-	-	-	-	-				
	TOTAL for other related entities								**64**				

LONG-TERM TRADE RECEIVABLES/LIABILITIES at 31/12/2018			DEBTOR										
			related entities – full consolidation							other related entities			
			Inpro SA	inBet Sp. z o.o.	Dom Zdrojowy Sp. z o.o.	P.B. Domesta Sp. z o.o.	Hotel Mikołajki Sp. z o.o.	Isa Sp. z o.o.	SML Sp. z o.o.	Hotel Oliwski Sp. z o.o.	Members of the Management Board	Solutio Sp z o.o.	PKB Meronk S.C.
CREDITOR	related entities	Inpro SA	settlements eliminated in the consolidation process							-	-	-	-
		inBet Sp. z o.o.								-	-	-	-
		Dom Zdrojowy Sp. z o.o.								-	-	-	-
		P.B. Domesta Sp. z o.o.								-	-	-	-
		Hotel Mikołajki Sp. z o.o.								-	-	-	-
		Isa Sp z o.o.								-	-	-	-
		SML Sp. z o.o.								-	-	-	-
	TOTAL for related entities												**-**
	other related entities	Hotel Oliwski Sp. z o.o.	-	-	-	-	-	-	-				
		Members of the Management Board	-	-	-	-	-	-	-				
		Solutio Sp z o.o.	-	-	-	-	-	-	-				
		PKB Meronk S.C.	-	-	-	-	-	-	-				
	TOTAL for other related entities								**-**				

Unless indicated otherwise, all amounts are stated in thousands of zlotys

TRADE REVENUES / COSTS 01/01/2018-31/12/2018			DEBTOR										
			related entities – full consolidation							other related entities			
			Inpro SA	inBet Sp. z o.o.	Dom Zdrojowy Sp. z o.o.	P.B. Domesta Sp. z o.o.	Hotel Mikołajki Sp. z o.o.	Isa Sp. z o.o.	SML Sp. z o.o.	Hotel Oliwski Sp. z o.o.	Members of the Management Board	Solutio Sp z o.o.	PKB Meronk S.C.
CREDITOR	related entities	Inpro SA	settlements eliminated in the consolidation process							-	834	-	-
		inBet Sp. z o.o.								-	-	397	-
		Dom Zdrojowy Sp. z o.o.								-	75	-	-
		P.B. Domesta Sp. z o.o.								-	-	-	-
		Hotel Mikołajki Sp. z o.o.								-	8	-	-
		Isa Sp z o.o.								-	-	-	-
		SML Sp. z o.o.								-	-	-	-
	TOTAL for related entities												**1,314**
	other related entities	Hotel Oliwski Sp. z o.o.	-	-	-	-	-	-	-				
		Members of the Management Board	-	-	193	-	54	-	-				
		Solutio Sp z o.o.	-	-	-	-	-	-	-				
		PKB Meronk S.C.	-	738	-	-	-	-	-				
	TOTAL for other related entities								**985**				

COMPARATIVE DATA:

SHORT-TERM TRADE RECEIVABLES/LIABILITIES at 31/12/2017			DEBTOR								
			related entities – full consolidation							other related entities	
			Inpro SA	inBet Sp. z o.o.	Dom Zdrojowy Sp. z o.o.	P.B. Domesta Sp. z o.o.	Hotel Mikołajki Sp. z o.o.	Isa Sp. z o.o.	SML Sp. z o.o.	Hotel Oliwski Sp. z o.o.	Members of the Management Board
CREDITOR	related entities	Inpro SA	settlements eliminated in the consolidation process							-	-
		inBet Sp. z o.o.								-	-
		Dom Zdrojowy Sp. z o.o.								-	9
		P.B. Domesta Sp. z o.o.								-	-
		Hotel Mikołajki Sp. z o.o.								-	-
		Isa Sp z o.o.								-	-
		SML Sp. z o.o.								-	-
	TOTAL for related entities										**9**
	other related entities	Hotel Oliwski Sp. z o.o.	-	-	-	-		-	-		
		Members of the Management Board	-	-	25	-	28	-	-		
	TOTAL for other related entities		**53**								

LONG-TERM TRADE RECEIVABLES/LIABILITIES at 31/12/2017		DEBTOR								
		related entities – full consolidation							other related entities	
		Inpro SA	inBet Sp. z o.o.	Dom Zdrojowy Sp. z o.o.	P.B. Domesta Sp. z o.o.	Hotel Mikołajki Sp. z o.o.	Isa Sp. z o.o.	SML Sp. z o.o.	Hotel Oliwski Sp. z o.o.	Members of the Management Board
CREDITOR – related entities	Inpro SA	settlements eliminated in the consolidation process							-	-
	inBet Sp. z o.o.								-	-
	Dom Zdrojowy Sp. z o.o.								-	-
	P.B. Domesta Sp. z o.o.								-	-
	Hotel Mikołajki Sp. z o.o.								-	-
	Isa Sp. z o.o.								-	-
	SML Sp. z o.o.								-	-
TOTAL for related entities										-
CREDITOR – other related entities	Hotel Oliwski Sp. z o.o.	-	-	-	-	-	-	-		
	Members of the Management Board	-	-	-	-	-	-	-		
TOTAL for other related entities								-		

Unless indicated otherwise, all amounts are stated in thousands of zlotys

TRADE REVENUES / COSTS 01/01/2017-31/12/2017		BUYER								
		related entities – full consolidation							other related entities	
		Inpro SA	inBet Sp. z o.o.	Dom Zdrojowy Sp. z o.o.	P.B. Domesta Sp. z o.o.	Hotel Mikołajki Sp. z o.o.	Isa Sp. z o.o.	SML Sp. z o.o.	Hotel Oliwski Sp. z o.o.	Members of the Management Board
SELLER – related entities	Inpro SA	settlements eliminated in the consolidation process							-	-
	inBet Sp. z o.o.								-	-
	Dom Zdrojowy Sp. z o.o.								-	106
	P.B. Domesta Sp. z o.o.								-	-
	Hotel Mikołajki Sp. z o.o.								-	10
	Isa Sp. z o.o.								-	-
	SML Sp. z o.o.								-	-
TOTAL for related entities										**116**
SELLER – other related entities	Hotel Oliwski Sp. z o.o.		-	-	-		-	-		
	Members of the Management Board	-	-	262	-	138	-	-		
TOTAL for other related entities								**400**		

Unless indicated otherwise, all amounts are stated in thousands of zlotys

31.2 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.

31.3 Remuneration of the Group's senior executives

The remuneration paid to the senior executives (with surcharges) comprises:	01/01/2018 -31/12/2018	01/01/2017 -31/12/2017
Management Board of the parent entity	**2 788**	**2 937**
Short-term employee benefits	2 788	2 937
Retirement severance pay	-	-
Benefits related to employment relationship termination	-	-
Management Board of subsidiaries	**2 735**	**1 909**
Short-term employee benefits	2 735	1 909
Retirement severance pay	-	-
Benefits related to employment relationship termination	-	-
Supervisory Board of the parent entity	**192**	**140**
Short-term employee benefits	192	140
Retirement severance pay	-	-
Benefits related to employment relationship termination	-	-
Supervisory Board of subsidiaries	**198**	**213**
Short-term employee benefits	198	213
Retirement severance pay	-	-
Benefits related to employment relationship termination	-	-
Other senior executives	**4 262**	**2 623**
Short-term employee benefits	4 262	2 609
Retirement severance pay and jubilee awards	-	6
Benefits related to employment relationship termination	-	7
Total	**10 175**	**7 822**

32. Purposes and rules of financial risk management

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

The main kinds of risk arising from the Group's financial instruments comprise the interest rate, liquidity 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.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

32.1 Interest rate risk

The Group 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 Group 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 Group 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 Group did not use interest rate hedging because it considered the interest rate risk not to be significant.

Irrespective of the present situation, the Group 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 Group's financial instruments exposed to the interest rate risk broken down to various age categories.

01/01/2018 - 31/12/2018					
Fixed interest rate	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Cash assets	5 662	-	-	-	5 662
Liabilities relating to finance lease and tenancy lease agreements with a purchase option	(1 663)	(2 509)	(153)	-	(4 325)
Total	**3 999**	**(2 509)**	**(153)**	**-**	**1 337**

Variable interest rate	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Cash	23 695	-	-	-	23 695
Short-term financial assets	66 106	-	-	-	66 106
Bank loans and credit	(24 012)	(20 896)	(3 988)	(7 727)	(56 623)
Debt securities	(1 181)	(23 651)	-	-	(24 832)
Total	**64 608**	**(44 547)**	**(3 988)**	**(7 727)**	**8 346**

01/01/2017 - 31/12/2017					
Fixed interest rate	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Cash assets	3	-	-	-	3
Liabilities relating to finance lease and tenancy agreements with a purchase option	(1 344)	(2 993)	(650)	-	(4 987)
Total	**(1 341)**	**(2 993)**	**(650)**	**-**	**(4 984)**

Variable interest rate	**<1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
Cash	13 826	-	-	-	13 826
Short-term financial assets	28 674	-	-	-	28 674
Bank credit	(32 461)	(17 699)	(3 999)	(9 675)	(63 834)
Total	**10 039**	**(17 699)**	**(3 999)**	**(9 675)**	**(21 334)**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

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 Group's other financial instruments not covered in the tables above do not bear interest and are therefore not subject to the interest rate risk.

32.2 Foreign currency risk

The Group 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 Group's credit, loans and deposits are denominated in the national currency. The currency risk is insignificant.

At the balance sheet date i.e. 31/12/2018 the receivables in a foreign currency amounted to PLN 631 k when converted to Polish zlotys. As at 31/12/2017, the receivables in foreign currencies amounted to PLN 532 k.
As at the balance sheet date i.e. 31/12/2018 the liabilities in a foreign currency were PLN 194 k when converted to Polish zlotys. As at 31/12/2017, the liabilities in foreign currencies amounted to PLN 195 k.

32.3 Other price risk

The Group 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 Group's products and of the materials. The Group's products and raw materials are not commonly offered on commodity exchanges, a fact which prevents the implementation of hedging strategies. The increase of the prices of materials and services is made up for by the increase of the selling price of flats at the property development market.

32.4 Market risk sensitivity analysis

The potential possible changes with regard to the market risk were assessed by the Company as a change by one percentage point with regard to the PLN interest rate (an increase or decrease of the interest rate).
The above figures were determined on the annual basis.

The sensitivity analysis conducted by the Group takes the impact of taxation into account.
The influence of potentially possible changes on the Company's profit or loss and capital is presented in the table below:

31/12/2018

Item in the financial statements	value of the item	Interest rate risk				Foreign currency risk	
		impact on the result		impact on the capital		impact on the result	
		+ 100 base points	- 100 base points	+ 100 base points	- 100 base points	+ 10 %	- 10 %
Bank deposits	71 768	718	(718)	-	-	-	-
Debt securities issued	24 832	(248)	248	-	-	-	-
Credit incurred	56 623	(566)	566	-	-	-	-
Total increase / (decrease) before tax		(96)	96	-	-	-	-
Income tax		18	(18)				
Total increase / (decrease) after tax		(78)	78				

Unless indicated otherwise, all amounts are stated in thousands of zlotys

31/12/2017

Item in the financial statements	value of the item	Interest rate risk				Foreign currency risk	
		impact on the result		impact on the capital		impact on the result	
		+ 100 base points	- 100 base points	+ 100 base points	- 100 base points	+ 10 %	- 10 %
Bank deposits	28 674	287	(287)	-	-	-	-
Credit incurred	63 834	(638)	638	-	-	-	-
Total increase / (decrease) before tax		(352)	352	-	-	-	-
Income tax		67	(67)				
Total increase / (decrease) after tax		(285)	285				

1. Bank deposits

<u>31/12/2018</u>
These comprise short-term deposits (with a variable interest rate – overnight) and interest-bearing deposits on escrow accounts, totalling PLN 71,768 k.
Sensitivity to change by +/- 100 base points of market interest rates in PLN +/-[PLN 71,768 k x 100 base points] = PLN 718 k.

<u>31/12/2017</u>
These comprise short-term deposits (with a variable interest rate – overnight; escrow deposits) in the amount of PLN 28,674 k.
Sensitivity to change by +/- 100 base points of market percentage rates in PLN +/-[PLN 28,674 k x 100 base points/] = PLN 287 k.

2. Bonds

<u>31/12/2018</u>
Variable interest bonds in the amount of PLN 24,832 k. PLN.
Sensitivity to change by +/- 100 base points of market percentage rates in PLN +/-[PLN 24,832 k x 100 base points/] = PLN 248 k.

<u>31/12/2017</u>
As at 31/12/2017, the Group did not have liabilities in relation to bond issue.

***3.* Credit**

<u>31/12/2018</u>
Variable interest credit expressed in PLN in the amount of PLN 56,623 k. Sensitivity to change by +/- 100 base points of market interest rates in PLN +/-[PLN 56,623 k x 100 base points] = PLN 566 k.

<u>31/12/2017</u>
Variable interest credit expressed in PLN in the amount of PLN 63,834 k.
Sensitivity to change by +/- 100 base points of market percentage rates in PLN +/-[PLN 63,834 k x 100 base points/] = PLN 638 k.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

32.5 Credit risk

The Group is exposed to credit risk understood as the risk of the creditors failing to meet their obligations and thus causing the Group to suffer losses. The maximum exposure to credit risk as at the balance sheet date is PLN 14.735 k (as at 31 December 2017: PLN 15,190 k) and was estimated as the balance sheet value (note 22 - gross trade receivables less valuation allowances).

01/01/2018 -31/12/2018			**Unimpaired overdue receivables**				
Age structure of financial receivables	Nominal value of receivables	Unimpaired non-overdue receivables	<30 days	31-90 days	91-180 days	181-360 days	>365 days
Trade receivables	14 735	12 929	677	172	17	-	940

01/01/2017-31/12/2017			**Unimpaired overdue receivables**				
Age structure of financial receivables	Nominal value of receivables	Unimpaired non-overdue receivables	<30 days	31-90 days	91-180 days	181-360 days	>365 days
Trade receivables	15 277	13 214	884	270	13	430	466

In the opinion of the Management Boards of the Companies, no significant concentration of the credit risk occurs because the Companies have many customers. The Group 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, sometimes obtaining securities (promissory notes, letters of credit, sureties and securities on movable property and real estate). As at 31/12/2018, the Group's receivables were not covered by securities.
In view of the above, in the opinion of the Companies' Management Boards, the credit risk was covered in the financial statements by way of creation of valuation allowances.

Revaluation deductions in relation to credit losses	**01/01/2018 -31/12/2018**	**01/01/2017 -31/12/2017**
Status as at the beginning of the period	**87**	**87**
Increases	15	5
Decrease	(22)	(5)
Status as at the end of the period	**80**	**87**

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 is no significant concentration of the credit risk in the Group.

32.6 Liquidity risk

The Group 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, due to the safe amount of cash as at the balance sheet date (note 24), available credit lines (note 27) and the Company's good financial condition, the liquidity loss risk should be assessed as slight.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Cash at bank and in hand (the EuroRating):

Item in the financial statements	31/12/2018	31/12/2017
Cash at bank and in hand	29 357	13 829
Other short-term financial assets (funds at trust accounts)	66 106	28 674
Total	**95 463**	**42 503**

Rating	31/12/2018	31/12/2017
A- rated bank	2 771	3 794
BBB rated bank	51 094	27 952
BB+ rated bank	40 162	3 941
BB rated bank	-	84
BB- rated bank	-	6 576
B+ rated bank	87	-
Cash desk	47	156
Non-rated bank	1 302	-
Total	**95 463**	**42 503**

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

01/01/2018 - 31/12/2018		Liabilities maturing 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 the note below)**
Trade liabilities	22 902	14 429	5 316	557	2 600
Bonds issued	25 000	-	-	-	25 000
Loans and credit	56 623	4 632	2 414	16 966	32 611
Other financial liabilities	4 325	164	238	1 261	2 662
Payroll payable	779	779	-	-	-
Other liabilities	1 434	421	-	-	1 013
Total	**111 063**	**20 425**	**8 299**	**18 773**	**63 886**

Liabilities maturing above 365 days	1-3 years	3-5 years	>5 years	Total
Trade liabilities	1 009	1 199	392	2 600
Bonds issued	25 000	-	-	25 000
Loans and credit	20 896	3 988	7 727	32 611
Other financial liabilities	2 509	153	-	2 662
Other liabilities	1 013	-	-	1 013
Total	**50 427**	**5 340**	**8 119**	**63 886**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

01/01/2017 - 31/12/2017		Liabilities maturing 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 the note below)**
Trade liabilities	19 207	13 735	3 330	661	1 481
Loans and credit	63 834	1 286	7 979	23 196	31 373
Other financial liabilities	4 988	115	232	998	3 643
Payroll payable	1 032	1 032	-	-	-
Other liabilities	494	399	-	-	95
Total	**89 555**	**16 567**	**11 541**	**24 855**	**36 592**

Liabilities maturing above 365 days	1-3 years	3-5 years	>5 years	Total
Trade liabilities	354	1 118	-	1 472
Loans and credit	17 699	3 999	9 675	31 373
Other financial liabilities	2 993	650	-	3 643
Other liabilities	95	-	-	95
Total	**21 141**	**5 767**	**9 675**	**36 583**

33. Capital management

The Group 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 Group 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 0.08.

The debt to equity ratio calculated as the relationship of liabilities to equity also increased from 0.60 as at 31/12/2017 to 0.84 as at 31/12/2018).

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

The credit, loans and other sources of finance to EBITDA ratio is calculated as the ratio of credit, loans and other sources of finance to EBITDA. Credit, loans and other sources of finance means the total liability in relation to credit, 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 0.3, and of the credit, loans and other sources of finance to EBITDA ratio at the level of up to 10.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Equity to total assets ratio	**31/12/2018**	**31/12/2017**
Equity	295 662	265 446
Total assets	543 855	425 701
	0.54	**0.62**

Relationship between liabilities and equity	**31/12/2018**	**31/12/2017**
Total liabilities	248 193	160 255
Equity	295 662	265 446
	0.84	**0.60**

Ratio: credit, loans and other sources of finance /EBIDTA	**31/12/2018**	**31/12/2017**
Profit from operating activities	52 767	38 783
Plus: depreciation	4 463	3 847
EBIDTA	**57 230**	**42 630**
Credit, loans and other sources of finance	**85 779**	**68 821**
	1.50	**1.61**

Net worth ratio	**31/12/2018**	**31/12/2017**
Total equity less intangibles	288 910	258 661
Balance sheet total	543 855	425 701
	0.53	**0.61**

34. Financial instruments

In 2018, the Group implemented IFRS 9 in lieu of the previously binding IAS 39 without the adjustment of comparative data. In relation to the application of the new standard, the Group did not make changes in the scope of the valuation and classification of financial liabilities. The method used for the valuation of financial assets and liabilities in relation to the application of IFRS 9 is the same as in the case of application of IAS 39. IFRS 9 introduces a new impairment model based on expected losses, was detailed in note No. 6.2.

The fair value of the financial instruments held by the Group as at 31 December 2018 and 31 December 2017 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.

Unless indicated otherwise, all amounts are stated in thousands of zlotys

Financial assets	**Classification according to:**		**31/12/2018**	**31/12/2017**
	IAS 39	**IFRS 9**		
Trade receivables	Loans and liabilities valued at the amortised cost	Assets valued at the amortised cost	14 735	13 249
Other short-term financial assets	as above	as above	66 106	28 674
Cash and cash equivalents	as above	as above	29 357	13 829
			110 198	**55 752**

Financial liabilities	**Classification according to:**		**31/12/2018**	**31/12/2017**
	IAS 39	**IFRS 9**		
Long-term loans and bank credit	financial liabilities valued as at the amortised cost	financial liabilities valued as at the amortised cost	32 611	31 373
Short-term loans and bank credit	as above	as above	24 012	32 461
Trade liabilities	as above	as above	22 902	20 688
Payroll payable	as above	as above	779	1 032
Other long-term financial liabilities (lease)	as above	as above	2 662	3 643
Other short-term financial liabilities (lease)	as above	as above	1 663	1 344
Long-term liabilities in relation to issue of debt securities	as above	as above	23 651	-
Short-term liabilities in relation to debt security issue	as above	as above	1 181	-
Other liabilities	as above	as above	1 434	494
			110 895	**91 035**

Unless indicated otherwise, all amounts are stated in thousands of zlotys

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

01/01/2018 - 31/12/2018	Financial assets measured at the amortised cost	Financial liabilities measured at the amortised cost	Total
Interest revenues/costs	47	(2 131)	**(2 084)**
Reversal/creation of revaluation deductions for receivables	7	-	**7**
Changes in liabilities in relation to the issue of debt securities, following from the time for meeting the liability becoming closer	-	(333)	**(333)**
Total	**54**	**(2 464)**	**(2 410)**

01/01/2017 - 31/12/2017	Financial assets measured at the amortised cost	Financial liabilities measured at the amortised cost	Total
Interest revenues/costs	112	(1 669)	**(1 557)**
Reversal/creation of revaluation deductions for receivables	-	-	**-**
Changes in liabilities in relation to the issue of debt securities, following from the time for meeting the liability becoming closer	-	-	**-**
Total	**112**	**(1 669)**	**(1 557)**

35. Employment structure

The average employment level in the Group in the period from January to December 2018 and January to December 2017 respectively was as follows:

	31/12/2018	31/12/2017
Management Board of the Parent Entity*	3	3
Management Board of Group entities*	4	4
Administration	62	62
Sales Department	30	28
Production Division	165	156
Other	126	147
Total	**390**	**400**

*) Including the Members of the Management Board performing their tasks on the basis of the company management agreement (until July 2015) and management contracts (since August 2015)

36. Remuneration of the entity authorised to audit financial statements

1. For 2018:
a) audit of the separate and consolidated annual financial statements: PLN 45 k
b) audit of the separate statements of the Group companies: PLN 47 k
a) review of the interim separate and consolidated financial statements: PLN 31 k

2. For 2017:
a) audit of the separate and consolidated annual financial statements: PLN 36 k
b) audit of the separate statements of the Group companies: PLN 43 k
a) review of the interim separate and consolidated financial statements: PLN 26 k

37. Description of the utilisation of proceeds from the issue of securities

On 23/08/2018 INPRO SA signed the organisation agreement for the issue of bonds up to PLN 20,000,000 for 3 years with Michael / Ström Dom Maklerski SA. The technical agency agreement was also signed with the same entity. The agreement was described in current report No. 28/2018 of 23/08/2018. By way of the annexe of 27/09/2018 to the organisation agreement, the planned issue value was increased to PLN 25,000,000.00.
On 27/09/2018 the Management Board of INPRO SA adopted the resolution on the issue of 25,000 three-year secured bearer bonds with the nominal value of PLN 1,000 each and the total nominal value up to PLN 25,000,000. The bonds were registered in the National Depository for Securities on 10 October 2018. The bond buyout date is 10/10/2021.
On 10/10/2018 the National Depositary for Securities registered the bonds issued by INPRO SA for the total of PLN 25,000,000. The bond buyout date is 10/10/2021. This event was described in current report No. 34/2018 of 10/10/2018.

Part of the funds, which is PLN 7,000 k, was allocated in 2018 to the purchase of land for further property development projects. The rest of the funds will be spent on expanding the land bank in 2019 and possibly in further years. By 03/04/2019, INPRO SA spent PLN 7,700 k in 2019.

38. Events after the balance sheet date

a) On 02/01/2019, inBet Sp. z o.o. signed with PEKAO SA annexe No. 2 to the overdraft agreement thus increasing the overdraft limit from PLN 1,500,000 to PLN 2,000,000, and the deadline for the payment was extended until 31/01/2020.

b) On 02/01/2019 PI ISA Sp. z o.o. signed with Millennium Bank SA an annexe to the overdraft agreement for PLN 300 k thus extending the repayment deadline until 04/02/2020. Other terms of the agreement remained undisturbed.

c) On 11/01/2019 the Company prematurely repaid the whole of the working capital credit in the amount of PLN 6,850 k granted in 2017 by Alior Bank SA for the refinancing of the costs of purchase of land in Gdańsk, ul. Stężycka.

d) On 11/01/2019 inBet Sp. z o.o. signed an operating lease agreement for 70 months with PEKAO Leasing Sp. z o.o for the purchase of the FEGO container heating system. The net value of the object of lease is PLN 211 k. The security for the agreement is a blank promissory note.

e) On 11/01/2019 inBet Sp. z o.o. signed an operating lease agreement for 72 months with PEKAO Leasing Sp. z o.o for the purchase of the concrete batch plant. The net value of the object of lease is PLN 1,397.5 k. The security for the agreement is a blank promissory note.

f) On 15/01/2019 the Gdańsk-North District Court in Gdańsk, 3rd Land and Mortgage Register Division, recorded in division IV of land and mortgage registers Nos. GD1G/00279506/6, GD1G/00281583/6, GD1G/00300460/8, GD1G/00284240/1 the joint contractual real estate mortgage up to PLN 12,375 k on INPRO SA assets, such a mortgage constituting a legal security for the working capital credit refinancing the cost of purchase of land in Gdańsk, ul. Opacka (the part for office blocks) in the amount of PLN 8,250 k granted by Alior Bank SA.

g) On 16/01/2019 SML Sp. z o.o. signed with Volkswagen Leasing GmbH Sp. z o.o. Branch in Poland an operating lease agreement for the purchase of a Skoda Fabia III Wagon for 36 months. The net value of the object of lease is PLN 41.9 k.

h) On 30/01/2019 INPRO SA signed a preliminary purchase agreement for land at Stężycka Street in Gdańsk. The purchase price of the land does not exceed 10 % of the Issuer's equity.

i) On 31/01/2019 INPRO SA signed with Millennium Bank SA a working capital credit agreement for PLN 25,000,000 for the financing of the construction of stage II of the Optima estate. The agreement was described in current report No. 3/2019 of 31/01/2019.

j) On 05/02/2019 Dom Zdrojowy Sp. z o.o. signed an overdraft agreement for PLN 1,400 k with PEKAO SA. The legal security for credit repayment is constituted by the following: a blank promissory note, power of attorney to bank accounts, INPRO SA statement on support in the letter of comfort formula. The deadline for credit repayment is 15/02/2020. Credit interest rate: 1 M WIBOR + the bank's margin.

k) On 21/02/2019 INPRO SA signed with mBank SA a working capital credit agreement for PLN 39.200.000 for the financing of the costs of construction of stage IV of the Harmonia Oliwska project. The agreement was described in current report No. 5/2019 of 21/02/2019.

l) On 27/02/2019 INPRO SA signed with mBank SA an annexe to the working capital credit in the amount of PLN 34,200,000 for the financing of stage III of the Harmonia Oliwska project; based on that annexe, in relation to a financial surplus on the project, the credit was prematurely fully closed on 28/02/2019.

m) On 28/02/2019 the Company prematurely repaid the whole of the working capital credit in the amount of PLN 6,500 k signed in 2017 with Alior Bank SA for the refinancing of the costs of construction of 17 premises at the Chmielna Part estate, buildings B and C.

n) On 01/03/2019 INPRO SA signed with the Pozytywne Inicjatywy Foundation with its registered office in Puck a preliminary lease agreement on the basis of which INPRO SA will, by 27/05/2019, grant operating lease of the playgroup premises in a building constructed at the Optima estate in Gdańsk, Stężycka Street. The value of the object of lease will be PLN 3,881 k net. The lease period is 5 years. The agreement will be concluded provided that the Municipality of the City of Gdańsk confirms playgroup enrolment for the playgroup to be created on the premises under lease by 01/09/2019.

o) On 28/03/2019 INPRO SA signed with an annexe to the working capital credit agreement refinancing the purchase of land in Gdynia, Fleszerowej-Muskat Street, for PLN 5,000 k. Based on the annexe, the wrong drawing date was corrected.

Gdańsk, 03/04/2019