SEPARATE FINANCIAL STATEMENTS

as at the day and for the year ended
31 December 2018

Mysłowice, 27 February 2019

CONTENTS

Separate statement of comprehensive income
for the year ended 31 December

In thousands of PLN, unless stated otherwise	*Note*	***2018***	***2017****
Revenue	6,8	3 702	3 660
Cost of sales	9	(4 044)	(4 018)
Gross loss		**(342)**	**(358)**
Other income	10	35	25
Administrative expenses	9	(4 224)	(3 974)
Other expenses	11	(20)	(6)
Reversal of impairments losses/(Impairment losses) on trade and other receivables		(10)	51
Operating loss		**(4 561)**	**(4 262)**
Finance income		9 549	77 833
Finance expenses		(4)	(85)
Net finance income	12	**9 545**	**77 748**
Profit before income tax		**4 984**	**73 486**
Income tax expense	13	(552)	(278)
Profit for the period		**4 432**	**73 208**
Other comprehensive income			
Items that will never be reclassified to profit or loss for the period			
Change in fair value of equity instruments	17	493	-
Remeasurement of employee benefits	25	1	3
Income tax on other comprehensive income	13.3	(87)	-
		407	**3**
Other comprehensive income for the period, net of income tax		**407**	**3**
Total comprehensive income for the period		**4 839**	**73 211**
Earnings per share	24		
Basic earnings per share (PLN)		0.02	0.30
Diluted earnings per share (PLN)		0.02	0.30

* Restated due to application of IFRS 9 - see note 4.

Separate statement of financial position
as at

In thousands of PLN	*Note*	***31 December 2018***	***31 December 2017***
ASSETS			
Non-current assets			
Property, plant and equipment	14	358	173
Intangible assets		1	-
Investment property	15	3 765	3 870
Investments in subsidiaries and associates	16	67 118	67 118
Other non-current investments	17	143	70
Finance lease receivables	20	3 243	3 745
Deferred tax assets	18	2 596	3 234
Total non-current assets		**77 224**	**78 210**
Current assets			
Current investments	17	1 823	1 403
Finance lease receivables	20	1 636	1 965
Trade and other receivables	21	5 584	10 524
Cash and cash equivalents	22	267 946	327 386
Total current assets		**276 989**	**341 278**
Total assets		**354 213**	**419 488**
EQUITY AND LIABILITIES			
Equity			
Share capital	23.1	185 447	185 447
Share premium reserve		7 430	7 430
Fair value reserve	23.3	407	-
Other reserve and supplementary capitals		151 717	150 215
Retained earnings		4 459	73 235
Total equity		**349 460**	**416 327**
Liabilities			
Non-current liabilities			
Employee benefits	25	99	2 156
Total non-current liabilities		**99**	**2 156**
Current liabilities			
Trade and other payables	26	1 446	903
Employee benefits	25	3 208	102
Total current liabilities		**4 654**	**1 005**
Total liabilities		**4 753**	**3 161**
Total equity and liabilities		**354 213**	**419 488**

The separate statement of financial position should be analyzed together with notes,
which constitute integral part of the separate financial statements

Separate statement of cash flows
for the year ended 31 December

In thousands of PLN	*Note*	***2018***	***2017***
Cash flows from operating activities			
Profit before income tax		**4 984**	**73 486**
Adjustments for			
Depreciation and amortisation	9	548	583
Loss on investment activity	12	-	80
Gain on disposal of intangible assets and property, plant and equipment	10	(16)	-
Interest and dividends		(9 348)	(77 717)
Change in receivables		971	(677)
Change in trade and other payables		1 211	1 077
Cash used in operating activities		**(1 650)**	**(3 168)**
Income tax paid	13.1	(1)	(15)
Net cash used in operating activities		**(1 651)**	**(3 183)**
Cash flows from investing activities			
Investment proceeds		**14 164**	**72 922**
Proceeds from sale of intangible assets and property, plant and equipment		16	-
Dividends received	12	9 374	67 717
Interest received		4 774	5 200
Sale of financial assets		-	5
Investment expenditures		**(247)**	**(2)**
Acquisition of intangible assets and property, plant and equipment		(247)	(1)
Acquisition of financial assets		-	(1)
Net cash from investing activities		**13 917**	**72 920**
Cash flows from financing activities			
Financial proceeds		**-**	**38**
Sale of treasury shares		-	38
Financial expenditures		**(71 706)**	**(44 507)**
Dividends paid	23.4	(71 706)	(44 507)
Net cash used in financing activities		**(71 706)**	**(44 469)**
Total net cash flows		**(59 440)**	**25 268**
Change in cash and cash equivalents	22	**(59 440)**	**25 268**
Cash and cash equivalents at 1 January		**327 386**	**302 118**
Cash and cash equivalents at 31 December		**267 946**	**327 386**

The separate statement of cash flows should be analyzed together with notes,
which constitute integral part of the separate financial statements

Separate statement of changes in equity

In thousands of PLN

	Share capital	Treasury shares	Share premium reserve	Fair value reserve	Other reserve and supplementary capitals	Retained earnings	Total equity
As at 1 January 2018	**185 447**	**-**	**7 430**	**-**	**150 215**	**73 235**	**416 327**
Profit for the period	-	-	-	-	-	**4 432**	**4 432**
Other comprehensive income	**-**	**-**	**-**	***406***	**-**	***1***	***407***
Change in fair value of equity instruments	-	-	-	493	-	-	**493**
Remeasurement of employee benefits	-	-	-	-	-	1	**1**
Income tax on other comprehensive income	-	-	-	(87)	-	-	**(87)**
Total comprehensive income for the period	**-**	**-**	**-**	***406***	**-**	***4 433***	***4 839***
Sale of equity instruments measured at fair value through other comprehensive income	-	-	-	1	-	(1)	**-**
Allocation of profit to supplementary capital	-	-	-	-	1 502	(1 502)	**-**
Dividends paid	-	-	-	-	-	(71 706)	**(71 706)**
As at 31 December 2018	**185 447**	**-**	**7 430**	**407**	**151 717**	**4 459**	**349 460**

	Share capital	Treasury shares	Share premium reserve	Fair value reserve	Other reserve and supplementary capitals	Retained earnings	Total equity
As at 1 January 2017	**185 447**	**(20)**	**7 430**	**-**	**13 975**	**180 753**	**387 585**
Profit for the period	**-**	**-**	**-**	**-**	**-**	***73 208***	***73 208***
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	***3***	***3***
Remeasurement of employee benefits	-	-	-	-	-	3	**3**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	***73 211***	***73 211***
Sale of treasury shares	-	20	-	-	-	18	***38***
Allocation of profit to supplementary capital	-	-	-	-	136 240	(136 240)	**-**
Dividends paid	-	-	-	-	-	(44 507)	**(44 507)**
As at 31 December 2017	**185 447**	**-**	**7 430**	**-**	**150 215**	**73 235**	**416 327**

The separate statement of changes in equity should be analyzed together with notes, which constitute integral part of the separate financial statements

1. Company overview

Stalexport Autostrady S.A. ("the Company") with its seat in Mysłowice, Piaskowa 20 Street, is a public listed company registered in the National Court Register under registration number KRS 16854.

As at 31 December 2018 the Company's business activity includes management and business advisory, rental of office space and also finance lease services.

The Company is a parent entity of Stalexport Autostrady S.A. Capital Group and prepares consolidated financial statements.

The Company also constitutes a part of the Capital Group Atlantia S.p.A. (Italy) and is included within the consolidated financial statements drawn up by the higher-level parent entity Atlantia S.p.A.

2. Basis of preparation of the separate financial statements

2.1. Statement of compliance

The separate financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS EU") and other regulations in force.

The Company prepares also the consolidated financial statements drawn up in accordance with IFRS EU.

The separate financial statements were approved by the Management Board of the Company on 27 February 2019.

IFRS EU contain all International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS") as well as related Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") except for Standards and Interpretations which are awaiting approval of the European Union as well as those Standards and Interpretations which have been approved by the European Union but are not yet effective.

2.2. Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except for equity instruments measured at fair value through other comprehensive income.

2.3. Functional and presentation currency

The separate financial statements are presented in Polish zloty, being the functional currency and presentation currency of the Company, rounded to full thousands.

2.4. New standards and interpretations not adopted

New standards, amendments to standards and interpretations, which are effective for annual periods beginning after 1 January 2018, have not been applied in preparation of these separate financial statements. Apart from IFRS 16 *Leases,* which has already been endorsed by EU and will be effective for reporting periods beginning on 1 January 2019 or later, neither of the new standards nor amendments to the already existing standards, are expected to have a significant impact on the separate financial statements of the Company for the period for which they will become effective.

IFRS 16 *Leases*

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases, replacing IAS 17 *Leases* and interpretations related to such agreements.

The standard introduces a single lessee accounting model for agreements meeting the definition of lease, i.e. a depreciable right-of-use asset and a lease liability are recognised in statement of financial position. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease, or if that cannot be readily determined, by using incremental borrowing rate.

Lessors will still distinguish two kinds of lease, i.e. financial lease, if substantially all the risks and rewards incidental to ownership of an underlying asset are transferred, or otherwise an operating lease.

The Company intends to apply IFRS 16, using the modified retrospective approach, with the cumulative effect of the implementation recognised at the date of initial application, i.e. 1 January 2019, as an adjustment to the opening balance of retained earnings at that date. As the result, the comparative information will not be restated.

So far the Company classified perpetual usufruct of land as operating lease, with the payments for perpetual usufruct expensed to profit or loss when incurred. As the result of IFRS 16 introduction the Company will recognise a lease liability amounting to the present value of payments for perpetual usufruct that are not yet paid (the perpetual usufruct expires in December 2089), discounted using the Company's incremental borrowing rate (3.67%) as of initial application date. The Company intends to recognise a right-of-use asset measured at the amount equal to the aforementioned liability, as the consequence of which Company’s equity will not be subject to any changes as at 1 January 2019.

According to Company’s estimates lease liability related to payments for perpetual usufruct of land will amount to TPLN 3,247 at the date of initial application of IFRS 16.

2.5. Use of estimates and judgements

The preparation of the separate financial statements in conformity with IFRS EU requires that the Management Board makes judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, equity and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and the results of which form a basis for professional judgment on carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the period of the revision and future periods, if the revision affects both current and future periods.

Judgments and estimates made by the Management Board while applying IFRS EU, which had significant impact on the separate financial statements, have been discussed in notes 15, 16, 17, 18, 19, 25, 28 and 30.

Uncertainty over tax treatments

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These changes result in there being little point of reference and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.

Tax settlements and other areas of business activity may be subject to inspection by administrative bodies authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

Accordingly, the amounts shown in the financial statements may change at a later date as a result of the final decision of the tax authorities.

On 15 July 2016, amendments were made to the Tax Ordinance to introduce the provisions of General Anti-Avoidance Rule (GAAR). GAAR aim is to prevent origination and use of factitious legal structures made to avoid payment of tax in Poland. GAAR defines tax evasion as an activity performed mainly with a view to realising tax gains, which is contrary, under given circumstances, to the subject and objective of the tax law. New regulations require considerably greater judgment in assessing tax effects of individual transactions.

The Company recognises and measures receivables/liabilities due to current income tax, as well as deferred tax assets/liabilities applying the requirements of IAS 12 *Income Taxes*, based on taxable profit (tax loss), tax bases, unused tax losses, and relevant tax rates, taking into the account the uncertainty related to tax settlements.

In October 2018, EU endorsed interpretation IFRIC 23 *Uncertainty over income tax treatments*, which is effective for reporting periods beginning on 1 January 2019 or later. This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

This interpretation is not expected to have any impact on Company's equity at the date of its initial application, i.e. 1 January 2019.

3. Going concern

The separate financial statements have been prepared under the assumption that the Company will continue to operate as a going concern for the foreseeable future. As at the date of approval of these separate financial statements, there is no evidence indicating that the Company will not be able to operate as a going concern.

4. Changes in significant accounting policies

Separate financial statements as at the day and for the year ended 31 December 2018 are the first annual financial statements of the Company in which IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*, both effective for reporting periods beginning on 1 January 2018 or later, have been applied. The effect of application of these standards on Company's accounting policies has been presented below.

IFRS 15 *Revenue from Contracts with Customers*

The standard applies to nearly all contracts with customers (the main exceptions are leases, financial instruments and insurance contracts), replacing IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of revenue-related interpretations.

The fundamental principle of the standard is that the revenue is recognised in the amount constituting transaction price, when the control over goods or services is transferred to customers. All goods and services sold in bundles, which can be considered distinct based on a contract with a customer, should be accounted for separately. Furthermore, as a general rule, all discounts and rebates in respect of the transaction price, should be allocated to each element of such bundle.

The Company has adopted IFRS 15 by means of modified retrospective method, according to which the cumulative effect of the implementation is recognised at the date of initial application, i.e. 1 January 2018. Accordingly, the information presented for 2017 has not been restated and the disclosure requirements in IFRS 15 have not been applied to comparative information (except for note 8).

(all amounts in PLN thousand (TPLN), unless stated otherwise)

Considering the nature of Company's business, categories of revenue as well as the provisions of contracts with customers, the application of IFRS 15 had no bearing on Company's equity as of 1 January 2018. Accounting policies with respect to revenue streams were not subject to any significant changes as well.

IFRS 9 *Financial Instruments*

The standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting, replacing IAS 39 *Financial Instruments: Recognition and Measurement*.

Classification, measurement and impairment - the standard introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held, as well as a new expected-loss impairment model, which requires timely recognition of expected credit losses.

Hedge accounting - the standard introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

(i) Classification and measurement

IFRS 9 defines three principal categories for financial assets: (i) measured at amortised cost, (ii) measured at fair value through other comprehensive income and (iii) measured at fair value through profit or loss. The standard eliminates categories defined in IAS 39: financial assets held to maturity, loans and receivables, as well as financial assets available for sale.

Analysis of IFRS 9 impact on the separate financial statements included the appraisal of business model and cash flow characteristics for financial assets owned, i.e. equity instruments, trade and other receivables, as well as cash and cash equivalents.

The following table shows the impact of IFRS 9 application on the categories and carrying amounts of Company's financial assets as of 1 January 2018.

	Category of financial assets		**Carrying amount**	
	IAS 39	*IFRS 9*	*IAS 39*	*IFRS 9*
Equity instruments (Other non-current investments)	Available-for-sale financial assets	Measured at fair value through other comprehensive income	70	70
Equity instruments (Current investments)	Available-for-sale financial assets	Measured at fair value through other comprehensive income	1 403	1 403
Trade and other receivables	Loans and receivables	Measured at amortised cost	10 080	10 080
Cash and cash equivalents	Loans and receivables	Measured at amortised cost	327 386	327 386
Total			**338 939**	**338 939**

Company's available-for-sale financial assets for which there were no reliable ways to determine their fair value, were up till now measured at costs less any impairment loss. According to new standard such assets will be measured at fair value (however in limited circumstances cost may be an appropriate estimate of fair value), which subsequent changes, as per option foreseen in the standard (which the Company elected), will be recognised in other comprehensive income (without possibility of subsequent transfer to profit or loss for the period). The introduction of IFRS 9 has not resulted in a change of the measurement model of Company's other financial assets, i.e. after initial recognition they will continue to be measured at amortised cost.

(ii) Impairment

In case of the Company the new expected credit loss impairment model applies only to financial assets measured at amortised cost.

In line with IFRS 9, the Company recognises expected credit loss amounting to:

- to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; or
- to 12-month expected credit losses if the credit risk on a financial instrument has not increased significantly since initial recognition.

In relation to trade receivables the Company, in line with the option foreseen in the standard, measures loss allowances at an amount equal to lifetime expected credit losses, using a provision (allowance) matrix. The Company applies its historical credit loss experience, adjusted in certain cases to reflect the impact of forward-looking information.

The introduction of the new impairment model for Company's receivables did not result in a change of the amount of allowances as of 1 January 2018, comparing to the level resulting from the previous policy in this respect.

Impairment losses related to trade and other receivables have been presented separately in the separate statement of comprehensive income. Due to the above, the Company reclassified accordingly the reversal of impairment losses amounting to TPLN 51 incurred in 2017 from the item other expenses of the separate statement of comprehensive income for that period.

(iii) Transition provisions

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively by the Company.

With respect to classification and measurement of financial instruments (including impairment), the Company has used the exemption foreseen in the standard and has not restated the data for the previous reporting periods, for which IAS 39 requirements have still been applied.

The adoption of the standard had no impact on Company's equity at the date of its initial application, i.e. 1 January 2018.

5. Description of significant accounting principles applied

Except for the changes resulting from the introduction of IFRS 15 and IFRS 9 (see also note 4), which were adequately highlighted, the accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

5.1. Foreign currency transactions

Transactions in foreign currencies on the day of transaction are translated into Polish zloty at the National Bank of Poland ("NBP") average exchange rate for particular currency at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the average NBP rate at that date. Foreign exchange differences arising on settlement of foreign transactions or balance sheet translation are recognized in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the average NBP rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the average NBP rate at the date the fair value was determined.

5.2. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see note 5.12).

The cost includes the purchase price of the assets and costs directly related to the purchase and completion of the asset, so that it can be available for use, including the transport, loading, unloading and storing costs. Rebates, discounts and other similar reductions decrease the cost. The construction cost of property, plant and equipment or assets under construction includes total cost incurred by the entity in the period of their construction, assembly, adjustment and modernization till the date of their transfer to use (or up to the end of the reporting period, if the asset was not transferred to use before this date). If required, the construction cost also includes preliminary estimates of the cost of dismantling and removing the components of tangible fixed assets and the restoration cost.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) shall be capitalised as part of the cost of that asset. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are costs which could have been avoided, if the capital expenditure on qualified asset had not been incurred. The capitalisation of borrowing costs as part of the cost of a qualifying asset shall commence when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs shall cease when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is reclassified as investment property.

Subsequent expenditures

The Company recognizes in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost can be measured reliably. The expenditures related to maintenance of property part and equipment are recognized as incurred.

Depreciation

Items of property, plant and equipment, relatively their significant and separate components, are depreciated on a straight – line basis over their estimated useful lives, considering residual values. Land is not depreciated.

The Company adopted following useful lives for particular categories of property plant and equipment:

- buildings 25-40 years
- plant and equipment 1-15 years
- vehicles 5 years
- other 1-5 years

The adequacy of useful lives, depreciation methods and residual values (if significant) is reassessed annually.

5.3. Intangible assets

Intangible assets that are acquired by the Company are measured at cost less accumulated depreciation and impairment losses (see note 5.12).

Subsequent expenditures

Subsequent expenditures on existing intangible assets are capitalized only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in profit or loss as incurred.

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

The estimated useful lives are as follows:

- intellectual property rights — up to 5 years
- computer software — up to 5 years
- licenses — 3-5 years

The adequacy of amortisation methods, useful lives and residual values is reviewed at each reporting date and adjusted if appropriate.

5.4. Investment property

Investment property is a property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost less accumulated depreciation and impairment losses (see note 5.12).

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of investment property (residual values are taken into account). The Company assumed 40-year period of economic useful life for the part of the office building classified as investment property.

Considering that the aforementioned office building and its component parts are only marginally used in administrative activities, all these assets are treated entirely as investment property.

5.5. Leases

5.5.1. Company as a lessor

The Company recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. Under a finance lease substantially all the risks and rewards incidental to legal ownership are transferred by the Company, and thus the lease payment receivable is treated by the Company as repayment of principal and finance income to reimburse and reward the lessor for its investment and services.

Other leases which are not classified as finance lease contracts are treated as operating lease.

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

5.5.2. Company as a lessee

Lease agreements in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases.

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and then are subject to depreciation and impairment losses (see note 5.12). Subsequent to initial recognition, the property, plant and equipment under financial lease is accounted for in accordance with the accounting policy applicable to entity-owned property, plant and equipment. If it is not certain, that at the conclusion of the lease agreement the ownership of the leased assets will be transferred to the Company, the assets are depreciated over the shorter of periods of the lease and economic useful life of the assets.

Minimum lease payments made under finance leases are apportioned between reduction of the outstanding liability and the finance expense. The finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases which are not classified as finance lease contracts are treated as operating lease. Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

5.6. Perpetual usufruct of land

The Company classifies perpetual usufruct of land as operating lease. The prepayments for perpetual usufruct of land are disclosed separately on the face of the separate statement of financial position. The prepayments for perpetual usufruct are expensed to profit or loss during the period of lease.

5.7. Investments in subsidiaries and associates

Investments in subsidiaries and associates are measured at cost less impairment losses (see note 5.12).

5.8. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is determined based on the first in, first out principle. The cost includes expenditure incurred directly in acquiring the inventories and their adoption for use or sale.

5.9. Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Company’s accounting policies. Thereafter, as at the day of initial classification as held for sale, the assets (or disposal group) are measured at the lower of their carrying amount or fair value less cost to sell.

5.10. Non-derivative financial instruments

5.10.1. Recognition and initial measurement

The Company recognises a financial asset or a financial liability in the separate statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument

Except for trade receivables without a significant financing component, at initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Trade receivables without a significant financing component are initially measured at the transaction price.

5.10.2. Classification and subsequent measurement

Financial assets – accounting policy applicable from 1 January 2018 (IFRS 9)

At initial recognition the Company classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income (debt investments and investments in equity instruments) or fair value through profit or loss on the basis of both:

a) the Company's business model for managing the financial assets, and
b) the contractual cash flow characteristics of the financial asset.

Financial assets are measured at amortised cost if both of the following conditions are met and these assets are not designated as at fair value through profit or loss:

(i) the financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and
(ii) the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

All foreign exchange gains and losses on monetary assets are recognised in profit or loss.

Debt investments are measured at fair value through other comprehensive income if both of the following conditions are met and these assets are not designated as at fair value through profit or loss:

(i) they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
(ii) their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. Interest calculated using the effective interest method, impairment gains or losses and foreign exchange gains and losses are recognised in profit or loss.

In line with an option foreseen in IFRS 9, the Company measures investments in equity instruments, that are not held for trading, at fair value (however in limited circumstances cost may be an appropriate estimate of fair value), which subsequent changes are recognised in other comprehensive income (without possibility of subsequent transfer to profit or loss). Dividends on such investments are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Financial assets not classified as measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a financial asset that is measured at fair value through profit or loss, including interest expense and dividends, is recognised in profit or loss.

Financial assets – accounting policy applicable before 1 January 2018 (IAS 39)

The Company classifies financial assets according to following categories: held-to-maturity financial assets, financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Held-to-maturity financial assets

If the Company has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets.

Available-for-sale financial assets are subsequently measured at fair value, based on their market value as at the reporting date. If the financial assets are not listed on a stock exchange and if there are no alternative ways to verify their fair value, available-for-sale financial assets are valued at costs less any impairment loss. Gains or losses, except for impairment losses, if there is a market price established by the regulated market or for which the fair value may be established in a reliable way, are recognised in other comprehensive income. A decline in the value of the available-for-sale financial assets resulting from impairment loss is recognized in profit or loss.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or at fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

A gain or loss on a financial liability that is measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the financial liability is derecognised and through the amortisation process. A gain or loss on a financial liability that is measured at fair value through profit or loss, including any interest expense, is recognised in profit or loss. All foreign exchange gains and losses on monetary liabilities are recognised in profit or loss.

5.10.3. Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The difference between the carrying amount measured at the date of derecognition and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Company removes a financial liability (or a part of a financial liability) when, and only when, it is extinguished—i.e. when the obligation specified in the contract is discharged or cancelled or expires. Substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognised in profit or loss.

5.10.4. Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the separate statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5.11. Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivatives are valued at fair value and changes therein are recognized immediately in profit or loss.

5.12. Impairment

5.12.1. Financial assets

Accounting policy applicable from 1 January 2018 (IFRS 9)

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the Company expects to be paid in full but later than when contractually due.

The Company recognises loss allowances for expected credit losses on:

- financial assets measured at amortised cost;
- lease receivables;
- debt investments measured at fair value through other comprehensive income;
- contract assets (IFRS 15).

The Company recognises loss allowances for expected credit losses at the amount equal to:

- lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition, or
- 12-month expected credit losses if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition.

For trade receivables, contract assets and lease receivables the Company measures loss allowances at an amount equal to lifetime expected credit losses.

When determining whether the credit risk has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information, based on the Company's historical experience and informed credit assessment including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

When determining whether the credit risk on a financial instrument has increased significantly, the Company considers the change in the risk of a default occurring since initial recognition. The Company considers a financial asset to be in default when: i) the borrower is unlikely to pay its credit obligations to the Company in full, without the Company realising security (if any is held), or ii) the financial asset is more than 90 days past due.

The maximum period over which expected credit losses shall be measured is the maximum contractual period (including extension option) over which the entity is exposed to credit risk.

For financial assets, a credit loss is the present value of the difference (cash shortfall) between:

- the contractual cash flows that are due to the Company under the contract; and
- the cash flows that the Company expects to receive.

Expected credit losses are discounted to the reporting date, not to the expected default or some other date, using the effective interest rate determined at initial recognition or an approximation thereof.

For the purposes of measuring expected credit losses, the estimate of expected cash shortfalls shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms and are not recognised separately by the Company. The estimate of expected cash shortfalls on a collateralised financial instrument reflects the amount and timing of cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral, irrespective of whether foreclosure is probable (i.e. the estimate of expected cash flows considers the probability of a foreclosure and the cash flows that would result from it). Consequently, any cash flows that are expected from the realisation of the collateral beyond the contractual maturity of the contract should be included in this analysis.

As at 31 December 2018 for trade receivables the Company determined the amount of expected credit losses using a provision (allowance) matrix, defined on the basis of historical credit loss experience in the period of 8 previous years.

The Company recognises in profit or loss, as an impairment gain or loss under separate item of separate statement of comprehensive income, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with accounting policy applied.

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

For a financial asset that is credit-impaired at the reporting date, but that is not a purchased or originated credit-impaired financial asset, the Company measures the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Accounting policy applicable before 1 January 2018 (IAS 39)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include: default or delinquency by a debtor; restructuring of an amount due to the Company on terms that it would not consider otherwise; indications that a debtor or issuer will enter bankruptcy; the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost, is objective evidence of impairment.

The Company considers evidence of impairment for loans granted, receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans granted, receivables and held-to-maturity investment securities are assessed for specific impairment.

All individually significant loans granted, receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans granted, receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management’s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

5.12.2. Non-financial assets

The carrying amounts of the Company's non-financial assets, other than biological assets, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In case of assets, which do not generate independent cash flows, value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs.

5.12.3. Non-current assets held for sale

An impairment loss in respect of disposal group is allocated to assets on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Company's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

5.13. Equity

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares are recognised as a deduction from equity.

Repurchase of treasury shares

When treasury shares are bought, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Fair value reserve

All gains and losses from valuation of investments in equity instruments measured at fair value through other comprehensive income are attributed to this equity item.

5.14. Employee benefits

5.14.1. Retirement and disability benefits

The Company in accordance with its remuneration rules is obliged to payment of retirement and disability benefits.

The Company's obligation resulting from retirement/disability benefits is measured by estimation of future salary of a given employee for the period in which an employee will receive the benefit and by estimation of future retirement/disability benefit. Retirement/disability benefits are discounted using market Treasury bond return rate at the end of reporting period. The retirement/disability benefits obligation is recognized proportionally to the projected length of service of a given employee. Recognising the liability due to retirement/disability benefits, the Company discloses total actuarial gains or losses in other comprehensive income, for the period in which they arisen.

5.14.2. Jubilee bonuses

The Company offers to some of its employees jubilee bonuses, which depend on the current length of service of a given employee and the current average remuneration in the industry.

The Company's obligation resulting from jubilee bonuses is measured by estimation of future salary of a given employee for the period in which an employee will become entitled to a particular jubilee bonus and by estimation of future jubilee bonus. Jubilee bonuses are discounted using market Treasury bond return rate at the end of the reporting period. Disclosing liability due to jubilee bonuses, the Company discloses total actuarial gains or losses in profit or loss, within the period in which they arisen.

Staff rotation is estimated on the basis of historical data and forecasts on level of employment in the future.

5.14.3. Current employee benefits

Current employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised in the amount expected to be paid under short-term employee benefits, if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

5.15. Provisions

A provision is recognized in the separate statement of financial position, when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

5.16. Revenue

Revenue from contracts with customers (sale of goods and services) – recognised in accordance with IFRS 15 since 1 January 2018

The Company recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset.

The Company allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the company expects to be entitled in exchange for transferring the promised goods or services to the customer.

Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

5.17. Finance income and expenses

Finance income comprises interest income on funds invested by the Company and due to finance lease agreements, dividend income, changes in the fair value of financial assets at fair value through profit or loss and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Company's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

5.18. Income tax

Income tax expense comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payables or receivables due to tax on taxable income of the year, calculated using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit, temporary differences in relation to investments in subsidiaries, which utilization in foreseeable future is considered doubtful. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized. These reductions are reversed when it is probable that sufficient taxable profits will be available.

5.19. Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively for future resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

5.20. Earnings per share (EPS)

In preparation of the separate financial statements basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares for the reporting date.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

6. Segment reporting

6.1. Business and geographical segments

The Company's business activity includes management and business advisory and also rental of office space and its revenues derive exclusively from Poland, where all Company's non-current assets are located (excluding financial instruments).

6.2. Major customer

Revenues from two of the customers of management, advisory and rental services segment exceeded 10% of revenue and amounted to TPLN 644 and TPLN 452 for 2018 (for 2017: TPLN 648 and TPLN 425).

7. Non-current assets held for sale

As at 31 December 2018 and 31 December 2017 the Company had no assets classified as non-current assets held for sale.

8. Revenue

	2018	***2017***
Revenue from contracts with customers		
IT services	192	226
	192	**226**
Other revenue		
Revenue from rental of investment property	3 244	3 184
Revenue due to other services rendered	266	250
	3 510	**3 434**
Total	**3 702**	**3 660**

9. Expenses by nature

	2018	***2017***
Depreciation and amortisation	(548)	(583)
Energy and materials consumption	(1 002)	(1 023)
External services	(3 025)	(2 824)
Taxes and charges	(557)	(492)
Employee benefit expenses	(3 025)	(2 946)
Other costs	(111)	(124)
Total expenses by nature	**(8 268)**	**(7 992)**
Cost of sales and administrative expenses	**(8 268)**	**(7 992)**

9.1. Employee benefit expenses

	2018	***2017***
Wages and salaries	(1 762)	(1 700)
Social security contributions and other benefits	(213)	(197)
Movement in employee benefits liabilities included in profit and loss:	(1 050)	(1 049)
Post-employment benefits	(11)	(11)
Jubilee bonuses liabilities	(5)	(5)
Other employee benefits	(1 034)	(1 033)
Total	**(3 025)**	**(2 946)**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

10. Other income

	2018	*2017**
Compensations, contractual penalties and costs of court proceedings received	-	10
Interest from receivables	19	15
Net gain on sale of property, plant and equipment and intangible assets	16	-
Total	**35**	**25**

* Restated due to application of IFRS 9 - see note 4.

11. Other expenses

	2018	*2017*
Penalties, compensations, charges	(1)	(1)
Unrecoverable input VAT	(10)	(5)
Other	(9)	-
Total	**(20)**	**(6)**

12. Net finance income

	2018	*2017*
Recognised in profit or loss for the period		
Dividend income:	4 574	72 517
- investments in subsidiaries	4 400	72 270
- investment in associates	171	166
- equity instruments - available for sale	-	81
- equity instruments - financial instruments measured at fair vale through other comprehensive income (held at the reporting date)	3	-
Interest income under the effective interest method on:	4 975	5 306
- cash and cash equivalents	4 754	5 076
- lease receivables	221	230
- from related entities	221	230
Gain on sale of investment	-	5
Net foreign exchange gain	-	5
Finance income	**9 549**	**77 833**
Revaluation of available for sale financial assets	-	(85)
Net foreign exchange loss	(4)	-
Finance expenses	**(4)**	**(85)**
Net finance income recognised in profit or loss for the period	**9 545**	**77 748**
Recognised in other comprehensive income		
Change in fair value of equity instruments	493	-
Finance income recognised in other comprehensive income	**493**	**-**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

13. Income tax

13.1. Income tax recognised in profit or loss for the period

	2018	2017
Current income tax expense	**(1)**	**(15)**
Current income tax on profits for the year	(1)	(15)
Deferred tax	**(551)**	**(263)**
Recognition and reversal of temporary differences	(551)	(263)
Income tax impacting profit or loss for the period	**(552)**	**(278)**

The income tax rate which embraced the Company's activity amounted to 19% in 2017-2018. It is assumed that the income tax rate shouldn't change in upcoming years.

In 2018 the Company generated a tax profit of TPLN 2,678 (2017: tax loss of TPLN 6,700), however due to utilization of tax losses carried forward no tax liability was recognised. The current income tax recognised in the statement of comprehensive income comprises exclusively the withholding tax related to dividends received by the Company.

13.2. Effective tax rate

	2018		2017	
	%		%	
Profit before income tax		4 984		73 486
Income tax calculated using domestic tax rate	(19.0%)	(947)	(19.0%)	(13 962)
Non-deductible expenses (permanent differences)	(1.2%)	(58)	(0.1%)	(52)
Tax exempt income (permanent differences)	16.8%	837	18.7%	13 755
Valuation adjustment/ temporary differences previously adjusted	(7.7%)	(385)	(0.0%)	(19)
	(11,1%)	**(552)**	**(0.4%)**	**(278)**

13.3. Income tax recognised in other comprehensive income

	2018		2017	
	Before tax	**Tax (expense) /benefit**	**Before tax**	**Tax (expense) /benefit**
Change in fair value of equity instruments	493	(87)	-	-
Remeasurement of employee benefits	1	-	3	-
Other comprehensive income that will never be reclassified to profit or loss for the period	**494**	**(87)**	**3**	**-**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

14. Property, plant and equipment

	Buildings	Plant and equipment	Vehicles	Other	Under construction	Total
Cost as at 1 January 2017	**83**	**2**	**337**	**680**	**-**	**1 102**
Acquisitions	-	1	-	1	-	**2**
Disposals	-	-	-	(3)	-	**(3)**
Reclassification to investment property	(16)	-	-	-	-	**(16)**
Cost as at 31 December 2017	**67**	**3**	**337**	**678**	**-**	**1 085**
Cost as at 1 January 2018	**67**	**3**	**337**	**678**	**-**	**1 085**
Acquisitions	-	-	236	7	383	**626**
Transfer from property, plant and equipment under construction	-	-	-	-	(383)	**(383)**
Disposals	-	-	(126)	(22)	-	**(148)**
Cost as at 31 December 2018	**67**	**3**	**447**	**663**	**-**	**1 180**
Depreciation and impairment losses as at 1 January 2017	**(58)**	**(2)**	**(140)**	**(679)**	**-**	**(879)**
Depreciation for the period	(2)	(1)	(42)	(1)	-	**(46)**
Disposals	-	-	-	3	-	**3**
Reclassification to investment property	10	-	-	-	-	**10**
Depreciation and impairment losses as at 31 December 2017	**(50)**	**(3)**	**(182)**	**(677)**	**-**	**(912)**
Depreciation and impairment losses as at 1 January 2018	**(50)**	**(3)**	**(182)**	**(677)**	**-**	**(912)**
Depreciation for the period	(1)	-	(54)	(3)	-	**(58)**
Disposals	-	-	126	22	-	**148**
Depreciation and impairment losses as at 31 December 2018	**(51)**	**(3)**	**(110)**	**(658)**	**-**	**(822)**
Carrying amounts						
As at 1 January 2017	25	-	197	1	-	**223**
As at 31 December 2017	17	-	155	1	-	**173**
As at 1 January 2018	17	-	155	1	-	**173**
As at 31 December 2018	16	-	337	5	-	**358**

As at 31 December 2018 and 31 December 2017, the property, plant and equipment were not subject to any impairment.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

15. Investment property

	31 December 2018	*31 December 2017*
Cost at the beginning of the period	**30 496**	**30 480**
Transfer from property, plant and equipment under construction	383	-
Reclassification from property, plant and equipment	-	16
Cost at the end of the period	**30 879**	**30 496**
Depreciation and impairment losses at the beginning of the period	**(26 626)**	**(26 079)**
Depreciation for the period	(488)	(537)
Reclassification from property, plant and equipment	-	(10)
Depreciation and impairment losses at the end of the period	**(27 114)**	**(26 626)**
Carrying amounts at the beginning of the period	**3 870**	**4 401**
Carrying amounts at the end of the period	**3 765**	**3 870**

Investment property is measured at cost less accumulated depreciation and impairment losses (see note 5.4).

Investment property comprises the Company-owned part of the building property, consisting of land (subject to perpetual usufruct) on which office building and the adjacent parking lot are situated, as well as parking lot property, consisting of land (subject to perpetual usufruct) on which parking lot and garages are situated. Both properties are located in Katowice. According to Company's estimates the fair value aforementioned investment property amounts to approximately PLN 21 million (Level 3 fair value).

Rental income (office and parking space) in 2018 amounted to TPLN 3,244 (in 2017: TPLN 3,184) and it was presented in the separate statement of comprehensive income under "Revenue" – costs directly attributable to rental income amounted to TPLN 4,044 (in 2017: TPLN 4,018) and were presented under "Cost of sales".

16. Investments in subsidiaries and associates

Investments in subsidiaries and associates included following entities:

	Cost	Impairment loss	Carrying amount	Ownership
31 December 2018				
Petrostal S.A. w likwidacji	1 727	(1 727)	-	100.00%
Stalexport Autoroute S.a r.l	67 086	-	67 086	100.00%
Biuro Centrum Sp. z o.o.	32	-	32	40.63%
Total	**68 845**	**(1 727)**	**67 118**	
31 December 2017				
Petrostal S.A. w likwidacji	1 727	(1 727)	-	100.00%
Stalexport Autoroute S.a r.l	67 086	-	67 086	100.00%
Biuro Centrum Sp. z o.o.	32	-	32	40.63%
Total	**68 845**	**(1 727)**	**67 118**	

Company's investments in subsidiaries and associates weren't subject to any changes in 2018 and 2017.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

Financial information on above entities, which shares were not subject to 100% impairment was as follows:

	Ownership	Assets	Liabilities	Equity	Revenue	Profit for the period
31 December 2018						
Stalexport Autoroute S.a r.l	100.00%	279 624	38	279 586	-	16 996
Biuro Centrum Sp. z o.o.	40.63%	3 938	1 978	1 960	10 427	509
Total		**283 562**	**2 016**	**281 546**	**10 427**	**17 505**
31 December 2017						
Stalexport Autoroute S.a r.l	100.00%	263 765	4 890	258 875	-	73 400
Biuro Centrum Sp. z o.o.	40.63%	3 057	1 185	1 872	10 070	439
Total		**266 822**	**6 075**	**260 747**	**10 070**	**73 839**

There is a pledge established on shares of company Stalexport Autoroute S.a r.l. and shares of companies Stalexport Autostrada Małopolska S.A. and VIA4 S.A. owned by Stalexport Autoroute S.a r.l., as a security of a bank loan granted to a subsidiary Stalexport Autostrada Małopolska S.A.

17. Other investments

	31 December 2018	*31 December 2017*
Non-current		
Equity instruments measured at fair value through other comprehensive income	143	-
Other	-	70
Total	**143**	**70**
Current		
Equity instruments available for sale (shares of non-related entities)	-	1 403
Equity instruments measured at fair value through other comprehensive income	1 823	-
Total	**1 823**	**1 403**

As at 31 December 2018 the following investments constitute equity instruments measured at fair value through other comprehensive income:

	Fair value at 31 December 2018	*Dividend income recognised in 2018*
Dom Maklerski BDM S.A.	1 380	-
Konsorcjum Autostrada Śląsk S.A. w likwidacji	443	-
Zakłady Metalowe DEZAMET S.A.	143	3

As at 31 December 2017 the financial instruments available for sale comprised investment in Dom Maklerski BDM S.A.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

18. Deferred tax

18.1. Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items of assets and liabilities:

	Assets		Liabilities		Net	
	31 December 2018	*31 December 2017*	*31 December 2018*	*31 December 2017*	*31 December 2018*	*31 December 2017*
Property, plant and equipment	884	934	-	-	**884**	**934**
Investment property	99	80	-	-	**99**	**80**
Other non-current investments	-	6	(21)	-	**(21)**	**6**
Finance lease receivables	-	-	(927)	(1 085)	**(927)**	**(1 085)**
Trade and other receivables	271	270	(62)	(62)	**209**	**208**
Current investments	239	235	(64)	-	**175**	**235**
Cash and cash equivalents	-	-	(86)	(90)	**(86)**	**(90)**
Employee benefits	628	429	-	-	**628**	**429**
Trade and other payables	82	81	-	-	**82**	**81**
Deferred tax assets/liabilities on temporary differences	**2 203**	**2 035**	**(1 160)**	**(1 237)**	**1 043**	**798**
Tax loss carry-forwards	1 923	2 436	-	-	**1 923**	**2 436**
Set off of tax	(1 160)	(1 237)	1 160	1 237	**-**	**-**
Valuation adjustment	(370)	-	-	-	**(370)**	**-**
Net deferred tax assets as in statement of financial position	**2 596**	**3 234**	**-**	**-**	**2 596**	**3 234**

Based on estimates regarding the possibility of utilization of tax losses in the foreseeable future, the Company as at 31 December 2018 recognised a valuation adjustment, as a result of which net deferred tax assets were not recognized in full. As at 31 December 2017 the Company recognised the full amount of net deferred tax assets.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

18.2. Changes of deferred tax during the period

	1 January 2018	Change of deferred tax on temporary differences recognised in		31 December 2018
		profit or loss for the period	other comprehensive income	
Property, plant and equipment	934	(50)	-	884
Investment property	80	19	-	99
Other non-current investments	6	-	(27)	(21)
Finance lease receivables	(1 085)	158	-	(927)
Trade and other receivables	208	1	-	209
Current investments	235	-	(60)	175
Cash and cash equivalents	(90)	4	-	(86)
Employee benefits	429	199	-	628
Trade and other payables	81	1	-	82
Tax loss carry-forwards	2 436	(513)	-	1 923
Valuation adjustment	-	(370)	-	(370)
Total	**3 234**	**(551)**	**(87)**	**2 596**

	1 January 2017	Change of deferred tax on temporary differences recognised in		31 December 2017
		profit or loss for the period	other comprehensive income	
Property, plant and equipment	848	86	-	934
Investment property	180	(100)	-	80
Other non-current investments	6	-	-	6
Finance lease receivables	(1 047)	(38)	-	(1 085)
Trade and other receivables	218	(10)	-	208
Current investments	1 937	(1 702)	-	235
Cash and cash equivalents	(114)	24	-	(90)
Employee benefits	231	198	-	429
Trade and other payables	90	(9)	-	81
Tax loss carry-forwards	1 148	1 288	-	2 436
Total	**3 497**	**(263)**	**-**	**3 234**

18.3. Tax losses

According to the tax regulations, tax loss incurred in a given tax year can reduce taxable income over the next five consecutive tax years, however the decrease in whichever of those years cannot exceed 50% of the loss for a given year. As at 31 December 2018 the maximum amount of tax losses remaining to be utilized during next five tax years amounted to TPLN 10,124 (31 December 2017: TPLN 12,819). Due to uncertainty regarding the utilization of some of the tax losses in the foreseeable future, the Company recognised the corresponding deferred tax assets only partially, i.e. the amount of TPLN 1,553 (31 December 2017: TPLN 2,436).

Amount of loss	*Expiry date*
1 944	2019
373	2020
4 457	2021
3 350	2022
10 124	

(all amounts in PLN thousand (TPLN), unless stated otherwise)

19. Income tax receivables

As at 31 December 2018 the income tax receivables accounted for TPLN 1,341 (31 December 2017: TPLN 1,341). These receivables will be settled with future income tax liabilities due to tax authorities. Due to uncertain recovery of these receivables as at 31 December 2018, an impairment loss of TPLN 1,341 was recognized (as at 31 December 2017: TPLN 1,341).

20. Finance lease receivables

The receivables derive from lease agreements struck with a related company VIA4 S.A., which acts as operator on Katowice-Kraków section of A-4 Motorway. Assets subject to the lease included cars, trucks and special purpose vehicles, which are used by VIA4 S.A. in its activity. The finance lease receivables were recognized at an amount equal to the net investment in the lease.

	31 December 2018	*31 December 2017*
Gross investment in leases	5 266	6 193
Unearned finance lease income	(387)	(483)
Net investment in leases	**4 879**	**5 710**

Future lease payments to be received are as follows:

	Lease payments	Finance income (interest)	Net investment in leases
31 December 2018			
up to 1 year	1 799	163	1 636
from 1 to 5 years	3 154	218	2 936
over 5 years	313	6	307
Total	**5 266**	**387**	**4 879**
31 December 2017			
up to 1 year	2 173	208	1 965
from 1 to 5 years	3 533	258	3 275
over 5 years	487	17	470
Total	**6 193**	**483**	**5 710**

21. Trade and other receivables

	31 December 2018	*31 December 2017*
Trade receivables from related entities	157	156
Trade receivables from other entities	4 985	5 079
Receivables due to VAT	415	444
Dividends receivable from related entities	-	4 800
Other receivables from other entities	27	45
Total	**5 584**	**10 524**

Receivables from contracts with customers included within trade and other receivables amounted to TPLN 4,883 as at 31 December 2018 and TPLN 5,010 as at 1 January 2018.

Information about the Company's exposure to credit and market risks, as well as information on impairment losses are included in note 28.1.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

22. Cash and cash equivalents

	31 December 2018	*31 December 2017*
Bank balances	5	-
Current bank deposits	267 941	327 386
Cash and cash equivalents in the statement of financial position	**267 946**	**327 386**
Cash and cash equivalents in the statement of cash flows	**267 946**	**327 386**

23. Equity

23.1. Share capital

	31 December 2018	*31 December 2017*
Number of shares at the beginning of the period	247 262 023	247 262 023
Number of shares at the end of the period (fully paid)	247 262 023	247 262 023
Nominal value of 1 share (PLN)	0.75	0.75
Nominal value of A-series issue	6 256	6 256
Nominal value of B-series issue	370	370
Nominal value of D-series issue	3 000	3 000
Nominal value of E-series issue	71 196	71 196
Nominal value of F-series issue	37 500	37 500
Nominal value of G-series issue	67 125	67 125
Total	**185 447**	**185 447**

The holders of ordinary shares are entitled to dividends as declared and are entitled to one vote per share at General Meeting of the Company. All shares entitle the shareholders to Company's assets in the same extent in case of its division.

23.2. Other reserve capitals and supplementary capital

Other reserve capitals may be created by the General Meeting from a part or total of approved profits of the Company. The General Meeting may also define a particular aim to which such resources should be assigned.

23.3. Fair value reserve

All gains and losses from valuation of investments in equity instruments measured at fair value through other comprehensive income are attributed to this equity item.

23.4. Dividends

On 4 April 2018 the Ordinary General Meeting of the Company decided to pay out the dividend in amount of TPLN 71,706, i.e. PLN 0.29 per share. The dividend date was set for 18 April 2018 and the dividend payment date for 18 May 2018.

On 13 April 2017 the Ordinary General Meeting of the Company decided to pay out the dividend in amount of TPLN 44,507, i.e. PLN 0.18 per share. The dividend date was set for 24 April 2017 and the dividend payment date for 16 May 2017.

24. Earnings per share

The calculation of basic earnings per share was performed based on the net profit attributable to the ordinary shareholders of the Company of TPLN 4,432 (2017: net profit of TPLN 73,208) and a weighted average number of ordinary shares at the reporting date of 247,262 thousand (31 December 2017: 247,262 thousand).

Net profit attributable to shareholders per ordinary share

	2018	*2017*
Profit for the period attributable to Company's shareholders (in TPLN)	4 432	73 208
Weighted average number of ordinary shares at the end of the period (thousands of shares)	247 262	247 262
Profit for the period per ordinary share attributable to Company's shareholders (in PLN)	**0.02**	**0.30**

As at 31 December 2018 and 31 December 2017 no factors were determined that would result in dilution of profit per one share.

25. Employee benefits

	31 December 2018	*31 December 2017*
Non-current		
Retirement benefits	56	51
Disability benefits	2	2
Jubilee bonuses liabilities	41	36
Other employee benefits	-	2 067
Total	**99**	**2 156**
Current		
Retirement benefits	107	102
Other employee benefits	3 101	-
Total	**3 208**	**102**

Amounts of future liabilities due to retirement benefits, disability benefits and jubilee bonuses were calculated on the basis of actuarial appraisal model.

Other employee benefits as at 31 December 2018 constituted a forecasted bonus payment for which Company's Management Board is eligible based on 3-year incentive scheme endorsed by the Supervisory Board in 2016.

25.1. Movement in employee benefits liabilities

	Post-employment benefits		**Jubilee bonuses liabilities**		**Other employee benefits**		**Total**	
	2018	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*
As at 1 January	**155**	**150**	**36**	**31**	**2 067**	**1 034**	**2 258**	**1 215**
Included in profit or loss	**11**	**11**	**5**	**5**	**1 034**	**1 033**	**1 050**	**1 049**
Current service cost	10	10	1	1	1 034	1 033	**1 045**	**1 044**
Interest cost	1	1	1	1	-	-	**2**	**2**
Actuarial loss	-	-	3	3	-	-	**3**	**3**
Included in other comprehensive income	**(1)**	**(3)**	**-**	**-**	**-**	**-**	**(1)**	**(3)**
Actuarial (gain)/loss arising from:	(1)	(3)	-	-	-	-	**(1)**	**(3)**
- financial assumptions	1	2	-	-	-	-	**1**	**2**
- other assumptions	(2)	(5)	-	-	-	-	**(2)**	**(5)**
Benefits paid	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**(3)**
As at 31 December	**165**	**155**	**41**	**36**	**3 101**	**2 067**	**3 307**	**2 258**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

25.2. Actuarial assumptions

Liabilities due to retirement benefits, disability benefits and jubilee bonuses were calculated according to following assumptions:

	31 December 2018	*31 December 2017*
Discount rate	3.00%	3.15%
Future remuneration increase	3.50%	3.50%-6.00%
Probability of resignation	2.04%	2.17%
Weighted-average duration of liabilities (in years)		
Post-employment benefits	12.09	12.25
Jubilee bonuses liabilities	5.80	6.80

25.3. Sensitivity analysis

Below a sensitive analysis has been disclosed, showing how reasonably possible changes of material actuarial assumptions made at the reporting date, holding other assumptions constant, would have impacted the liabilities due to employee benefits.

	Discount rate change		**Remuneration increase change**		**Probability of resignation change**	
31 December 2018	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt
Retirement benefits	166	160	160	166	166	160
Disability benefits	3	2	2	3	3	2
Jubilee bonuses liabilities	42	41	41	42	42	41
Total	**211**	**203**	**203**	**211**	**211**	**203**

31 December 2017	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt	- 0.5 ppt	+ 0.5 ppt
Retirement benefits	155	150	150	155	155	150
Disability benefits	2	2	2	2	2	2
Jubilee bonuses liabilities	37	35	35	37	37	35
Total	**194**	**187**	**187**	**194**	**194**	**187**

26. Trade and other payables

	31 December 2018	*31 December 2017*
Trade payables to related entities	182	91
Trade payables to other entities	266	299
Amounts due to taxes, duties, social and other benefits	56	65
Payroll liabilities	295	279
Other payables and accruals to related entities	477	-
Other payables and accruals to other entities	170	169
Total	**1 446**	**903**

(all amounts in PLN thousand (TPLN), unless stated otherwise)

27. Financial instruments – classification and fair value

The following table shows the carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2018		Carrying amount			Fair value			
	Note	Financial instruments measured at fair value through other comprehensive income	Financial instruments measured at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Equity instruments*	17	1 966	-	**1 966**	-	-	1 966	**1 966**
		1 966	**-**	**1 966**				
Financial assets not measured at fair value								
Finance lease receivables	20	-	4 879	**4 879**				
Trade and other receivables**	21	-	5 169	**5 169**				
Cash and cash equivalents	22	-	267 946	**267 946**				
		-	**277 994**	**277 994**				
Financial liabilities not measured at fair value								
Trade and other payables**	26	-	992	**992**				
		-	**992**	**992**				

* Equity instruments belonging to the Company are not listed on financial markets, the Company has also no information on recent observable arm's length transactions in these instruments. Considering the above, the fair value of the equity instruments determined based on the Company's share in nett assets of their issuers as at 31 December 2018 or at the end of the last reporting period for which the Company has adequate financial data. The Company recorded gains due to valuation of aforementioned equity instruments amounting TPLN 493, presented within item "Change in fair value of equity instruments" of the separate statement of comprehensive income.

** Without consideration of receivables due to VAT/payables due to taxes, duties, social and health insurance and other benefits, as well as payroll liabilities.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

*31 December 2017**		Carrying amount				Fair value			
	Note	Loans and receivables	Available-for-sale financial assets	Financial liabilities valued at amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value									
Equity instruments**	17	-	1 473	-	**1 473**				
Finance lease receivables	20	5 710	-	-	**5 710**				
Trade and other receivables***	21	10 080	-	-	**10 080**				
Cash and cash equivalents	22	327 386	-	-	**327 386**				
		343 176	**1 473**	**-**	**344 649**				
Financial liabilities not measured at fair value									
Trade and other payables***	26	-	-	444	**444**				
		-	**-**	**444**	**444**				

* The Company has initially applied IFRS 9 at 1 January 2018 with the comparative information not restated in line with transition option chosen.

** Prior to 1 January 2018, shares of companies which were not listed on financial markets and for which there were no alternative measures to define their fair value, were disclosed at cost net of any impairment losses and classified as available-for-sale financial assets. From 1 January 2018 these assets are classified as measured at fair value through other comprehensive income.

*** Without consideration of receivables due to VAT/payables due to taxes, duties, social and health insurance and other benefits, as well as payroll liabilities.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

Fair value hierarchy

Financial instruments measured at fair value can be classified according to the following valuation methods:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly,
- Level 3: inputs that are not based on observable market data (unobservable inputs).

28. Financial risk management

28.1. Credit risk

Credit risk is a risk of financial loss to the Company if a customer or a counterparty fails to meet its contractual obligations, and it arises principally from the Company's receivables from customers and investment securities. The Company places its cash and cash equivalents in financial institutions with high credit ratings.

The following table shows the Company's maximum exposure to credit risk:

	31 December 2018	*31 December 2017*
Other non-current investments	143	70
Current investments	1 823	1 403
Finance lease receivables	4 879	5 710
Trade and other receivables	5 584	10 524
Cash and cash equivalents	267 946	327 386
Total	**280 375**	**345 093**

In relation to trade receivables and lease receivables the Company measures loss allowances at an amount equal to lifetime expected credit losses.

As at 31 December 2018 for trade receivables the Company determined the amount of expected credit losses using a provision (allowance) matrix, defined on the basis of historical credit loss experience in the period of 8 previous years.

The following table provides information about the exposure to credit risk and also allowances for expected credit losses for trade receivables as at 31 December 2018.

31 December 2018	Weighted-average loss rate	Trade receivables (gross)	Secured amount (up to gross receivables)	Trade receivables (gross) exceeding secured amount	Loss allowance
Current (not past due)	0.30%	166	1	165	-
1-30 days past due	0.70%	48	18	30	-
31-90 days past due	6.10%	47	20	27	2
91-180 days past due	20.60%	24	7	17	4
181-365 days past due	64.70%	6	-	6	4
366-730 days past due	85.10%	1	-	1	1
more than 730 days past due	100.00%	5 054	4 862	192	192
Total		**5 346**	**4 908**	**438**	**203**

Past due trade receivables amounting to TPLN 4,862 are secured on the customer's property, which value exceeds the value of these receivables. Additionally trade receivables due to rental of investment property amounting to TPLN 46 are secured by the guarantee deposits received by the Company.

Other receivables are subject to loss allowance in amount of TPLN 91,303. These receivables derive from activities discontinued in previous periods and mainly result from loan guarantees granted to entities which were not able to settle their liabilities.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

The movement in loss allowances in respect of trade and other receivables and other was as follows (comparative amounts for 2017 represent allowances for doubtful debts under IAS 39):

	2018	*2017*
Balance as at 1 January	**(91 500)**	**(91 565)**
Net remeasurement of loss allowance	(10)	51
Amounts written off	4	14
Balance as at 31 December	**(91 506)**	**(91 500)**

Comparative information presented in accordance with IAS 39.

The table below presents overdue trade and other receivables together with the amount of the allowances for doubtful debts.

	31 December 2017
Gross past due receivables	
up to 1 month	83
1 - 6 months	19
6 months - 1 year	-
over 1 year	96 273
Total gross past due receivables	**96 375**
allowances for past due and doubtful debts	(91 287)
Net past due receivables	**5 088**

28.2. Market risk

Market risk is the risk that changes in market demand, supply and prices, as well as other factors will affect the Company's financial results or controlled assets value (such as foreign exchange rates, interest rates and cost of capital). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Interest rate risk

The Company's exposure to the interest rate risk relates mainly to cash and cash equivalents with floating interest rates based on WIBOR + margin. The Company doesn't hedge against the risk of interest rate fluctuations.

The table below presents susceptibility profile of the Company (maximum exposure) to the risk of interest rate fluctuations by means of financial instruments presentation according to the fixed and floating interest rate:

	Nominal amount *31 December 2018*	Nominal amount *31 December 2017*
Floating interest rate instruments		
Financial assets	272 825	333 096
Financial liabilities	-	-
Total	**272 825**	**333 096**

While managing interest rate risk, the Company aims to reduce the impact of interest rate fluctuations via current monitoring of financial market. The Company has conducted sensitivity analysis of floating interest rate financial instruments to fluctuations of market interest rates. The table below presents the impact of increase or decrease of interest rate by 100 basis points on the profit or loss and equity. The analysis assumes that all other variables such as foreign exchange rates remain constant. The analysis was performed for current and comparable reporting periods.

	Profit or loss for the period		**Equity**	
	increase 100 bp	decrease 100 bp	increase 100 bp	decrease 100 bp
31 December 2018				
Floating interest rate instruments	2 728	(2 728)	2 728	(2 728)
31 December 2017				
Floating interest rate instruments	3 331	(3 331)	3 331	(3 331)

(all amounts in PLN thousand (TPLN), unless stated otherwise)

Foreign currency risk

At the end of 2018 foreign currency risk concerns mainly trade and other payables.

The table below shows profile of the Company's sensibility (maximum exposure) to exchange rate change by means of presentation of financial instruments by currencies in which they are denominated:

Assets/liabilities by currency after conversion into PLN (in TPLN)

31 December 2018	EUR	GBP
Trade and other payables	(17)	-
Statement of financial position exposure	**(17)**	**-**

31 December 2017	EUR	GBP
Trade and other payables	(17)	(42)
Statement of financial position exposure	**(17)**	**(42)**

The Company performed sensitivity analysis of financial instruments denominated in foreign currencies to rate fluctuations. The table below presents the impact of strengthening or weakening of Polish zloty by 5% in relation to all foreign currencies, on profit or loss and on equity. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss for the period		Equity	
	increase of exchange rates by 5%	decrease of exchange rates by 5%	increase of exchange rates by 5%	decrease of exchange rates by 5%
31 December 2018	(1)	1	(1)	1
31 December 2017	(3)	3	(3)	3

28.3. Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, possession of financial means, necessary to fulfil Company's financial and investment liabilities using the most attractive sources of financing.

Liquidity management focuses on detailed analysis, planning and undertaking suitable actions related to working capital and net financial indebtedness.

The table below shows the Company's maximum exposure to liquidity risk:

31 December 2018			
Non-derivative financial liabilities	Carrying amount	Expected cash flows	up to 6 months
Trade and other payables	1 446	(1 446)	(1 446)
Total	**1 446**	**(1 446)**	**(1 446)**

31 December 2017			
Non-derivative financial liabilities	Carrying amount	Expected cash flows	up to 6 months
Trade and other payables	903	(871)	(871)
Total	**903**	**(871)**	**(871)**

28.4. Capital management

The Company's policy is to maintain strong capital base, which should be foundation for positive perception of the Company by investors, creditors and market and should also lead to further business development. Company monitors the changes in ownership, return on equity and debt/equity ratios.

The Company aims to achieve a return on equity ratio at the level considered satisfactory by the shareholders.

(all amounts in PLN thousand (TPLN), unless stated otherwise)

The Company is subject to the regulation resulting from art. 396 § 1 of the Polish Commercial Companies Code, which requires that at least 8% of profit for a given financial year should be assigned to supplementary capital, until this capital reaches at least 1/3 of the share capital. As at 31 December 2018 the Company's supplementary capital already exceed aforementioned level.

The net debt to adjusted equity ratio at the end of the reporting period was as follows:

	31 December 2018	*31 December 2017*
Total liabilities	4 753	3 161
minus		
Cash and cash equivalents	267 946	327 386
Net debt	**(263 193)**	**(324 225)**
Equity	349 460	416 327
Adjusted equity	**349 460**	**416 327**
Net debt to adjusted equity ratio	**(0.8)**	**(0.8)**

There were no changes in the capital management policy during the financial year.

29. Operating leases

The perpetual usufructs of land belonging to the Company are classified as operating lease, with the payments for perpetual usufruct expensed to profit or loss when incurred. Both in 2018 and 2017 these payments amounted to TPLN 126. Company's right to perpetual usufructs of land expire in December 2089.

30. Contingencies, guarantees and other commitments

Contingent liabilities relate to guarantees given to related entities amounting to TPLN 23,668 (31 December 2017: TPLN 22,758).

(all amounts in PLN thousand (TPLN), unless stated otherwise)

31. Related party transactions

31.1. Intergroup receivables and liabilities

31 December 2018	Receivables	Payables
Atlantia SpA	-	17
Parent entities	-	***17***
Stalexport Autostrada Małopolska S.A.	-	3
VIA4 S.A.	5 034	-
Subsidiaries	***5 034***	***3***
Biuro Centrum Spółka z o.o.	2	629
Associates	***2***	***629***
Autogrill Polska Sp. z o.o.	-	10
Other related entities	-	***10***
Total	**5 036**	**659**

31 December 2017	Receivables	Payables
Atlantia SpA	-	17
Parent entities	-	***17***
Stalexport Autostrada Małopolska S.A.	-	3
VIA4 S.A.	5 858	-
Stalexport Autoroute S.a.r.l	4 800	-
Subsidiaries	***10 658***	***3***
Biuro Centrum Spółka z o.o.	8	61
Associates	***8***	***61***
Autogrill Polska Sp. z o.o.	-	10
Other related entities	-	***10***
Total	**10 666**	**91**

31.2. Related party transactions amounts

2018	Revenue	Finance income (dividends)	Finance income (other)	Cost of sales	Capital expenditures
Stalexport Autostrada Małopolska S.A.	-	-	-	(26)	-
VIA4 S.A.	452	-	221	-	-
Stalexport Autoroute S.a.r.l	-	4 400	-	-	-
Subsidiaries	***452***	***4 400***	***221***	***(26)***	-
Biuro Centrum Spółka z o.o.	214	171	-	(3 137)	(383)
Associates	***214***	***171***	-	***(3 137)***	***(383)***
Autogrill Polska Sp. z o.o.	30	-	-	-	-
Other related entities	***30***	-	-	-	-
Total	**696**	**4 571**	**221**	**(3 163)**	**(383)**

2017	Revenue	Finance income (dividends)	Finance income (other)	Cost of sales	Capital expenditures
Stalexport Autostrada Małopolska S.A.	-	-	-	(26)	-
VIA4 S.A.	425	-	230	-	-
Stalexport Autoroute S.a.r.l	-	72 270	-	-	-
Subsidiaries	***425***	***72 270***	***230***	***(26)***	-
Biuro Centrum Spółka z o.o.	259	166	-	(3 080)	-
Associates	***259***	***166***	-	***(3 080)***	-
Autogrill Polska Sp. z o.o.	57	-	-	-	-
Other related entities	***57***	-	-	-	-
Total	**741**	**72 436**	**230**	**(3 106)**	-

Company's related party transactions were at an arm's length basis (see also point 5.3 of the Report of the Management Board on the activities of the Company and of the Group in 2018).

(all amounts in PLN thousand (TPLN), unless stated otherwise)

31.3. Transactions with key personnel

The remuneration cost of the managing and supervising personnel of the Company was as follows:

	2018	*2017*
Management Board	**1 896**	**1 861**
Salaries	864	830
Movement in employee benefits liabilities	1 032	1 031
Supervisory Board	**70**	**70**
Salaries	70	70
Total	**1 966**	**1 931**

In 2018 and 2017 the Company did not grant any loans, advances or guarantees to the members of the Management Board and Supervisory Board.

Remuneration for 2018 includes provision for Management Board bonuses for the year 2018 recognised as at 31 December 2018 in amount of TPLN 207 (corresponding provision as at 31 December 2017 amounted to TPLN 199), as well as a portion of remuneration payable on the basis of 3-year incentive scheme accrued in 2018 (see note 25).

32. Remuneration of the entity conducting audit the financial statements and its related entities

Information regarding the remuneration of entity authorised to audit financial statements has been provided within point 5.23 of the Report of the Management Board on the activities of the Company and of the Group in 2018.

33. Subsequent events

There were no significant subsequent events, which should be disclosed in the separate financial statements for the year 2018.