BRITISH AUTOMOTIVE HOLDING

BRITISH AUTOMOTIVE HOLDING S.A.

CONSOLIDATED FINANCIAL STATEMENTS FOR 2017

Warsaw, 28 March 2018

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January to 31 December 2017

in PLN thousand	Note	**01.01.2017 - 31.12.2017**	**01.01.2016 31.12.2016**
Continuing operations			
Sales revenue	7	737,156	653,868
Other operating income	8	5,471	3,737
Continuing operations revenue		**742,627**	**657,605**
Depreciation and amortisation		(1,031)	(607)
Materials and Energy		(2,134)	(1,895)
External services	10	(33,289)	(36,654)
Personnel expenses	12	(14,606)	(12,638)
Costs of merchandise and services sold	9	(614,510)	(539,188)
Other expenses	11	(19,954)	(7,543)
Investment profit	13	704	977
Shares in profits of joint ventures	14	-	-
Result on subsidiaries disposal	15	(192)	-
Profit from operating activities		**57,615**	**60,057**
Finance expenses	16	(3,824)	(1,661)
Profit before income tax for the period		**53,791**	**58,396**
Income tax expense	17	(5,732)	(11,663)
Net profit from continuing operations for the period		**48,059**	**46,733**
Including attributable to:			
Shareholders of the parent company		**48,059**	**46,733**
Minority Shareholders		-	-
Net profit for the period		**48,059**	**46,733**
Spinned off operations			
Net profit/(loss) from spinned off operations	37	31,603	22,285
Net profit/(loss)		**79,662**	**69,018**

Warsaw, 28 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 January to 31 December 2017

in PLN thousand	Note	**01.01.2017 - 31.12.2017**	**01.01.2016 31.12.2016**
Other comprehensive income		-	-
Total comprehensive income		**79,662**	**69,018**
Earnings per share from both continuing and discontinued operations			
Basic (PLN)	28	1.92	1.66
Diluted (PLN)	28	1.92	1.66
Earnings per share from continuing operations			
Basic (PLN)	28	1.16	1.12
Diluted (PLN)	28	1.16	1.12

Mariusz Książek
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Mariusz Poławski
Member of the Management Board until 14.01.2018

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Vice-president of the Management Board

Rafał Suchan
Member of the Management Board

Karolina Banaś
person responsible for financial accounting from 01.12.2017

Beata Cukrowska
person responsible for financial accounting until 30.11.2017

Warsaw, 28 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2017

in PLN thousand	Note	31.12.2017	31.12.2016
Assets			
Non-current assets			
Property, plant and equipment	18	59,873	29,095
Intangible assets	19	1,265	808
Rights for perpetual usufruct of land		2,981	3,056
Investment property	20	-	-
Asset due to the reimbursement of warranty repair costs	33	10,809	6,397
Other long-term receivables	21	76	75
Other long-term investments	22	-	160
Deferred tax assets	23	11,613	8,151
Total non-current assets		**86,617**	**47,742**
Current Assets			
Inventories	24	177,234	71,911
Short-term investments		5,200	-
Income tax receivables		142	292
Trade and other receivables	25	80,640	70,668
Asset due to the reimbursement of warranty repair costs	33	12,878	7,941
Cash and cash equivalents	26	45,660	105,060
Total current assets		**321,754**	**255,872**
Assets spinned off	31	-	664,238
Total assets		**408,371**	**967,852**

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Warsaw, 28 March 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of 31 December 2017

in PLN thousand	Note	**31.12.2017**	**31.12.2016**
Equity and liabilities			
Equity			
Share capital	27	8,310	8,310
Supplementary capital		2,770	268,346
Reserve Capital		-	44,831
Retained earnings		65,812	69,018
Equity attributable to Shareholders of the parent entity		**76,892**	**390,505**
Total equity		**76,892**	**390,505**
Liabilities			
Bank loans	29	10,062	76,896
Finance lease liabilities	31	936	80
Other liabilities	34	-	-
Deferred tax liability	23	493	2,891
Provisions	33	10,809	6,397
Bond liabilities	30	-	-
Total non-current liabilities		**22,300**	**86,264**
Bank loans	*29*	81,913	-
Finance lease liabilities	*31*	368	54
Income tax liabilities		6,002	4,965
Trade and other payables	*34*	207,912	154,900
Deferred income	*32*	-	190
Provisions	*33*	12,984	8,037
Bond liabilities	*30*	-	-
Total current liabilities		**309,179**	**168,146**
Total liabilities		**331,479**	**254,410**
Liabilities spinned-off		-	322,937
Total equity and liabilities		**408,371**	**967,852**

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Warsaw, 28 March 2018

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 1 January to 31 December 2017

in PLN thousand	**01.01.2017 -31.12.2017**	**01.01.2016 -31.12.2016**
Cash flow from operating activities		
Net profit for the period	**79,662**	**69,018**
Adjustments:		
Depreciation	2,143	2,364
Depreciation of prepayments for perpetual usufruct	75	75
Interest income	(3,671)	(1,276)
Changes in fair value of investment property	-	(1,148)
Exchange differences	4,264	-
Finance expense	11,752	10,669
Profit on disposal of investment property	(6,195)	(10,221)
Profit on disposal of non-current assets	(114)	(6,279)
Liquidation of non-current assets	(2)	373
Shares in joint ventures' profits	(19,791)	(8,438)
Goodwill of subsidiaries	(738)	-
Income tax	(10,249)	10,995
Change in inventories	(261,928)	35,109
Change in trade and other receivables	13,582	(39,994)
Change in provisions and related assets	2,010	(19)
Change in short term liabilities excluding loans	6,741	75,805
Change in deferred income	93,101	(27,167)
Exchange differences	-	1,799
Costs of bond issue	440	718
Tax refund	1,708	912
Tax paid	(14,848)	(13,900)
Other	(130)	-
Net cash from operating activities	**(102,188)**	**99,395**
Including:		
Continued operations	**(13,682)**	**48,208**
Spinned off operations	(88,506)	51,187

Cash flows from investing activities		
Interest received	3,345	517
Proceeds from sale of property, plant and equipment and intangible assets	790	27,822
Proceeds from sale of investment property	9,000	86,133
Purchase of property, plant and equipment and intangible assets	(19,922)	(5,782)
Loans repaid	32,369	502
Loans granted	(53,504)	(51,887)
Purchase of treasury shares	(5,206)	(33)
Bonds redemption	-	9,000
Net cash flow from investing activities	**(33,128)**	**66,272**
Including:		
Continued operations	**(23,387)**	**71,254**
Spinned off operations	(9,741)	(4,982)

Warsaw, 28 March 2018

Cash flows from financing activities		
Net proceeds from the issue of bonds	144,670	-
Redemption of bonds	(39,650)	(18,397)
Loans received	89,750	75,135
Loans repaid	(22,238)	(63,713)
Finance lease liabilities paid	(616)	(1,077)
Interest paid	(11,469)	(10,714)
Dividend payout	(34,072)	(4,571)
Net cash flow from financing activities	**126,375**	**(23,337)**
Including:		
Continued operations	**(22,331)**	**40,441**
Spinned off operations	148,706	(63,778)
Net cash flow	**(8,941)**	**142,330**
Cash and cash equivalents at the beginning of the period	297,702	155,372
Cash and cash equivalents at the end of the period	**288,761**	**297,702**
Cash separated for Marvipol Development S.A. Group	**(243,101)**	-
Cash and cash equivalents at the end of the period	**45,660**	**297,702**
Restricted cash at the end of the period	**-**	**21,782**

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Warsaw, 28 March 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period from 1 January to 31 December 2017

in PLN thousand	Share capital	Supplementary capital	Reserve capitals	Treasury shares	Retained earnings	Total equity attributable to Shareholders of the parent entity	Total equity
Equity at 1 January 2016	**8,310**	**268,346**	**17,059**	**-**	**32,343**	**326,058**	**326,058**
Total comprehensive income	-	-	-	-	69,018	**69,018**	**69,018**
Transfer to supplementary capital	-	-	27,772	-	(27,772)	**-**	**-**
Part of 2016 year profit allocation for dividend payout	-	-	-	-	(4,571)	**(4,571)**	**(4,571)**
Equity at 31 December 2016	**8,310**	**268,346**	**44,831**	**-**	**69,018**	**390,505**	**390,505**
Equity at 1 January 2016	**8,310**	**268,346**	**44,831**	**-**	**69,018**	**390,505**	**390,505**
Part of 2016 year profit allocation for dividend payout	-	(33,497)	-	-	(575)	**(34,072)**	**(34,072)**
Transfer to supplementary capital	-	113,274	(44,831)		(68,443)	**-**	**-**
Total comprehensive income	-	-	-	-	79,662	79,662	79,662
Spin off of development's operations	-	(345,353)	-	-	(13,850)	(359,203)	(359,203)
Equity at 31 December 2017	**8,310**	**2,770**	**-**	**-**	**65,812**	**76,892**	**76,892**

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Warszawa, 28 March 2018

SUPPLEMENTARY INFORMATION AND EXPLANATIONS

1. General information on the Parent Company

British Automotive Holding S.A. (hereinafter referred to as the "Company", "Parent Company") is a joint stock company registered in Poland. The Company's seat is located in Warsaw 00-838, at 32 Prosta Street.

British Automotive Holding S.A. was registered in the National Court Register (KRS) on 15 February 2006 under the KRS number 0000250733 following transformation from the limited liability company Marvipol Sp. z o.o, which had commenced its operations in 1996 and had been entered into the RHB under the number 74106. The Company has been established for an indefinite period of time. On 30 November 2017 name of the Company changed from Marvipol S.A. to British Automotive Holding S.A.

In accordance with the Companies' articles of association and statutes the Parent Company and its subsidiaries are involved in the following activities:

- wholesale and retail sale of motor vehicles, as well as spare parts and accessories to motor vehicles,
- service and repair of motor vehicles,
- accounting services.

Until 30.11.2017 Company was also involved in development activities.

The consolidated financial statements prepared for a period ended 31 December 2017 include statements of the Parent Company and its subsidiaries (named jointly as a "Group"). Comparatives cover the period from 1 January 2016 to 31 December 2016, while statement of the comprehensive income includes results of spinned off operations for the period from 1 January 2017 to 30 November 2017.

British Automotive Holding S.A. is the highest-level parent entity.

2. Basis for preparation of the consolidated financial statements

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards which had been approved by the European Union, hereinafter referred to as the "EU IFRS", and applying the same principles for the current and comparative periods.

The financial statements have been prepared thoroughly, in accordance with the IAS 1.

The consolidated financial statements were presented under the assumption that the Group will continue as a going concern during 12 months from the date of preparation of the present financial statements. Within the reporting period and until the day of preparation of the present financial statements there is no significant evidence indicating that the Group will not be able to continue its activities as a going concern.

Standards and Interpretations approved by the EU or awaiting for approval

Standards and interpretations applied for the first time in 2017

Accounting policies applied for the preparation of the present financial statements are consistent with those applied when preparing the entity's financial statements for the year ended 31 December 2016, with the exception of application of the following changes to standards and interpretations published by the International Accounting Standards Board and those approved by the European Union and applicable for the annual periods beginning on 1 January 2017 or later:

- Amendments to IAS 7 "Statement of Cash Flows" – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- Amendments resulting from the annual IFRS improvement project 2014-2016 (amendments to IFRS 1, 12 and 28 are effective for annual periods beginning on or after 1 January 2017).

Application of the above amendments to standards had no significant impact on the accounting policy applied by the Group and Consolidated Financial Statement for 2017.

Standards and Interpretations issued by IASB and adopted by the EU, but not yet entered into force.

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at 31 December 2017 (the effective dates stated below is for IFRS in full):

- IFRS 15 and Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2018),
- Clarifications to IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018),
- Amendments resulting from the annual IFRS improvement project 2014-2016 (amendments to IFRS 1, 12 and 28 are effective for annual periods beginning on or after 1 January 2018).

The company decided that it will not take advantage of the possibility of earlier application of the above-mentioned changes to existing standards and the above new standards.

Standards and Interpretations issued by IASB but not yet adopted by the EU

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),
- IFRS 17 „Insurance Agreements" (effective for annual periods beginning on or after 1 January 2021),
- Amendments to IFRS 2 "Share-based Payments" - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 9 "Financial Instruments" - Characteristics of the prepayment option with negative offset (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or contribution of assets between an investor and its associate or joint venture (the process of adoption by the EU has been suspended for an indefinite period),
- Amendments to IFRS 19 "Employee Benefits" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 40 "Investment properties" – Transfers of investment property (effective for annual periods beginning on or after 1 January 2018),
- Changes resulting from the review of IFRS 2015-2017 (amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 effective for annual periods beginning on or after 1 January 2019),
- Interpretation IFRIC 22 „ Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018),
- Interpretation IFRIC 23 „Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019),

The Management Board carried out an analysis of the impact of the implementation of new IFRS 16 "Leasing" standards, IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" on the Company's financial statements. However, based on the verification, the Management Board stated that changes related to the introduction of new standards will not have a material impact on the financial position, results and scope of information presented in the Company's financial statements.

The Company anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Company in the period of initial application. .

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

a) Basis of measurement

The consolidated financial statement has been prepared on the historical cost basis, with the exception of goodwill, investment properties, trade receivables, other receivables and loans, financial liabilities (except derivatives), which have been measured at their fair value.

The methods used to measure fair values are discussed further in note 4.

b) Functional and presentation currency

Data in the financial statements is presented in Polish zloty (PLN), rounded to the nearest thousand. Polish zloty is the functional currency of the Parent Company.

c) Use of judgements and estimates

The preparation of the financial statements in conformity with IRFS EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and other factors, that are considered to be reasonable under given circumstances, and their results provide the basis for a judgment as to the carrying amount of assets and liabilities which does not directly result from other sources. Actual results may differ from the estimated value. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in reporting period and future period, if the revision affects both current and future period.

In particular, information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- Note 18 - Property, plant and equipment,
- Note 20 - Investment property,
- Note 23 - Deferred tax,
- Note 24 - Inventories,
- Note 25 - Short-term investments and trade and other receivables,
- Note 33 - Provisions,
- Note 39 - Investment and contractual liabilities.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Group's financial statements.

a) Basis of consolidation

The Group has applied full consolidation method for the purpose of preparation of the consolidated financial statements.

i) Subsidiaries

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has the power to govern - directly or indirectly- the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential and actual voting rights at the end of the reporting period that currently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

ii) Affiliates and Joint ventures

Affiliates are entities on which a parent company directly or through subsidiaries exercises significant influence and which are neither its subsidiaries nor joint ventures.

Joint ventures are contractual arrangements under which two or more parties undertake an economic activity subject to joint control. A joint venture is a joint contractual arrangement in which the parties exercising joint control over the determination have rights to net assets arising from the contractual arrangement.

The Group's investments in associates and joint ventures are recognized in the consolidated financial statements using the equity method. In accordance with the equity method, an investment in an associate or joint venture is initially recognized at the purchase price, and then the Group's share of the financial result and other comprehensive income of the associated entity or joint venture are taken into account. If the Group's share in losses of an associate or joint venture exceeds the value of its shares in that entity, the Group ceases to recognize its share in further losses. Additional losses are recognized only to the extent corresponding to the legal or usual obligations assumed by the Group or payments made on behalf of an associate or joint venture.

iii) Consolidation adjustments

Intra-group balances and transactions, and any unrealised gains and losses as well as income and expenses are eliminated when preparing the consolidated financial statements.

b) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the Polish zloty at buying or the selling exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the average exchange rate of National Bank of Poland at that date. Exchange differences arising from settlement of transactions in foreign currencies and from the balance sheet measurement of cash assets and equity and liabilities expressed in foreign currencies are recognised in the consolidated statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies that are measured based on historical costs are translated using the average exchange rate of National Bank of Poland at the date of the transaction.

c) Financial instruments

i) Financial assets

Investments are recognised and derecognised on trade date where their purchase or sale is under a contract whose terms require delivery of the asset within the time frame established by the marketplace concerned, and they are initially measured at fair value, less transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Financial assets are classified into the following defined categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is measured at fair value through profit or loss. A financial asset is classified as held for trading if: it is acquired principally for the purpose of selling it in the near term; or on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than available-for-sale may be recognised initially at fair value through profit or loss if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- a group of financial assets, financial liabilities or both is managed, and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses recognised in the statement of comprehensive income. The net gain or loss recognised in statement of comprehensive income incorporates any dividend or interest earned on the financial asset.

Held-to-maturity financial assets

Held-to-maturity investments and other financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

Available for sale financial assets

Unlisted shares and redeemable bonds held by the Group that are traded in an active market are classified as available-for-sale and are measured at fair value. Gains and losses arising from changes in fair value are recognised directly in equity, revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised directly in the statement of comprehensive income. Where the investment is derecognised or is determined to be impaired, the cumulative gain or loss previously accumulated in the revaluation reserve is transferred to the statement of comprehensive income for the given period. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Group's right to receive the dividends is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. Change in fair value arising on the foreign exchange gains and losses resulting from the change of amortised historical cost of the monetary asset is recognised in the statement of comprehensive income. Other changes are recognised in equity.

Loans and receivables

Loans and receivables are trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market. Such assets are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised using the effective interest rate, apart from short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

A financial asset, other than at fair value through profit or loss, is assessed at each reporting date whether there is any objective evidence that a financial asset is impaired. A financial asset is considered to be impaired if, and only if objective evidence indicates that one or more events that occurred after the initial recognition of the asset have had negative effect on the estimated future cash flows of that asset. For unlisted equity investments classified as available for sale, a significant or prolonged decline in the fair value of the investment in an equity instrument below its cost is objective evidence of impairment. For certain categories of financial asset, such as trade receivables, assets that are determined that no objective evidence of impairment exists for and individually assessed financial asset are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables include the Group's past experience of collecting payments, an increase in the number of delayed payments past the average credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables. For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all such financial assets, apart from trade receivables, which the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off adjusted the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of comprehensive income under other income and other costs item. With the exception of available-for-sale instruments, if, in a subsequent period, the impairment loss is reversed and the reversal can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. In respect of available-for-sale equity securities, impairment losses previously recognised through profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in equity

Reclassifications of financial assets

Available-for-sale financial assets can be subject to reclassification to:

- loans and receivables, if at the reclassification date these assets would comply with the definition of loans and receivables, and the entity has the positive intention and ability to hold those assets in the future or to maturity.

Financial assets at fair value through profit and loss, other than derivatives and assets measured at fair value according to measurement at fair value, can be reclassified under the following principles:

- Transferred to available-for-sale assets, if (a) the instrument is no longer held for purpose of selling or repurchasing in the near - term, (b) at the reclassification date these assets would comply with the definition of loans receivable and receivables; and (c) the entity has the positive intention and ability to hold those assets in the future or to maturity,
- If the instrument does not comply with the definition of loans and receivables, reclassification to available-for-sale assets or assets held to maturity is possible in rare circumstances understood as incidental situation which is evidenced by the entity and which is not expected to occur in the future or become regular.

Reclassifications are accounted for at the fair value of the financial asset at the date of reclassification. Available-for-sale financial assets can also be subject to reclassification to assets held to maturity and vice versa.

Derecognition of financial assets

The Group derecognises a financial asset when and only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained share in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

ii) Financial liabilities and equity instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Puttable financial instruments can be presented as equity when, and only when, they meet all of the following conditions:

- they entitle the holder to a pro rata share of the entity's net assets in the event of the entity's liquidation;
- the instrument is in the class of instruments that is subordinate to all other classes of instruments and all instruments in that class have identical features;
- the instrument does not have other features that would correspond to the definition of the "financial liability"; and
- the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity over the life of the instrument (excluding any effects of the instrument). Profit or loss, or change in recognised net assets are measured to this end in conformity with appropriate IFRS. The entity cannot have other instruments that would significantly reduce or determine a fixed amount of refund for the owner of the puttable financial instrument.

Criteria of classification as "equity" of instruments that impose on an entity an obligation to deliver to another party a pro rata share of the net assets of the entity on liquidation are based on the same principles as those presented above, except for points (c) and (d) which do not apply. If a subsidiary issues this kind of instruments that are owned by entities, which do not have control over such subsidiary, and that were presented as equity in that company's financial statements, they are – in the consolidated financial statements – recognised as a liability, because such instrument will not be the most deeply subordinated instrument in the Group.

Compound financial instruments

The liability component of a compound financial instruments issued by the Group is classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar instrument, that do not have an equity conversion option. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The principal component is measured by deducting the amount of the component liability from the fair value of the compound instrument as a whole. This is recognised and included in equity.

Financial guarantee contract

Financial guarantee contract is initially measured at their fair values and are subsequently measured at the higher of the two following amounts: the amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Financial liabilities

A financial liability is categorised as either "financial liabilities at fair value through profit or loss" or as "other financial liabilities".

Financial liabilities at fair value through profit and loss

Financial liabilities are classified in this category when the financial liability is either held for trading or it is designated as at fair value through profit or loss. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- it is part of a portfolio of identified financial instruments that the Group manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative except for a derivative designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- a group of financial assets, financial liabilities or both is managed, and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the group is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are recognised at fair value, with any related gains or losses recognised in the statement of comprehensive income, including interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including loans and borrowings, are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or – where appropriate – a shorter period.

Derecognition of financial liabilities

The Group removes a financial liability when, and only when the obligation is discharged, cancelled or expires.

iii) Equity

Share capital

Share capital is recognised at a nominal value of registered shares, resulting from the Company's statute and from the entry to the National Court Register.

Supplementary capital

According to the provisions of the code of commercial companies the Company is obliged to create supplementary capital for covering losses; at least 8% of the profit for the period is transferred to such supplementary capital until it reaches at least one third of the share capital. Surpluses received from the issue of shares above their nominal value and after covering of incremental costs directly attributable to the issue of ordinary shares are recognised in the supplementary capital.

The General Meeting of Shareholders decides on the use of the supplementary capital recognised in the financial statement, however the part of that capital amounting to one third of the share capital can only be used for covering losses.

Supplementary capital in the Company is formed by:

- profit write-offs,
- issue premium obtained from issue of shares less incremental costs directly attributable to the issue,
- surplus of the treasury shares selling price over their acquisition cost.

Reserve capitals

Reserve capitals are formed based on the statute. The General Meeting of Shareholders decides on the use of capital reserve.

Among others the Company recognises as reserve capitals the capital formed pursuant to the decision of General Meeting of Shareholders resulting from the repurchase of the share capital.

In the reserve capitals the Company also recognises the capital obtained from the issue of shares less issue costs until the registration of the share capital increase by the Register Court registers. Once the registration is complete, the nominal value of registered shares is recognised in the share capital, while surplus obtained from the issue of shares above their nominal value, remaining after covering the issue costs, is recognised as supplementary capital.

Treasury shares

Pursuant to the resolutions of the General Meeting of Shareholders the Company repurchased its own shares (treasury shares). Acquired treasury shares are measured at the amount of consideration paid and are recognised as a deduction from equity.

Total comprehensive income

Total comprehensive income is the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income comprises all components of profit and loss and of other comprehensive income.

Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by the other IFRSs.

d) Property, plant and equipment

i) Own property, plant and equipment items

Items of property, plant and equipment are measured at cost of acquisition or manufacture less accumulated depreciation and accumulated impairment losses.

The cost of acquisition is the purchase price of an asset and costs that are directly attributable to the acquisition of assets and to adopting the asset to the usable state, including costs of transportation, as well as costs of loading, unloading and storage. The cost of acquisition is reduced by discounts, rebated or similar items and recovered amounts.

When an item of property, plant and equipment comprise individual and significant components with different useful life, they are accounted for as separate items of property, plant and equipment.

The costs of financing property, plant and equipment increase the value of acquisition of fixed assets.

ii) Reclassification to investment property

Items of self-constructed property, plant and equipment produced with the aim of being used in the future as investment property are classified as property, plant and equipment, and recognised based on their manufacture cost until their reliable measurement is possible. At that date, the property becomes investment property and is measured at fair value. Any gain arising on measurement is recognised in the statement of comprehensive income.

iii) Subsequent costs

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 of the item can be measured reliably. All other costs are recognized in the comprehensive income as an expense as incurred.

iv) Depreciation

Items of property, plant and equipment or their significant components are depreciated on a straight-line basis over the estimated useful lives considering the net realisable value of the rest of the fixed asset (residual value) upon liquidation. Land is not depreciated. The estimated useful lives for particular items of property, plant and equipment are as follows:

- Buildings and constructions 10 - 40 years,
- Plant and equipment 3 - 10 years,
- Means of transportation 5 years,
- Fixtures and fittings 5 - 7 years.

Depreciation methods, useful lives and residual values (unless non-significant) are reviewed by the Group at each reporting date and adjusted when appropriate.

e) Intangible assets

i) Intangible assets

Intangible assets acquired by the Group are recognized at cost less accumulated depreciation and impairment losses.

ii) Goodwill

Goodwill arising in consolidation is a surplus of the cost of acquisition of an entity over the fair value of identifiable assets and liabilities of a subsidiary, associate or joint venture as at the acquisition date.

Goodwill is reported as an asset and is tested at least once a year for impairment testing. The effects of impairment are recognized in the profit and loss account and are not reversed in subsequent periods.

iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the statement of comprehensive income as incurred.

iv) Depreciation

Intangible assets are amortised on a straight-line basis over their estimated useful lives, unless it is definite. Intangible assets having indefinite useful life are not depreciated, but they are subject to impairment testing at the end of each reporting period. Other intangible assets are depreciated from the date they are available for use. The estimated useful lives are as follows:

- Software – 2 years.

f) Investment property

Investment property is measured at cost on initial recognition, including transaction costs. Carrying amount of investment property includes the cost of replacement of an investment property component as it is incurred, provided that recognition criteria are met, and does not include costs of maintenance of such property.

Subsequent to initial recognition, investment property is measured at fair value. Any gain and loss arising from a change in the fair value is recognised in the statement of comprehensive income for the period in which it arises.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from disposal of investment property are recognized in profit or loss in the period of the retirement or disposal.

Transfers to investment property is made only when there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. If an owner-occupied property becomes an investment property an entity applies the principles described under "Property, plant and equipment" up to the date of change in use.

For a transfer from inventories to investment property any differences between the fair values of the property at that date and its previous carrying amount is recognized in the statement of comprehensive income.

For a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting in accordance with IAS 16 or IAS 2 shall be its fair value at the date of change in use.

The treatment of transfers from inventories to investment property is consistent with the treatment of sales of inventories.

When an entity completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of comprehensive income.

g) Leased property, plant and equipment

Lease agreements in term of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance lease. On initial recognition, the leased asset is measured at an amount equal to lower of its fair value and the present value of minimum lease payments, subsequently reduced by accumulated depreciation and impairment losses.

Other leases are operating leases. Apart from investment property, assets used under the operating lease are not recognised in the Group’s balance sheet. Investment property held under the operating lease agreements is recognised in the balance sheet at its fair value.

The Group recognises the perpetual usufruct of lands as operating lease. Hence all payments made for acquiring perpetual usufruct of land are recognised as rights of perpetual usufruct of land. The value of these rights is written off to the statement of comprehensive income over the land use period, except for investment property.

h) Inventories

Inventories are measured at the lower of acquisition cost or cost of manufacture and net realisable value. The costs of purchase comprise the purchase price and other costs directly related to the purchase incurred in bringing the inventories to their present location and condition. In the case of finished goods and work in progress, the costs include expenses related with realisation of development projects.

Project costs mainly include:

- right to perpetual lease of lands or lands, costs of construction relating to the works carried out by subcontractors in connection with construction of residential premises,
- • capitalised costs including finance costs, planning and project costs, margins of general administration costs and other direct costs concerning projects.

Net realisable value is the estimated selling price in the ordinary course of business less the essential costs of completion and the estimated costs necessary to conclude the sale.

For the purposes of valuation of the disposal of car spare parts the Group applies the first-in-first-out principle, while for cars goods are measured at the same price at which they were taken to inventories, i.e. using the specific identification method.

i) Impairment

i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of financial assets 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.

Carrying amount of the individually significant financial assets is tested for impairment at the end of each reporting date. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the statement of comprehensive income.

Impairment losses are reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment was recognised.

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than biological assets, investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indications exist, then the asset's recoverable amount is estimated. Goodwill and intangible assets, that are not yet available for use, are tested annually for impairment.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to the unit (group of units), and then to reduce the carrying amount of the other assets in the cash generating unit on a pro rata basis.

The recoverable amount of an asset or cash generating units is the higher of its fair value less costs to sell and its value in use. 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 assessment of the time value of money and the risks specific to the asset. Value in use for assets that do not generate independent cash inflows is estimated for the smallest identifiable cash-generating unit to which that assets are allocated. In case of assets, other than goodwill, impairment losses recognised in previous periods are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is reversed if there has been a change in the estimates used to determine recoverable amount. An impairment loss is reversed only to extent that the asset's carrying amount does not exceed the carrying amount that would have determined, less depreciation, if no impairment loss had been recognised.

j) Employee benefits

i) Defined contribution plans

According to the ruling regulations the Group is obliged to collect and allot contributions towards employee retirement benefits. These benefits, in accordance with IAS 19, constitute a state plan and are taken on the nature of the defined contribution plan. Considering the above, the Group's liability for each period is estimated based on the amount of contributions to be paid for a given year.

ii) Short-term employee benefits

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

k) Provisions

A provision is recognized if, as a result of a past event, the Group has a present obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. When the effect of the time value of money is of significant importance, provisions are determined by discounting the expected future cash flows at the pre-tax rate, which reflects present market assessment of the time value of money and the risk specific to the liability.

i) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

l) Revenue

i) Revenue from the sales of apartments and recognition of costs

Revenue from the sale of apartments is recognised in the statement of comprehensive income in accordance with IAS 18, i.e. when the significant risk and rewards of ownership have been transferred to buyer.

Pursuant to article 548 paragraph 1 of the Civil Code the risk of accidental loss or damage of a thing is transferred onto the buyer when the thing is delivered, irrespective of the moment in time when the buyer becomes that thing’s owner. "Delivery of a thing" should be understood primarily as delivery within the meaning of article 348 of the Civil Code. Transfer of possession takes place through delivery of the thing. Delivery of the documents which allow to dispose of the thing, as well as delivery of the means which give actual control over the thing, is equivalent to the delivery of the thing.

Production costs of unsold apartments are recognised in the item "Inventories" as work in progress or as finished goods depending on the level of construction reached.

Production costs of apartments sold are recognised in the statement of comprehensive income in the costs by nature, that is in the item "External services".

ii) Sale of goods

Revenue from the sale of goods is recognised at the fair value of the received payment, net of value of returns, discounts and rebates.

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risk and rewards of ownership have been transferred to the customer. Revenue is not recognised, if there is significant uncertainty as to the flow of the economic benefits to the entity, reliable measurement of the costs incurred and the probability of return or the Group remains permanently involved in the management of the goods sold.

iii) Rendering of services

Revenue from services rendered is recognized in the statement of comprehensive income after the service is completed.

iv) Rental income

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

m) Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense.

Minimum lease payments made under finance lease are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term using effective interest method. Contingent payments are recognised by adjusting values of the minimum lease payments over the remaining lease period when the adjustment is confirmed.

n) Finance income and finance expenses

Finance income comprises interest income on funds invested and dividends income. Interest income is recognised as it accrues in the statement of comprehensive income, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date that the Group's right to receive payment is established.

Finance expenses include interest on debt. All interest costs are determined on the basis of the effective interest rate.

o) Income tax expense

Income tax recognised in the statement of comprehensive income comprises current and deferred tax. Current tax and deferred tax is recognized in statement of comprehensive income to the extent that it relates to items recognized directly in equity.

Current tax is the expected tax payable on the taxable income or loss for the year, using tax rates enacted at the reporting date and any adjustment to tax payable in respect of previous years. Deferred tax is calculated based on the balance sheet method providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

Deferred tax liability is not recognised for the following temporary differences: the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that is probable that they will not reverse in the foreseeable future. Temporary difference may not arise from initial recognition of goodwill, irrespective of tax consequences. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the temporary differences to be realised. Such reductions are adjusted upwards to the extent that it is probable that sufficient taxable profits will be available

p) Earnings per share

The Group presents the basic and diluted earnings per share for ordinary shares. The basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity holders of the parent entity by weighted average number of ordinary shares outstanding during the period. The diluted earnings per share – contrary to the index described above – takes into account in the calculation, apart from profit attributable to ordinary equity holders of the parent entity and average number of ordinary shares, also share options granted for employees and bonds convertible into shares.

q) Segment reporting

An operating segment is a distinguishable component of the Group that is engaged either in providing specific products or services (business segment) or in providing products or services within the particular economic environment (geographical segment), which is subject to risks and returns that are different from other segments. Basic Group’s reporting format is based on business segments.

r) Joint ventures

Venturer recognizes its share in the joint venture as an investment and accounts for this investment using equity method in accordance with IAS 28 Investments in associates and joint ventures, unless the entity is exempt from the application of the equity method in accordance with this standard. A party who participates in a joint venture but does not exercise joint control over it, settles its share according to IFRS 9 Financial instrument, unless it has a significant impact on the joint venture, then it accounts for this investment in accordance with IAS 28.

4. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Investment property

The Capital Group counts as investment property, real estate along with land purchased and maintained in order to increase its value. Investment real estate is initially recognized at the purchase price or manufacturing cost. Investment properties are valued by the Capital Group in accordance with uniform principles, regardless of the segment of the Capital Group's operations.

The Capital Group classifies as investment properties under construction, real properties purchased and maintained in order to increase the values that are in the period of preparation and implementation of the construction process. Investment real estate under construction is classified as investment property at the time of obtaining a use permit. Investment properties under construction are initially recognized at the purchase price or production cost.

After initial recognition, as at each balance sheet date, investment properties and investment properties under construction are measured at fair value adjusted by the Capital Group for the effect of risk related to completion of construction, changes in investment implementation costs, changes in the Capital Group's assessment of rent achievable in vacant space, and changes in the market capitalization rate (yield). The fair value measurement is verified and updated at the end of each quarterly reporting period. Gains or losses arising from the change in the measurement of investment property are recognized in the profit and loss account in the period in which they arose. Values expressed in foreign currencies are converted in each reporting period according to the applicable rates published by the National Bank of Poland.

Differences from the valuation of investment properties and the result on the sale of investment property are recognized in the profit and loss account under "other operating revenues" in the case of real properties carried out by companies consolidated using the full method and in the "share in profits of joint ventures" as part of the recognition of results in companies consolidated using the equity method. All costs related to repairs and maintenance of investment properties are recognized as an expense in the income statement in the period to which they relate.

In the case of investment real estate under construction, where a significant part of the risk related to the construction process is eliminated and for which there is a possibility of reliable valuation, real estate is valued at the fair value described above.

The Capital Group has determined the conditions whose fulfilment begins the verification process, whether significant risks related to the construction process and the reliability of the valuation of investment properties under construction according to the above-described method have been eliminated. These conditions include:

- obtaining a building permit;
- execution of construction works worth at least 40% of the investment budget;
- renting at least 50% of space in the implemented project.

Each investment property under construction is analysed individually in terms of the possibility of obtaining a reliable valuation, taking into account the current economic situation, available data for competing properties and expectations regarding the volatility of the data underlying the valuation. After meeting the above-mentioned conditions and in case when, according to the Capital Group's estimates, significant risks related to the process of construction and commercialization have been eliminated, the given property is measured at fair value adjusted for the factors described above. in other cases, due to the inability to obtain a reliable valuation, investment properties under construction are measured at acquisition or production cost less any impairment losses.

During the valuation according to the production cost, the costs that are directly related to the unfinished investment are included. These include expenses incurred to acquire land property, expenditures on the design and implementation of construction works, financial costs and other costs incurred in the course of implementation, directly related to the investment.

ii) Non-derivative financial liabilities

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market interest rate at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Spinned off operations

In 2017, the process of the division of British Automotive Holding SA was completed. (formerly: Marvipol SA) ("Divided Company", "Company") made, in accordance with the agreement adopted and adopted on 31 August 2016 by the Management Board of British Automotive Holding S.A. and the Management Board of Marvipol Development S.A. with its registered office in Warsaw (the "Acquiring Company"), a division plan ("Demerger Plan"), in the mode of art. 529 § 1 point 4 of the Commercial Companies Code (division by separation), by transferring part of the assets of the Divided Company constituting an organized part of the enterprise functioning as Marvipol Spółka Akcyjna Branch in Warsaw ("Marvipol Branch"), i.e. the development activity, to the Acquiring Company.

In accordance with the Division Plan, the shareholders of the Divided Company in exchange for the transfer of part of the Divided Company's assets to the Acquiring Company in the form of the Marvipol Branch, would include 41,551,852 ordinary bearer shares of the Acquiring Company series C, with a nominal value of PLN 1 each and a total nominal value of PLN 41,551,852, issued in connection with the division of the Divided Company ("Spin-off Issue Shares"), while maintaining the exchange ratio: 1: 1, where there is 1 (one) share of the Acquiring Company for each share of the Divided Company.

In addition, in accordance with the Demerger Plan, the Acquiring Company undertook to take appropriate actions to introduce the previously issued shares of the Acquiring Company and the Spin-off Share Issue Shares for trading on the regulated market of the Warsaw Stock Exchange S.A. To this end, the Acquiring Company submitted to the Polish Financial Supervision Authority ("PFSA") in May 2017 an application for approval of the prospectus drawn up in connection with the application for admission to trading of the existing shares of the Acquiring Company ("Prospectus") on the regulated market, including with a request for its approval. Subsequently, in October 2017, the Acquiring Company submitted to the KNF an information memorandum prepared in connection with the public offer and applying for admission to trading on the regulated market of the Spin-off Share Issue Shares ("Information Memorandum"), together with an application for its approval. The prospectus of the Acquiring Company was approved by KNF on 7 November 2017, and the Information Memorandum - on 8 November 2017 (later annexes No. 1-3 to the Prospectus and annexes No. 1-3 to the Information Memorandum were approved by the decisions of the PFSA accordingly on 16 November 2017, 6 December 2017 and 7 December 2017).

On 20 November 2017, the General Meeting of the Divided Company agreed to the Division of the Company Divided in accordance with the Division Plan. On the same day, the General Meeting of the Acquiring Company, inter alia consented to the Division of the Divided Company in accordance with the Division Plan and increase of the share capital of the Acquiring Company by way of the issue of the Spin-off Share Issue Shares.

The increase of the share capital of the Acquiring Company by way of the issue of the Spin-off Issue Shares was registered by the District Court for the Capital City of Warsaw in Warsaw on 1 December 2017. Thus, the Division of the Divided Company became effective and the development activity of the Marvipol Branch was formally separated from British Automotive Holding S.A. and formally part of Marvipol Development S.A. Existing shares and the Division Issue Shares of the Acquiring Company were introduced to trading on the regulated market on 19 December 2017.

As a consequence of the Division, the Divided Company continues its current activity consisting mainly of management of subsidiaries from the automotive industry.

In connection with the sub-division process and in accordance with IFRS 5, the Company decided to present in 2016 information regarding the Marvipol Branch as discontinued operations (intended for spin off), as presented in Note 31. The presentation and disclosure of information regarding discontinued operations is compliant with IFRS 5.

6. Operating segments

Reportable operating segments are presented with respect to business segments. The Group operates mainly in Warsaw. The basic reporting format is business segments and results from the management structure and internal reporting of the Group.

Inter-segment pricing is determined on arm's length basis.

The segment's profit or loss, its assets and liabilities include items, which relate to such segment directly, as well as appropriate items used in common, which – based on reasonable basis – can be allocated to individual segments.

An investment expense within a segment is the total cost incurred for the acquisition of property, plant and equipment, excluding goodwill.

Business segments

The Group distinguishes the following major reportable business segments:

- Importer activity,
- Dealer activity.

Until the division, i.e. 30.11.2017 the Group operated under following segments:

- Development operations (spinned off in 2017),
- Automotive operations.

Geographical segments

The company does not distinguish geographical segments, because the sale is carried out mainly in the country.

Operating segments (continued)

in PLN thousand	**Developer's activities**		**Automotive activities**		**Leases**		**Eliminations**		**Consolidated**	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Continuing Operations										
External revenues	-	-	737,156	653,868	-	-	-	-	737,156	653,868
Inter-segment revenue	-	-	-	-	-	-	-	-	-	-
Shares in joint ventures' profits	-	-	-	-	-	-	-	-	-	-
Other income	-	-	5,471	3,737	-	-	-	-	5,471	3,737
Total segment revenues	**-**	**-**	**742,627**	**657,605**	**-**	**-**	**-**	**-**	**742,627**	**657,605**
Segment result	**-**	**-**	**57,103**	**59,080**	**-**	**-**	**-**	**-**	**57,103**	**59,080**
Unallocated expenses	-	-	-	-						-
Investment profit									704	977
Treasury shares disposal										-
Subsidiaries disposal	-	-	-	-					(192)	-
Profit from the sale of intangibles	-	-	-	-						-
Results from operating activities	**-**	**-**	**-**	**-**					**57,615**	**60,057**
Finance costs	-	-	-	-					(3,824)	(1,661)
Income tax expenses	-	-	-	-					(5,732)	(11,663)
Net profit (loss) from continuing operations	-	-	-	-					**48,059**	**46,733**
Spinned off activity										

in PLN thousand	Developer's activities		Automotive activities		Leases		Eliminations		Consolidated	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Net profit (loss) from spinned off operations	31,603	16,745	-	-	-	5,540	-		31,603	22,285
Net profit									**79,662**	**69,018**
Other comprehensive income	-	-	-	-					-	-
Other comprehensive income (net)	-	-	-	-					-	-
Total comprehensive income	-	-	-	-					**79,662**	**69,018**

in PLN thousand	Developer's activities		Automotive activities		Leases		Eliminations		Consolidated	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Segment assets	-	664,238	408,371	303,614	-	-	-	-	408,371	967,852
Unallocated assets									-	-
Total assets									**408,371**	**967,852**
Segment liabilities	-	322,937	331,479	254,410	-	-	-	-	331,479	577,347
Unallocated liabilities									-	-
Total liabilities									**331,479**	**577,347**
Capital expenditure	634	2,260	19,288	2,527	-	995	-	-	19,922	5,782
Depreciation	1,112	1,632	1,031	607	-	125	-	-	2,143	2,364

Operating segments according to IFRS 8

in PLN thousand	Importer activity		Dealer activity		Eliminations		Consolidated	
Continued operations	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Sales revenues	763,014	352,526	378,445	696,450	(404,303)	(395,108)	737,156	653,868
Net profit for the period	**19,275**	**29,891**	**11,410**	**12,022**	**17,374**	**4,820**	**48,059**	**46,733**
Depreciation	555	103	472	503	4	1	1,031	607
Segment assets	**391,714**	**297,179**	**155,128**	**118,593**	**(138,471)**	**(159,900)**	**408,371**	**255,872**
Segment liabilities	**327,597**	**241,890**	**123,365**	**89,872**	**(119,483)**	**(77,352)**	**331,479**	**254,410**
Investment expenditures	4,312	1,108	14,976	1,392	-	-	19,288	2,500

7. Sales revenue

in PLN thousand	Note	01.01.2017 -31.12.2017	01.01.2016 -31.12.2016
Revenue from sale of apartments		140,572	217,023
Revenue from sale of cars and spare parts		710,506	624,021
Revenue from rental of property		1,035	7,071
Revenue from sale of flat finish services		2,130	1,660
Revenue from sale of agency services		492	565
Revenue from sale of maintenance and warranty services		21,313	15,627
Revenue from sale of other services		7,685	12,175
		883,733	**878,142**
Including:			
Continued operations		**737,156**	**653,868**
Discontinued operations (rental of property)		-	4,521
Spinned off operations after elimination of transactions made with entities from the Group that were not spinned off	**37**	146,577	219,753
Sales revenue		**883,733**	**878,142**

Revenue from sale of other services consist of revenues from sale of bodywork repairs, insurance brokerage and property management.

8. Other operating income

in PLN thousand	Note	01.01.2017 - 31.12.2017	01.01.2016 -31.12.2016
Net gain on sale of assets:		107	6,387
Profit from sale of Prosta Tower property(*)		-	6,278
Profit from sale of other fixed assets		-	105
Profit from sale of intangibles		107	4
Revenue from compensations and contractual penalties		574	1,011
Foreign exchange income from operating activities		813	845
Revenue from decrease in allowances for inventories		-	143
Revenue from reversal of allowances for bad debts		454	367
Revenue from the release of provisions		1,536	1,619
Revenue from non-statutory sale (re-invoicing)		1,969	2,272
Interest received		-	119
Marketing support		1,502	-
Other		1,245	1,470
		8,200	**14,233**

Including:			
Continued operations		**5,471**	**3,737**
Discontinued operations (rental of property)		-	372
Other revenue from operations intended for spin off after elimination of transactions with parties from Group that are not included in a spin off		2,729	10,124
Other operating income		**8,200**	**14,233**

(*) Prosta Tower, sold in 12/2016, in the part occupied and used by the Group was treated and presented in consolidated financial statement as a non-current asset. Sale of the property and the result on sale of the part used by the Group is presented as a result on sale of non-current assets.

9. Costs of merchandise and services sold

in PLN thousand	Note	01.01.2017 - 31.12.2017	01.01.2016 -31.12.2016
Value of cars and spare parts sold		(597,895)	(520,963)
Value of services sold		(16,615)	(18,225)
		(614,510)	**(539,188)**
Including:			
Continued operations		**(614,510)**	**(539,188)**
Discontinued operations (rental of property)		-	-
Spinned off operations after elimination of transactions with entities from the Group that are not spinned off	37		
Cost of merchandise and services sold		**(614,510)**	**(539,188)**

Values of services sold refer mainly to service costs of car repairs and car guarantee repairs.

10. External services

in PLN thousand	Note	01.01.2017 - 31.12.2017	01.01.2016 -31.12.2016
Apartments' construction costs		(115,068)	(182,860)
Other		(50,312)	(48,355)
		(165,380)	**(231,215)**
Including:			
Continued operations		**(33,289)**	**(36,654)**
Discontinued operations (rental of property)		-	(1,116)
Spinned off operations after elimination of transactions with entities from the Group that are not spinned off	37	(132,091)	(193,445)
External services		**(165,380)**	**(231,215)**

11. Other expenses

in PLN thousand	Note	01.01.2017 - 31.12.2017	01.01.2016 -31.12.2016
Costs of provisions and bad debt allowances		(5,471)	(573)
Costs of allowances for inventory		(2,129)	(5,634)
Costs of damages		(449)	-
Foreign exchange loss from operating activities		(906)	(631)
Operating lease charges		(3,610)	(1,917)
Taxes and fees		(1,988)	(1,932)
Representation costs		(1,667)	(841)
Costs of non-statutory sale		(1,958)	(1,690)
Insurance		(1,939)	(1,421)
Fees for perpetual usufruct of land		(307)	(1,728)
Advertising		-	(3,101)
Costs of premises finish		-	(1,467)
Costs of completed projects		(3,052)	(648)
Other		(3,405)	(4,103)
Forward transactions		(2,715)	-
		(29,596)	**(25,686)**
Including:			
Continued operations		**(19,954)**	**(7,543)**
Discontinued operations (rental of property)		-	(305)
Spinned off operations after elimination of transactions with entities from the Group that are not spinned off	37	(9,642)	(17,838)
Other expenses		**(29,596)**	**(25,686)**

*Due to the change of chart of accounts in 2017 advertising costs of PLN 3,072 thou. as well as costs of premises finish of PLN 2,914 thou. are included in costs of external services.

12. Personnel expenses

in PLN thousand	Note	01.01.2017 - 31.12.2017	01.01.2016 -31.12.2016
Wages and salaries		(15,126)	(13,608)
Social security contributions		(2,877)	(2,826)
		(18,003)	(16,434)
Including:			
Continued operations		**(14,606)**	**(12,638)**
Discontinued operations (rental of property)		-	-
Spinned off operations after elimination of transactions with entities from the Group that are not spinned off	37	(3,397)	(3,796)
Personnel expenses		**(18,003)**	**(16,434)**

The average employment in continued activities in the Group in 2017 was 137 people, while in the spinned off activity – 44 people.

13. Investment profit

in PLN thousand	Note	01.01.2017 -31.12.2017	01.01.2016 -31.12.2016
Interest income on loans granted		2,683	2,000
Interest income on bank deposits		805	1,028
Revaluation of investment property		-	1,148
Profit on sale of Prosta Tower investment property		6,195	10,221
Other		1,222	1,739
		10,905	**16,136**
Including:			
Continued operations		704	977
Discontinued operations (rental of property)		-	11,438
Spinned off operations after elimination of transactions with entities from the Group that are not spinned off	37	10 201	3,721
Investment profits		**10 905**	**16,136**

14. Shares in joint ventures' profits

in PLN thousand	Note	**01.01.2017 -31.12.2017**	**01.01.2016 -31.12.2016**
Shares in joint ventures' profits		19,791	8,438
		19,791	**8,438**
Including:			
Continued operations		-	-
Discontinued operations (rental of property)		-	-
Spinned off operations after elimination of transactions with entities from the Group that are not spinned off	37	19,791	8,438
Shares in joint ventures' profits		**19,791**	**8,438**

15. Subsidiaries disposal

in PLN thousand	Note	**01.01.2017 -31.12.2017**	**01.01.2016 -31.12.2016**
Profit (loss) on disposal of shares in British Automotive Supply Sp. z o.o.		(192)	-
		(192)	**-**
Including:			
Continued operations		(192)	-
Discontinued operations (rental of property)		-	-
Spinned off operations after elimination of transactions with entities from the Group that are not spinned off	37	-	-
Subsidiaries disposal		(192)	**-**

16. Finance expenses

in PLN thousand	Note	**01.01.2017 -31.12.2017**	**01.01.2016 -31.12.2016**
Interest expense on financial liabilities measured at amortised cost		(10,108)	(10,663)
Interest on finance leases		(52)	(36)
Commissions		(149)	(1,009)
Transaction costs relating to bonds' issue		(439)	(828)
Exchange rate differences		(6,734)	(3,473)
Factoring		(993)	(1,158)
Other		(1,560)	(986)
		(20,035)	**(18,153)**
Including:			
Continued operations		**(3,824)**	**(1,661)**
Discontinued operations (rental of property)		-	(6,310)
Spinned off operations after elimination of transactions with entities from the Group that are not spinned off		(16,211)	(10,182)
Finance expenses		**(20,035)**	**(18,153)**

17. Income tax expense

Tax recognised in the statement of comprehensive income

in PLN thousand	01.01.2017 -31.12.2017	01.01.2016 -31.12.2016
Current tax expense		
Current period	12,003	20,981
	12,003	**20,981**
Deferred tax expense		
Recognition/reversal of temporary differences	(22,252)	(9,985)
	(22,252)	**(9,985)**
Derecognition of assets and provisions due to subsidiaries disposal	**-**	**-**
	(22,252)	**(9,985)**
Income tax expense from continuing operations	(5,732)	(11,663)
Income tax from spinned off operations (excluding gain on sale)	15,981	668
	10,249	**(10,995)**
Income tax on gain on sale of discontinued operations	**-**	**-**
Share of income tax of associates and jointly controlled entities	-	-
Total income tax expense	**10,249**	**(10,995)**

Effective tax rate

in PLN thousand	01.01.2017 -31.12.2017	01.01.2016 -31.12.2016
Net profit for the period	79,662	69,018
Total income tax expense	(10,249)	10,995
Profit before income tax	69,413	80,013
Income tax using the Company's domestic tax rate	13,188	15,202
Reversal of charge	(17,076)	-
Tax effect of non-taxable income	(3,760)	-
Allowance	(4,451)	-
Expired tax loss	880	-
Differences in revenues and costs between tax and accounting records	970	(4,207)
	(10,249)	**10,995**

18. Property, plant and equipment

Gross book value of property, plant and equipment *in PLN thousand*	Land property	Buildings and structures	Plant and equipment	Means of transportation	Other non-current assets	Under construction	Total
Gross book value at 1 January 2016	**-**	**41,260**	**4,215**	**2,516**	**7,814**	**12,111**	**67,916**
Acquisition	-	-	294	1,370	1,040	2,744	5,448
Transfer to investment property	-	-	63	-	1,135	-	1,198
Disposals	-	(23,131)	-	(468)	(293)	-	(23,892)
Liquidation	-	(726)	-	-	(193)	-	(919)
Gross book value at 31 December 2016	**-**	**17,403**	**4,572**	**3,418**	**9,503**	**14,855**	**49,751**
Gross book value at 1 January 2017	**-**	**17,403**	**4,572**	**3,418**	**9,503**	**14,855**	**49,751**
Acquisition	12,030		85	1,927	358	6,919	21,319
Other transfer	1,926	-	-	-	-	(1,926)	-
Liquidation	-	(1)	(2)	-	-	-	(3)
Disposal	-	-	-	(1,475)	(15)	-	(1,490)
Transfer from inventories	11,494	-	-	-	-	-	11,494
Transfer from assets under construction	5,899	-	-	-	802	(6,701)	-
Other transfers	(2)	122	(34)	(82)	(2)	(2)	-
Spin off of developments activity	-	-	(491)	(1,845)	(8,168)	(130)	(10,634)
Gross book value at 31 December 2017	**31,347**	**17,524**	**4,130**	**1,943**	**2,478**	**13,015**	**70,437**

Gross book value of property, plant and equipment ***in PLN thousand***	**Land property**	**Buildings and structures**	**Plant and equipment**	**Means of transportation**	**Other non-current assets**	**Under construction**	**Total**
Accumulated depreciation and impairment losses at 1 January 2016	**-**	**(4,709)**	**(3,740)**	**(1,648)**	**(4,677)**	**-**	**(14,774)**
Depreciation for the period	-	(1,045)	(175)	(380)	(672)	-	(2,272)
Disposals	-	2,624	-	467	(4)	-	3,087
Other transfers		-	(63)	-	(26)	-	(89)
Other	-	-	(90)	-	226	-	136
Liquidation	-	(265)	-	-	-	-	(265)
Accumulated depreciation and impairment losses at 31 December 2016	**-**	**(3,395)**	**(4,068)**	**(1,561)**	**(5,153)**	**-**	**(14,177)**
Accumulated depreciation and impairment losses at 1 January 2017	**-**	**(3,395)**	**(4,068)**	**(1,561)**	**(5,153)**	**-**	**(14,177)**
Depreciation for the period	-	(365)	(158)	(740)	(554)	-	(1,817)
Disposals	-	-	-	799	15	-	814
Other transfers	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Liquidation	-	-	-	-	-	-	-
Spin off of development activity	-	-	346	984	3,286		4,616
Accumulated depreciation and impairment losses at 31 December 2017	**-**	**(3,760)**	**(3,880)**	**(518)**	**(2,406)**	**-**	**(10,564)**
Carrying amounts							
As at 1 January 2016	**-**	36,551	475	868	3,137	12 111	53,142
As at 31 December 2016	**-**	**14,008**	**504**	**1,857**	**4,350**	**14 855**	**35,574**
As at 1 January 2017	-	14,008	504	1,857	4,350	14 855	35,574
As at 31 December 2017	**31,347**	**13,764**	**250**	**1,425**	**72**	**13 015**	**59,873**

Leased property, plant and equipment

The Group leases property, plant and equipment under finance lease agreements. The net carrying amount of leased property, plant and equipment as at 31 December 2017 amounts to PLN 1,277 thou. (31 December 2016 PLN 727 thou.). The leased equipment secures lease obligations.

Collaterals

As at balance sheet date properties are subject to collateral to secure bank credits and bonds (property at Wawelska Street in Warsaw, 239 Grunwaldzka Street in Gdańsk and at 50 Waszyngtona Street in Warsaw)

Property, plant and equipment under construction

Property, plant and equipment under construction consists of construction of car showrooms

Impairment loss

At 31 December 2017 the Group reviewed cost generating units to determine any objective evidence that they are impaired. No impairment indicators were identified at the end of the period.

19. Intangible assets

in PLN thousand	Goodwill of subsidiaries	Software	Total intangible assets
Gross value			
Gross book value at 1 January 2016	778	793	1,571
Acquisition	6	513	519
Transfers	-	(40)	(40)
Liquidation	-	(35)	(35)
Gross book value at 31 December 2016	**784**	**1,231**	**2,015**
Gross book value at 1 January 2017	**784**	**1,231**	**2,015**
Acquisition	-	1,293	1,293
Transfers	-	-	-
Other	(20)	-	(20)
Spin off of development's activities	(6)	(1,594)	(1,600)
Gross book value at 31 December 2017	**758**	**930**	**3,288**

in PLN thousand	Goodwill of subsidiaries	Software	Total intangible assets
Accumulated amortisation and impairment losses			
Accumulated amortisation and impairment losses at 1 January 2016 including:	**-**	**(683)**	**(683)**
Depreciation for the year	-	(92)	(92)
Liquidation	-	35	35
Disposal of subsidiaries	-	(22)	(22)
Accumulated amortisation and impairment losses at 31 December 2016	**-**	**(762)**	**(762)**
Accumulated amortisation and impairment losses at 1 January 2017	**-**	(762)	(762)
Depreciation for the year	-	(326)	(326)
Liquidation	-	-	-
Spin off of development activity	-	665	665
Accumulated amortisation and impairment losses at 31 December 2017	**-**	(423)	(423)

in PLN thousand	Goodwill of subsidiaries	Software	Total intangible assets
Carrying amounts			
At 1 January 2016	778	110	888
At 31 December 2016	**784**	**469**	**1,253**
At 1 January 2017	784	469	1,253
At 31 December 2017	758	507	1,265

Amortization of intangible assets

Amortization charges of intangible assets are recognised in depreciation and amortisation costs.

Verification of impairment of goodwill of the subsidiaries

The goodwill of subsidiaries recognised in the Group's balance sheet refers to the goodwill resulting from acquisition of 48.54% of shares of British Automotive Polska S.A. in 2005.

After the review as at 31 December 2017 the Management Board found that there had been no impairment of goodwill of British Automotive Polska S.A. As at 31 December 2017 net assets of British Automotive Polska S.A. exceeded the value of shares owned by British Automotive Holding S.A. (formerly: Marvipol S.A.). Moreover, considering the fact that revenue from sales of British Automotive Polska S.A. is not lower than its net assets increased by recognized goodwill, there is no impairment loss of aforementioned goodwill.

In assessing whether there is any indication that goodwill may be impaired, the Group considers all the external and internal indications. The most important external indicators include:

- asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use,
- significant changes with an adverse effect on the entity have taken place during the period or will take place in the near future, in the technological, market, economic or legal environment in which the entity operates or in the market to which an asset is dedicated,
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

20. Investment property

in PLN thousand	31.12.2017	31.12.2016
Net carrying amount at the beginning of the period	**2,805**	**78,678**
Capital expenditures incurred	-	16
Sale of investment property	(2,805)	(75,928)
Transfer from property, plant and equipment		(1,109)
Change in fair value		1,148
Transfer from inventories	562	-
Spin off of development activities	(562)	-
Net carrying amount at the end of the period	**-**	**2,805**
Including:		
Continued operations	**-**	**-**
Spinned off operations	-	2,805

Amounts recognised in statement of comprehensive income *in PLN thousand*	31.12.2017	31.12.2016
Rental income from investment property	-	4,652
Direct operating costs (including cost of construction, repairs and maintenance) relating to income-generating property in the current year	-	1,953

On 15 December 2016 the Group sold an investment property - Prosta Tower. More information is provided in note 37.2

Investment properties that at the end of 2016 comprised also of land property in Mikołajki – property with registration number 76/2 between Leśna Street and Spacerowa Street, property with registration numbers 75/4, 75/2, 76/3, 76/4. In 2017 have been sold.

21. Other long-term receivables

in PLN thousand	**31.12.2017**	**31.12.2016**
Non-current receivables – security deposits paid	76	119
	76	**119**
Including:		
Continued operations	**76**	**75**
Spinned off operations	-	44

As at 31 December 2017 the Group recognised non-current receivables relating to security deposits paid (relating to office space at Abrahama Street in Gdańsk) amounting to PLN 76 thousand (31 December 2016: PLN 75 thousand)

22. Other long-term investments

in PLN thousand	**31.12.2017**	**31.12.2016**
Loans granted	-	83,857
Shares in joint ventures	-	11,898
	-	**95,755**
Including:		
Continued operations	**-**	**160**
Spinned off operations	-	95,595

Loans granted (principal and interest)

in PLN thousand	**31.12.2017**	**31.12.2016**
Loan to Industrial Center 37 Sp. z o.o.	-	28,995
Loan to MK Holding S.a.r.l.	-	161
Loan to Robo Wash Sp. z o.o.	-	2,159
Loan to PDC Industrial Center 60 Sp. z o.o.	-	33,731
Loan to PDC Industrial Center 63 Sp. z o.o.	-	18,811
	-	**83,857**

Interest receivables from granted loans are presented in non-current assets, due to repayment date at the end of loan agreement (together with principal).

Shares in joint ventures

in PLN thousand	**31.12.2017**	**31.12.2016**
Industrial Center 37 Sp. z o.o.	-	11,785
PDC Industrial Center 60 Sp. z o.o.	-	95
Projekt 888 Sp. z o.o.	-	18
	-	**11,898**

Selected financial data of Industrial Center 37 Sp. z o.o.

in PLN thousand	31.12.2017	31.12.2016
Percentage share in share capital	**0%**	**68%**
Non-current assets	-	149,077
including investment property	-	136,514
Current assets	-	7,132
including cash and cash equivalents	-	2,513
Long-term liabilities	-	88,431
including long-term financial liabilities	-	88,431
Short-term liabilities	-	20,323
Sales revenue	-	4,779
Profit from continued operations adjusted by an investment property valuation up to fair value taking into account expected selling price*	-	12,291
Interest income	-	10
Interest expense	-	(1,046)
Income tax	-	(539)
Profit of the Group		**8,358**

Management of the Group applies for the purpose of joint venture profit recognition lowering factors in order to reflect the risk of not receiving selling price from sale of an investment in the amount equal or above than value from property valuation.

Selected financial data of PDC Industrial Center 60 Sp. z o.o.

in PLN thousand	31.12.2017	31.12.2016
Percentage share in share capital	**0%**	**58%**
Non-current assets	-	**28,890**
including investment property	-	27,840
Current assets	-	**7,259**
including cash and cash equivalents	-	5,316
Long-term liabilities	-	**35,745**
Sales revenue	-	-
Profit from continued operations	-	**(56)**
Interest income	-	**57**
Interest expense	-	-
Income tax	-	**159**

Selected financial data of Projekt 888 Sp. z o.o.

in PLN thousand	31.12.2017	31.12.2016
Percentage share in share capital	**0%**	**50%**
Non-current assets	**-**	**-**
Current assets	**-**	**39**
including cash and cash equivalents	-	36
Long-term liabilities	**-**	**-**
Short-term liabilities	**-**	**2**
Sales revenue	**-**	**-**
Profit from continued operations	**-**	**(14)**
Interest income	**-**	**-**
Interest expense	**-**	**-**
Income tax	**-**	**-**

23. Deferred tax

Deferred tax assets and liabilities

Deferred tax assets and liabilities have been recognised for all temporary differences with reference to the following items of assets and liabilities:

in PLN thousand	Assets		Liabilities		Net	
	31.12.17	31.12.16	31.12.17	31.12.16	31.12.17	31.12.16
Property, plant and equipment	250	5	(1,993)	(1,822)	(1,743)	(1,817)
Trade marks	-	-	-	(11,397)	-	(11,397)
Investment properties	-	-	-	(1,831)	-	(1,831)
Unrealized exchange differences	20	82	(49)	(548)	(29)	(466)
Foreign exchange forward contracts	408	-	-	(108)	408	(108)
Differences in valuation of developer's inventory	-	394	-	(971)	-	(577)
Short-term car rental	11	35	(158)	-	(147)	35
Differences in valuation of automotive inventory	2,213	1,014	-	(91)	2,213	923
Cars sold but not released	971	835	(1,009)	(1,009)	(38)	(174)
Employee benefits	328	114	-	-	328	114
Bad debt allowance	876	70	-	-	876	70
Liabilities, provisions and related assets	4,500	2,724	(4,500)	(2,724)	-	-
Provisions for current period expenses	484	1,213	-	-	484	1,213
Differences arising from a different moment of recognition of revenue and costs from the sale of apartments for accounting and tax purposes	-	2,116	-	(2,625)	-	(509)

in PLN thousand	Assets		Liabilities		Net	
	31.12.17	**31.12.16**	**31.12.17**	**31.12.16**	**31.12.17**	**31.12.16**
Interest on loans	-	96	-	(1,035)	-	(939)
Interest on bonds	-	597	-	(5,207)	-	(4,610)
Developer's inventory write-offs	-	2,019	-	-	-	2,019
Automotive inventory write-offs	493	434	-	-	493	434
Sales adjustments	686	872	(187)	-	499	872
Provisions for excise return	-	-	(475)	(1,553)	(475)	(1,553)
Shares in joint ventures	-	-	-	(2,250)	-	(2,250)
Deferred income	306	-	-	-	306	-
Other	106	979	(3)	(3,634)	103	(2,655)
Tax losses to reckon	7,842	8,360	-	-	7,842	8,360
Deferred tax assets / Deferred tax liabilities	**19,494**	**21,959**	**(8,374)**	**(36,805)**	**11,120**	**(14,846)**
Set off of tax	(7,881)	(4,690)	7,881	4,690	-	-
Net tax assets/ liabilities recognised in balance sheet	**11,613**	**17,269**	**(493)**	**(32,115)**	**11,120**	**(14,846)**

in PLN thousand	Assets		Liabilities		Net	
	31.12.16	**31.12.15**	**31.12.16**	**31.12.15**	**31.12.16**	**31.12.15**
Property, plant and equipment	5	385	(1,822)	(1,804)	(1,817)	(1,419)
Trade marks	-	-	(11,397)	(11,397)	(11,397)	(11,397)
Investment properties	-	-	(1,831)	(3,650)	(1,831)	(3,650)
Rent due	-	-	-	(66)	-	(66)
Unrealized exchange differences	82	16	(548)	(3)	(466)	13
Foreign exchange forward contracts	-	-	(108)	(29)	(108)	(29)
IRS valuation	-	148	-	-	-	148
Differences in valuation of developer's inventory	394	284	(971)	(1,291)	(577)	(1,007)
Differences in valuation of automotive inventory	1,049	1,102	(91)	(91)	958	1,011
Cars sold but not released	835	146	(1,009)	(144)	(174)	2
PZ BUD shares	-	-	-	(7,765)	-	(7,765)
Employee benefits	114	512	-	-	114	512
Bad debt allowance	70	76	-	-	70	76
Provisions for current period expenses	1,213	564	-	-	1,213	564
Differences arising from a different moment of recognition of revenue and costs from the sale of apartments for accounting and tax purposes	2,116	14,114	(2,625)	(18,079)	(509)	(3,965)
Interest on loans	96	4,345	(1,035)	(1,395)	(939)	2,950
Interest on bonds	597	508	(5,207)	(6,576)	(4,610)	(6,068)
Developer's inventory write-offs	2,019	1,200	-	-	2,019	1,200
Automotive inventory write-offs	434	422	-	-	434	422
Sales adjustments	872	811	-	(103)	872	708

in PLN thousand	**Assets**		**Liabilities**		**Net**	
	31.12.16	**31.12.15**	**31.12.16**	**31.12.15**	**31.12.16**	**31.12.15**
Provisions for excise return	-	-	(1,553)	-	(1,553)	-
Shares in joint ventures	-	-	(2,250)	(647)	(2,250)	(647)
Other	979	916	(3,634)	(5,807)	(2,655)	(4,891)
Tax losses to reckon	8,360	8,467	-	-	8,360	8,467
Deferred tax assets / Deferred tax liabilities	**21,959**	**35,818**	**(36,805)**	**(60,649)**	**(14,846)**	**(24,831)**
Set off of tax	(4,690)	(11,019)	4,690	11,019	-	-
Net tax assets/ liabilities recognised in balance sheet	**17,269**	**24,799**	**(32,115)**	**(49,630)**	**(14,846)**	**(24,831)**

Changes in deferred tax balances during the year

in PLN thousand	**Balance at 31.12.2016**	Change in temporary differences	**Balance at 31.12.2017**
Property, plant and equipment	(1,817)	74	(1,743)
Trade marks	(11,397)	11,397	-
Investment properties	(1,831)	1,831	-
Unrealized exchange differences	(466)	437	(29)
Foreign exchange forward contracts	(108)	516	408
Differences in valuation of developer's inventory	(577)	577	-
Short-term car rental	35	(182)	(147)
Differences in valuation of automotive inventory	923	1,290	2,213
Cars sold but not released	(174)	136	(38)
Employee benefits	114	214	328
Bad debt allowance	70	806	876
Liabilities, provisions and related assets	-	-	-
Provisions for current period expenses	1,213	(729)	484
Differences arising from a different moment of recognition of revenue and costs from the sale of apartments for accounting and tax purposes	(509)	509	-
Interest on loans	(939)	939	-
Interest on bonds	(4,610)	4,610	-
Developer's inventory write-offs	2,019	(2,019)	-
Automotive inventory write-offs	434	59	493
Sales adjustments	872	(373)	499
Provisions for excise return	(1,553)	1,078	(475)
Shares in joint ventures	(2,250)	2,250	-
Deferred income	-	306	306
Other	(2,655)	2,758	103
Tax losses to reckon	8,360	(518)	7,842
	(14,846)	**25,966**	**11,120**

Including:			
Continued operations	**5,259**	**5,861**	**11,120**
Spinned off operations	(20,105)	20,105	-

	01.01.2017 31.12.2017
Balance sheet change in deferred income tax assets and provisions	**(25,966)**
Including:	
state change recognized in the statement of comprehensive income - Continued operations	(5,861)
change in the state included in the statement of comprehensive income - Spinned off operations	(16,391)
spin off of development activities to Marvipol Development S.A.	(3,714)

in PLN thousand	**Balance at 31.12.2015**	Change in temporary differences	**Balance at 31.12.2016**
Property, plant and equipment	(1,419)	(398)	(1,817)
Trade marks	(11,397)	-	(11,397)
Investment properties	(3,650)	1,819	(1,831)
Rent due	(66)	66	-
Unrealized exchange differences	13	(479)	(466)
Foreign exchange forward contracts	(29)	(79)	(108)
IRS valuation	148	(148)	-
Differences in valuation of developer's inventory	(1,007)	430	(577)
Differences in valuation of automotive inventory	1,011	(53)	958
Cars sold but not released	2	(176)	(174)
PZ BUD shares	(7,765)	7,765	-
Employee benefits	512	(398)	114
Bad debt allowance	76	(6)	70
Provisions for current period expenses	564	649	1,213
Differences arising from a different moment of recognition of revenue and costs from the sale of apartments for accounting and tax purposes	(3,965)	3,456	(509)
Interest on loans	2,950	(3,889)	(939)
Interest on bonds	(6,068)	1,458	(4,610)
Developer's inventory write-offs	1,200	819	2,019
Automotive inventory write-offs	422	12	434
Sales adjustments	708	164	872
Provisions for excise return	-	(1,553)	(1,553)
Shares in joint ventures	(647)	(1,603)	(2,250)
Other	(4,891)	2,236	(2,655)
Tax losses to reckon	8,467	(107)	8,360
	(24,831)	**9,985**	**(14,846)**

24. Inventories

in PLN thousand	31.12.2017	31.12.2016
Work in progress	-	297,562
Finished goods	-	41,421
Merchandises	177,234	71,911
	177,234	**410,894**
Including:		
borrowing costs	-	42,862
Continued operations	**177,234**	**71,911**
Spinned off operations	-	338,983

Inventories held by the Company were, on 01.12.2017 spinned off as part of the development activity to Marvipol Development S.A.

Breakdown of inventories as at 31 December 2017

in PLN thousand	Work in progress	Finished goods	Merchandises
Cars and spare parts	-	-	177,234
	-	**-**	**177,234**

25. Short-term investments and trade and other receivables

in PLN thousand	31.12.2017	31.12.2016
Trade receivables	60,678	40,384
Other receivables	652	7,180
Futures contracts	-	568
Tax receivables	17,312	37,432
Prepayments	1,998	1,834
Guarantee repairs	-	1,360
	80,640	**88,758**
Including:		
Continued operations	**80,640**	**70,668**
Spinned off operations	-	18,090

Receivables denominated in currencies other than the functional currency include receivables in Euros relating to sale of cars, guarantee repairs and rental deposits in the amount of EUR 947 thousand, which responds to PLN 3,951 thousand (31 December 2016: PLN 1,865 thousand), receivables in British pounds relating to guarantee repairs and sale of car parts in the amount of GBP 969 thousand, which corresponds to PLN 4,556 thousand (31 December 2016: PLN 1,783 thousand).

26. Cash and cash equivalents

in PLN thousand	31.12.2017	31.12.2016
Cash in hand	247	128
Cash in bank	42,413	297,574
Other cash equivalents	3,000	-
Cash and cash equivalents recognised in balance sheet and statement of cash flows	**45,660**	**297,702**
Including:		
Continued operations	**45,660**	**105,060**
Spinned off operations	-	192,642

Cash in bank was kept on accounts available on demand, as well as on overnight and time deposits.

On bank accounts in foreign currencies the Group has cash in the amount of PLN 31,087 thousand. This cash consists of cash in Euro equal to PLN 20,809 thou., and British pounds equal to PLN 10,278 thou.

As at 31 December 2017 restricted cash, available with the consent of the bank under the relevant loan agreement, amounts to PLN 0 thousand.

27. Equity

Share capital

	31.12.2017	31.12.2016
Number of shares at the beginning of the period (fully paid)	41,551,852	41,551,852
Shares issue	-	-
Nominal value of 1 share (in PLN)	0.20	0.20
Number of shares at the end of the period (fully paid)	41,551,852	41,551,852
Nominal value of 1 share (in PLN)	0.20	0.20

Structure of share capital as at 31 December 2017

Shareholder	Number of shares held	Number of votes at the General Meeting	Value of shares	Interest in share capital	Voting rights at the General Meeting of Shareholders
Książek Holding Sp. z o.o.*	27,428,131	27,428,131	5,485,626	66.01%	66.01%
Towarzystwo Funduszy Inwestycyjnych PZU S.A.	2,148,771	2,148,771	429,754	5.17%	5.17%
Nationale-Nederlanden OFE	2,078,000	2,078,000	415,600	5.00%	5.00%
Mariusz Wojciech Książek	2,077,592	2,077,592	415,518	5.00%	5.00%
Other entities	7,819,358	7,819,358	1,563,872	18.82%	18.82%
	41,551,852	**41,551,852**	**8,310,370**	**100.00%**	**100.00%**

* Subsidiary of Mariusz Wojciech Książek.

28. Earnings per share

Basic earnings per share from continuing operations

The calculation of basic earnings per share as of 31 December 2017 was based on the profit attributable to ordinary shareholders of the Parent Company in the following amounts:

in PLN thousand	**31.12.2017**	**31.12.2016**
basic profit for the year	48,059	46,733

and weighted average number of ordinary shares at the date of preparation of financial statements:

Weighted average number of ordinary shares

	31.12.2017	**31.12.2016**
Number of ordinary shares at the beginning of the period	41,551,852	41,551,852
Effect of shares issued	-	-
Number of shares at the end of the period (fully paid)	**41,551,852**	**41,551,852**
Weighted av. number of ordinary shares in the period	**41,551,852**	**41,551,852**
Basic earnings per share	**1.16**	**1.12**

Diluted earnings per share from continuing operations

At 31 December 2017 as well as at 31 December 2016 there were no factors diluting shares.

Basic earnings per share from discontinued operations

The calculation of basic earnings per share was made based on the net profit for the financial period attributable to ordinary shareholders of the Company in amounts:

in PLN thousand	**31.12.2017**	**31.12.2016**
Basic profit for the period	31,603	22,285

and weighted average number of ordinary shares at the date of preparation of financial statements:

Weighted av. number of ordinary shares at the end of the period

	31.12.2017	**31.12.2016**
Number of ordinary shares at the beginning of the period	41,551,852	41,551,852
Effect of shares issued	-	-
Number of shares at the end of the period (fully paid)	41,551,852	41,551,852
Weighted av. number of ordinary shares at the end of the period	**41,551,852**	**41,551,852**
Basic earnings per share	**0.76**	**0.54**

Diluted earnings per share from discontinued operations

As at 31 December 2017 as well as at 31 December 2016 share diluting factors did not occur.

29. Bank loans and borrowings

This note provides information about the Group's liabilities from bank credits and lease. Information about Group's exposure to foreign currency, as well as interest rate risk, is presented in note 30.

Credits and loans by kind

in PLN thousand	**31.12.2017**	**31.12.2016**
Bank credits total	91,975	108,773
Loans *Including:*	-	-
current loans and credits	81,913	81,913
non-current loans and credits *Including:*	10,062	10,062
Continued operations	**91,975**	**76,896**
Spinned off operations	-	31,877

Repayment schedule of loans and bank credits

in PLN thousand	**31.12.2017**	**31.12.2016**
less than one year	81,913	-
between one and three years	3,527	101,879
between three and five years	6,535	4,394
more than five years	-	2,500
Loans and credits total	**91,975**	**108,773**

Loans and bank credits by currency

in PLN thousand	**31.12.2017**	**31.12.2016**
in PLN	86,066	102,799
in foreign currencies	5,909	5,974
Loans and credits total	**91,975**	**108,773**

Interest rates of loans for each currency

	31.12.2017	**31.12.2016**
loans in PLN	2.84-3.35%	2.39-4.48%
Loans denominated in EUR	1.46%	1.49%

The Group has not infringed upon the terms of repayment of principal and interest instalments and did not break any other loan covenants that may result in accelerated repayment of liability.

Specification of bank credits including credit limits

Lender	Agreement no. Date of contract	Credit limit in thou. of PLN	Loan amount in thou. PLN	Repayment date	Collaterals
BZ WBK S.A.	K00978/17 13.11.2017	4,000	-	13.11.2018	• civil bail on British Automotive Holding S.A
BZ WBK S.A.	K00979/17 13.11.2017	5,000	-	13.11.2024	• ordinary mortgage on real estate PLN 7,500 thou. • civil bail on British Automotive Holding S.A., • transfer of debts from insurance policy
mBank S.A	02/080/17/Z/IN 27.03.2017	18,388	6,888	31.12.2024	• ordinary mortgage on real estate PLN 27,600 thou. • assignment of insurance policy • surety of British Automotive Polska S.A. up to PLN 20 million
mBank S.A	02/082/15/Z/IN 24.03.2015	12,000	5,311	29.03.2024	• ordinary mortgage on real estate PLN 18,000 thou. • assignment of insurance policy
mBank S.A	02/469/13/Z/VU 19.12.2013	100,000	79,776	30.11.2018	• pledge on movable property - cars belonging to: British Automotive Polska S.A., British Automotive Centrum Sp. z o.o., British Automotive Gdańsk Sp. z o.o., British Automotive Łódź Sp. z o.o., AML Polska Sp. z o.o. together with assignment of insurance policies
Bank Millennium S.A.	11159/17/400/04 23.11.2017	4,000	-	23.11.2018	• none
Total			**91,975**		

30. Bond liabilities

in PLN thousand	31.12.2017	31.12.2016
Bond liabilities at the beginning of the period	**141,383**	**158,549**
Proceeds from the issue of ordinary bonds	146,080	-
Transaction costs	(1,410)	-
Net proceeds from the issue of bonds	**144,670**	**-**
Issue costs of shares and bonds settled over time	441	717
Accrued interests recognised in financial expenses	173	514
Bonds redemption	(39,650)	(18,397)
Spin off of development activities	(247,017)	-
Bond liabilities at the end of the period	**-**	**141,383**
Current	-	28,365
Non-current	-	113,018
	-	**141,383**
Including:		
Continued operations	-	-
Spinned off operations	-	141,383

Debt financial instruments by maturity

in PLN thousand	31.12.2017	31.12.2016
less than one year	-	28,365
between one and three years	-	75,394
between three and five years	-	24,000
more than five years	-	13,624
Bond liabilities	**-**	**141,383**

31. Finance lease liabilities

Finance lease liabilities by maturity

in PLN thousand	**31.12.2017**	**31.12.2016**
less than one year	368	250
between one and three years	936	464
Finance lease liabilities	**1,304**	**714**
Including:		
Continued operations	**1,304**	**134**
Spinned off operations	-	580

32. Deferred income

In 2017 there were no deferred incomes. In 2016 they were connected to prepayments for flats purchased by customers:

in PLN thousand	**31.12.2017**	**31.12.2016**
Investment Bielany Residence	-	8
Investment Hill Park Apartments	-	605
Investment Bemowo Residence	-	744
Investment Central Park Ursynów	-	65,095
Investment Riviera Park	-	2,013
Other	-	186
	-	**68,651**
Including:		
Continued operations	**-**	**190**
Spinned off operations	-	68,461

33. Provisions

in PLN thousand	**Guarantee repairs**	**Other**	**Total**
Balance at 1 January 2017	14,339	95	14,434
Increase/Creation	82,791	340	83,131
Decrease/Use	(73,443)	(329)	(73,772)
Balance at 31 December 2017	**23,687**	**106**	**23,793**
Including:			
Non-current	10,809	-	10,809
Current	12,878	106	12,984
Total	**23,687**	**106**	**23,793**

in PLN thousand	Guarantee repairs	Other	Total
Balance at 31 December 2016	**14,339**	**95**	**14,434**
Non-current	6,397	-	6,397
Current	7,942	95	8,037
Balance at 31 December 2017			
Including:			
Continued operations	**23,687**	**106**	**23,793**
Spinned off operations	-	-	-

Legal

The Group did not create any provisions neither in 2017 nor 2016 for legal cases.

Assets and provisions for guarantee repairs

The provision for guarantee repairs relates to the sales of cars in the last 3 financial years ended on 31 December 2015, 2016, 2017 (the guarantee is granted for a period of three years). This provision is estimated based on the historical data on costs of guarantee repairs incurred in proportion to the reported sales revenue. It is expected that the respective liability will be incurred within the next three years.

Provision recognised by the Group for guarantee repairs amounts to PLN 23,687 thousand.

Assets for repairs under guarantee are equal to provisions for guarantee repairs which corresponds to the value of expected reimbursements for the costs incurred for guarantee repairs.

Moreover, at 31 December 2017 the Group recognised a provision for the lost margin contribution on the sales of cars and spare parts given out for guarantee repairs in the amount of PLN 106 thousand.

34. Trade and other payables

in PLN thousand	31.12.2017	31.12.2016
Trade payables	173,019	143,345
Security deposits - non-current	-	278
Security deposits - current	2,273	3,065
Advances for deliveries	4,613	1,395
Future contracts	2,142	-
Other payables, accruals and deferred income	14,279	10,647
Tax liabilities	11,586	44,930
Total trade and other payables	**207,912**	**203,382**
Recognised as other non-current liabilities	-	278
Current trade and other payables *Including:*	**207,912**	**203,382**

Continued operations	**207,912**	**154,900**
Spinned off operations	-	48,482

Other liabilities include tax liabilities, social security contributions, outstanding salaries and accruals.

Group's liabilities relating to retained security deposits, mainly from customers to secure signed arrangements.

Payables denominated in a currency other than the respective functional currency include liabilities in euros for cars and car parts purchases amounted to EUR 34,527 thousand which corresponds with PLN 143,961 thousand (31 December 2016: PLN 76,560 thousand) and liabilities in British pounds for purchase of spare parts in the amount of GBP 1,510 thousand, which corresponds with PLN 7,098 thousand (31 December 2016: 5,141 thousand).

35. Currency risk

Currency risk

The Group is mainly exposed to currency risk on purchases of cars and spare parts. The currencies in which these transactions primarily are denominated are euro and British pounds. The Group is monitoring its currency risk on an ongoing basis and secures settlements with the producer with forward transactions.

In case of translation of receivables and liabilities denominated in foreign currency as at 31 December 2017 and 2016, change of value of a foreign currency against PLN by 5 % would result in the following change of profit before income tax:

	31.12.2017		**31.12.2016**	
in PLN thousand	Increase 5%	Decrease 5%	Increase 5%	Decrease 5%
Receivables and liabilities denominated in EUR	(7,047)	7,047	(3,415)	3,415
Receivables and liabilities denominated in GBP	(128)	128	(168)	168
	(7,175)	**7,175**	**(3,583)**	**3,583**

36. Financial instruments

Aims and methods of financial risk management adopted by the Group

The Group manages all the elements of the financial risks described below, which could have a significant impact on its functioning in the future, putting in this process the greatest emphasis on the management of market risk, including interest rate risk as well as credit risk and liquidity risk. Raised, by the Group, long-term bank loans with a floating rate are exposed to a cash flow change risk as a result of change of interest rates. In most cases, the Group is not secured against interest rate exposure.

The purpose of liquidity management is to protect the Group against insolvency. This goal is achieved through the systematic projection of debt for 3 years, and then arrangement of appropriate financing.

Credit risk

There was no significant concentration of the credit risk as at the day of preparation of the financial statements.

The analysis of overdue trade receivables as at 31 December 2016 and 31 December 2015 was as follows:

in PLN thousand	**Gross value**	**31.12.2017** **Allowance for bad debts**	**Net value**
Not overdue	64,893	4,918	59,975
Overdue by the following periods:			
0-180 days	-	-	-
180-360 days	802	111	691
more than 360 days	384	372	12
	66,079	**5,401**	**60,678**

in PLN thousand	**Gross value**	**31.12.2016** **Allowance for bad debts**	**Net value**
Not overdue	3,714	598	3,116
Overdue by the following periods:			
0-180 days	35,211	1	35,210
180-360 days	1,288	67	1,221
more than 360 days	1,071	234	837
	41,284	**900**	**40,384**

The changes of the allowance for impairment in respect with trade and other receivables during 2017 and 2016 were as follows:

in PLN thousand	**31.12.2017**	**31.12.2016**
Opening balance	900	849
Change of allowance during the year	4,501	51
Closing balance	**5,401**	**900**

Interest rate risk

Bank loans with variable interest rates incurred by the Group are exposed to risk of changes in cash flows due to changes in interest rates. In some cases, the Group hedge against interest rate risk. Current receivables and liabilities are not exposed to interest rate risk.

Financial instruments – Assets

Classification of financial instruments (assets)

in PLN thousand	31.12.2017	31.12.2016
Loans and receivables granted – related	-	81,698
Loan	-	81,698
Loans and receivables granted – other	60,678	40,384
Loan	-	2,159
Trade and other receivables	60,678	40,384
Futures contracts	-	568
Cash	45,660	297,702
	106,338	**420,352**

Classification of financial instruments (liabilities)

in PLN thousand	31.12.2017	31.12.2016
Other financial liabilities	**268,571**	**397,558**
bank loans and borrowings	91,975	108,773
trade liabilities	173,019	143,345
Bonds	-	141,383
security deposits	2,273	3,343
Lease	1,304	714
Hedge instruments with negative fair value	-	-
	268,571	**397,558**

Interest rate sensitivity analysis of the Group

Change by 1 percentage point in interest rates would have changed profit before income tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain unchanged.

	31.12.2017		**31.12.2016**	
	Increase 1%	Decrease 1%	Increase 1%	Decrease 1%
Floating interest rate instruments	(2,248)	2,248	(2,379)	2,379

The above table refers to the impact on finance costs recognised in the consolidated statement of comprehensive income. Considering the fact that most of the interest costs are capitalized on inventory, the change in interest rates would change value of inventories at the balance sheet date as well as change in cost of finished products sold in the future.

Foreign exchange risk

Foreign exchange risk is described in note 35.

Liquidity risk

The Management Board of British Automotive Holding S.A. assessed the anticipated liquidity situation of the British Automotive Holding S.A. Capital Group within the period of 12 months from the date of preparation of the present financial statements.

The basic aim of that analysis was to determine sources of repayment of short-term liabilities of the Group, mainly resulting from issued bonds and bank loans and trade payables.

According to the Management Board, there is no significant risk to Group activities within 12 months since the day of preparation of this financial statement. The Board is confident, that it will be able to provide for the Group necessary financial means for financial and trade liabilities servicing as well as undisturbed conducting of activities, including realization of development projects.

Methods and key assumptions in the determination of fair value of financial assets and liabilities valued at fair value

Fair value of financial assets and liabilities are close to their carrying amounts as at 31 December 2017 and 31 December 2016.

The fair value is an amount for which a given asset could be exchanged, and liability settled in an arm's length transaction between willing, well - informed parties.

Capital Management

The Group defines capital as the carrying amount of equities. The most important ratio used by the Group to monitor equities is Equity/Total assets ratio. As at 31 December 2017 this ratio amounts to 18.83% (as at 31 December 2016: 40.35%). The Group manages its capital to ensure that Group's entities will be able to continue as a going concern while maximising the returns for shareholders through optimisation of the debt and equity relation. The overall Group's strategy remains unchanged since 2008.

The capital structure of the Group comprises debt, which includes bank loans disclosed in note 29, cash and cash equivalents and equity attributable to equity shareholders of the parent Company, including issued shares, reserve capital and retained earnings.

Moreover, the Group manages its equity in order to maintain a safe level of the equity and debt relation. Until the end of 2016 the Group paid out a dividend to its Shareholders amounting to PLN 4,571 thou. In 2017 Shareholders received dividend payout amounting to PLN 34,072 thou.

37. Spinned off operations

37.1. Spinned off operations

Result on spinned off operations

in PLN thousand	Note	01.01.2017 -30.11.2017	01.01.2016 -31.12.2016
Spinned off operations			
Sales revenue	7	146,577	225,634
Other operating income	8	2,729	21,316
Profit from sale of assets (Prosta Tower)	8	-	6,278
		149,306	**253,228**
Depreciation and amortisation		(1,112)	(1,632)
Materials and energy		(1,223)	(1,336)
External services	10	(132,091)	(193,445)
Personnel expenses	12	(3,397)	(3,796)
Other expenses	11	(9,642)	(17,838)
Investments profit	13	10,606	3,721
Shares in profits of related parties	14	19,791	8,438
Profit from operating activities		**32,238**	**47,340**
Finance expenses	*16*	(16,211)	(10,182)
Profit before income tax for the period		**16,027**	**37,158**
Income tax expense	*17*	15,981	2,938
Net profit from spinned off operations		**32,008**	**40,096**
Attributable to:			
Shareholders of parent company		32,008	40,096
Minority Shareholders		-	-
Net profit for the period		**32,008**	**40,096**
Other comprehensive income		**-**	**-**
Total comprehensive income		**32,008**	**40,096**
Result on transactions with entities from British Automotive Holding S.A. Group (formerly: Marvipol S.A.) that were excluded from spin off		(405)	(23,351)
Total comprehensive income after eliminations		**31,603**	**16,745**

Assets and liabilities spinned off

As of the day before the division, i.e. for 30 November 2017

in PLN thousand	**30.11.2017**	**31.12.2016**
Assets		
Non-current assets		
Property, plant and equipment	6,019	6,479
Intangible assets	935	445
Investment property	562	2,805
Other long-term receivables	106	44
Other long-term investments	133,314	95,595
Deferred tax assets	16,395	9,118
Total non-current assets	**157,331**	**114,486**
Current Assets		
Inventories	483,532	338,983
Income tax receivables	5	37
Trade and other receivables	15,882	18,090
Cash and cash equivalents	243,101	192,642
Total current assets	**742,520**	**549,752**
Total assets	**899,851**	**664,238**
Liabilities		
Bank loans	60,715	31,877
Finance lease liabilities	465	383
Other liabilities	297	278
Deferred tax liability	20,108	29,223
Bond liabilities	217,211	113,018
Total non-current liabilities	**298,796**	**174,779**
Bank loans	23,721	-
Finance lease liabilities	258	197
Income tax liabilities	166	2,652
Trade and other payables	24,148	48,482
Deferred income	161,752	68,461
Provisions	2,000	-
Bond liabilities	29,806	28,365
Total current liabilities	**241,851**	**148,157**
Total liabilities	**540,647**	**322,937**

37.2. Discontinued operations - space rental

As a result of Prosta Tower building sale on 15 December 2016, the Group discontinued its operations of office space rental. Those activities were conducted by Group's subsidiary - Prosta Tower. Revenues and expenses of discontinued operations of space rental in 2016 are presented below

in PLN thousand	**Note**	**01.01.2017 -30.11.2017**	**01.01.2016 -31.12.2016**
Discontinued operations			
Sales revenue		-	4,521
Other operating income		-	372
		-	**4,893**
Depreciation and amortisation		-	(125)
Materials and energy		-	(666)
External services		-	(1,116)
Personnel expenses		-	(305)
Other expenses		-	1,217
Investment profits		-	10,221
Result on sale of investment property Prosta Tower		**-**	**14,120**
Finance expenses		-	(6,310)
Profit before income tax for the period		**-**	**7,810**
Income tax expense			(2,270)
Net profit from discontinued operations for the period		**-**	**5,540**
Other comprehensive income		**-**	**-**
Total comprehensive income		-	**5,540**

38. Operating lease

Lease agreements where the Group is a lessee

The future lease payments under non-cancellable lease agreements are as follows:

in PLN thousand	**31.12.2017**	**31.12.2016**
less than 1 year	1,606	4,544
between 1 and 5 years	2,534	17,289
more than 5 years	12,677	28,890
	16,817	**50,723**

The Group is a party to rental and lease agreements and pays charges relating to perpetual usufruct of lands classified as operating lease. Rental agreements are concluded for various periods, usually with an option of prolongation of the rental period.

During the period ended on 31 December 2017 rental costs in an amount of PLN 3,610 thousand were booked as costs relating to operating lease charges (31 December 2016: PLN 1,916 thousand).

Lease agreements where the Group is a lessor

The Group leased out investment property held under operating lease agreements until 15 December 2016 (see note 20). In 2017 there were no lease agreements where the Group would be a lessor.

39. Contingencies

Regulations regarding VAT, corporate income tax, personal 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 applicable 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 and other settlements (e.g. customs or foreign currency settlements) may be subject to inspection by administrative bodies authorised to impose significant penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with interest. The above circumstances mean that tax exposure is significantly greater in Poland than in countries that have a more established taxation system. Tax settlements may become subject to inspection by the tax authorities for a period of five years from the end of the calendar year in which tax payment was due. 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. The Group takes the position that there is no need to create provisions with reference to tax risk.

As of 15 July 2016, amendments to the Tax Code were introduced to take into account the provisions of the General Fraud Prevention Clause (GAAR). GAAR is to prevent the creation and use of artificial legal structures created to avoid payment of tax in Poland. GAAR defines tax avoidance as an activity carried out primarily to obtain a tax advantage that is contrary to the circumstances and subject to the provisions of the Tax Act. According to GAAR, such an activity does not result in a tax advantage if the method of operation was artificial. Any occurrence of (i) unjustified dividing of operations, (ii) engaging intermediary entities in the absence of economic or economic justification, (iii) mutually eliminating or compensating elements, and (iv) other activities with a similar effect to those previously mentioned may be treated as a prerequisite for existence artificial activities subject to the GAAR regulations. The new regulations will require much greater judgment in assessing the tax consequences of individual transactions. The GAAR clause should be applied to transactions made after its entry into force and to transactions that were carried out prior to the entry into force of the GAAR clause, but for which, after the date of entry into force, the benefits were or are still being achieved. The implementation of the aforementioned provisions will enable Polish tax inspection authorities to question legal arrangements and arrangements made by taxpayers, such as restructuring and reorganizing the group.

On 27 March 2017 British Automotive Polska S.A. granted a surety up to PLN 20,000 thou. to British Automotive Gdańsk Sp. z o.o. in connection with the conclusion on 27 March 2017 between British Automotive Gdańsk Sp. z o.o. and mBank S.A. investment loan agreements in the amount of PLN 18,388 thou. for the purpose of financing the new car showroom in Gdansk.

On 1 September 2017, British Automotive Holding S.A. granted a surety for Jaguar Land Rover Limited for liabilities of British Automotive Polska S.A. resulting from cooperation in the purchase of Jaguar and Land Rover products. The guarantee covers the obligation to pay any sums not paid as of their maturity by British Automotive Polska S.A. due to the sale of Jaguar and Land Rover products. The guarantee is valid from the day it is given until the date of expiry of the contract between British Automotive Polska S.A. a Jaguar Land Rover Limited or until the date on which any amounts due under this agreement will be transferred to British Automotive Polska S.A. paid, depending on which of these events will take place later. The amount of the guarantee is limited to the amounts due from British Automotive Polska S.A. in relation to Jaguar Land Rover Limited.

On 13 November 2017, British Automotive Holding SA granted a surety up to PLN 6,000 thou. British Automotive Centrum Sp. z o.o. in connection with the conclusion on 13 November 2017 between British Automotive Centrum Sp. z o.o. and Bank Zachodni WBK S.A. credit agreements in the current account in the amount of PLN 4,000 thou.

On 13 November 2017, British Automotive Holding S.A. granted a surety up to PLN 7,500 thou. British Automotive Centrum Sp. z o.o. in connection with the conclusion on 13 November 2017 between British Automotive Centrum Sp. z o.o. and Bank Zachodni WBK S.A. investment loan agreements in the amount of PLN 5,000 thou. For the purpose of financing the refurbishment and reconstruction of the car dealership at 50 Waszyngtona Street.

40. Related party transactions

Remuneration of the Management Board

The Group pays remuneration to Board of Directors of the Company and the Branch based on a service contract and remuneration for a function in the Management Board (nomination).

in PLN thousand	**01.01.2017 -31.12.2017**	**01.01.2016 -31.12.2016**
Mariusz Książek - President of the Management Board	2,856	4,035
Mariusz Poławski - Member of the Management Board	790	840
Jacek Bielecki - Director of the Branch until 1 August 2016	-	81
Ewa Zając - Director of the Branch from 1 August 2016	33	184
	3,679	**5,501**

Remuneration of the Management Board in subsidiaries

in PLN thousand	**01.01.2017 -31.12.2017**	**01.01.2016 -31.12.2016**
Mariusz Książek - President of the Management Board	5,347	4,413
Mariusz Poławski - Member of the Management Board	1,164	756
Jacek Bielecki - Director of the Branch until 1 August 2016	234	107
Ewa Zając - Director of the Branch from 1 August 2016	6,745	5,276
	5,347	**4,413**

Remuneration of the Supervisory Board

in PLN thousand	**01.01.2017 -31.12.2017**	**01.01.2016 -31.12.2016**
Aleksander Chłopecki	40	40
Wiesław Różacki	28	28
Wiesław Łatała	40	40
Krzysztof Brejdak	28	28
	136	**136**

Other transactions with related parties

Related parties include entities controlled by Members of the Management Board of Issuer and Members of the Management Board of related parties.

Remuneration of the Management Board in controlled entities

in PLN thousand	**01.01.2017 -31.12.2017**	**01.01.2016 -31.12.2016**
Arkadiusz Rutkowski	1,170	223
Arkadiusz Miętkiewicz	853	816
	2,023	1,039

	Transaction value in the period:		**Balance outstanding as at:**	
Sale of products and services *(in PLN thousand)*	**01.01.2017 -31.12.2017**	**01.01.2016 -31.12.2016**	**31.12.2017**	**31.12.2016**
Other companies related to members of the Management Board	-	74	-	4

	Transaction value in the period:		**Balance outstanding as at:**	
Purchase of products and services *(in PLN thousand)*	**01.01.2017 -31.12.2017**	**01.01.2016 -31.12.2016**	**31.12.2017**	**31.12.2016**
Entities related to Supervisory Board	1,579	836	56	482

in PLN thousand	Balance outstanding 31.12.2016	Transaction value in the period						Balance outstanding 31.12.2016
		Granted	Repaid	Interest accrued	Interest paid	Valuation of foreign currency loans	Spin off	
Loans granted (capital and interest)								
MK Holding S.a.r.l.	161	86	230	2	7	(12)	-	-
Industrial Center 37 Sp. z o.o.	28,995	-	26,759	534	1,708	(1,062)	-	-
PDC IC 60 Sp. z o.o.	33,731	4,495	-	979	-	(1,786)	(37,419)	-
PDC IC 63 Sp. z o.o.	18,811	1,396	1,413	500	-	(918)	(18,376)	-
PDC IC 72 Sp. z o.o.	-	24,213	3,967	432	-	(158)	(20,520)	-
PDC IC 80 Sp. z o.o.	-	23,314	-	160	-	(328)	(23,146)	-
	81,698	**53,504**	**32,369**	**2,607**	**1,715**	**(4,264)**	**(99,461)**	-

41. Group entities (entities included in the consolidated financial statements)

Parent Company

British Automotive Holding S.A.

Subsidiaries

	Percentage of shares and rights to vote held by the Group	
	31.12.2017	**31.12.2016**
Automotive		
British Automotive Polska S.A.	100%	100%
British Automotive Centrum Sp. z o.o.	100%	100%
British Automotive Gdańsk Sp. z o.o.	100%	100%
British Automotive Łódź Sp. z o.o.	100%	100%
British Automotive TM Sp. z o.o. (formerly: Lotus Warszawa Sp. z o.o.)	100%	100%
British Motor Club Sp. z o.o. [1)]	100%	100%
M Automotive Sp. z o.o.	100%	100%
AML Polska Sp. z o.o.	100%	100%
British Automotive Silesia Sp. z o.o.	100%	-
Projekt 07 Sp. z o.o. [2)]	100%	-

[1)] British Motor Club Sp. z o.o. – an indirect 100% subsidiary (British Automotive Holding S.A. does not hold shares in this entity, 100 % of shares held by British Automotive Polska S.A. – a 100% subsidiary of British Automotive Holding S.A.)

[2)] According to the resolution of the Management Board of British Automotive Holding S.A. (formerly: Marvipol S.A.) from 6 July 2017 all shares of Projekt 07 Sp. z o.o. were transferred from Marvipol S.A. Branch in Warsaw (development) to Marvipol S.A. Head Office (automotive).

	Percentage of shares and rights to vote held by the Group	
	31.12.2017	**31.12.2016**
Development		
Mokotów Park Sp. z o.o.	-	100%
Prosta Tower Sp. z o.o.	-	100%
Prosta 32 Sp. z o.o.	-	100%
Marvipol TM Sp. z o.o.	-	100%
Marvipol Development 1 Spółka z ograniczoną odpowiedzialnością sp.k.	-	100%
Marvipol Estate Sp. z o.o.	-	100%

Marvipol Development Riviera Park Sp. z o.o. (formerly: Marvipol Development 3 Sp. z o.o., Projekt 01 Sp. z o.o.)	-	100%
Marvipol Development 1 Sp. z o.o.	-	100%
Riviera Park Sp. z o.o.	-	100%
Marvipol Development Bemowo Residence Sp. z o.o. (formerly: Marvipol Development 2 Sp. z o.o.)	-	100%
Marvipol w Apartments Sp. z o.o. (formerly: Projekt 03 Sp. z o.o.)	-	100%
Marvipol Construction Sp. z o.o. (formerly: Central Park Ursynów 1 Sp. z o.o.)	-	100%
Central Park Ursynów 2 Sp. z o.o.	-	100%
Marvipol Development Cascade Residence Sp. z o.o. (formerly: Marvipol Development 5 Sp. z o.o.)	-	100%
Projekt 06 Sp. z o.o.	-	100%
Marvipol Development Topiel No 18 Sp. z o.o. (formerly: Marvipol Development 4 Sp. z o.o., Projekt 08 Sp. z o.o.)	-	100%
Marvipol Development Unique Tower Sp. z o.o. (formerly: Marvipol Development 6 Sp. z o.o., Projekt 09 Sp. z o.o.)	-	100%
Marvipol Dwie Motławy Sp. z o.o.(formerly: Bemowo Residence Sp. z o.o.)	-	100%
Projekt 010 Sp. z o.o.	-	100%
Marvipol Logistics S.A. (formerly: MVP Logistics S.A., Projekt 011 S.A.)	-	100%
Projekt 07 Sp. z o.o.	-	100%

41.1. Shares in joint ventures

	Percentage of shares and rights to vote held by the Group	
	31.12.2017	**31.12.2016**
Industrial Center 37 Sp. z o.o.	-	68%
PDC Industrial Center 60 Sp. z o.o.	-	58%
Projekt 888 Sp. z o.o.	-	50%

41.2. Subsidiaries as at the day of preparation of the financial statements

British Automotive Polska S.A. with its seat in Warsaw was founded on 8 October 2003 and registered in the register of companies on 20 October 2003 under the KRS number 0000176909. After changing the legal entity, it was then registered in the register of companies on 10 September 2015 under the KRS number 0000574729. British Automotive Holding S.A. (formerly: Marvipol S.A.) has 100% shares in the entity. At the date of preparation of the present financial statement the share capital of the company amounts to PLN 3,610,000 and is divided into 3,610,000 shares with the nominal value of PLN 1 each.

British Automotive Polska S.A. conducts its activities in the scope of import and distribution of Jaguar, Land Rover and Range Rover vehicles as the general importer of these cars in Poland.

British Automotive Centrum Sp. z o.o. with its seat in Warsaw was founded on 15 January 1992 and entered into the commercial register on 2 February 1992, subsequently registered in the register of companies on 22 February 2002 under the KRS number 0000094317. British Automotive Holding S.A. (formerly: Marvipol S.A.) has 100% shares in the company. At the date of preparation of the present financial statements the share capital of the company amounts to PLN 7,000 thousand and is divided into 14 thousand shares with the nominal value of PLN 500 each.

British Automotive Centrum Sp. z o.o. conducts its activities in the scope of the sale, servicing and repair of Jaguar and Land Rover vehicles.

British Automotive Gdańsk Sp. z o.o. with its seat in Warsaw was registered in the register of companies on 13 June 2007 under the KRS number 0000282421. British Automotive Holding S.A. (formerly: Marvipol S.A.) has 100% share in the company. At the date of preparation of the present financial statement the share capital of the company amounts to PLN 3,220 thousand and is divided into 100 shares with the nominal value of PLN 32.2 thousand each.

British Automotive Gdańsk Sp. z o.o. conducts its activities in the scope of the sale, servicing and repair of Jaguar and Land Rover vehicles.

British Automotive Łódź Sp. z o.o. with its seat in Warsaw was registered in the register of companies on 15 October 2008 under the KRS number 0000315517. British Automotive Holding S.A. (formerly: Marvipol S.A.) has 100% share in the company. At the date of preparation of the present financial statements the share capital of the company amounts to PLN 6,468 thousand and is divided into 3,234 shares with the nominal value of PLN 2 thousand each.

British Automotive Łódź Sp. z o.o. conducts its activities in the scope of the sale, servicing and repair of Jaguar and Land Rover vehicles.

British Automotive Silesia Sp. z o.o. with its seat in Warsaw was created on 4 October 2017 and registered in the register of companies on 18 October 2017 under the KRS number 0000699472. British Automotive Holding S.A. (formerly: Marvipol S.A.) has 100% share in the company. At the date of preparation of the present financial statements the share capital of the company amounts to PLN 5,000 and is divided into 50 shares with the nominal value of PLN 100 each.

Until the balance sheet date, the entity did not Begin its activity. British Automotive Silesia Sp. z o.o. is meant to conduct activities in the scope of sale, servicing and repair of Jaguar and Land Rover vehicles.

AML Polska Sp. z o.o. with its seat in Warsaw was registered in the register of companies on 29 September 2009 under the KRS number 0000338109. British Automotive Holding S.A. (formerly: Marvipol S.A.) has 100 % share in the company. At the date of preparation of the present financial statements the share capital of the company amounts to PLN 2,500 thousand and is divided into 5,000 shares with the nominal value of PLN 500 each.

AML Polska Sp. z o.o. conducts its activities in the scope of the sale, servicing and repair of Aston Martin vehicles.

M Automotive Sp. z o.o. with its seat in Warsaw was founded on 10 February 2010 and registered in the register of companies on 19 March 2010 under the KRS number 0000351883. British Automotive Holding S.A. (formerly: Marvipol S.A.) has 100% share in the company. At the date of preparation of the present financial statement the share capital of the company amounts to PLN 800 thousand and is divided into 1,600 shares of the nominal value of PLN 500 each.

The main scope of activity of M Automotive Sp. z o.o. includes wholesale of spare parts and accessories for vehicles.

British Automotive TM Sp. z o.o. (formerly: Lotus Warszawa Sp. z o.o.) with its seat in Warsaw was founded on 29 April 2011 and registered in the register of companies on 20 May 2011 under the KRS number 0000385594. British Automotive Holding S.A. (formerly: Marvipol S.A.) has 100% share in the company. At the date of preparation of the present financial statements the share capital of the company amounts to PLN 500 thousand and is divided into 1,000 shares of the nominal value of PLN 500 each.

The main scope of activity of British Automotive TM Sp. z o.o. is leading and supervising any marketing activity done by entities from the Group.

Projekt 07 Sp. z o.o. with its seat in Warsaw was established on 14 January 2016 and registered in the companies register on 28 January 2016 under the KRS number 0000599081. British Automotive Holding S.A. (formerly: Marvipol S.A.) has 100% share in the company. At the date of preparation of the present financial statements the share capital of the company amounts to PLN 5 thousand and is divided into 50 shares with the nominal value of PLN 100 each.

Until the date of preparation of this statement, the entity did not conduct any operating activity. The main scope of activity of Projekt 07 Sp. z o.o. will be sale, service and repairs of Jaguar and Land Rover vehicles.

British Motor Club Sp. z o.o. with its seat in Warsaw was established on 31 August 2015 and registered in the companies register on 7 September 2015 under the KRS number 0000574238. British Automotive Polska S.A. – a subsidiary of British Automotive Holding S.A. (formerly: Marvipol S.A.) has 100% shares in the company. At the date of preparation of the present financial statements the share capital of the company amounts to PLN 5 thousand and is divided into 50 shares with the nominal value of PLN 100 each.

At the date of preparation of the current financial statements the company does not begin its operating activity. The entity was established for the purposes of conducting sports clubs.

42. Other major events during period of 1 January 2017 to 31 December 2017 and subsequent events

On 28 April 2017 the Management Board of the Company passed a resolution concerning preparation of motion to Shareholders Meeting in order to set a dividend amount for year 2016 (details: current report No. 30/2017).

On 12 June 2017 Marvipol S.A. received a writing from shareholder possessing at least 1/20 of share capital of the Company, containing tender of projects of resolutions concerning issues included in agenda of Ordinary Shareholders Meeting scheduled on 30 June 2017 (details: current report No. 43/2017).

On 21 June 2017 the Management Board of the Company presented its position concerning projects of resolutions proposed by the shareholder on 12 June 2017 (details: current report No. 44/2017).

On 29 June 2017 Bondholders of Series S Bonds Meeting issued by Marvipol S.A., passed a resolution on changing Terms of Issue and a resolution on announcing a break in debate of Bondholders Meeting (details: current report No. 46/2017).

On 30 June 2017 the Management Board of Marvipol S.A. revised earlier recommendation concerning proposal of dividend pay-out by an Issuer (details: current report No. 47/2017).

On 30 June 2017 British Automotive Polska S.A. – a subsidiary of the Company – issued a statement on the termination of the dealership and service agreement to the company MM Cars Sp. z o.o., Dealer of Jaguar and Land Rover brands in Katowice, with keeping a 24-month notice period (details: current report No. 51/2017).

On 4 July 2017 two framework agreements were concluded: by British Automotive Łódź Sp. z o.o. - a subsidiary of the Company - with Moonde GmbH based in Verden and by British Automotive Centrum Sp. z o.o. - a subsidiary of the Company - with Impac Rent UG with its registered office in Bonn, defining the commercial terms for the purchase of cars (details: current report No. 52/2017).

On 17 August 2017, the Company published the first notification to shareholders of Marvipol S.A on the intention to divide (details: current report no. 65/2017).

On 1 September 2017, the Company published the second notification to shareholders of Marvipol S.A on the intention to divide (details: current report no. 70/2017).

On 1 September 2017, the Company granted a guarantee for its subsidiary – British Automotive Polska S.A. (details: current report No. 71/2017).

On 20 October 2017, the Company concluded with the bondholders holding all series R bonds an agreement to change the terms of issue (details: current report No. 79/2017).

On 20 November 2017, the Extraordinary General Meeting of Marvipol SA was held. in the course of which a resolution was adopted to change the company's name from Marvipol S.A. at British Automotive Holding S.A. and a resolution on the division of the Company by transferring a part of the Company's assets to Marvipol Development S.A. The competent court made the entry of the abovementioned events to the register of entrepreneurs on 30 November and 1 December 2017 (details: current reports no. 88/2017, 90/2017, 93/2017 and 94/2017).

On 9 January 2018, the Management Board of the Company adopted a resolution regarding the change in the dividend policy of the Company (details: current report No. 7/2018).

On 12 January 2018, subsidiaries of British Automotive Polska S.A. and British Automotive Silesia Sp. z o.o. have concluded a package of contracts for the conduct of dealerships in Katowice (details: current report No. 11/2018).

On 15 January 2018, the composition of the Company's Management Board changed (details: current report No. 14/2018).

On 6 February 2018, British Automotive Polska S.A. received a signed documentation package regarding financing by mBank S.A. companies from the British Automotive Holding SA Capital Group. (details: current report No. 21/2018).

On 16 February 2018, British Automotive Polska S.A. received a signed by mBank S.A. and all companies from the British Automotive Holding SA Capital Group. cash management agreement - so-called cash pooling (details: current report No. 23/2018).

On 14 March 2018, British Automotive Polska S.A. and Bank BGŻ BNP Paribas S.A. signed a Multi-Purpose Credit Line Agreement (details: current report No. 25/2018).

On 16 March 2018 British Automotive Polska S.A. signed with BGŻ BNP Paribas Faktoring S.A. and Bank BGŻ BNP Paribas S.A. a Factoring agreement (details: current report No. 26/2018).

On 26 March 2018 the Company received an annex concerning financing of entities from the British Automotive Holding S.A Capital Group from mBank S.A. (details: current report No. 27/2018).

43. Information on remuneration of the entity entitled to audit financial statements

On 6 June 2017 the Supervisory Board of British Automotive Holding S.A. (formerly: Marvipol S.A.), acting based on par. 34 of the Company statute approved as an auditor CSWP Audyt Spółka z ograniczoną odpowiedzialnością Sp. k., seated in Warsaw, 00-336, 34 Kopernika Street, entered in the register of entities authorised to audit financial statements under number 3767.

An agreement with CSWP Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa on audit was concluded on 12 June 2017. Net remuneration for interim audit and audit of unitary and consolidated financial statements of British Automotive Holding S.A. for 2017 amounts to PLN 85 thousand. Remuneration for obligatory audit of unitary financial statements of subsidiaries of British Automotive Holding S.A. for 2017 amounts to PLN 86 thousand.

Moreover in 2017 CSWP Audyt Spółka z ograniczoną odpowiedzialnością spółka komandytowa provided to entities from British Automotive Holding S.A. (formerly Marvipol S.A.) Capital Group other attestation services and for this received a remuneration in total amount of PLN 77 thousand, as well as other services for a total amount of PLN 25 thousand.

44. Shareholder structure as at the date of publication

Shareholder	Number of shares held	Number of votes at the General Meeting	Value of shares	Interest in share capital	Voting rights at the General Meeting
Książek Holding Sp. z o.o.*	17,039,536	17,039,536	3,407,907	41.01%	41.01%
Towarzystwo Funduszy Inwestycyjnych PZU S.A.	2,481,596	2,481,596	496,319	5.97%	5.97%
Nationale-Nederlanden OFE	2,078,000	2,078,000	415,600	5.00%	5.00%
Mariusz Wojciech Książek	2,077,592	2,077,592	415,518	5.00%	5.00%
Other entities	17,875,128	17,875,128	3,575,026	43.02%	43.02%
	41,551,852	**41,551,852**	**8,310,370**	**100.00%**	**100.00%**

*Subsidiary of Mariusz Wojciech Książek

Mariusz Książek
President of the Management Board

Mariusz Poławski
Member of the Management Board until 14.01.2018

Arkadiusz Miętkiewicz
Vice-president of the Management Board

Arkadiusz Rutkowski
Vice-president of the Management Board

Rafał Suchan
Member of the Management Board

Karolina Banaś
person responsible for financial accounting from 01.12.2017

Beata Cukrowska
person responsible for financial accounting until 30.11.2017

Warsaw, 28 March 2018

BAH
BRITISH AUTOMOTIVE HOLDING

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