LARQ
CAPITAL GROUP

FINANCIAL STATEMENTS
LARQ SPÓŁKA AKCYJNA

For the Period Ended on 31 December 2018

With Audit Opinion

LARQ Spółka Akcyjna of Warsaw

Warsaw, 28 March 2019

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1. FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS	PLN ''000		EUR '000	
	01.01-31.12.2018	01.01-31.12.2017	01.01-31.12.2018	01.01-31.12.2017
I. Net revenue from sale of services	451	932	106	219
II. Profit (loss) from disposal and re-measurement of financial assets measured at fair value through profit or loss	(10,747)	50,442	(2,519)	11,882
III. Operating profit (loss)	(14,446)	45,885	(3,386)	10,809
IV. Profit (loss) before taxation	(15,886)	45,265	(3,723)	10,663
V. Net profit (loss)	(13,176)	35,550	(3,088)	8,374
VI. Net cash flows from operating activities	(3,043)	(2,965)	(713)	(698)
VII. Net cash flows from discontinued operations	313	304	73	72
VIII. Net cash flows from investing activities	868	(1,159)	203	(273)
IX. Net cash flows from financing activities	1,392	4,358	326	1,026
X. Total net cash flows	(470)	538	(110)	127
XI. Earnings per ordinary share (PLN/EUR)	(1.68)	4.70	(0.39)	1.11
XII. Diluted earnings per ordinary share (PLN/EUR)	(1.68)	4.63	(0.39)	1.09
	Balance at 31.12.2018	Balance at 31.12.2017	Balance at 31.12.2018	Balance at 31.12.2017
XIII. Total assets	134,585	152,274	31,299	36,509
XIV. Liabilities and provisions for liabilities	13,916	15,836	3,236	3,797
XV. Deferred tax liability	6,673	9,225	1,552	2,212
XVI. Current liabilities	7,243	6,611	1,685	1,585
XVII. Equity	120,669	136,439	28,063	32,712
XVIII. Share capital	799	777	186	186
XIX. Number of shares	7,992,833	7,767,833	7,992,833	7,767,833
XX. Book value per share (PLN/EUR)	15.42	18.05	3.59	4.33
XXI. Diluted book value per share (PLN/EUR)	15.38	17.79	3.58	4.26
XXII. Dividend declared or paid per share (PLN/EUR)	-	-	-	-

The selected items of the statements of profit or loss, other comprehensive income, financial position and cash flows were translated from PLN to EUR as follows:

- The items of assets, liabilities and equity in the statement of financial position were translated at the average rates published by the National Bank of Poland for EUR, i.e., EUR 1 = PLN 4.3000 as prevailing on 31 December 2018 and, respectively, EUR 1 = PLN 4.1709 as prevailing on 29 December 2017; and
- The items in the statements of comprehensive income and cash flows were translated at the rate equal to the arithmetic average of average rates published by the National Bank of Poland for EUR and applicable on the last day of each month during the period concerned, i.e., EUR 1 = PLN 4.2669, and EUR 1 = PLN 4.2447 for the corresponding period of 2017.

2. STATEMENT OF FINANCIAL POSITION AT 31.12.2018

ASSETS	Note	31.12.2018	31.12.2017 restated
Non-current Assets		**132,115,621.68**	**146,044,594.83**
Property, plant and equipment	15	1,712,016.25	1,827,513.24
Intangible assets	16	8,220.32	35,107.65
Investment property	17	2,785,949.79	2,881,266.42
Financial assets measured at fair value through profit or loss	18	127,576,815.32	140,407,607.40
Available-for-sale financial assets		-	-
Trade receivables and other receivables	20	32,620.00	42,755.00
Deferred tax assets		-	-
Other financial assets		-	850,345.12
Current assets		**2,469,856.25**	**6,229,892.26**
Inventories		-	-
Trade receivables and other receivables	20	1,029,445.92	1,920,400.53
Prepayments		-	-
Income tax receivable		-	-
Cash and cash equivalents	22	320,133.16	790,352.87
Other financial assets	23	960,277.17	3,203,965.81
Current assets – discontinued operations		160,000.00	315,173.05
TOTAL ASSETS		**134,585,477.93**	**152,274,487.09**

EQUITY AND LIABILITIES	Note	31.12.2018	31.12.2017 restated
Equity		**120,669,153.63**	**136,438,631.97**
Share capital	24	799,283.30	776,783.30
Share premium account	25	24,065,230.88	24,065,230.88
Other reserves	26	121,962.15	121,962.15
Reserve from valuation of incentive scheme	26	2,093,603.00	1,873,338.00
Reserve for purchase of own shares	27	3,000,000.00	-
Retained earnings	27	90,589,074.30	109,601,317.64
Non-current liabilities		**6,672,927.38**	**9,224,860.87**
Borrowings		-	-
Other financial liabilities		-	-
Deferred income tax liability	8	6,672,927.38	9,224,860.87
Provisions for pensions and similar benefits		-	-
Employee benefit obligation		-	-
Grants		-	-
Current liabilities		**7,243,396.92**	**6,610,994.25**
Borrowings	28	4,633,560.82	3,103,141.37
Other financial liabilities		-	-
Trade payables and other liabilities	29	1,623,687.37	2,477,604.69
Income tax liabilities		-	-
Accruals - deferred revenue		-	-
Provisions for pensions and similar benefits	30	75,958.73	46,128.37
Employee benefit obligation		-	-
Other provisions	31	910,190.00	966,190.00
Grants		-	17,929.82
TOTAL EQUITY AND LIABILITIES		**134,585,477.93**	**152,274,487.09**

3. STATEMENT OF COMPREHENSIVE INCOME

	Note	01.01-31.12.2018	01.01-31.12.2017 restated
Continuing operations			
Revenue from sale of lease/rental services	1	450,748.01	931,638.61
Result of disposal of financial assets	4	2,910,233.18	-
Result of disposal and revaluation of financial assets measured at fair value through profit or loss	4	(13,657,246.67)	50,442,061.47
General and administrative expenses	3	(4,477,057.85)	(5,607,285.84)
Other operating income	5	371,942.83	572,117.66
Other operating expenses	5	(45,048.06)	(453,742.09)
Operating profit (loss)		**(14,446,428.56)**	**45,884,789.81**
Finance income	6	243,059.12	154,481.99
Finance cost	6	(1,682,542.44)	(774,216.03)
Profit (loss) before taxation		**(15,885,911.88)**	**45,265,055.77**
Current income tax	7	-	(10,480.00)
Deferred income tax	7	2,551,933.49	(9,954,345.79)
Net profit/(loss) from continuing operations		**(13,333,978.39)**	**35,300,229.98**
Discontinued operations		,	,
Profit/(loss) for the period from discontinued operations	9	158,245.90	249,469.09
Net profit /(loss) for the period		**(13,175,732.49)**	**35,549,699.07**
Net profit/(loss) per share in PLN		,	,
– Basic earnings from continuing operations	11	(1.68)	4.70
– Diluted earnings from continuing operations	11	(1.68)	4.63
– Basic earnings from discontinued operations		-	-
–Diluted earnings from discontinued operations		-	-
Other comprehensive income:			
Other comprehensive income that will be reclassified to profit or loss in future periods		-	-
Other comprehensive income that will not be reclassified to profit or loss in future periods		-	-
Other net comprehensive income		**-**	**-**
COMPREHENSIVE INCOME FOR FINANCIAL YEAR		**(13,175,732.49)**	**35,549,699.07**

4. STATEMENT OF CASH FLOWS

	01.01-31.12.2018	01.01-31.12.2017 restated
Operating activities		
Gross profit/(loss)	(15,885,911.88)	45,265,055.77
Adjustments for:	,	,
Depreciation and amortisation	215,700.42	571,402.37
Interest and dividend, net	(65,789.67)	7,501.04
(Profit)/loss on investing activities	1,355,604.40	361,858.23
Result of disposal and revaluation of financial assets measured at fair value through profit or loss	10,747,013.49	(50,442,061.47)
Increase/decrease in receivables	690,574.61	208,790.44
Increase/decrease in liabilities	(263,284.85)	130,789.93
Increase/decrease in provisions	(26,169.64)	(49,418.93)
Income tax paid	-	(10,480.00)
Increase/decrease in prepayments and accruals	(17,929.82)	(143,017.46)
Valuation of incentive scheme	220,265.00	1,101,500.00
Other	(13,290.77)	33,145.06
Net cash from operating activities	**(3,043,218.71)**	**(2,964,935.02)**
Discontinued operations		
Discontinued operations	331418.95	303937.83
Net cash from discontinued operations	**331,418.95**	**303,937.83**
Investing activities	,	,
Disposal of property, plant and equipment	155,000.00	2,546,203.25
Acquisition of property, plant and equipment	(8,234.14)	(42,926.84)
Disposal of financial assets	2,395,867.50	-
Acquisition of financial assets	(833,590.38)	(2,290,987.50)
Dividend and interest received	1,190.53	15,230.31
Repayment of lending	165,000.00	425,858.95
Lending	(945,000.00)	(1,608,000.00)
Other	(62,153.46)	(204,067.38)
Net cash from investing activities	**868,080.05**	**(1,158,689.21)**
Financing activities	,	,
Proceeds from share issue	22,500.00	6,296,333.30
Repayment of finance lease liabilities	-	-
Proceeds from borrowings	2,090,000.00	1,470,000.00
Repayment of borrowings	(721,000.00)	(3,134,780.00)
Interest paid	-	(22,731.35)
Other	-	(251,283.00)
Net cash from financing activities	**1,391,500.00**	**4,357,538.95**
Net increase in cash and cash equivalents	(470,219.71)	537,852.55
Net FX differences	-	-
Cash at the beginning of the period	**790,352.87**	**252,500.32**
Cash at the end of the period	**320,133.16**	**790,352.87**

5. STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium Account	Other reserves	Reserve from Valuation of Incentive Scheme	Reserve for Purchase of Own Shares	Retained Earnings	Total Equity
At 1 January 2018	**776,783.30**	**24,065,230.88**	**121,962.15**	**1,873,338.00**	**-**	**109,601,317.64**	**136,438,631.97**
IFRS 9 corrections	-	-	-	-	-	(2,836,510.85)	(2,836,510.85)
At 1 January 2018	**776,783.30**	**24,065,230.88**	**121,962.15**	**1,873,338.00**	**-**	**106,764,806.79**	**133,602,121.12**
Total comprehensive income	-	`	-	-	-	(13,175,732.49)	**(13,175,732.49)**
Share issue	22,500.00	-	-	-	-	-	**22,500.00**
Cost of share issue	-	-	-	-	-	-	**-**
Dividend payment	-	-	-	-	-	-	**-**
Change in reserve from valuation of incentive scheme	-	-	-	220,265.00	,	,	**220,265.00**
Transfers	-	-	-	-	3,000,000.00	(3,000,000.00)	**-**
At 31 December 2018	**799,283.30**	**24,065,230.88**	**121,962.15**	**2,093,603.00**	**3,000,000.00**	**90,589,074.30**	**120,669,153.63**
	,	,	,	,		,	,
At 1 January 2017	**733,450.00**	**18,063,513.88**	**121,962.15**	**771,838.00**	**-**	**74,051,618.57**	**93,742,382.60**
Corrections of errors	-	-	-	-	-	-	-
At 1 January 2017	**733,450.00**	**18,063,513.88**	**121,962.15**	**771,838.00**	**-**	**74,051,618.57**	**93,742,382.60**
Total comprehensive income	-	`	-	-	-	35,549,699.07	**35,549,699.07**
Share issue	43,333.30	6,001,717.00	-	-	-	-	**6,045,050.30**
Cost of share issue	-	-	-	-	-	-	**-**
Dividend payment	-	-	-	-	-	-	**-**
Change in reserve on valuation of incentive scheme	-	-	-	1,101,500.00	-	-	**1,101,500.00**
At 31 December 2017	**776,783.30**	**24,065,230.88**	**121,962.15**	**1,873,338.00**	**-**	**109,601,317.64**	**136,438,631.97**

LARQ CAPITAL GROUP

6. BACKGROUND INFORMATION

Core Business

LARQ S.A. ("LARQ", the "Company") with its registered office in Warsaw, ul. Tamka 16 lok. U-4, has been listed on the Warsaw Stock Exchange since 8 May 2008.

The Company has been trading as LARQ since 15 October 2015 when the name change from CAM Media S.A. to LARQ S.A. was registered with the National Court Register. On the other hand, CAM Media S.A. was established through transformation of a private limited liability company styled CAM Media sp. z o.o. into a public limited company. It took place on 25 June 2007 by resolution of the Extraordinary Meeting of Shareholders.

The transformation was registered on 1 October 2007 with the Register of Entrepreneurs of the National Court Register. The Articles of Association of CAM Media Sp. z o.o. of Warsaw were signed on 5 February 2004.

The core business of LARQ is the long-term building of value of its holdings of financial assets that comprise companies with complementary business objectives:

- Public transportation (city bike sharing systems)
- Advertising (non-standard outdoor advertising media and full-service agencies) and
- New technologies (SaaS and sales and marketing automation).

Throughout 2018, the Company additionally continued the fulfilment of contracts relating to the activities of a full-service advertising agency since the Company used to be a party to such contracts and the contracts continue to bind the Company (this business has been transferred to a subsidiary). At LARQ level, that business was finally terminated in the 1st quarter of 2019.

The Management Board believes that the Company meets the definition of an entity qualifying as an "investment entity" as defined in Paragraph 27 of IFRS 10. Following the adoption of the accounting principles in accordance with IFRS 10, the Company as an "investment entity" does not prepare any consolidated financial statements and all its investments in financial assets are measured at fair value through profit or loss in its financial statements.

The following assets are measured by the Company at fair value through profit or loss:

- Subsidiaries:
  - LARQ Fund Management sp. zo.o. (wholly-owned subsidiary of LARQ);
  - Adinnovation sp. z o.o. (wholly-owned subsidiary of LARQ);
  - CAM Media Creative Works sp. z.o.o. (wholly-owned subsidiary of LARQ);
  - Intelisoft sp. zo.o. (LARQ holds 51% of its capital);
  - Media Power sp. zo.o. (wholly-owned subsidiary of LARQ);
  - AWL VIII sp.z o.o. (wholly-owned subsidiary of LARQ);
- LARQ holdings of shares in listed companies:
  - Nextbike Polska SA (LARQ holds 1% of its capital);
  - Brand 24 SA (LARQ holds 3% of its capital).

The Company's subsidiary called Larq Fund Management sp. z o.o. holds all certificates of the investment fund called LARQ Growth Fund I FIZ; the assets of that fund comprise, among others, shareholdings in the following companies ("FIZ Assets"):

- Nextbike Polska SA (67% of the capital);
- Brand 24 SA (36% of the capital);
- Synergic sp. z o.o. (100% of the capital);
- Youlead sp. z o.o. (51% of the capital);
- Triggo SA (2% of the capital).

These financial statements of LARQ are the only financial statements prepared by the Company. They have been approved for publication on 28 March 2019 by the Management Board of LARQ.

Members of the Company's Governing Bodies

At 31 December 2018, the Company was managed by the Management Board composed of three members:

Krzysztof Przybyłowski, Ph.D. – Chairman of the Management Board

Mikołaj Chruszczewski – Member of the Management Board

Małgorzata Dzięcioł – Member of the Management Board.

On 19 December 2018, the Supervisory Board, by its Resolution 3/12/2018, appointed Ms Anna Krawczyńska-Nowak to the Management Board of the Company to serve as the Board Member responsible for finances and administration, with effect as of 2 January 2019.

As at the date of these statements, the Management Board of the Company consists of

Krzysztof Przybyłowski, Ph.D. – Chairman of the Management Board

Mikołaj Chruszczewski – Member of the Management Board

Małgorzata Dzięcioł – Member of the Management Board

Anna Krawczyńska-Nowak– Member of the Management Board.

The terms of office of the aforesaid Board Members will expire at the latest on the day of holding the General Meeting of Shareholders approving the financial statements for 2018 being the last full financial year when those Board Members served in the office.

At 31 December 2018, the operations of the Company were supervised by the Supervisory Board consisting of:

Joanna Braulińska-Wójcik – Chairperson of the Supervisory Board

Bartosz Foroncewicz– Member of the Supervisory Board

Sergiusz Frąckowiak – Member of the Supervisory Board

Adam Kalkusiński – Member of the Supervisory Board

Piotr Krawczyński – Member of the Supervisory Board

No changes in the Supervisory Board of the Company were made during 2018 or up to the date of publication of these statements.

The terms of office of the aforesaid Supervisory Board Members will expire at the latest on the day of holding the General Meeting of Shareholders approving the financial statements for 2018 being the last full financial year when those Supervisory Board Members served in the office.

Audit Firm

PKF Consult Spółka z ograniczona odpowiedzialnością sp.k.

ul. Orzycka 6 lok. 1B

02- 695 Warszawa

Selection of Audit Firm

In compliance with the principles of corporate governance adopted by the Management Board of the Company, the audit firm was selected by the Supervisory Board of LARQ SA by Resolution 5/12/18 dated 19 December 2018 regarding selection of audit firm. The above selection was made by the Supervisory Board in order to ensure the full independence and objectivity of the selection as such and the completion of tasks by certified auditor who will act on behalf of the audit firm.

The Company's Management Board states that the audit firm that will audit the annual financial statements was selected in compliance with the legislation and that the firm and its auditors carrying out that audit have satisfied the conditions for delivery of their impartial and independent opinion on the audited annual financial statements in compliance with the applicable regulations and professional standards.

7. STATEMENTS

Statement of the Management Board

The Management Board of the Company hereby states that, according to its best knowledge, these financial statements and the comparative figures were prepared in accordance with the accounting principles applicable to the Company and they give a true, fair and clear view of the assets and financial position of the Company and its profit or loss.

Furthermore, the Management Board states that the business review report of the Company gives a true view of the developments, achievements and situation of the Issuer, including a description of key threats and risks.

Statement of Compliance and General Basis of Preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards accepted by the International Accounting Standards Board (IASB) and the Standing Interpretations Committee (SIC) insofar as they were endorsed by the European Union and already effective at 31 December 2018. The comparative figures have been prepared on the same basis of preparation of the financial statements except for IFRS 9 and IFRS 15 that entered into force on 1 January 2018 and their application by the Company began on that day.

These financial statements cover the reporting period from 1 January to 31 December 2018 and the comparative period from 1 January to 31 December 2017.

As presented herein, the statements give a fair view of the assets and financial position of LARQ S.A. at 31 December 2018 with the comparative figures at 31 December 2017, as well as the results of its operations and cash flows for 2018 and the comparative figures for 2017.

By the date of these financial statements for 2018, no events took place that were not, although they should have been, reported in the books of account for the reporting period.

In accordance with the criteria of Paragraph 27 of IFRS 10, the Company qualifies as an investment entity and does not prepare any consolidated financial statements and, in these financial statements, all is investments in subsidiaries are measured at fair value through profit or loss.

These financial statements have been audited by an independent certified auditor. The audit opinion and report are attached to this annual report.

The financial statements have been prepared on the historical cost basis save for subsidiaries that are measured at fair value through profit or loss. The statements are based on the going concern principle, i.e., assuming that the Company will continue its operations in the foreseeable future.

On the day of approval of these financial statements, there exist no circumstances indicating any threat to the going concern of the Company over the period of 12 months after the balance sheet date.

Items disclosed in the financial statements are measured in the currency of the principal business environment where the Company operates (the “functional currency”). The financial statements are presented in Polish Zloty (PLN) which is both the functional and presentation currency of the Company.

8. COMPLIANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

During preparation of the financial statements for 2018, the Company has adopted all new and approved standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee insofar as they were adopted for application within the EU that apply in the Company’s business and are effective for reporting periods beginning on or after **1 January 2018**:

a) IFRS 9 *Financial Instruments* (of 12 November 2009, with later amendments to IFRS 9 and IFRS 7 of 16 December 2011)– effective for the reporting periods beginning on or after 1 January 2018

The new standard is to replace the guidance included in IAS 39 *Financial Instruments: Recognition and Measurement*, with respect to the classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories

of held-to-maturity, available-for-sale and loans and receivables. Initially, financial assets will be classified to one of two categories:

- financial assets measured at amortised cost; or
- financial assets measured at fair value.

Financial asset is measured at amortised cost if the following two conditions are met: assets as held within a business model whose objective is to hold financial assets to collect their contractual cash flows, and their contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Gain and loss on measurement of financial assets measured at fair value is recognised in profit or loss for the current period except for a situation when equity investment is not intended for trading. IFRS 9 allows for a decision to measure such financial instruments at their initial recognition at fair value through other comprehensive income. Such a decision cannot be changed. This selection can be made separately for each instrument. Amounts recognised in other comprehensive income cannot be reclassified to profit or loss in subsequent periods.

IFRS 9 has introduced a new impairment model, i.e., the expected credit loss model. Another important aspect of IFRS 9 is the requirement to disclose in other comprehensive income the effects of changes in own credit on financial liabilities measured at fair value through profit or loss.

b) IFRS 15 *Revenue from Contracts with Customers* – effective for the reporting periods beginning on or after 1 January 2018

IFRS 15 specifies how and when revenue should be recognised as well as requires from IFRS reporters to provide more informative disclosures. The standard provides a single principles based five step model to be applied to all contracts with customers.

c) Clarifications to IFRS 15 *Revenue from Contracts with Customers* – effective for the reporting periods beginning on or after 1 January 2018

Amendments specify how to:

a. Identify performance obligations;
b. Determine whether the entity is a principal or agent under a given contract;
c. Determine how to recognise income from licensing (at a point in time or over time).

Those amendments provide for two additional transition reliefs in order to reduce costs and complexity during the implementation of that standard by entities.

d) Amendments to the application of IFRS 9 *Financial Instruments* and IFRS 4 *Insurance Contracts* – effective for the reporting periods beginning on or after 1 January 2018

The amendments are intended to eliminate cases of accounting mismatch in profit or loss of issuers of insurance contracts. The following options are permitted:

a. All issuers of insurance contracts are permitted to recognise in comprehensive income, rather than in profit or loss, the volatility that could arise when IFRS 9 *Financial Instruments* is applied rather than IAS 39 *Financial Instruments* for ("overlay approach");
b. Entities whose predominant activities are connected with insurance are permitted to defer temporarily (until 2021) the application of IFRS 9 *Financial Instruments*, and to apply IAS 39 *Financial Instruments* during that period ("deferral approach").

e) Annual Improvements to IFRSs 2014-2016 Cycle – amendments in the cycle of annual improvements to IFRS– effective for the reporting periods beginning on or after 1 January 2018
   a. Amendment to IAS 1 *First-time Adoption of International Financial Reporting Standards*
   Amendment provides for deletion of short-time exemptions allowed under paragraphs E3-E7 of IFRS 1 since they referred to past reporting periods and have already served their purpose. Those exemptions allowed first-time adopters to apply the same disclosures as current IFRS prepares, with respect to:

Disclosure of certain comparative data regarding financial instruments that are required as a result of amendments made to IFRS 7;

Presentation of comparative figures for disclosures required under IAS 19 regarding the sensitivity of defined-benefit obligation to actuarial assumptions;

Retrospective application of requirements concerning investment entities as set out in IFRS 10, IFRS 12 and IAS 27.

b. Amendments to IAS 28 *Investments in Associates and Joint Ventures*
The amendment has clarified that the election to measure at fair value through profit or loss (instead of equity method) investments in associates or joint ventures that are held by an entity that is a venture capital organisation or other qualifying entity (such as mutual funds, trust funds), is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendment addresses also the options to elect the method to measure an investment entity being an associate or joint venture of a non-investment entity – it may continue the fair value measurement applied by that entity and apply the equity method at the same time.

f) Amendments to IFRS 2 *Share Based Payments* – effective for the reporting periods beginning on or after 1 January 2018

The amendments provide guidance on the classification of certain types of share-based payments. Those amendments introduce certain requirements for:

a. Accounting for cash-settled share-based payment transactions that include a performance condition;
b. Share-based payments settled net of tax withholdings;
c. Modification of share-based payment transactions from cash-settled to equity-settled.

g) Amendments to IAS 40 *Investment Property* – effective for the reporting periods beginning on or after 1 January 2018

The amendments provide guidance on transfers of assets to, or from, investment properties. The amendment applies to paragraph 57 which states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. The list of evidence in paragraphs 57 (a) – (d) was designated as non-exhaustive list of examples instead of the previous exhaustive list.

h) IFRIC 22 *Foreign Currency Transactions*– effective for the reporting periods beginning on or after 1 January 2018

The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognised a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

The Company has not used the option of earlier application of the following standards and amendments to standards as approved by the European Union and effective for the reporting periods beginning on or after 1 January 2019:

a) IFRS 16 *Leases*– effective for the reporting periods beginning on or after 1 January 2019

IFRS 16 replaces the existing lease accounting according to IAS 17, IFRIC 4, SIC 15 and SIC 27. This IFRS provides for a single lease accounting model requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. Lessor's approach substantially remains unchanged compared to the accounting under IAS 17 – they continue to classify leases as operating or finance leases.

b) Amendment to IFRS 9 *Financial Instruments* – Contracts with negative compensation prepayment features (published on 12 October 2017 and effective for the reporting periods beginning on or after 1 January 2019)

The amendment clarifies that financial instruments with prepayment features that might lead to negative compensation can be measured at amortised cost or fair value through other comprehensive income, depending on the business model adopted by the entity for its management of financial assets.

c) IFRIC 23 *Uncertainty over Income Tax Treatments*– effective for the reporting periods beginning on or after 1 January 2019

The interpretation clarifies the accounting for uncertainties in income taxes. The interpretation refers to a situation when the tax law treatment of a given transaction or circumstance is unclear or when the entity is unsure whether its interpretation of tax law will be acceptable to tax authorities.

d) Amendment to IAS 28 *Investments in Associates and Joint Ventures* – long-term interests in associates and joint ventures (published on 12 October 2017 and effective for the reporting periods beginning on or after 1 January 2019)

The purpose of the amendment is to clarify the measurement of long-term interests in associates and joint ventures. Paragraph 14A has been added to clarify that an entity applies IFRS 9, including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

e) Annual Improvements to IFRSs 2015-2017 Cycle – amendments in the cycle of annual improvements to IFRS– effective for the reporting periods beginning on or after 1 January 2019
   a. Amendment to IFRS 3 *Business Combinations* and IFRS 11 *Joint Arrangements* clarifies the following:
      i. An entity re-measures its interest in a joint operation which meets the definition of business when it acquires control over it;
      ii. An entity does not re-measures its interest in a joint operation which meets the definition of business if the change of interest in a joint operation will create joint control or retention of joint control.
   b. Amendment to IAS 12 *Income Tax* clarifies that tax consequences of dividend payments should be accounted for in the same way as any other transactions.
   c. Amendment to IAS 23 *Borrowing Costs* clarifies the an entity should treat each outstanding borrowing made specifically to obtain an asset, when that asset is ready for use or sale, as part of the funds that it has borrowed generally.

f) Amendment to IAS 19 *Employee Benefits* – effective for the reporting periods beginning on or after 1 January 2019

That amendment requires that in case of amendments, curtailment or settlements relating to a definite benefit plan, an entity should:

- Accept updated assumptions in order to determine the current service costs and the present value of definite benefit liability for the remaining period;
- Recognise as “past service costs” or “profit or loss” from the plan settlement any amounts derived from the measurement of the present value of definite benefit liability, both before and after the amendment, based on the-then current assumptions and fair value of plan assets as of the amendment date, including any change of unrecognised surplus.”

The standards and interpretations adopted by the IASB that have not been yet approved for application by the EU:

a) IFRS 14 *Regulatory Deferral Accounts* – effective for the reporting periods beginning on or after 1 January 2017;
b) This standard is a transitional standard and will not be subject to the adoption process as decided by the European Commission.
c) IFRS 17 *Insurance Contracts* – effective for the reporting periods beginning on or after 1 January 2021
d) Earlier application of IFRS 17 is permitted if both IFRS 9 and IFRS 15 have also been applied.
e) Amendments in the references for the IFRS Conceptual Framework – effective for the reporting periods beginning on or after 1 January 2020.

f) Amendments to IFRS 3 *Business Combinations* – definition of business – effective for the reporting periods beginning on or after 1 January 2020
g) Amendments to IAS 1 *Presentation of Financial Statements* and *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* – definition of *material* – effective for the reporting periods beginning on or after 1 January 2020

The Company modified its accounting principles upon adoption of the International Financial Reporting Standard 9 *Financial Instruments* (IFRS 9) and the International Financial Reporting Standard 15 *Revenue from Contracts with Customers* (IFRS 15).

Following the adoption of the new standards and amendments to the standards as of 1 January 2018 by the Company, certain changes were made to its principles of accounting due to such new standards and amendments thereto. The following notes present the new accounting policy to the extent modified upon adoption of those standards, and its impact on the financial data.

IFRS 9

The Company adopted IFRS 9 on 1 January 2018. It led to changes in the principles of accounting and restatement of amounts reported in the financial statements.

This standard replaces IAS 39 and is effective for the reporting periods beginning on or after 1 January 2018.

The standard introduces the following categories of financial assets: measured at amortised cost, measured at fair value through profit or loss and measured through other comprehensive income. The classification is made at the initial recognition and is based on the model adopted by the entity for management of financial instruments and the characteristics of contractual cash flows from such instruments.

IFRS 9 has introduced a new impairment model, i.e., the expected credit loss model. As regards is trade receivables and considering the small number of its contractors, the Company has a customised approach to each contractor and recognises impairment equal to expected credit losses based on historical data adjusted for the impact of looking-forward information. As regards its loans, the Company approaches each contract separately and assesses the repayment history of each loan, growth in credit risk compared to the initial recognition, and the probability of borrower's default.

As regards hedge accounting, the changes were intended to bring the hedge accounting closer to the risk management. The Standard does not apply to the Company in that respect since the Company does not apply hedge accounting.

IFRS 15

The Company adopted IFRS 15 effective of 1 January 2018. IFRS 15 *Contracts with Customers* replaced IAS 18 *Revenue* and IAS 11 *Construction Contracts*. Under IFRS 15, revenue is recognised so as to reflect the transfer of promised goods or services to the customer in the amount the reflects the remuneration to which the Company will be entitled in exchange for such goods or services.

The Company generates very narrow revenue subject to IFRS 15 (single contract for sale of services in its line of business that is being run off); the method of revenue recognition is consistent with the requirements of IFRS 15 as far as the delivery of service to the customer is concerned, therefore, there is no need to alter the way the revenue is recognised by the Company in light of the new standard.

The Company applied both standards as of 1 January 2018 without any restatement of comparative figure, however, the restatements due to the application of IFRS 9 as of 1 January 2018 were reflected in equity. Following its application of IFRS 9, the Company classified trade receivables and lending as financial assets measured at amortised cost, and made estimations of impairment losses for trade receivables and lending based on the probability of default.

The detailed impact of IFRS 9 guidance on line items of the financial statements is presented in table below. Unaffected line items of the financial statements have been omitted.

ASSETS	31.12.2017 published	IFRS 9	01.01.2018 restated
Non-current assets	**146,235,027.88**	**(227,900.60)**	**146,007,127.28**
Other financial assets	850,345.12	(227,900.60)	622,444.52
Current assets	**6,068,719.21**	**(2,608,610.25)**	**3,460,108.96**
Trade receivables and other receivables	1,920,400.53	(210,515.00)	1,709,885.53
Other financial assets	3,203,965.81	(2,398,095.25)	805,870.56
TOTAL ASSETS	**152,303,747.09**	**(2,836,510.85)**	**149,467,236.24**

EQUITY AND LIABILITIES	31.12.2017 published	IFRS 9	01.01.2018 restated
Equity	**136,438,631.97**	**(2,836,510.85)**	**133,602,121.12**
Retained earnings	109,601,317.64,	(2,836,510.85)	106,764,806.79,
Non-current liabilities	**9,254,120.87**	**-**	**9,254,120.87**
Current liabilities	**6,610,994.25**	**-**	**6,610,994.25**
TOTAL EQUITY AND LIABILITIES	**152,303,747.09**	**(2,836,510.85)**	**149,467,236.24**

The Company has not used the option of earlier application of certain standards and amendments to standards as approved by the European Union and effective for the reporting periods beginning on or after 1 January 2018.

IFRS 16

IFRS 16 replaces the existing lease accounting according to IAS 17, IFRIC 4, SIC 15 and SIC 27. This IFRS provides for a single lease accounting model requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value. Lessor's approach substantially remains unchanged compared to the accounting under IAS 17 – they continue to classify leases as operating or finance leases.

At 31 December 2018, the Company was a party to one lease agreement (long-term lease of passenger car) for the term exceeding 12 months. The contract amount is PLN 302,632.29, net, and the amounts of future minimum lease payments are as follows:

- 1 year or less: PLN 47,496.36
- From 1 year to 5 years: PLN 255,135.93.

As a result of the application of IFRS 16, the Company expects to recognise the net lease assets of 302,632.29 at 1 January 2019; the corresponding lease liabilities would amount to PLN 302,632.29.

9. GOING CONCERN ASSUMPTION

The financial statements have been made based on the going concern principle, i.e., assuming that the Company will continue its operations over the period of 12 months after the last balance sheet date, i.e. 31 December 2018.

On the day of signature of these statements, the Management Board of the Company cannot see any facts or circumstances indicating any threat to the going concern in the period of 12 months after the balance sheet date as a result of intended or forced discontinuation or material downsizing of the existing operations.

By the date of issuance of these financial statements for 2018, no events took place that were not, although they should have been, reported in the books of account for the reporting period. At the same time, those financial statements do not report any material events referring to previous years.

10. RESTATEMENT OF COMPARATIVE FIGURES

During 2017, The Company uses certain real properties to generate rental revenue from their lease. Accordingly, there are grounds for reclassification of the value of those properties from *Property, plant and equipment* to *Investment property* by means of adequate correction of their incorrect presentation in the statement of financial position at 31 December 2017. The Company measures the value of investment property at cost less depreciation charges and impairment loss. They amounted to PLN 2,881,266.42 at 31 December 2017.

In the first quarter of 2019, the Company terminated its performance of contracts relating to operations of full-service advertising agency since the Company used to be a party to such contracts and the contracts continue to bind the Company. Accordingly, the result of that line of business was transferred to *Profit (loss) from discontinued operations* in these statements. In order to provide for the comparison, the result of that line of business for 2017, equal to PLN 249,469.09, was also transferred. Assets and corresponding liabilities associated with that discontinued business at 31 December 2017 were also transferred to *Current assets - discontinued operations.*

There were also parallel reclassifications of rental income from lease/rental of properties and other non-current assets from *Other operating income* to *Revenue from sale of services* in order to reflect better the operating nature of that business. The amount reclassified for 2017 was PLN 931,638.61.

In the financial statements for the last year, the wrong price of the Company's shares was used for valuation of the incentive scheme costs. When the correct price was to be applied, the cost of the scheme should have been reduced by PLN 2,363,500.00 for 2017 and amounted to PLN 1,101,500. In light of the foregoing, these financial statements include the correction of the mis-estimated cost of equity as reported in the financial statements for the last year; the comparative figures were restated accordingly.

The Company's statement of financial position at 31 December 2017 is give below, followed by the statement of comprehensive income for 2017 as published on 26 March 2018 and after restatement.

STATEMENT OF FINANCIAL POSITION AT 31.12.2017 - RESTATEMENT

ASSETS	31.12.2017 published	restatement	31.12.2017 restated
Non-current Assets	**146,235,027.88**	**(190,433.05)**	**146,044,594.83**
Property, plant and equipment	4,708,779.66	(2,881,266.42)	1,827,513.24
Intangible assets	225,540.70	(190,433.05)	35,107.65
Investment property	-	2,881,266.42	2,881,266.42
Financial assets measured at fair value through profit or loss	140,407,607.40	-	140,407,607.40
Available-for-sale financial assets	-	-	-
Trade receivables and other receivables	42,755.00	-	42,755.00
Deferred tax assets	-	-	-
Other financial assets	850,345.12	-	850,345.12
Current assets	**6,068,719.21**	**161,173.05**	**6,229,892.26**
Inventories	-	-	-
Trade receivables and other receivables	1,920,400.53	-	1,920,400.53
Prepayments - long-term contracts	154,000.00	(154,000.00)	-
Income tax receivable	-	-	-
Cash and cash equivalents	790,352.87	-	790,352.87
Other financial assets	3,203,965.81	,	3,203,965.81
Current assets – discontinued operations	-	315,173.05	315,173.05
TOTAL ASSETS	**152,303,747.09**	**(29,260.00)**	**152,274,487.09**

EQUITY AND LIABILITIES	31.12.2017 published	restatement	31.12.2017 restated
Equity	**136,438,631.97**	**-**	**136,438,631.97**
Share capital	776,783.30	-	776,783.30
Share premium account	24,065,230.88	-	24,065,230.88
Other reserves	121,962.15	-	121,962.15
Reserve from valuation of incentive scheme	4,236,838.00	(2,363,500.00)	1,873,338.00
Retained earnings	107,237,817.64	2,363,500.00	109,601,317.64
Non-current liabilities	**9,254,120.87**	**(29,260.00)**	**9,224,860.87**
Borrowings	-	-	-
Other financial liabilities	-	-	-
Deferred income tax liability	9,254,120.87	(29,260.00)	9,224,860.87
Provisions for pensions and similar benefits	-	-	-
Employee benefit obligation	-	-	-
Grants	-	-	-
Current liabilities	**6,610,994.25**	**-**	**6,610,994.25**
Borrowings	3,103,141.37	-	3,103,141.37
Other financial liabilities	-	-	-
Trade payables and other liabilities	2,477,604.69	-	2,477,604.69
Income tax liabilities	-	-	-
Accruals - deferred revenue	-	-	-
Provisions for pensions and similar benefits	46,128.37	-	46,128.37
Employee benefit obligation	-	-	-
Other provisions	966,190.00	-	966,190.00
Grants	17,929.82	-	17,929.82
TOTAL EQUITY AND LIABILITIES	**152,303,747.09**	**(29,260.00)**	**152,274,487.09**

STATEMENT OF COMPREHENSIVE INCOME – 01.01.2017-31.12.2017 RESTATEMENT

	01.01-31.12.2017 published	restatement	01.01-31.12.2017 restated
Continuing operations			
Sales revenue	**3,974,706.68**	**(3,043,068.07)**	**931,638.61**
Revenue from sale of finished products/ lease/rental services since 2018	3,974,706.68	(3,043,068.07)	931,638.61
Revenue from sale of merchandise and materials	-	-	-
Cost of goods sold	**(3,603,344.94)**	**3,603,344.94**	**-**
Production cost of goods sold	(3,603,344.94)	3,603,344.94	-
Value of merchandise and materials sold	-	-	-
Gross profit (loss) on sales	**371,361.74**	**560,276.87**	**931,638.61**
Selling expenses	(72,316.72)	72,316.72	-
General and administrative expenses	(7,970,785.84)	2,363,500.00	(5,607,285.84)
Result of disposal and revaluation of financial assets measured at fair value through profit or loss	50,442,061.47	-	50,442,061.47
Other operating income	1,503,756.27	(931,638.61)	572,117.66
Other operating expenses	(453,742.09)	-	(453,742.09)
Operating profit (loss)	**43,820,334.83**	**2,064,454.98**	**45,884,789.81**
Finance income	154,481.99	-	154,481.99
Finance cost	(774,216.03)	-	(774,216.03)
Profit (loss) before taxation	**43,200,600.79**	**2,064,454.98**	**45,265,055.77**
Current income tax	(10,480.00)	-	(10,480.00)
Deferred income tax	(10,003,921.72)	49,575.93	(9,954,345.79)
Net profit/(loss) from continuing operations	**33,186,199.07**	**2,114,030.91**	**35,300,229.98**
Discontinued operations	,	,	,
Profit/(loss) for the period from discontinued operations	-	249,469.09	249,469.09
Net profit /(loss) for the period	**33,186,199.07**	**2,363,500.00**	**35,549,699.07**
Net profit/(loss) per share in PLN	,	,	,
– Basic earnings from continuing operations	4.39	0.31	4.70
– Diluted earnings from continuing operations	4.33	0.31	4.63
Other comprehensive income:	,	,	,
Other comprehensive income that will be reclassified to profit or loss in future periods	-	-	-
Other comprehensive income that will not be reclassified to profit or loss in future periods	-	-	-
Other net comprehensive income	**-**	**-**	**-**
COMPREHENSIVE INCOME FOR FINANCIAL YEAR	**33,186,199.07**	**2,363,500.00**	**35,549,699.07**

With effect in its 2018 statements, the Company modified the description of certain line items of the Statement of Comprehensive Income by adding *Revenue from sale of lease/rental services;* the advertising agency business, which has been run off, was reclassified from continuing operations to discontinued operations.

STATEMENT OF CASH FLOWS – 01.01.2017-31.12.2017 RESTATEMENT

	01.01-31.12.2017	restatement	01.01-31.12.2017 restated
Operating activities			
Gross profit/(loss)	43,200,600.79	2,064,454.98	45,265,055.77
Adjustments for:	,	,	,
Depreciation and amortisation	571,402.37	-	571,402.37
Interest and dividend, net	7,501.04	-	7,501.04
(Profit)/loss on investing activities	(162,952.47)	524,810.70	361,858.23
Result of disposal and revaluation of financial assets measured at fair value through profit or loss	(50,442,061.47)	-	(50,442,061.47)
Increase/decrease in receivables	208,790.44	-	208,790.44
Increase/decrease in liabilities	130,789.93	-	130,789.93
Increase/decrease in provisions	(49,418.93)	-	(49,418.93)
Income tax paid	(10,480.00)	-	(10,480.00)
Increase/decrease in prepayments and accruals	(138,124.65)	(4,892.81)	(143,017.46)
Valuation of incentive scheme	3,465,000.00	(2,363,500.00)	1,101,500.00
Other	557,955.76	(524,810.70)	33,145.06
Net cash from operating activities	**(2,660,997.19)**	**(303,937.83)**	**(2,964,935.02)**
Discontinued operations	,	,	,
Discontinued operations	-	303,937.83	303,937.83
Net cash from discontinued operations	**-**	**303,937.83**	**303,937.83**
Investing activities	,	,	,
Disposal of property, plant and equipment and intangible assets	2,546,203.25	-	2,546,203.25
Acquisition of property, plant and equipment and intangible assets	(42,926.84)	-	(42,926.84)
Disposal of financial assets	-	-	-
Acquisition of financial assets	(2,290,987.50)	-	(2,290,987.50)
Dividend and interest received	15,230.31	-	15,230.31
Repayment of lending	425,858.95	-	425,858.95
Lending	(1,608,000.00)	-	(1,608,000.00)
Other	(204,067.38)	-	(204,067.38)
Net cash from investing activities	**(1,158,689.21)**	**-**	**(1,158,689.21)**
Financing activities	,	,	,
Proceeds from share issue	6,296,333.30	-	6,296,333.30
Repayment of finance lease liabilities	-	-	-
Proceeds from borrowings	1,470,000.00	-	1,470,000.00
Repayment of borrowings	(3,134,780.00)	-	(3,134,780.00)
Interest paid	(22,731.35)	-	(22,731.35)
Other	(251,283.00)	-	(251,283.00)
Net cash from financing activities	**4,357,538.95**	**-**	**4,357,538.95**
Net increase in cash and cash equivalents	537,852.55	-	537,852.55
Cash at the beginning of the period	**252,500.32**	**-**	**252,500.32**
Cash at the end of the period	**790,352.87**	**-**	**790,352.87**

11. SIGNIFICANT ACCOUNTING POLICIES

Functional Currency and Presentation Currency of the Financial Statements

Polish Zloty is the functional currency of the Company and the presentation currency of these financial statements. Transactions denominated in any currencies other than Polish Zloty are translated into Polish Zloty at the rate prevailing at the transaction date.

At the end of the reporting period, monetary assets and liabilities denominated in any currencies other than Polish Zloty are translated into Polish Zloty using the average rate prevailing at the end of reporting period and fixed for a given currency by the National Bank of Poland (NBP). Translation differences are recognised, as appropriate, as finance income or finance cost.

The following exchange rates were adopted for the purpose of balance sheet measurement:

Exchange Rate at	**31.12.2018**	**31.12.2017**
EUR	4.3000	4.1709
Average Rate for the Period	**01.01-31.12.2018**	**01.01-31.12.2017**
EUR	4.2669	4.2447

Property, Plant and Equipment

Property, plant and equipment are measured at a historical cost less accumulated depreciation and impairment losses. This item includes assets with the expected economic useful life of more than 1 year.

The entry value of property, plant and equipment has been reduced by depreciation changes. Depreciate rates reflect the useful life of property, plant and equipment. Property, plant and equipment are depreciated on a straight-line basis at the following rates:

- Buildings 40 years
- Plant and machinery 5 – 12 years
- Motor vehicles 5 – 10 years
- Other assets 3 – 12 years.

Depreciation of property, plant and equipment commences upon putting them in use.

Depreciation charges are made on a straight-line basis over the economic useful life. Estimate useful lives, residual values and depreciation method are reviewed at the end of each year, with effects of all changes in estimates accounted for on a prospective basis.

In the event of any indications of impairment of property, plant and equipment, relevant impairment loss is recognised to reduce their carrying amounts.

Assets held under finance leases are depreciated over their expected economic useful lives on the same terms as freehold assets or, where shorter, the term of relevant lease contract.

Gain or loss arising on the disposal/retirement or cessation of use of any item of property, plant and equipment is determined as the difference between sales proceeds and the carrying amount of those items, and is recognised in profit or loss for the reporting period as other operating income or expenses.

Intangible Assets

Intangible assets include those assets of the Company that do not have a tangible form, are identifiable and can be estimated reliably, and will generate the inflow of economic benefits to the Company in the future. Intangible assets are measured at cost less accumulated amortisation.

Amortisation rates reflect the economic useful life of intangible assets and their actual period of use. Intangible assets are amortised on a straight-line basis at the following rates:

- Trademarks 5%
- System software 5 - 10%
- Domain software 5 - 10%
- Other software 20 - 50%

Investment Property

Investment Property comprises real property held to earn rentals or for appreciation, or both. Investment property is measured initially at cost plus transaction costs and borrowing costs. Subsequently, the Company measures all investment properties at cost. Investment property is amortised on a straight-line basis throughout its useful life. The estimated useful life of investment property is the same as that of property, plant and equipment. Investment property is derecognised upon their disposal or permanent retirement, or when no benefits from its disposal are expected in the future.

Financial Assets Measured at Fair Value Through Profit or Loss

Financial assets measured at fair value through profit or loss are initially recognised at fair value and any subsequent changes in fair value are recognised in profit or loss.

Initially, a financial asset is measured at fair value plus costs of transaction that may be directly allocated to the acquisition or creation of such financial asset.

Financial assets designated at fair value through profit or loss are measured at:

- a quoted market price – if they have an active market;
- at fair value determined otherwise – if they do not have an active market.

In order to measure fair value, the Company relies on the fair value hierarchy defined in IFRS 13. The availability of relevant inputs and their relative subjectivity might affect the selection of valuation techniques by the Company.

Nevertheless, the value fair hierarchy gives priority to inputs used in valuation techniques not those valuation techniques as such.

Valuation techniques used to determine fair value should maximise the use of relevant observable inputs and minimise the use of non-observable inputs. In its selection of valuation techniques (because of the nature of its business), the Company widely applies the market approach; it also uses the income approach whenever it is reasonable.

The fair value of a financial asset without an active market is determined using one of the following methods:

- Applying the relevant model for valuation of a financial instrument if inputs for that model originate from an active regulated market;
- Estimating the price of a financial instrument based on a price quoted on an active regulated market and available to the public, that does not differ materially from a price of a similar financial instrument, or prices of components of a hybrid financial instrument;
- Estimating the price of a financial instruments using generally accepted estimation methods.

The Company classifies the principles for measurement of fair value according to the following hierarchy that reflects the importance of source data used for valuation:

- Level 1 – financial assets/liabilities measured directly based on quoted prices in an active market;

- Level 2 – financial assets/liabilities measured based on valuation techniques that are based on assumptions utilising information from an active market or market observations;
- Level 3 – financial assets/liabilities measured as generally applied by other market participants.

The Company makes transfers out of and into the respective levels of the fair value hierarchy when the criteria for classification to a given level are satisfied or no longer met due a change.

Such transfers to/from the levels of fair value hierarchy are performed by the Company in the interim period when the trigger took place. The Company follows the same approach to transfers into and out of the respective levels of the fair value hierarchy.

The effects of valuation of financial assets measured at fair value through profit or loss are recognised as operating income or expenses of the Company in the line item *Result of disposal and revaluation of financial assets measured at fair value through profit or loss*.

Trade Receivables and Other Receivables

Trade receivables are measured and recognised in originally invoiced amounts, subject to allowances for expected credit losses in accordance with IFRS 9. Expected credit losses are estimated by the Company based on relevant IFRS 9-compliant models. As regards is trade receivables and considering the small number of its contractors, the Company has a customised approach to each contractor and recognises impairment equal to expected credit losses based on historical data adjusted for the impact of looking-forward information.

Allowances for expected credit losses are charged to other operating expenses or finance cost, depending on the type of receivables affected by impairment loss. Receivables denominated in foreign currencies are recognised in the books and measured at the last day of the reporting period in accordance with the principles described in *FX Transactions*.

Obligation to Perform Services – Revenue from Contracts with Customers

Obligation to perform services arising under contracts with customers are recognised in the books of account in the amount of future income calculated according to the percentage of costs incurred, net of amounts billed earlier.

Cash and Cash Equivalents

Cash and short-term deposits recognised in the balance sheet comprise cash at bank and cash in hand and short-term deposits with the original maturity of 3 months or less. The balance of cash and cash equivalents recognised in the statement of cash flows comprises the aforesaid cash and cash equivalents.

Equity

Equity is recognised in the books of account, broken down by type and as prescribed in the laws and the Articles of Association of the Company.

Share capital is recognised in the amount stated in the Articles of Association and registered with the National Court Register. Declared but outstanding capital contributions are recognised as uncalled capital. Own shares and uncalled capital reduce the amount of equity of the Company.

Share premium account is the premium earned on share issue less costs incurred on the share issue.

Other reserves comprise reserve from the fair value measurement of financial assets classified as available-for-sale financial assets.

Reserve from valuation of the incentive scheme comprises the accumulated amount of expenses associated with the implementation of the incentive schemes.

Reserve for purchase of own shares is the amount of capital designated for purchasing owns shares based on resolution of the General Meeting of Shareholders.

Retained earnings are profits accumulated from previous years, that have not been divided by shareholders, and profit or loss for the current financial year.

Borrowings

Initially, all bank loans, loans and debt securities are recognised at cost corresponding to the fair value of cash received, less costs associated with obtaining a loan.

Subsequently, interest-bearing bank loans, loans and debt securities are measured at amortised cost using the effective interest rate method.

The Company reports the measurement at amortised cost only if the difference between the par value and valuation is material.

Amortised cost is determined taking into account any costs associated with obtaining a loan and discounts or premiums generated in settlement of liability.

Trade Payables and Other Liabilities

Liabilities are deemed to be an obligation arising from past events, when a reliable estimate of their amount can be made, that will cause the outflow of present or future assets held by the Company.

Liabilities are initially recognised at fair value. When normal payment deadlines, already recognised in market practice for similar transactions, are applied, fair value is understood as their par value arisen on the day when a liability was recognised.

Accrued expenses are classified as other liabilities.

Those line items include amounts owed for payment for goods or services that have already been received or supplied, but remain unpaid, already billed or formally agreed with their supplier.

Furthermore, although in those specific situations it is necessary to estimate the amount or date for payment of the aforementioned liabilities, the level of uncertainty is generally much lower than in case of provisions, hence those items are classified to liabilities.

Provisions

Provisions are recognised when the Company has a present, legal or constructive obligation, as a result of a past event, it is probable that the settlement of that obligation will necessitate outflow of recourses embodying economic benefits and when a reliable estimate can be made of the amount of the obligation, however, the amount and due date of that obligation remain uncertain.

Provisions for specific risks are only established when the outflow of economic benefits from the entity is probable and a reliable estimate thereof can be made.

As regards employee benefits, the Company is not a party to any payroll arrangements or collective labour agreements. The Company does not maintain any pension plans under a direct management of the Company or of third party funds. The costs of employee benefits comprise salaries as agreed in employment contracts made with each employee, and the cost of retirement benefits (termination benefits) payable to employees in accordance with the labour law after the period of service. Short-term employee benefit obligation is measured using the general principles. The Company does not provide for future termination benefits or jubilee awards considering the current employment structure of the Company and the materiality of that item.

Revenue from Sale of Lease/Rental Services

Revenue from provision of services of lease/rental of investment property and other non-current assets is recognised in the amount of economic benefits that the Company is likely to obtain in connection with a given transaction and when the amount of revenue can be measured reliably. Revenue is recognised in the amount of fair value of compensation received or receivables less value added tax (VAT).

Result of Disposal and Revaluation of Financial Assets Measured at Fair Value

Gains and losses arising on valuation of investments, dividend received, disposal of investments measured at fair value through profit or loss are reported as the result of disposal and revaluation of financial assets measured at fair value.

Other Operating Income

Income and gains unrelated directly to the operating activity of the Company are classified as other operating income. This category comprises grants received, gains from sale of property, plant and equipment, damages received. Other operating income also includes reversals of impairment loss on receivables and impairment loss on non-current assets, as well as income from recharges presented on a net basis against base costs of such recharges.

Finance income

Finance income comprises interest on deposits and investment activities, including a variety of financial instruments and foreign exchange gains. Interest income is recognised as accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Dividend income is recognised when the shareholders' right to receive payment has been established.

Other Operating Expenses

Other operating expenses include costs and losses unrelated directly to the operating activities of the Company. This category comprises loss on sale of property, plant and equipment, donations granted in kind and in cash to other entities, including public benefit entities. Other operating expenses also includes the expense of impairment loss on receivables and impairment loss on non-current assets.

Finance cost

Finance cost comprises costs incurred due to use of external sources of funding, interest payable under finance leases when the Company is a lessee, foreign exchange losses and allowances for expected credit losses in relation to lending.

Income Tax

Income tax comprises current tax and deferred tax. Current and deferred income taxes are recognised in profit or loss for the current period.

Current tax is the expected amount payable or receivable by way of tax on income taxable for a given year, calculated using the tax rates that have been enacted or substantively enacted by the reporting date, and adjustments of tax liability for previous years.

Deferred tax is calculated using the balance sheet method as tax payable or refundable in the future based on differences between carrying amounts of assets and liabilities in the financial statements and their corresponding values used for calculation of the tax base. Deferred tax liability is recognised in its full amount. That liability is not subject to discounting.

Deferred income tax asset is recognised to the extent that it is probable that taxable income will be available in the future against which those deductible temporary difference can be utilised.

Deferred tax asset is reviewed at each reporting date and when future tax profits or deductible temporary differences are expected to be insufficient to utilise the asset or a part thereof, the asset is charged off.

Earnings Per Share

The Company presents its basic and diluted earnings per share for all shares.

Basic earnings per share are calculated by dividing profit or loss attributable to the holders of shares by the number of shares at a given date.

Diluted earnings per share are calculated by dividing adjusted profit or loss attributable to holders of shares by the number of shares adjusted by the holdings of own shares and dilutive effects of potential shares, including convertible bonds, and also share options granted to employees.

12. MATERIAL VALUES BASED ON PROFESSIONAL JUDGMENT AND ESTIMATES

The preparation of financial statements requires certain estimates and assumptions to be made by the Management Board; such estimates and assumptions affect the figures disclosed in the financial statements. Most estimates are based on analyses and best knowledge of the Management Board. Although the assumptions and estimates adopted are based on the Management Board's best knowledge of current operations and developments, actual results might differ from expectations. The estimates and underlying assumptions are subject to validation. Any change in accounting estimates is recognised in the period when such estimate was changed, or in current and future periods if the changed estimate affects both the current and future periods. The most material items of the financial statements partially determined by reliance on estimates and professional judgment are discussed below.

Fair Value of Financial Assets

The fair value of financial assets for which there is no active market, is measured using relevant valuation techniques. The Company follows the professional judgment in the selection of suitable methods and assumptions. In order to estimate the measurement of non-public financial assets the Company applies the peer comparison method. The application of this technique requires a proper judgment to be made by the Company whether identified peers have the same or similar business profile than the asset subject to valuation and whether the selection of multiples is representative for the respective industries and financial standing of companies, or whether such multiples should be adjusted considering certain differences that were identified. The selection of peer companies is based on the judgment whether the business of the peer selection is similar to the business of the asset subject to valuation as regards the market sector when it is active, the size and nature of market risks. The multiples used for valuation of assets are market-based. The adequacy of their application is assessed based on the line of business and the structure of assets and equity. If any potential differences are identified between peers and the asset subject to valuation as regards the line of business, risk profile or growth prospects for their financial flows, a relevant estimate of the correction of ratios is established for the final valuation of the asset.

Depreciation/Amortisation Rates

The amounts of depreciation/amortisation rates are set based on the expected economic useful life of property, plant and equipment and intangible assets. The Company reviews the adopted useful lives every year by reference to its current estimates.

Expected Credit Losses

Expected credit losses are estimated by the Company based on relevant IFRS 9-compliant models. As regards is trade receivables and considering the small number of its contractors, the Company has a customised approach to each contractor and recognises impairment equal to expected credit losses based on historical data adjusted for the impact of looking-forward information. As regards its loans, the Company approaches each contract separately and assesses the repayment history of each loan, growth in credit risk compared to the initial recognition, and the probability of borrower's default. The determination of existence of credit losses and the calculation of allowance for expected credit losses are based on judgment.

Valuation of the Incentive Scheme

The cost of the incentive scheme is estimated by the Company based on the assumption that the scheme beneficiaries will fullfil all conditions set out in the incentive scheme regulations before the warrants are offered for subscription by the Company.

Accrued Expenses

The Company recognised accrued expenses when:

- It has an obligation arising from past events;
- It is probable that the settlement of that obligation will cause outflow of its future assets;
- The amount of obligation to be settled can be estimated reliably.

13. DETAILED NOTES AND EXPLANATIONS

Note 1 REVENUE FROM SALE OF LEASE/RENTAL SERVICES

Revenue from sale of lease/rental services is presented less value added tax, rebates and discounts, is recognised upon the transfer onto the buyer of the significant risk and rewards incidental to ownership.

Revenue from sale of lease/rental services	**01.01-31.12.2018**	**01.01-31.12.2017**
Revenue from lease/rental services	450,748.01	931,638.61
Total revenue from sale of services	**450,748.01**	**931,638.61**

Revenue from sale of lease/rental services	**01.01-31.12.2018**	**01.01-31.12.2017**
Poland	450,748.01	931,638.61
Other countries	-	-
Total revenue from sale of services	**450,748.01**	**931,638.61**

Note 2 OPERATING SEGMENTS

The Company does not present any information regarding business segments since its business is homogenous in nature.

Note 3 COSTS OF OPERATIONS

Costs by nature	**01.01-31.12.2018**	**01.01-31.12.2017**
Depreciation/amortisation	(215,700.42)	(571,402.37)
Salaries and employee benefits expense	(1,076,806.16)	(2,054,499.11)
Consumption of materials and energy	(46,091.19)	(48,713.03)
Third party services	(2,624,455.93)	(2,360,097.88)
Taxes and charges	(82,825.79)	(98,972.59)
Other expenses	(431,178.36)	(473,600.86)
Total costs by nature	**(4,477,057.85)**	**(5,607,285.84)**
Selling expenses (+)	-	
General and administrative expenses (+)	4,477,057.85	5,607,285.84
Total production cost of finished products sold	**-**	**-**

Depreciation/amortisation expense disclosed in the statement of comprehensive income	**01.01-31.12.2018**	**01.01-31.12.2017**
Items recognised in cost of goods sold	**-**	**-**
Depreciation of property, plant and equipment	-	-
Amortisation of intangible assets	-	-
Items recognised in selling expenses	**-**	**-**
Depreciation of property, plant and equipment	-	-
Amortisation of intangible assets	-	-
Items recognised in general and administrative expenses:	**(215,700.42)**	**(571,402.37)**
Depreciation of property, plant and equipment	(188,813.09)	(430,888.51)
Amortisation of intangible assets	(26,887.33)	(140,513.86)

Staff costs	**01.01-31.12.2018**	**01.01-31.12.2017**
Salaries	(749,313.12)	(831,305.07)
Social insurance and other benefits expense	(107,228.04)	(121,694.04)
Cost of incentive scheme	(220,265.00)	(1,101,500.00)
Total staff costs, of which:	**(1,076,806.16)**	**(2,054,499.11)**
Items recognised in cost of goods sold	-	-
Items recognised in selling expenses	-	-
Items recognised in general and administrative expenses	(1,076,806.16)	(2,054,499.11)

Note 4 RESULT OF DISPOSAL AND REVALUATION OF FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	01.01-31.12.2018	**01.01-31.12.2017**
Result of disposal of assets	**2,910,233.18**	**-**
Nextbike Polska SA	72,054.00	-
Youlead sp. z o.o.	2,873,459.18	-
Triggo SA	(35,280.00)	-
Result of revaluation of assets	**(13,657,246.67)**	**50,442,061.47**
LARQ Fund Management sp. z o.o.	(12,987,275.33)	50,246,782.25
Nextbike Polska SA	(177,579.88)	297,522.50
Adinnovation sp. z o.o.	(207,336.46)	(102,243.28)
Cam Media Creative Works sp. z o.o.	-	-
Intelisoft sp. z o.o.	(285,055.00)	-
Media Power sp. z o.o.	-	-
AWL VIII sp. z o.o.	-	-
Total result of disposal and revaluation of financial assets measured at fair value through profit or loss	**(10,747,013.49)**	**50,442,061.47**

Note 5 OTHER OPERATING INCOME AND EXPENSES

Other operating income	**01.01-31.12.2018**	**01.01-31.12.2017**
Gains on disposal of non-financial non-current assets	124,765.33	162,952.47
Reversal of impairment loss on receivables	37,469.05	-
Grants received	17,929.82	143,300.22
Recharged expenses	7,053.48	12,045.13
Liabilities written off	-	63,313.48
Other	184,725.15	190,506.36
Total other operating income	**371,942.83**	**572,117.66**

In *Recharged expenses*, revenue from recharges is presented on a net basis less base costs of recharges.

Other operating expenses	**01.01-31.12.2018**	**01.01-31.12.2017**
Net loss on disposal of non-financial non-current assets	-	-
Estimated credit losses	(43,004.05)	
Impairment loss on trade receivables	-	(182,281.91)
Other	(2,044.01)	(271,460.18)
Total other operating expenses	**(45,048.06)**	**(453,742.09)**

Note 6 FINANCE INCOME AND FINANCE COST

Finance income	**01.01-31.12.2018**	**01.01-31.12.2017**
Interest income	227,209.12	153,269.99
- bank deposits	1,190.53	7,922.26
- interest accrued on lending	226,018.59	145,347.73
- other	-	-
Other	15,850.00	1,212.00
Total finance income	**243,059.12**	**154,481.99**

Finance cost	**01.01-31.12.2018**	**01.01-31.12.2017**
Interest expense	(173,780.18)	(231,271.66)
- borrowings	(161,419.45)	(201,676.00)
- finance lease	-,	-
- trade payables	(2,465.99)	(25,568.05)
- other	(9,894.74)	(4,027.61)
Impairment loss on assets (lending)	(1,496,219.73)	(524,810.70)
Other	(12,542.53)	(18,133.67)
Total finance cost	**(1,682,542.44)**	**(774,216.03)**

Disclosure of Revenue, Expenses, Gain or Loss by Category of Financial Instruments

	01.01-31.12.2018				
	Financial Assets Measured at Amortised Cost	**Financial Assets Measured at Fair Value Through Other Comprehensive Income**	**Financial Assets Measured at Fair Value Through Profit or Loss**	**Financial Liabilities Measured at Amortised Cost**	**Total Financial Instruments**
Interest income/ (expense)	227,209.12	-	-	(161,419.45)	**65,789.67**
Foreign exchange gain/(loss)	-	-	-	(3,670.07)	**(3,670.07)**
Result of disposal of financial assets	-	-	2,910,233.18	-	**2,910,233.18**
Result of revaluation of financial assets measured at fair value through profit or loss	-	-	(13,657,246.67)	-	**(13,657,246.67)**
Total net profit/ (loss)	**227,209.12**	**-**	**(10,747,013.49)**	**(165,089.52)**	**(10,684,893.89)**

	01.01-31.12.2017				
	Financial Assets Measured at Amortised Cost	**Financial Assets Measured at Fair Value Through Other Comprehensive Income**	**Financial Assets Measured at Fair Value Through Profit or Loss**	**Financial Liabilities Measured at Amortised Cost**	**Total Financial Instruments**
Interest income/ (expense)	153,269.99	-	-	(201,676.00)	**(48,406.01)**
Foreign exchange gain/(loss)	-	-	-	(6,235.67)	**(6,235.67)**
Result of disposal of financial assets	-	-	-	-	**-**
Result of revaluation of financial assets measured at fair value through profit or loss	-	-	50,442,061.47	-	**50,442,061.47**
Total net profit/ (loss)	**153,269.99**	**-**	**50,442,061.47**	**(207,911.67)**	**50,387,419.79**

Note 7 INCOME TAX

Current tax charge is calculated based on the applicable tax regulations. Due to the application of those regulations, taxable profit (loss) differs from net accounting profit (loss) in connection with the exclusion of non-taxable income and non-deductible expenses as well as those expense and income items that will be never subject to taxation. Tax charges are calculated at tax rates applicable during a given financial year. Pursuant to amended regulations, the rate of 19% has been applicable since 2004. The current regulations do not provide for different tax rates in future periods.

With respect to income tax, the Company is subject to the general legislation in that respect. Its tax and balance sheet years coincide with the calendar year.

Income tax disclosed in statement of comprehensive income	**01.01-31.12.2018**	**01.01-31.12.2017**
Current income tax		**(10,480.00)**
Current income tax expense	-	-,
Adjustments in relation to current income tax of prior years	-	(10,480.00)
Deferred income tax	**2,551,933.49**	(9,954,345.79)
Arising on temporary differences and their reversal – continuing operations	2,551,933.49	(9,954,345.79)
Tax expense recognised in the statement of comprehensive income – continuing operations	**2,551,933.49**	**(9,964825.79)**

Deferred tax reported in the statement of profit or loss is the difference between the balance of deferred tax liabilities and assets at the end and beginning of the relevant reporting periods.

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Current income tax	**01.01-31.12.2018 Capital Gains**	**01.01-31.12.2018 Other Gains**	**01.01-31.12.2018 Total Gains**	**01.01-31.12.2017**
Gross profit /(loss) before tax from continuing operations	(12,505,379.86)	(3,380,532.02)	(15,885,911.88)	45,265,055.77
Profit /(loss) before tax from discontinued operations	-	158,245.90	158,245.90	299,045.02
Profit /(loss) before taxation	**(12,505,379.86)**	**(3,222,286.12)**	**(15,727,665.98)**	**45,564,100.79**
Revenue excluded from taxation	-	(319,487.64)	(319,487.64)	(226,451.64)
Non-deductible expenses	388,908.93	2,366,098.33	2,755,007.26	2,769,418.15
Unrealised valuation of financial assets	13,657,246.67	-	13,657,246.67	(50,442,061.47)
Increase of tax expense	(92,350.29)	(120,078.28)	(212,428.57)	(5,266.81)
Taxable income/(loss)	**1,448,425.45**	**(1,295,753.71)**	**(319,487.64)**	**(2,340,260.98)**
Utilisation of tax losses carried forward	(1,448,425.45)	-	-	-
Base for calculation of current income tax	**1,448,425.45**	**(1,295,753.71)**	**-**	**(2,340,260.98)**
Income tax recognised in the statement of comprehensive income	**-**	**-**	**-**	**(10,480.00)**
Deferred income tax – continuing operations	**2,594,877.02**	**(42,943.53)**	**2,551,933.49**	**(9,954,345.79)**
Effective tax rate – continuing operations	**21%**	**1%**	**16%**	**22%**

In 2017, current income tax expense was due to the correction of tax returns for previous years.

Note 8 DEFERRED INCOME TAX

Deductible temporary differences based on which deferred tax asset is recognised	31.12.2017	Increase	Decrease	31.12.2018
Total deductible temporary differences	-	-	-	-
Tax rate	19%	19%	19%	19%
Deferred tax assets	-	-	-	-

Taxable temporary differences based on which deferred tax liability is recognised	31.12.2017	Increase	Decrease	31.12.2018
Interest accrued on lending	(299,907.05)	-	(226,018.58)	(525,925.63)
Measurement of financial assets at fair value through profit or loss	(48,251,992.26)	-	13,657,247.47	(34,594,744.79)
Total deductible temporary differences	**(48,551,899.32)**	**-**	**13,431,228.89**	**(35,120,670.42)**
Tax rate	19%	19%	19%	19%
Deferred tax liability	**(9,224,860.87)**	**-**	**2,551,933.49**	**(6,672,927.38)**

	31.12.2018	31.12.2017
Deferred tax assets	-	-
Deferred tax liability	(6,672,927.38)	(9,224,860.87)
Net deferred tax assets/(liability)	**(6,672,927.38)**	**(9,224,860.87)**

The Company presents the deferred tax asset and liability on a net basis.

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Note 9 DISCONTINUED OPERATIONS

In the first quarter of 2019, the Company terminated its performance of contracts relating to operations of full-service advertising agency that has been run-off in the previous years; the Company used to be a party to such contracts. The result of that line of business was presented as *Profit/loss from discontinued operations* as follows:

	01.01-31.12.2018	01.01-31.12.2017
Sale revenue	**4,366,479.57**	**3,974,706.68**
Revenue from sale of finished products	4,366,479.57	3,974,706.68
Cost of goods sold	**(3,983,262.15)**	**(3,603,344.94)**
Production cost of goods sold	(3,983,262.15)	(3,603,344.94)
Gross profit (loss) on sales	**383,217.42**	**371,361.74**
Selling expenses	(63,798.47)	(72,316.72)
Other operating expenses	(190,433.05)	-
Gross profit (loss)	**128,985.90**	**299,045.02**
Deferred income tax	29,260.00	(49,575.93)
Net profit (loss) from discontinued operations	**158,245.90**	**249,469.09**

Note 10 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE

During 2018, no assets were classified as held for sale.

Note 11 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the period attributable to the Company's shareholders by the number of shares issued and outstanding at a given date.

Diluted earnings per share are calculated by dividing the net profit for the period attributable to the shareholders (less interest on redeemable preference shares convertible into ordinary shares) by the number of shares issued and outstanding at a given date (adjusted for the impact of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

	01.01-31.12.2018	01.01-31.12.2017
Net profit from continuing operations	(13,333,978.39)	35,300,229.98
Loss from discontinued operations	158,245.90	249,469.09
Recognition of profit for the purpose of calculation of basic earnings per share	**(13,175,732.49)**	**35,549,699.07**
Interest on redeemable preference shares convertible into ordinary shares	-	-
Recognition of profit for the purpose of calculation of diluted earnings per share	**(13,175,732.49)**	**35,549,699.07**

	01.01-31.12.2018	01.01-31.12.2017
Weighted average number of ordinary shares issued and outstanding used to calculate basic earnings per share	**7,825,778**	**7,558,189**
Dilutive effect of:		
- share options	18,666	112,500
- redeemable preference shares	-	-
Adjusted weighted average number of ordinary shares used to calculate basic earnings per share	**7,844,444**	**7,670,689**

	01.01-31.12.2018	01.01-31.12.2017
Basic earnings per share (PLN/share)	(1.68)	4.70
Diluted earnings per share (PLN/share)	(1.68)	4.63

Note 12 DIVIDEND PROPOSED OR DECLARED BEFORE THE DATE OF APPROVAL OF THE FINANCIAL STATEMENTS

None.

Note 13 DISCLOSURE OF ELEMENTS OF OTHER COMPREHENSIVE INCOME

None.

Note 14 TAX EFFECT OF OTHER COMPREHENSIVE INCOME

None.

Note 15 PROPERTY, PLANT AND EQUIPMENT

Ownership structure of PPE	**31.12.2018**	**31.12.2017**
Freehold	1,712,016.25	1,827,513.24
Total ownership structure of PPE	**1,712,016.25**	**1,827,513.24**

Amounts of Contractual Commitments to Purchase Property, Plant and Equipment in the Future

None.

Security Created on the Company's Assets at 31 December 2018

- Contractual mortgage created in favour of Alior Bank S.A. by way of security for repayment of the loan facility and guarantee by Nextbike, created on the premises nos. 29 and 30 located in 16 Tamka Street in Warsaw. The mortgage amount is capped at 8,320,000.00.
- Contractual mortgage created on the Company-owned premises no. 30 located in 16 Tamka Street in Warsaw; it is created in favour of Mr. Marcin Pawlak by way of security for repayment of claims that might arise in the event of default by Nextbike Polska S.A. under the framework agreements for insurance guarantee. The mortgage amount is PLN 2,000,000;
- Contractual mortgage created on the Company-owned business premises no. U-5 located in 16 Tamka Street in Warsaw; it was created in favour of Alior Bank by way of security for repayment of the loan facility and guarantee by Nextbike. The mortgage amount is capped at PLN 9,791,500.00;
- Contractual mortgage created on the Company-owned business premises nos. U-5, 29 and 30 located in 16 Tamka Street in Warsaw; it was created in favour of Alior Bank by way of security for repayment of the loan facility and guarantee by Nextbike. The mortgage amount is capped at PLN 26,610,375.00; and
- Contractual mortgage created on the Company-owned business premises nos. U-5, 29 and 30 located in 16 Tamka Street in Warsaw; it was created in favour of ING Bank Śląski by way of security for repayment of the loan facility by Nextbike Polska SA. The mortgage amount is capped at PLN 12,000,000.00.
- Maximum mortgage created on the Company-owned business premises no. U-5 located in 16 Tamka Street in Warsaw in favour of BGŻ BNP Paribas Bank Polska S.A. by way of security for repayment of long-term loan facility. The mortgage is to be erased.

Movements in Property, Plant and Equipment (by category)	01.01.2018- 31.12.2018					
	Buildings & Structures	Plant & Machinery	Motor Vehicles	Other Assets	Assets under Construction	Total
Gross carrying amount at 01.01.2018	**2,246,491.80**	**513,489.35**	**67,000.00**	**618,132.34**	**-**	**3,445,113.49**
Increases due to:	**-**	**-**	**-**	**8,234.14**	**-**	**8,234.14**
- purchase of PPE	-	-	-	8,234.14	-	**8,234.14**
Decreases, due to	**-**	**-**	**-**	**(286,477.90)**	**-**	**(286,477.90)**
- sale	-	-	-	(286,477.90)	-	**(286,477.90)**
Gross carrying amount at 31.12.2018	**2,246,491.80**	**513,489.35**	**67,000.00**	**339,888.58**	**-**	**3,166,869.73**
Depreciation at 01.01.2018	**(503,511.77)**	**(492,707.04)**	**(67,000.00)**	**(554,381.44)**	**-**	**(1,617,600.25)**
Change due to	**(58,070.73)**	**(10,703.89)**	**-**	**231,521.39**	**-**	**162,746.77**
- depreciation expense	(58,070.73)	(10,703.89)	-	(24,721.84)	-	**(93,496.46)**
- sale of PPE	-	-	-	256,243.23	-	**256,243.23**
Depreciation at 31.12.2018	**(561,582.50)**	**(503,410.93)**	**(67,000.00)**	**(322,860.05)**	**-**	**(1,454,853.48)**
Impairment losses at 01.01.2018	**-**	**-**	**-**	**-**	**-**	**-**
Increases, due to	**-**	**-**	**-**	**-**	**-**	**-**
- recognition of impairment losses	-	-	-	-	-	**-**
Decreases, due to	**-**	**-**	**-**	**-**	**-**	**-**
- sale of PPE	-	-	-	-	-	**-**
Impairment losses at 31.12.2018	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount at 01.01.2018	**1,742,980.03**	**20,782.31**	**-**	**63,750.90**	**-**	**1,827,513.24**
Net carrying amount at 31.12.2018	**1,684,909.30**	**10,078.42**	**-**	**17,028.53**	**-**	**1,712,016.25**

Movements in Property, Plant and Equipment (by category)	01.01.2017 - 31.12.2017					
	Buildings & Structures	Plant & Machinery	Motor Vehicles	Other Assets	Assets under Construction	Total
Gross carrying amount at 01.01.2017	**5,158,918.82**	**492,216.91**	**134,800.00**	**1,502,724.95**	**-**	**7,288,660.68**
Increases due to:	**-**	**21,272.44**	**-**	**9,624.87**	**-**	**30,897.31**
- purchase of PPE	-	21,272.44	-	9,624.87	-	**30,897.31**
Decreases, due to	**(2,912,427.02)**	**-**	**(67,800.00)**	**(894,217.48)**	**-**	**(3,874,444.50)**
- sale	(2,912,427.02)	-	(67,800.00)	(894,217.48)	-	**(3,874,444.50)**
Gross carrying amount at 31.12.2017	**2,246,491.80**	**513,489.35**	**67,000.00**	**618,132.34**	**-**	**3,445,113.49**
Depreciation at 01.01.2017	**(894,440.24)**	**(488,225.84)**	**(132,540.00)**	**(1,150,183.39)**	**-**	**(2,665,389.47)**
Change due to	**390,928.47**	**(4,481.20)**	**65,540.00**	**595,801.95**	**-**	**1,047,789.22**
- depreciation expense	(118,746.33)	(4,481.20)	(1,130.00)	(211,214.35)	-	**(335,571.88)**
- sale of PPE	509,674.80	-	66,670.00	807,016.30	-	**1,383,361.10**
Depreciation at 31.12.2017	**(503,511.77)**	**(492,707.04)**	**(67,000.00)**	**(554,381.44)**	**-**	**(1,617,600.25)**
Impairment losses at 01.01.2017	**-**	**-**	**-**	**-**	**-**	**-**
Increases, due to	**-**	**-**	**-**	**-**	**-**	**-**
- recognition of impairment losses	-	-	-	-	-	**-**
Decreases, due to	**-**	**-**	**-**	**-**	**-**	**-**
- sale of PPE	-	-	-	-	-	**-**
Impairment losses at 31.12.2017	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount at 01.01.2017	**4,264,478.58**	**3,991.07**	**2,260.00**	**352,541.56**	**-**	**4,623,271.21**
Net carrying amount at 31.12.2017	**1,742,980.03**	**20,782.31**	**-**	**63,750.90**	**-**	**1,827,513.24**

Buildings and structures with the carrying amount of PLN 4,624,246.45 (31 December 2017: PLN 4,624,246.463) have been mortgaged by way of security for bank loans.

Note 16 INTANGIBLE ASSETS

	01.01 -31.12.2018				
Movements in Intangible Assets (by Category)	**Cost of Development Work**	**Computer Software**	**Other Intangibles**	**Goodwill**	**Total**
Gross carrying amount at 01.01.2018	**-**	**806,579.48**	**15,000.00**	**-**	**821,579.48**
Increases, due to	**-**	**-**	**-**	**-**	**-**
- acquisition	-	-	-	-	-
Decreases, due to	-	-	-	-	-
- sale	-	-	-	-	-
Gross carrying amount at 31.12.2018	**-**	**806,579.48**	**15,000.00**	**-**	**821,579.48**
Amortisation at 01.01.2018	**-**	**(771,471.83)**	**(15,000.00)**	**-**	**(786,471.83)**
Change, due to	**-**	**(26,887.33)**	**-**	**-**	**(26,887.33)**
- accumulated amortisation (annual expense)	-	(26,887.33)	-	-	(26,887.33)
- sale	-	-	-	-	-
Amortisation at 31.12.2018	**-**	**(798,359.16)**	**(15,000.00)**	**-**	**(813,359.16)**
Impairment losses at 01.01.2018	**-**	**-**	**-**	**-**	**-**
Increases, due to	**-**	**-**	**-**	**-**	**-**
- reclassification between categories	-	-	-	-	-
Decreases, due to	**-**	**-**	**-**	**-**	**-**
- reversal of impairment losses	-	-	-	-	-
- reclassification between categories	-	-	-	-	-
Impairment losses at 31.12.2018	**-**	**-**	**-**	**-**	**-**
Net carrying amount at 01.01.2018	**-**	**35,107.65**	**-**	**-**	**35,107.65**
Net carrying amount at 31.12.2018	**-**	**8,220.32**	**-**	**-**	**8,220.32**

	01.01 -31.12.2017				
Movements in Intangible Assets (by Category)	**Cost of Development Work**	**Computer Software**	**Other Intangibles**	**Goodwill**	**Total**
Gross carrying amount at 01.01.2017	**-**	**794,549.85**	**15,000.00**	**-**	**809,549.85**
Increases, due to	**-**	**12,029.63**	**-**	**-**	**12,029.63**
- acquisition	-	12,029.63	-	-	**12,029.63**
Decreases, due to	-	-	-	-	**-**
- sale	-	-	-	-	**-**
- retirement	-	-	-	-	**-**
- reclassification between categories	-	-	-	-	**-**
Gross carrying amount at 31.12.2017	**-**	**806,579.48**	**15,000.00**	**-**	**821,579.48**
Amortisation at 01.01.2017	**-**	**(631,707.97)**	**(14,250.00)**	**-**	**(645,957.97)**
Change, due to	**-**	**(139,763.86)**	**(750.00)**	**-**	**(140,513.86)**
- accumulated amortisation (annual expense)	-	(139,763.86)	(750.00)	-	**(140,513.86)**
- sale	-	-	-	-	**-**
Amortisation at 31.12.2017	**-**	**(771,471.83)**	**(15,000.00)**	**-**	**(786,471.83)**
Impairment losses at 01.01.2017	**-**	**-**	**-**	**-**	**-**
Increases, due to	**-**	**-**	**-**	**-**	**-**
- reclassification between categories	-	-	-	-	**-**
Decreases, due to	**-**	**-**	**-**	**-**	**-**
- reversal of impairment losses	**-**	**-**	**-**	**-**	**-**
- reclassification between categories	**-**	**-**	**-**	**-**	**-**
Impairment losses at 31.12.2017	**-**	**-**	**-**	**-**	**-**
Net carrying amount at 01.01.2017	**-**	**162,841.88**	**750.00**	**-**	**163,591.88**
Net carrying amount at 31.12.2017	**-**	**35,107.65**	**-**	**-**	**35,107.65**

Note 17 INVESTMENT PROPERTY

Ownership structure of investment property	31.12.2018	31.12.2017
Freehold	2,785,949.79	2,881,266.42
Used under rental, hire or other contracts, including leases	-	-
Total ownership structure of investment property	**2,785,949.79**	**2,881,266.42**

	31.12.2018	31.12.2017
Gross carrying amount at the beginning of period	**3,812,665.70**	**3,812,665.70**
Increases, due to	**-**	**-**
- acquisition	-	-
Decreases, due to	**-**	**-**
- sale	-	-
Gross carrying amount at the end of period	**3,812,665.70**	**3,812,665.70**
Depreciation at the beginning of period	**(931,399.28)**	**(836,082.65)**
Change due to	**(95,316.63)**	**(95,316.63)**
- depreciation expense	(95,316.63)	(95,316.63)
- sale of PPE	-	-
Depreciation at the end of period	**(1,026,715.91)**	**(931,399.28)**
Impairment losses at beginning of period	**-**	**-**
Increases, due to	**-**	**-**
- recognition of impairment losses	-	-
Decreases, due to	**-**	**-**
- sale of PPE	-	-
Impairment losses at end of period	**-**	**-**
Net carrying amount at the beginning of period	**2,881,266.42**	**2,976,583.05**
Net carrying amount at the end of period	**2,785,949.79**	**2,881,266.42**

Note 18 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31.12.2018	31.12.2017
LARQ Fund Management sp. z o.o.*	123,770,706.33	136,757,981.66
Nextbike Polska SA	653,653.00	2,303,455.00
Brand 24 SA**	2,298,676.71	-
Adinnovation sp. z o.o.	841,407.28	1,048,743.74
Cam Media Creative Works sp. z o.o.	-	-
Intelisoft sp. z o.o.	-	285,055.00
Media Power sp. z o.o.	1,212.00	1,212.00
AWL VIII sp. z o.o.	11,160.00	11,160.00
Triggo SA	-	-
Youlead sp. z o.o.	-	-
Total financial assets measured at fair value through profit or loss	**127,576,815.32**	**140,407,607.40**

* The subsidiary, Larq Fund Management sp. z o.o., holds all certificates in the investment fund called LARQ Growth Fund I FIZ.

** Shares in Brand24 SA were acquired under the exchange deal of 28 December 2018 which was settled on 2 January 2019.

Corporate Profiles of Companies Classified as Financial Assets Measured at Fair Value Through Profit or Loss

Larq Fund Management sp. z o.o. (100% shares are held by LARQ)

The Company holds all certificates in LARQ Growth Fund I FIZ. The net assets value of that fund was PLN 129 million at 31 December 2018. The fund comprises shareholdings in the following companies: Nextbike Polska SA, Brand 24 SA, Synergic sp. z o.o., Youlead sp. z o.o., Triggo SA as well as cash.

The valuation of LARQ Fund Management sp. z o.o. is based on the adjusted net assets value of the company, i.e. the assets-based approach. The main asset held by the company are investment certificates in LARQ GrowthFund I Fundusz Inwestycyjny Zamknięty. The Company does not have any material current liabilities and has recognised the deferred tax liability exceeding PLN 8 million.

The Company does not carry any other material operations and its future inflows are based on its assets which, at present, are the main driver of the Company's value.

In 2018, the company's value was determined in the above way and declined by over PLN 13 million as the value of investment certificates held by it fell down.

CAM Media Creative Works sp. z o.o. (100% shares are held by LARQ)

Full-service advertising agency with more than 20 years of market experience.

CAM Media Creative Works supports its customers in the area of designing a communication strategy, creating visionary creative solutions, designing visual identifications and also planning and organisation of marketing campaigns with the use of all communication tools and channels available on the market.

Intelisoft sp. z o.o. (51% shares are held by LARQ)

Interactive agency and software house with almost ten years of market experience.

AWL VIII sp. z o.o., Media Power sp. z o.o., AdInnovation sp. z o.o. (100% shares are held by LARQ)

Special purpose vehicles dedicated to special projects.

The value of shareholdings in the above companies is reported at fair value based on the adjusted net assets value of a given company at the balance sheet date. In case of LARQ Fund Management sp. z o.o., the adjusted net assets value mostly comprises the value of investment certificates in LARQ Growth Fund I FIZ. The fair value of those investment certificates is measured based on published valuations of that investment fund. The fund is valued on a quarterly basis based on the fair value measurement of the FIZ Assets held by that fund, and other investments of that fund. The valuation of companies listed on the public market is based on their most recent stock exchange valuations, and the valuation of unlisted FIX Assets is prepared by a specialised professional company in accordance with IFRS 13 using the market valuation based on the peer group comparison/multiples method, that is based on quoted prices (so-called market multiples) or prices from such transactions as mergers and acquisitions (co-called transactional ratios). The peer group comparison method estimates the company's value in light of results generated by companies whose business profile is as close as possible to the company being valued, and the amount of transactions made by entities active in the same business on both public and non-public markets. The peer group comparison method based on the sample of public companies and non-public transactions is carried out in the following stages:

- Identification of public companies whose business profile is as close as possible to the company being valued, or transactions involving non-public companies active in the industry of the company being valued;
- Collection of financial information concerning companies deemed representative for a given industry, data about quotations of those companies or their financial information, and the value of transactions involving identifiable non-public companies;
- Determination and calculation of multiples to be used in the valuation;

- Application of such available multiples to determine the value of the business being valued; and
- Application of adequate adjustments (discounts) to assure the comparability between the assets being valued and comparable companies.

The selection of peer companies was based on their assessment according to the key factors affecting their valuation, namely the macroeconomic and market environments, business profile, size of business and availability of financial data. In addition, the selection of multiples is based on the type of business of the company subject to valuation, its assets and capital structure when compared to similar companies.

Considering the availability of data, the determination of fair value was based on multiples relating to earnings, book value and revenue, namely EV/EBITDA, P/E, P/BV, EV/S, P/S, as appropriate for the company subject to valuation. The multiples were calculated based on the consolidated and separate financials for the last year, as derived from the interim reports of those companies. When the number of peer companies was sufficient, the selection of multiples will be based on the median or mean value of such multiples.

When differences are identifiable in the area of business, risk profile or growth prospects for financial flows between the company subject to valuation and peer companies, adequate adjustments (discounts) are made to maintain the best comparability. The source of operational differences between the company subject to valuation and its peers may be the level of revenue or assets, the level and rate of profit growth, debt level or market conditions. Apart from operational adjustments, additional discounts are applied for the absence of control (if comparative transactions/valuations concerned controlling interests) and discounts for insufficient liquidity (for valuation of unlisted companies when compared to public assets).

FIZ Assets and Listed Companies Held by LARQ:

Nextbike Polska SA (67% shares are held by LARQ Growth Fund I FIZ and 1 % by LARQ SA)

The largest supplier and operator of city bike sharing systems in Poland. Nextbike manages the fleet of over 16,000 bikes in almost 50 towns in Poland and 1 town in Finland, it has more than 2 million registered users in its base. The company keeps reinforcing its market leadership by winning new tenders and increasing the fleet of city bikes available to residents of Polish towns. Since August 2017, Nextbike has been listed on the NewConnect market. At the level of LARQ and LARQ Growth Fund I FIZ, Nextbike shares admitted to trading are valued by reference to the company's price at 28 December 2018; in case of unlisted shares –a 5% discount was applied due to the unlisted nature of that share series and considering that those are registered shares.

Brand 24 SA (36% shares are held by LARQ Growth Fund I FIZ and 3% by LARQ)

The owner of a proprietary tool for Internet content monitoring sold as SaaS (Software as a Service). The company enjoys a dominant position on the Polish market in that product category and has dynamically expanded its customer base on the global market. At 31 December 2018, the company had 3,096 users. Since January 2018, Brand24 has been listed on the NewConnect market. The valuation of Brand24 at 31 December 2018, at the level of LARQ Growth Fund, was based on the company's share price on 28 December 2018.

Synergic sp. z o.o. (100% shares are held by LARQ Growth Fund I FIZ)

The leading operator and owner of non-standard outdoor advertising media in Poland. Synergic displays its advertisements at almost all Polish airports and key bus stations. The company is the exclusive operator of advertising space on city bikes and in underground passages in the major cities in Poland. The valuation of Synergic at the level of LARQ Growth Fund was performed using the comparative companies analysis approach based on a sample of peer companies with the use of generally acceptable market multiples such as EV/EBITDA, P/E and P/BV of companies listed on the Polish and international markets.

Youlead sp. z o.o.(51% shares are held by LARQ Growth Fund I FIZ)

The owner of extended sales & marketing automation class tool for supporting the generation and conversion of sales leads, sold under the SaaS model. Youlead's customers are Poland's leading housing developers, car dealers and e-

commerce operators. The valuation of Youlead at the level of LARQ Growth Fund was performed using the comparative companies analysis approach based on a sample of peer companies with the use of generally acceptable market multiples such as EV/S and P/S of companies listed on the Polish and international markets.

Triggo SA (2% shares are held by LARQ Growth Fund I FIZ)

The Company develops the idea of a fully-electric city vehicle dedicated for the car sharing market. The Company is going to debut on NewConnect in 2019. The valuation of Triggo at the level of LARQ Growth Fund was performed using the comparative companies analysis approach based on a sample of peer companies with the use of generally acceptable market multiple: P/BV of companies listed on the Polish and international markets.

Note 19 INVENTORIES

None.

Note 20 TRADE RECEIVABLES AND OTHER RECEIVABLES

Non-current trade receivables and other receivables	**31.12.2018**	**31.12.2017**
Other financial receivables	-	-
Guarantee deposits	32 620,00	42 755,00
Impairment losses	-	-
Total non-current trade receivables and other receivables	**32 620,00**	**42 755,00**

Current trade receivables and other receivables	**31.12.2018**	**31.12.2017**
Trade receivables, of which:	439,291.95	1,185,067.59
- from related parties	385,468.68	790,592.77
- from others	53,823.27	394,474.82
Tax, social security, health insurance and other benefits receivable	186,692.64	328,796.79
Other non-financial receivables	403,461.33	406,536.15
Total current trade receivables and other receivables	**1,029,445.92**	**1,920,400.53**

Trade receivables usually have the maturity from 7 to 60 days. Receivables subject to court proceedings are fully written off.

The fair value of trade receivables and other receivables does not vary materially from their book amounts as disclosed in the balance sheet. The Company has in place the relevant sales policy of selling to vetted customers only. The Management Board believes that thanks to that policy there is no additional credit risk beyond the level of impairment loss on uncollectible receivables as recognised for the Company's trade receivables.

At 31 December 2018, trade receivables of PLN 674,000 (31 December 2017: PLN 458,000) were deemed doubtful and impairment loss was recognised thereon. Changes in the impairment loss on receivables were as follows:

Current trade receivables and other receivables	**31.12.2018**	**31.12.2017**
Trade receivables, of which:	1,113,020.65	1,642,746.29
- from related parties	469,023.85	790,592.77
- from others	643,996.80	852,153.52
Impairment loss	(673,728.70)	(457,678.70)
Total current trade receivables net of impairment	**439,291.95**	**1,185,067.59**

Impairment loss	**31.12.2018**	**31.12.2017**
Balance at the beginning of period	**457,678.70**	**417,678.70**
Application of IFRS 9	210,515.00	-
Increases – impairment loss charged against profit/loss	5,535.00	40,000.00
Balance at the end of period	**673,728.70**	**457,678.70**

Note 21 PREPAYMENTS

None.

Note 22 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	31.12.2018	31.12.2017
Cash in hand	-	-
Cash at bank	320,133.16	790,352.87
Short-term deposits with maturity of 3 months or less	-	-
Total cash and cash equivalents	**320,133.16**	**790,352.87**

Note 23 OTHER FINANCIAL ASSETS

Other financial assets	31.12.2018	31.12.2017
Loans granted to others	-	-
Loans granted to related parties	960,277.17	4,054,310.93
Total other financial assets	**960,277.17**	**4,054,310.93**
Non-current	-	850,345.12
Current	960,277.17	3,203,965.81

Other financial assets	31.12.2018	31.12.2017
Current other financial assets	960,277.17	3,203,965.81
Non-current other financial assets, including:	-	850,345.12
- repayable after 1 to 3 years	-	384,336.00
- repayable after 3 to 5 years	-	384,336.00
- repayable after more than 5 years	-	81,673.12
Total other financial assets	**960,277.17**	**4,054,310.93**

Note 24 SHARE CAPITAL

Share capital	31.12.2018	31.12.2017
Number of shares	7,992,833	7,767,833
Par value per share	0.10	0.10
Share capital	**799,283.30**	**776,783.30**

Share capital	31.12.2018	31.12.2017
Share capital at the beginning of period	**776,783.30**	**733,450.00**
Increases, due to:	,	,
Share issue	22,500.00	43,333.30
Share capital	**799,283.30**	**776,783.30**

Share Capital– Structure

31.12.2018

Series	Share Class	Type of Preference Attaching to Shares	Type of Limitation on Rights to Shares	Number of Shares	Par Value per Share	Value of Series/ Issue at Par	Method of Contribution to Capital	Registration Date
A	ordinary bearer	none	none	975,000	0.10	97,500.00	equity of CAM Media Sp. z o.o.	01.10.2007
B	ordinary bearer	none	none	1,225,500	0.10	122,550.00	cash	01.10.2007
C	preference registered	2 votes per each share at GM	none	3,000,000	0.10	300,000.00	cash	01.10.2007
D	ordinary bearer	none	none	84,000	0.10	8,400.00	cash	01.10.2007
E	ordinary bearer	none	none	2,000,000	0.10	200,000.00	cash	08.05.2008
F	ordinary bearer	none	none	225,000	0,10	22,500.00	cash	28.09.2018
G	ordinary bearer	none	none	113 333	0.10	11,333.30	cash	28.09.2018
H	ordinary bearer	none	none	370,000	0.10	37,000.00	cash	06.06.2017
Total share capital				**7,992,833**		**799,283.30**		

In connection with the incentive schemes established by the Company for the executives of the Company, the Extraordinary General Meeting of LARQ S.A. held on 31 August 2015 passed the resolution regarding the conditional increase of the Company's share capital by the amount capped at PLN 30,000, through issuance of maximum 300,000 bearer shares of series G having the par value of PLN 0.10 each and the aggregate par value of no more than PLN 30,000.

Upon meeting the conditions set forth for the third year of implementation of the 2015 incentive scheme, Mr. Mikołaj Chruszczewski subscribed for 125,000 shares in the Company in July 2018. Upon meeting the conditions set forth for the second year of implementation of the 2016 incentive scheme, Ms Małgorzata Dzięcioł and Mr. Jakub Kurzynoga subscribed for, respectively, 25,000 and 75,000 shares in the Company in July 2018. Accordingly, LARQ's share capital went up by PLN 22,500 and amounted to PLN 799,283.30 at 31 December 2018 and at the publication date of these statements.

Shareholder	Number of Shares	% of Share Capital	% of Votes
Harbinger Capital Ltd.	3,000,000	37.53%	54.58%
Quercus TFI S.A.*	720,478	9.01%	6.55%
NN OFE and DFE**	700,000	8.76%	6.37%
Other	3,572,355	44.69%	32.50%
Total share capital	**7,992,833**	**100.00%**	**100.00%**

* Of record for the General Meeting held by LARQ SA on 30 June 2017.
** Of record for the General Meeting held by LARQ SA on 26 June 2018.

Note 25 RESERVE

Reserve	31.12.2018	31.12.2017
Share premium account	24,065,230.88	24,065,230.88
Total share capital	**24,065,230.88**	**24,065,230.88**

Note 26 OTHER RESERVES

Other reserves	31.12.2018	31.12.2017
Revaluation reserve	121,962.15	121,962.15
Reserve from valuation of incentive scheme	2,093,603.00	1,873,338.00
Total other reserves	**2,215,565.15**	**1,995,300.15**

Note 27 RETAINED EARNINGS

Retained earnings	31.12.2018	31.12.2017
Retained earnings from prior years	109,601,317.64	74,051,618.57
Comprehensive income	(13,175,732.49)	35,549,699.07
IFRS 9 correction	(2,836,510.85)	-
Transfer to reserve	(3,000,000.00)	-
Total retained earnings	**90,589,074.30**	**109,601,317.64**

Note 28 BORROWINGS

Long-term borrowings	31.12.2018	31.12.2017
Current account overdraft	-	-
Bank loans	-	-
Loans borrowed	-	-
Other	-	-
Total long-term borrowings	**-**	**-**

Short-term borrowings	31.12.2018	31.12.2017
Current account overdraft	-	-
Bank loans	-	-
Loans borrowed	4,633,560.82	3,103,141.37
Other	-	-
Total short-term borrowings	**4,633,560.82**	**3,103,141.37**

Maturity structure of borrowings	**31.12.2018**	**31.12.2017**
Short-term borrowings	4,633,560.82	3,103,141.37
Long-term borrowings, of which:	-	-
- repayable after 1 to 3 years	-	-
- repayable after 3 to 5 years	-	-
- repayable after more than 5 years	-	-
Total borrowings	**4,633,560.82**	**3,103,141.37**

Summary of Borrowings at 31.12.2018

Financier	**Loan Currency**	**Loan/Limit Amount**	**Loan Outstanding at the Balance Sheet Date**	**Interest Rate**	**Repayment Date**	**Security**
LARQ Fund Managementsp. z o.o.	PLN	Total loans of PLN 3.500.000	3,004,511.23	fixed 5%	2019-12-31	-
Synergic sp. z.o.o.	PLN	Total loans of PLN 1.875.000	1,629,049.59	fixed 5%	2019-12-31	-
Total borrowings			**4,633,560.82**			

Summary of Borrowings at 31.12.2017

Financier	**Loan Currency**	**Loan/Limit Amount**	**Loan Outstanding at the Balance Sheet Date**	**Interest Rate**	**Repayment Date**	**Security**
Larq Fund Management sp. z o.o.	PLN	Total loans of PLN 2.500.000	2,127,260.27	fixed 5%	2018-12-31	-
Synergic sp. z o.o.	PLN	Total loans of PLN 1.875.000	975,881.10	fixed 5%	2018-12-31	-
Total borrowings			**3,103,141.37**			

Note 29 TRADE PAYABLES AND OTHER LIABILITIES

Current trade payables and other liabilities	31.12.2018	31.12.2017
Trade payables	1,494,293.08	1,628,415.25
Share purchase liabilities	-	-
Payroll liabilities	2,535.00	5,035.00
Tax (other than CIT) and social security liabilities	25,206.99	170,950.69
Special funds	32,588.17	32,588.17
Other non-financial liabilities	69,064.13	640,615.58
Total current trade payables and other liabilities	**1,623,687.37**	**2,477,604.69**

Note 30 PROVISION FOR PENSIONS AND SIMILAR BENEFITS

Provisions for pensions and similar benefits	31.12.2018	31.12.2017
Holiday allowances	75,958.73	46,128.37
Termination benefits on retirement	-	-
Jubilee awards	-	-
Total provisions for pensions and similar benefits	**75,958.73**	**46,128.37**
Long-term portion	-	-
Short-term portion	75,958.73	46,128.37

Increase/decrease in provisions for pensions and similar benefits	Holiday Allowances	Termination Benefits on Retirement	Jubilee Awards	Total
Balance at 01.01.2018	**46,128.37**	-	-	**46,128.37**
Established during financial year	29,830.36	-	-	29,830.36
Released	-	-	-	-
Used	-	-	-	-
Balance at 31.12.2018	**75,958.73**	**-**	**-**	**75,958.73**
Long-term portion	-	-	-	-
Short-term portion	75,958.73	-	-	75,958.73

Increase/decrease in provisions for pensions and similar benefits	Holiday Allowances	Termination Benefits on Retirement	Jubilee Awards	Total
Balance at 01.01.2017	**47,744.30**	-	-	**47,744.30**
Established during financial year	-	-	-	-
Released	(1,615.93)	-	-	(1,615.93)
Used	-	-	-	-
Balance at 31.12.2017	**46,128.37**	**-**	**-**	**46,128.37**
Long-term portion	-	-	-	-
Short-term portion	46,128.37	-	-	46,128.37

Note 31 OTHER PROVISIONS

Other provisions	31.12.2018	31.12.2017
Provision for contractual penalties	-	-
Provision for social security arrears	425,000.00	425,000.00
Provision for costs of court proceedings	200,000.00	200,000.00
Provision for commissions for turnover	200,000.00	200,000.00
Other provisions for costs	85,190.00	141,190.00
Total other provisions	**910,190.00**	**966,190.00**
Long-term portion	-	-
Short-term portion	910,190.00	966,190.00

Increase/Decrease in Provisions

Increase/Decrease in Provisions	Provision for contractual penalties	Provision for social security arrears	Provision for costs of court proceedings	Provision for commission for turnovers	Other provisions for costs	Total
Balance at 01.01.2018	**-**	**425,000.00**	**200,000.00**	**200,000.00**	**141,190.00**	**966,190.00**
Established during financial year	-	-	-	-	35,000.00	35,000.00
Released	-	-	-	-	-	-
Used	-	-	-	-	(91,000.00)	(91,000.00)
Balance at 31.12.2018	**-**	**425,000.00**	**200,000.00**	**200,000.00**	**85,190.00**	**910,190.00**
Long-term portion	-	-	-	-	-	-
Short-term portion	-	425,000.00	200,000.00	200,000.00	85,190.00	910,190.00

Increase/Decrease in Provisions	Provision for contractual penalties	Provision for social security arrears	Provision for costs of court proceedings	Provision for commission for turnovers	Other provisions for costs	Total
Balance at 01.01.2017	**108,993.00**	**425,000.00**	**200,000.00**	**200,000.00**	**80,000.00**	**1,013,993.00**
Established during financial year	-	-	-	-	91,190.00	91,190.00
Released	-	-	-	-	-	-
Used	(108,993.00)	-	-	-	(30,000.00)	(138,993.00)
Balance at 31.12.2017	**-**	**425,000.00**	**200,000.00**	**200,000.00**	**141,190.00**	**966,190.00**
Long-term portion	-	-	-	-	-	-
Short-term portion	-	425,000.00	200,000.00	200,000.00	141,190.00	966,190.00

Note 32 OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The main types of risk associated with the Company's financial instruments include the interest rate risk, credit risk, liquidity risk and investment risk. The Management Board reviews and reconciles the principles for management of each risk type – those principles are briefly discussed below.

Interest Rate Risk

Following the repayment of floating-rate investment loans, the Company is not exposed to any interest rate risk at 31 December 2018.

Credit Risk

Credit risk means the risk of counterparty's default leading to financial loss suffered by the Company. The Company reduces its credit risk by making transactions only with entities with satisfactory creditworthiness; such business dealings are preceded by internal procedures for initial vetting. Furthermore, thanks to the ongoing monitoring of the balances of accounts receivable, the Company's exposure to the risk of uncollectible receivables is not significant.

With reference to financial assets of the Company, including cash, deposits and investments in available-for-sale assets, the risk incurred by the Company is directly associated with the inability to make payment by the counterparty and the maximum exposure to that risk is equal to the carrying amount of a given instrument.

Impairment losses on financial assets were equal to PLN 5,464,000 at 31 December 2018 (PLN 1,125,000 at 31 December 2017).

	Total	Current	Past Due			
			< 90 days	91-180 days	181-365 days	>365 days
31.12.2018						
Trade receivables	439,291.95	357,248.59	31,480.12	15,469.71	2,639.32	32,454.21
Other receivables	590,153.97	-	-	-	-	-
Cash and cash equivalents	320,133.16	-	-	-	-	-
Other financial assets	960,277.17	-	-	-	-	-
31.12.2017						
Trade receivables	1,185,067.5	848,690.39	82,253.42	33,585.00	16,373.07	204,165.71
Other receivables	735,332.94	-	-	-	-	-
Cash and cash equivalents	790,352.87	-	-	-	-	-
Other financial assets	4,054,310.9	-	-	-	-	-

Liquidity Risk

The liquidity risk stems from operating expenses borne by the Company in its current business, the run-off of operating activity stream and non-recurring liquidity streams generated by the Company by means of cashing its assets holdings. The Company manages the liquidity risk by synchronising those streams and matching them in time.

The Company monitors the risk of insufficient funding by using a periodic liquidity planning tool. That tool takes account of maturity dates of both investments and financial assets (e.g., accounts receivable, other financial assets) and forecast cash flows from operating activities.

Table below presents the carrying amounts of financial instruments held by the Group that are exposed to the interest rate risk, by age category, based on contractual undiscounted payments.

	Total	Demand	3 Months of Less	From 3 to 12 Months	From 1 to 5	> 5 Years
31.12.2018						
Interest-bearing loans	4,633,560.82	-	-	4,633,560.82	-	-
Trade payables and other liabilities	1,623,687.37	-	1,623,687.37	-	-	-
31.12.2017	,	,	,	,		
Interest-bearing loans	3,103,141.37	-	-	3,103,141.37	-	-
Trade payables and other liabilities	2,477,604.69	-	2,477,604.69	-	-	-

Investment Risk

At present, the core business of LARQ is to manage the portfolio of financial assets owned by it; it involves the following risks:

- **Risk of change in valuation of financial assets –** a risk relating to any decline in valuation of financial assets triggered off by capital market downturn or current and forecast operating results of portfolio companies. The Company measures the fair value of its assets through profit or loss on a quarterly basis and if the aforementioned risks materialises, this may adversely affect the current results of the Company.
- **Risk associated with the development of companies and their financial results** – a risk of failure to attain the expected development of portfolio companies could potentially lead to lower than expected rates of return on investments and, thus, adversely affect financial results generated by LARQ.
- **Risk of changes in the legal and tax systems** – amendments to laws or their interpretations that might produce negative effects or changes in the business environment for LARQ or its assets.

Note 33 DISCLOSURE OF FINANCIAL INSTRUMENTS

	31.12.2018		31.12.2017		
Financial Instruments	**Fair Value**	**Book Amount**	**Fair Value**	**Book Amount**	**Financial Instrument Category**
Non-current assets	**127,609,435.32**	**127,609,435.32**	**141,300,707.52**	**141,300,707.52**	
Financial assets measured at fair value	127,576,815.32	127,576,815.32	140,407,607.40	140,407,607.40	Financial assets measured at fair value through profit or loss
Trade receivables and other receivables	32,620.00	32,620.00	42,755.00	42,755.00	Financial assets measured at amortised cost
Other financial assets	-	-	850,345.12	850,345.12	Financial assets measured at amortised cost
Current assets	**2,309,856.25**	**2,309,856.25**	**5,914,719.21**	**5,914,719.21**	
Trade receivables and other receivables	1,029,445.92	1,029,445.92	1,920,400.53	1,920,400.53	Financial assets measured at amortised cost
Cash at bank	320,133.16	320,133.16	790,352.87	790,352.87	Financial assets measured at amortised cost
Other financial assets	960,277.17	960,277.17	3,203,965.81	3,203,965.81	Financial assets measured at amortised cost
Total	**129,919,291.57**	**129,919,291.57**	**147,215,426.73**	**147,215,426.73**	

	31.12.2018		31.12.2017		
Financial Instruments	**Fair Value**	**Book Amount**	**Fair Value**	**Book Amount**	**Financial Instrument Category**
Non-current liabilities	**-**	**-**	**-**	**-**	
Interest-bearing bank loans and loans	-	-	-	-	Financial liabilities measured at amortised cost
Current liabilities	**6,257,248.19**	**6,257,248.19**	**5,580,746.06**	**5,580,746.06**	
Interest bearing bank loans and loans	4,633,560.82	4,633,560.82	3,103,141.37	3,103,141.37	Financial liabilities measured at amortised cost
Trade payables and other liabilities	1,623,687.37	1,623,687.37	2,477,604.69	2,477,604.69	Financial liabilities measured at amortised cost
Total	**6,257,248.19**	**6,257,248.19**	**5,580,746.06**	**5,580,746.06**	

In accordance with the applied accounting principles, the Company should measure bank loans at amortised cost. However, for the balance sheet presentation, the Company used the nominal measurement of loan liabilities due to insignificant difference between those measurements.

The principles for measurement of fair value according to the following hierarchy reflect the importance of underlying data used for valuation:

- **Level 1** – financial assets/liabilities measured directly based on quoted prices in an active market;
- **Level 2** – financial assets/liabilities measured based on valuation techniques that are based on assumptions utilising information from an active market or market observations;
- **Level 3** – financial assets/liabilities measured as generally applied by other market participants.

Financial Instruments	31.12.2018			
	Level 1	Level 2	Level 3	Total
Non-current assets	**2,952,329.71**	**123,770,706.33**	**853,779.28**	**127,576,815.32**
Financial assets measured at fair value through profit or loss	2,952,329.71	123,770,706.33	853,779.28	127,576,815.32
Total	**2,952,329.71**	**123,770,706.33**	**853,779.28**	**127,576,815.32**

Financial Instruments	31.12.2017			
	Level 1	Level 2	Level 3	Total
Non-current assets	**2,303,455.00**	**136,757,981.66**	**1,346,170.74**	**140,407,607.40**
Financial assets measured at fair value through profit or loss	2,303,455.00	136,757,981.66	1,346,170.74	140,407,607.40
Total	**2,303,455.00**	**136,757,981.66**	**1,346,170.74**	**140,407,607.40**

The valuation of shareholdings in Nextbike and Brand 24 that are held directly by LARQ is presented at level 1 in the valuation hierarchy. The valuation of LARQ Fund Management sp. z o.o. is presented at level 2 in the valuation hierarchy, and valuations of Adinnovation sp. z o.o., Intelisoft sp. z o.o., Media Power sp. z o.o. i AWL VII sp. z o.o. at level 3. In 2018, there were no transfers into/out of any levels in the hierarchy.

Note 34 EMPLOYEE BENEFITS PLANS

In 2018, the Company operated a single incentive scheme; its regulations were adopted by the Company's Supervisory Board on 31 May 2016. Under the incentive scheme, its participants are granted the right to acquire no more than 300,000 ordinary bearer shares of series G in the Company, to be issued under the conditional increase of its share capital. Those rights will be exercised with the use of subscription warrants. The scheme was operated for three financial years, starting in 2016. 2018 was the final year of the scheme.

In accordance with the regulations of the incentive scheme, for the right to acquire subscription warrants and, subsequently, for shares of the Company, to vest, the conditions specified in the regulations must be satisfied, namely:

- Average price of the Company's shares as listed on the Warsaw Stock Exchange during any 3-month period of a given scheme year, reaches a certain level;
- Participant of the incentive scheme must be employed by the Company until the date of approval, by the Company's General Meeting, of the Company's financial statements for a given year during which the incentive scheme was active;
- Participant of the incentive scheme must not engage in any activities in competition to LARQ until the day of subscription of shares for a given year during which the incentive scheme was active.

The regulations have been detailed in the Company's Current Report of 1 June 2016.

At 31 December 2018, Ms Małgorzata Dzięcioł, Member of the Company's Management Board, and Mr. Jakub Kurzynoga, Financial Director of LARQ S.A., are members of the 2016 scheme.

In fulfilment of the incentive schemes for 2018, the Company recognised the cost of the scheme of PLN 220,265 in the statement of profit or loss for the period ended on 31 December 2017, compared to PLN 1,105,500 in 2017 when the cost also included the 2015 scheme.

Upon meeting the conditions set forth for the third year of implementation of the 2015 incentive scheme, Mr. Mikołaj Chruszczewski subscribed for 125,000 shares in the Company in July 2018. Upon meeting the conditions set forth for the second year of implementation of the 2016 incentive scheme, Ms Małgorzata Dzięcioł and Mr. Jakub Kurzynoga subscribed for, respectively, 25,000 and 75,000 shares in the Company in July 2018.

The 2015 incentive scheme participated by Mr. Mikołaj Chruszczewski was terminated upon holding the Annual General Meeting of LARQ SA and upon adoption of the Company's 2017 financial statements.

Note 35 DISCLOSURE OF RELATED PARTIES

	01.01 - 31.12.2018		01.01 - 31.12.2017	
	Sales to Related Parties	**Purchases from Related Parties**	**Sales to Related Parties**	**Purchases from Related Parties**
Synergic sp. z o.o.	1,397,011.67	53,168.49	2,961,537.03	85,230.04
Nextbike Polska SA	60,337.00	-	-	753.42
AdInnovation sp. z o.o.	94,500.12	1,009,750.47	64,307.78	853,666.75
CAM Media Creative Works sp. z	160,864.25	63,498.47	185,671.82	72,316.72
Intelisoft sp. z o.o./Youlead sp. z	40,041.96	1,190.00	37,785.77	1,869.84
LARQ Fund Management sp. z o.o.	`-	108,250.96	-	105,476.71
AWL VIII sp. z o.o.	3,444.00	-	2,834.38	-
Media Power sp. z o.o.	-	-	-	-
Other related parties	-	-	-	-
Total	**1,736,699.00**	**1,235,858.39**	**3,252,136.78**	**1,119,313.48**

	31.12.2018		31.12.2017	
	Accounts Receivable from and Lending to Related Parties	**Liabilities to and Borrowings from Related Parties**	**Accounts Receivable from and Lending to Related Parties**	**Liabilities to and Borrowings from Related Parties**
Synergic sp. z o.o.	245,143.61	1,751,990.16	427,710.60	1,098,821.67
Nextbike Polska SA	-	-	-	-
AdInnovation sp. z o.o.	1,697,344.06	-	1,261,931.17	-
CAM Media Creative Works sp. z	1,934,966.81	-	1,265,423.70	-
Intelisoft sp. z o.o./Youlead sp. z	1,092,099.65	-	682,057.69	-
LARQ Fund Management sp. z o.o.	-	3,004,511.23	-	2,127,260.27
AWL VIII sp. z o.o.	90,401.39	-	86,957.39	-
Media Power sp. z o.o.	1,114.38	-	1,114.38	-
Other related parties	971,637.10	-	1,091,920.53	-
Total	**6,032,707.00**	**4,756,501.39**	**4,817,115.46**	**3,226,081.94**

Related party transactions were concluded on the arm's length basis.

Note 36 EMOLUMENTS OF MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

Emoluments of Members of the Management Board*	01.01-31.12.2018	01.01-31.12.2017
Krzysztof Przybyłowski	283,200.00	295,000.00
Mikołaj Chruszczewski	540,000.00	528,000.00
Małgorzata Dzięcioł	84,875.00	90,000.00
Total emoluments of Members of the Management Board	**908,075.00**	**916,000.00**

* Inclusive of emoluments paid by companies that are directly wholly owned by LARQ S.A.

Emoluments of Members of the Supervisory Board	01.01-31.12.2018	01.01-31.12.2017
Joanna Braulińska - Wójcik	13,037.27	17,976.96
Bartosz Foroncewicz	12,496.52	17,622.54
Krawczyński Piotr	13,037.27	17,976.95
Sergiusz Frąckowiak	11,670.14	17,976.96
Adam Kalkusiński	12,340.09	17,976.96
Total emoluments of Members of the Supervisory Board	**62,581.29**	**89,530.37**

Note 37 EMPLOYMENT

Average employment	01.01-31.12.2018	01.01-31.12.2017
Management Board of the Company	3	3
Administrations	5	5
Total average employment	**8**	**8**

Note 38 CAPITALISED BORROWING COSTS

none.

Note 39 LITIGATION

At the publication of these financial statements , the Company is not a party to any litigation where the cause of action would exceed 10% of the equity of LARQ S.A.

Note 40 EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, there were no material events that would have affected the financial statements is presented herein.

Note 41 DISCLOSURE OF TRANSACTIONS WITH THE AUDITOR OF THESE STATEMENTS

	01.01-31.12.2018	01.01-31.12.2017
	PKF Consult Sp. z.o.o. Sp. k.	PKF Consult Sp. z.o.o. Sp. k.
Review of interim financial statements	20,728.86	21,100.00
Audit of annual financial statements	33,402.84	27,957.50
Total fees paid or payable for the financial year	**54,131.70**	**49,057.50**

Note 42 EXPLANATORY NOTES TO THE STATEMENT OF CASH FLOWS

	01.01-31.12.2018	01.01-31.12.2017
(Profit)/loss on investing activities, including:		
Gains on disposal of non-financial non-current assets	(124,765.33)	(162,952.47)
Correction of impairment loss on lending	1,480,369.73	524,810.70
Total (profit)/loss on investing activities	**1,355,604.40**	**361,858.23**

	01.01-31.12.2018	01.01-31.12.2017
Increase/decrease in receivables, including:		
Balance-sheet changes in receivables	901,089.61	208,790.44
IFRS 9 correction charged to previous years' result	(210,515.00)	-
Total increase/decrease in receivables	**690,574.61**	**208,790.44**

	01.01-31.12.2018	01.01-31.12.2017
Increase/decrease in liabilities, including:		
Balance-sheet changes in liabilities	(853,917.32)	130,790.03
Correction of the balance of liabilities due to exchange agreement	590,632.47	-
Total increase/decrease in liabilities	**(263,284.85)**	**130,790.03**

	01.01-31.12.2018	01.01-31.12.2017
Net cash flows from discontinued operations, including:		
Gross profit/loss from discontinued operations	128,985.90	299,045.02
Correction by goodwill that was charged off	190,433.05	-
Increase/decrease in prepayments and accruals	(6,000.00)	4,892.81
Total net cash from discontinued operations,	**313,418.95**	**303,937.83**

Warsaw, 28 March 2019