Group name:	*PBG GROUP*		
Period covered by the financial statements:	*Jan 1 – Dec 31 2015*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

PBG GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2015

WYSOGOTOWO, MARCH 21ST 2016

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Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 – Dec 31 2015	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31ST 2015

Item	Note	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Assets			
Non-current assets		**879,473**	**1,072,886**
Goodwill	13	290,737	381,686
Intangible assets	14	10,201	11,345
Property, plant and equipment	15	236,844	258,238
Non-regenerative natural resources	18	6,000	36,782
Investment property	19	189,439	213,783
Non-current investments	20	7,577	7,577
Investments in joint ventures	11	34,579	46,447
Receivables	23	40,800	57,212
Loans advanced	21.2	118	38
Other non-current financial assets	21.4	1,484	1,673
Deferred tax assets	34.2	57,767	54,887
Non-current accruals and deferred income	30	3,927	3,218
Current assets		**1,314,334**	**1,116,319**
Inventories	22	53,145	61,596
Amounts due from customers for construction contract work	32	233,675	272,467
Trade and other receivables	23	622,918	534,814
Current tax assets	34	21,386	14,240
Loans advanced	21.2	260	381
Other current financial assets	21.4	70	-
Cash and cash equivalents	24	341,746	104,693
Current accruals and deferred income	30	39,079	52,247
Assets classified as held for sale	25	2,055	75,881
Total assets		**2,193,807**	**2,189,205**

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31ST 2015 (CONTINUED)

Item	Note	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Equity and liabilities			
Equity		**(808,100)**	**(672,757)**
Equity attributable to owners of the Parent		**(1,159,154)**	**(944,950)**
Share capital	26.1	14,295	14,295
Share premium	26.2	733,348	733,348
Cash-flow hedges	26.3	(861)	(742)
Exchange differences on translating foreign operations	26.3	(15,338)	(3,765)
Other components of equity	26.4	506,631	524,075
Accumulated losses:	26.5	(2,397,229)	(2,212,161)
- accumulated loss from prior years		(2,219,654)	(2,127,773)
- net loss for current year attributable to owners of the Parent		(177,575)	(84,388)
Non-controlling interests	26.7	**351,054**	**272,193**
Liabilities		**3,001,907**	**2,861,962**
Non-current liabilities		**579,028**	**526,842**
Borrowings and other debt instruments	21.5	49,186	54,959
Finance lease liabilities	16	10,754	13,096
Derivative financial instruments	21.3	1,063	916
Other liabilities	29	126,115	69,619
Deferred tax liabilities	34.2	3,875	4,701
Employee benefit obligations and provisions	27	24,080	25,475
Other non-current provisions	28	362,927	356,892
Non-current accruals and deferred income	30	1,028	1,184
Current liabilities		**2,422,879**	**2,335,120**
Borrowings and other debt instruments	21.5	1,331,906	1,345,957
Finance lease liabilities	16	2,938	2,454
Trade and other payables	29	921,715	700,227
Amounts due to customers for construction contract work	32	49,925	126,375
Current tax liabilities	34	571	897
Employee benefit obligations and provisions	27	37,481	37,490
Other current provisions	28	71,695	103,885
Current accruals and deferred income	30	6,648	2,244
Liabilities related to assets classified as held for sale	25	-	15,591
Total equity and liabilities		**2,193,807**	**2,189,205**

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

Group name:	*PBG GROUP*		
Period covered by the financial statements:	*Jan 1 – Dec 31 2015*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31ST 2015

Item	Note	for the period ended Dec 31 2015 (audited)	for the year ended Dec 31 2014 (audited)
Continuing operations			
Revenue	8	**1,798,815**	**1,530,248**
Sales of finished goods		930,472	1,151,369
Rendering of services		862,929	358,596
Sales of merchandise and materials		5,414	20,283
Cost of sales	8, 33.1	**(1,681,163)**	**(1,435,754)**
Finished goods sold		(897,479)	(1,041,819)
Services rendered		(777,699)	(377,789)
Merchandise and materials sold		(5,985)	(16,146)
Gross profit		**117,652**	**94,494**
Distribution costs	33.1	(21,935)	(27,089)
Administrative expenses	33.1	(89,955)	(84,357)
Other income	33.3	31,954	162,161
Other expenses	33.4	(220,001)	(184,469)
Restructuring costs		(8,354)	(6,993)
Operating loss		**(190,638)**	**(46,254)**
Net finance costs	33.5; 33.6	(4,458)	(12,399)
Share of profit/(loss) of equity-accounted entities		2,952	(8,228)
Loss before tax		**(192,144)**	**(66,881)**
Income tax expense	34.1	(8,903)	(9,104)
Net loss from continuing operations		**(201,047)**	**(75,985)**
Discontinued operations			
Net loss from discontinued operations		(57)	(4,814)
Net loss		**(201,104)**	**(80,799)**
Net loss attributable to:		**(201,104)**	**(80,799)**
- owners of the Parent		(177,575)	(84,388)
- non-controlling interests		(23,529)	3,589

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

NET LOSS PER ORDINARY SHARE

Item	for the year ended Dec 31 2015 (audited) 1/share	for the year ended Dec 31 2014 (audited) 1/share
Net loss from continuing operations attributable to:	**(201,047)**	**(75,985)**
- owners of the Parent	(177,546)	(81,020)
- non-controlling interests	(23,501)	5,035
Net loss from discontinued operations attributable to:	**(57)**	**(4,814)**
- owners of the Parent	(29)	(3,368)
- non-controlling interests	(28)	(1,446)
Net loss from continuing and discontinued operations attributable to:	**(201,104)**	**(80,799)**
- owners of the Parent	(177,575)	(84,388)
- non-controlling interests	(23,529)	3,589
Weighted average number of ordinary shares	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000
from continuing operations		
- basic	(12.42)	(5.67)
- diluted	(12.42)	(5.67)
from continuing and discontinued operations		
- basic	(12.42)	(5.90)
- diluted	(12.42)	(5.90)

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31ST 2015

Item	for the year ended Dec 31 2015 (audited)	for the year ended Dec 31 2014 (audited)
Net loss	**(201,104)**	**(80,799)**
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met, relating to:		
Cash flow hedges:		
- gains/(losses) recognised for the period under other comprehensive income	(147)	(2,587)
- amounts reclassified to profit or loss	-	4,594
Exchange differences on translating foreign operations	(11,649)	(60,861)
Exchange gain (loss) on disposal of foreign operations recognised in profit or loss	-	54,525
Income tax on other comprehensive income	28	(1,488)
Other comprehensive income that will not be reclassified to profit or loss, relating to:		
Actuarial losses on employee benefits	(251)	(5,013)
Income tax on other comprehensive income	48	951
Other comprehensive income, net of tax	**(11,971)**	**(9,879)**
Total comprehensive income	**(213,075)**	**(90,678)**
Total comprehensive income attributable to:		
- owners of the Parent	(189,417)	(85,815)
- non-controlling interests	(23,658)	(4,863)

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

Group name:	*PBG GROUP*		
Period covered by the financial statements:	*Jan 1 – Dec 31 2015*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31ST 2015 – (AUDITED)

Item	Equity attributable to owners of the Parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium	Cash-flow hedges	Translation reserve	Other components of equity	Retained earnings / Accumulated losses	Total		
Note	**26.1**	**26.1**	**26.2**	**26.3**	**26.3**	**26.4**	**26.5**	**-**	**26.7**	**-**
Balance as at Jan 1 2015	**14,295**	**-**	**733,348**	**(742)**	**(3,765)**	**524,075**	**(2,212,161)**	**(944,950)**	**272,193**	**(672,757)**
Changes in accounting policies	-	-	-	-	-	-	-	**-**	-	**-**
Corrections of errors	-	-	-	-	-	-	-	**-**	-	**-**
Restated balance	**14,295**	**-**	**733,348**	**(742)**	**(3,765)**	**524,075**	**(2,212,161)**	**(944,950)**	**272,193**	**(672,757)**
Changes in equity in the period Jan 1 – Dec 31 2015										
Share issue	-	-	-	-	-	-	-	-	-	-
Employee share options	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries (transactions with non-controlling interests)	-	-	-	-	-	(27,353)	2,605	(24,748)	102,519	77,771
Other adjustments	-	-	-	-	(1)	(2)	(37)	(40)	-	(40)
Reclassification of equity items upon loss of control	-	-	-	-	-	(22,105)	22,105	-	-	-
Dividends	-	-	-	-	-	-	-	-		-
Transfer to reserves	-	-	-	-	-	32,166	(32,166)	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**(1)**	**(17,294)**	**(7,493)**	**(24,788)**	**102,519**	**77,731**
Net loss for the period Jan 1–Dec 31 2015	**-**	**-**	**-**	**-**	**-**	**-**	**(177,575)**	**(177,575)**	**(23,529)**	**(201,104)**
Other comprehensive income net of tax for the period Jan 1–Dec 31 2015	-	-	-	(119)	(11,572)	(150)	-	(11,841)	(129)	(11,970)
Total comprehensive income	**-**	**-**	**-**	**(119)**	**(11,572)**	**(150)**	**(177,575)**	**(189,416)**	**(23,658)**	**(213,074)**
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-	-	-	-	-	-
Balance as at Dec 31 2015	**14,295**	**-**	**733,348**	**(861)**	**(15,338)**	**506,631**	**(2,397,229)**	**(1,159,154)**	**351,054**	**(808,100)**

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

Group name:	PBG GROUP		
Period covered by the financial statements:	*Jan 1 – Dec 31 2015*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31ST 2014 – (AUDITED)

Item	Equity attributable to owners of the Parent								Non-controlling interests	Total equity
	Share capital	Treasury shares (-)	Share premium	Cash-flow hedges	Translation reserve	Other components of equity	Retained earnings / Accumulated losses	Total		
Note	**26.1**	**26.1**	**26.2**	**26.3**	**26.3**	**26.4**	**26.5**	**-**	**26.7**	**-**
Balance as at Jan 1 2014	**14,295**	**-**	**733,348**	**(2,364)**	**(3,190)**	**644,764**	**(2,245,136)**	**(858,283)**	**275,437**	**(582,846)**
Changes in accounting policies	-	-	-	-	-	-	-	**-**	-	**-**
Corrections of errors	-	-	-	-	-	-	-	**-**	-	**-**
Restated balance	**14,295**	**-**	**733,348**	**(2,364)**	**(3,190)**	**644,764**	**(2,245,136)**	**(858,283)**	**275,437**	**(582,846)**
Changes in equity in the period Jan 1–Dec 31 2014										
Share issue	-	-	-	-	-	-	-	-	-	-
Employee share options	-	-	-	-	-	-	-	-	-	-
Changes in ownership interests in subsidiaries (transactions with non-controlling interests)	-	-	-	-	-	(358)	(494)	(852)	2,224	1,372
Reclassification of equity items upon loss of control	-	-	-	-	-	(13,983)	13,983	-	-	-
Dividends	-	-	-	-	-	-	-	-	(605)	(605)
Transfer to reserves	-	-	-	-	-	(103,874)	103,874	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(118,215)**	**117,363**	**(852)**	**1,619**	**767**
Net profit/(loss) for the period Jan 1–Dec 31 2014	-	-	-	-	-	-	(84,388)	(84,388)	3,589	(80,799)
Other comprehensive income net of tax for the period Jan 1–Dec 31 2014	-	-	-	1,622	(575)	(2,474)	-	(1,427)	(8,452)	(9,879)
Total comprehensive income	**-**	**-**	**-**	**1,622**	**(575)**	**(2,474)**	**(84,388)**	**(85,815)**	**(4,863)**	**(90,678)**
Balance as at Dec 31 2014	**14,295**	**-**	**733,348**	**(742)**	**(3,765)**	**524,075**	**(2,212,161)**	**(944,950)**	**272,193**	**(672,757)**

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31ST 2015

Item	for the year ended Dec 31 2015 (audited)	for the year ended Dec 31 2014 (audited)
Cash flows from operating activities		
Loss before tax from continuing operations	**(192 144)**	**(66 881)**
Loss before tax from discontinued operations	**(66)**	**(3 874)**
Loss before tax	**(192,210)**	**(70,755)**
Adjustments:		
Depreciation and impairment of property, plant and equipment	42,669	17,961
Amortisation and impairment of intangible assets	3,218	5,787
Change in fair value of investment property	19,539	(8,179)
Gains (losses) on financial assets and liabilities at fair value through profit or loss	222	297
Cash flow hedges recycled from equity	(164)	-
Impairment of financial assets	124,070	52,863
Gain (loss) on disposal of non-financial non-current assets	(980)	1,115
Gain (loss) on disposal of non-derivative financial assets	(373)	39,709
Foreign exchange gains	(27)	(2,515)
Interest expense	6,375	11,104
Interest income	(746)	(2,493)
Interest on deposits (from prepayments)	-	-
Dividends received	(11)	(14)
Share of profit (loss) of equity-accounted entities	(2,952)	8,228
Other adjustments	(775)	2,148
Total adjustments:	**190,065**	**126,011**
Change in inventories	8,945	(12,911)
Change in trade and other receivables	(71,800)	63,372
Change in trade payables	295,501	195,266
Change in provisions, accruals and prepaid expenses	(10,852)	(185,326)
Change in construction contracts and related liabilities	(37,658)	(78,790)
Net changes in working capital	**184,136**	**(18,389)**
Settling of derivative financial instruments	(89)	104
Interest paid (operating activities only)	-	23
Income taxes paid	(31,625)	(9,883)
Net cash from operating activities	**150,277**	**27,111**
Cash flows from investing activities		
Purchase of intangible assets	(1,469)	(5,486)
Purchase of property, plant and equipment	(26,765)	(3,667)

All amounts in PLN thousand (unless otherwise indicated)

Proceeds from disposals of property, plant and equipment	1,973	4,689
Purchase of investment property	(3,120)	(4,565)
Proceeds from disposals of investment property	9,260	6,594
Acquisition of subsidiaries, net	-	(1)
Sale of subsidiaries, net	48,000	54
Repayment of loans advanced	135	21,524
Loans advanced	20	(365)
Purchase of other financial assets	-	(5,399)
Proceeds from disposals of other financial assets	-	20,096
Interest received	298	1,938
Other inflows	4	10,450
Other investment outflows	(28,190)	(1,854)
Dividends received	11	87
Net cash used in investing activities	**157**	**44,095**
Cash flows from financing activities		
Proceeds from issue of share capital	89,226	190
Purchase of treasury shares	-	-
Proceeds from issue of debt securities	-	32,489
Proceeds from borrowings	5,498	72,219
Repayment of borrowings	(23,043)	(206,504)
Payment of finance lease liabilities	(6,281)	(4,326)
Interest paid	(6,388)	(12,784)
Interest on deposits (from financial surplus)	457	1,173
Other inflows/outflows	450	4,332
Dividends paid	-	(605)
Net cash from financing activities	**59,919**	**(113,816)**
Net increase/(decrease) in cash and cash equivalents	**210,353**	**(42,610)**
Cash and cash equivalents, beginning of period	**131,742**	**173,894**
Effect of exchange rate changes	(349)	458
Cash and cash equivalents, end of period	**341,746**	**131,742**
including: *cash and cash equivalents recognised as interest in joint operations*	***120,959***	***15,708***

Wysogotowo, March 21st 2016

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Dariusz Szymański	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

1.1 PARENT

The parent of the PBG Group ("the Group" or "the PBG Group") is PBG S.A. in company voluntary arrangement ("the Parent", "the Company") (the composition of the PBG Group is presented in Note 1.4.1). The Group's consolidated financial statements cover the year ended December 31st 2015 and include comparative data for the year ended December 31st 2014.

The Parent was incorporated on January 2nd 2004 by virtue of a Notary Deed of December 1st 2003. The Parent is entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court for Poznań—Nowe Miasto and Wilda, VII Commercial Division of the National Court Register, under KRS No. 0000184508. The Parent's Industry Identification Number (REGON) is 631048917. PBG shares are listed on the Warsaw Stock Exchange.

The Parent's registered office is located at ul. Skórzewska 35 in Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland. On October 1st 2009, a PBG representative office was registered in Ukraine. Its purpose was to conduct market research in Ukraine and establish contacts with companies operating in the construction and related services sector.

The Parent and the Group companies were incorporated for unspecified time.

1.2 PARENT'S MANAGEMENT BOARD AND SUPERVISORY BOARD

Composition of the Parent's Management Board and Supervisory Board as at December 31st 2015 is presented below:

As at Dec 31 2015	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Jerzy Wiśniewski – President of the Management Board	Maciej Bednarkiewicz – Chairman of the Supervisory Board
Mariusz Łożyński – Vice-President of the Management Board	Małgorzata Wiśniewska – Deputy Chairwoman of the Supervisory Board
Kinga Banaszak-Filipiak – Vice-President of the Management Board	Andrzej Stefan Gradowski – Secretary of the Supervisory Board
Dariusz Szymański – Vice-President of the Management Board	Dariusz Sarnowski – Member of the Supervisory Board
Bożena Ciosk – Member of the Management Board	Jacek Krzyżaniak – Member of the Supervisory Board

In the period from January 1st 2015 to the date of approval of these consolidated financial statements for issue, the following changes occurred in the composition of the Parent's Management Board and Supervisory Board:

- on September 4th 2015, Mr Dariusz Szymański was appointed Vice-President of the Management Board,
- on October 7th 2015, Mr Przemysław Szkudlarczyk tendered his resignation from the Supervisory Board,
- on October 7th 2015, Mr Jacek Krzyżaniak was appointed to the Supervisory Board.

All amounts in PLN thousand (unless otherwise indicated)

The composition of the Parent's Management Board and Supervisory Board had not changed by the date of issue of these consolidated financial statements.

1.3 GROUP'S PRINCIPAL BUSINESS ACTIVITIES

The Parent's principal business activities consist in engineering activities and related technical consultancy in the area of natural gas, crude oil and fuels (according to the Polish Classification of Activities – PKD 71.12 Z).

The PBG Group provides general contractor services for construction projects in the natural gas, crude oil, fuels and power construction segments. The Group also operates on the property development market.

For description of business of the Group entities, see the table in Note 1.4.1 to these financial statements.

1.4 PBG GROUP

1.4.1 COMPOSITION OF THE PBG GROUP

The PBG Group consists of the Parent and the following subsidiaries:

Company	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	% of share capital held	
			Dec 31 2015	Dec 31 2014
PBG Avatia Sp. z o.o. (1)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Reproduction of recorded media PKD 18.20.Z	100.00%	99.90%
Brokam Sp. z o.o. (2)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	100.00%	100.00%
PBG Dom Sp. z o.o. (3)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z Renting and operating of own or leased real property PKD 68.20.Z	100.00%	100.00%

All amounts in PLN thousand (unless otherwise indicated)

Company	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	% of share capital held	
			Dec 31 2015	Dec 31 2014
PBG Erigo Sp. z o.o. (4)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Activities of head offices and holding companies other than financial holdings PKD 70.10.Z	100.00%	100.00%
Górecka Projekt Sp. z o.o. (5)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Development of building projects PKD 41.10. Z Z Renting and operating of own or leased real property PKD 68.20.Z	100.00%	100.00%
PBG Dom Invest Limited (6)	4 Afentrikas, Afentrika Court Office 2 P.C. 6018 Larnaka Cyprus	Holding of investment assets	100.00%	100.00%
Galeria Kujawska Nova Sp. z o.o. (7)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	-
Erigo IV Sp. z o.o. (8)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%
Erigo V Sp. z o.o. (9)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%

All amounts in PLN thousand (unless otherwise indicated)

Company	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	% of share capital held	
			Dec 31 2015	Dec 31 2014
Erigo IV Sp. z o.o. SKA (formerly: SMIP Investment Sp. z o.o. w organizacji SKA (in formation)) (10)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%
City Development Sp. z o. o. (11)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Development of building projects PKD 41.10.Z	100.00%	100.00%
PBG Erigo Projekt Sp. z o.o. Ecoria II SKA (12)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Development of building projects PKD 41.10.Z	100.00%	100.00%
PBG Dom Invest X Sp. z o.o. Invest I SKA (13)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z Renting and operating of own or leased real property 68.20.ZPKD	100.00%	100.00%
PBG Dom Invest X Sp. z o.o. Złotowska 51 SKA (14)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%
PBG Erigo Projekt Sp. z o.o. Quadro House SKA (15)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Development of building projects PKD 41.10.Z	100.00%	100.00%
PBG Erigo Projekt Sp. z o.o. Strzeszyn SKA (16)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Development of building projects PKD 41.10.Z	100.00%	100.00%
PBG Dom Invest X Sp. z o.o. (17)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%

All amounts in PLN thousand (unless otherwise indicated)

Company	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	% of share capital held	
			Dec 31 2015	Dec 31 2014
PBG Erigo Projekt Sp. z o.o. (18)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%
PBG Erigo Projekt Sp. z o.o. Platan Hotel SKA (19)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Hotels and similar accommodation PKD 55.10.Z	100.00%	100.00%
PBG Erigo Projekt Sp. z o.o. Malta Hotel SKA (20)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Hotels and similar accommodation PKD 55.10.Z	100.00%	100.00%
Ecoria Sp. z o.o. (21)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z	100.00%	100.00%
Wschodni Invest Sp. z o.o. (22)	ul. Mazowiecka 42, 60-623 Poznań POLAND	Other financial intermediation PKD 64.19.Z	100.00%	100.00%
PBG Ukraina PAT (public joint-stock company) (23)	ul. Kondratiuka 1, 04201 Kiev UKRAINE	Construction of buildings and other structures, assembly and installation of prefabricated structures, assembly of metal structures, organisation of property construction projects intended for sale or rental; engineering activities.	100.00%	100.00%
PBG Operator Sp. z o.o. (24)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Other credit granting PKD 64.92.Z	100.00%	100.00%
PBG oil and gas Sp. z o. o. (25)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Other specialised construction activities PKD 4399Z	25.00%	25.00%
Bathinex Sp. z o.o. (26)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	100.00%	100.00%

All amounts in PLN thousand (unless otherwise indicated)

Company	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	% of share capital held	
			Dec 31 2015	Dec 31 2014
Multaros Trading Company Limited (27)	Vasili Michalidi 9, 3026 Limassol CYPRUS	Holding of securities	100.00%	100.00%
SPV2 PL Sp. z o.o. (28)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Engineering activities and related technical consultancy PKD 71.12.Z	98.50%	-
RAFAKO S.A. (29)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Manufacture of steam generators except central heating hot water boilers (25.30.Z)	50.000001%	61.01%
PGL-DOM Sp. z o.o. (30)	ul. Bukowa 1, 47-400 Racibórz, POLAND	Real property activities with own property (68.32 Z)	50.000001%	61.01%
RAFAKO ENGINEERING Sp. z o. o. (31)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Construction and process design, urban planning (71.12.Z)	37.76%	61.01%
ENERGOTECHNIKA Engineering Sp. z o. o. (32)	ul. Bojkowska 43C, 44-100 Gliwice, POLAND	Construction and process design, urban planning (71.12.Z)	36.84%	50.93%
RAFAKO ENGINEERING SOLUTION Sp. z o.o. (33)	Belgrade SERBIA	Process design, construction, industry, and environmental protection consultancy and supervision (74203)	38.50%	46.98%
RAFAKO Hungary Kft. (34)	Budapest HUNGARY	Equipment assembly in the power and chemical industry	50.000001%	61.01%
E001RK Sp. z o.o. (35)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Development of building projects; construction of roads and highways, railways and subways, bridges and tunnels; engineering activities and technical and scientific consultancy; production, repair and maintenance of machinery and equipment, generation and transmission of and trading in electricity.	50.000001%	61.01%

All amounts in PLN thousand (unless otherwise indicated)

Company	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	% of share capital held	
			Dec 31 2015	Dec 31 2014
E003B7 Sp. z o.o. (36)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Development of construction projects, business consultancy and construction design, engineering and technology	50.000001%	61.01%

The figures in the table above present the Parent's ownership interests in the share capital of the Group companies.

The percentage interests in the share capital of Group companies are presented as aggregate interests (the percentage share held by the Parent in the share capital of a given Group company times the percentage share held by that Group company in its subsidiary).

The number of shares equals the number of voting rights held by the Parent in the Group companies, except at Energotechnika Engineering Sp. z o.o., a RAFAKO Group company, where the equity interest is held by:

- RAFAKO Engineering Sp. z o. o. − holding 40.00% of the share capital of Energotechnika Engineering Sp. z o.o. (57.14% of total voting rights at the General Meeting of Energotechnika Engineering Sp. z o.o.);
- PGL-DOM Sp. z o. o. − holding 43.48% of the share capital of Energotechnika Engineering Sp. z o.o. (31.06% of total voting rights at the General Meeting of Energotechnika Engineering Sp. z o.o.).
  The Group holds 37.11% of the total vote at the General Meeting of Energotechnika Engineering Sp. z o.o.

The Parent holds a 25% interest in PBG oil and gas Sp. z o.o., and it decided to consolidate the subsidiary with the full method since in accordance with the conditional sale agreement, the Parent will acquire the remaining 75% interest upon fulfilment of a condition precedent. 150 shares in PBG oil and gas Sp. z o.o. will be acquired by the Parent upon the court's decision approving the Arrangement between the Parent and its creditors having become final.

The Parent also holds interests of up to 50% of the share capital in the following Group companies:

- RAFAKO Engineering Sp. z o.o.,
- Energotechnika Engineering Sp. z o.o.,
- RAFAKO Engineering Solution Sp. z o.o.

The Parent recognises the above companies as subsidiaries since its relations with these undertakings indicate that the Parent exercises control over the companies, as defined in IFRS 10 Consolidated Financial Statements. The Parent acknowledges that indirectly through RAFAKO S.A and PBG oil and gas Sp. z o.o. (subsidiaries) it is exposed to variable returns from its investments in the companies and is able to affect the amount of such returns.

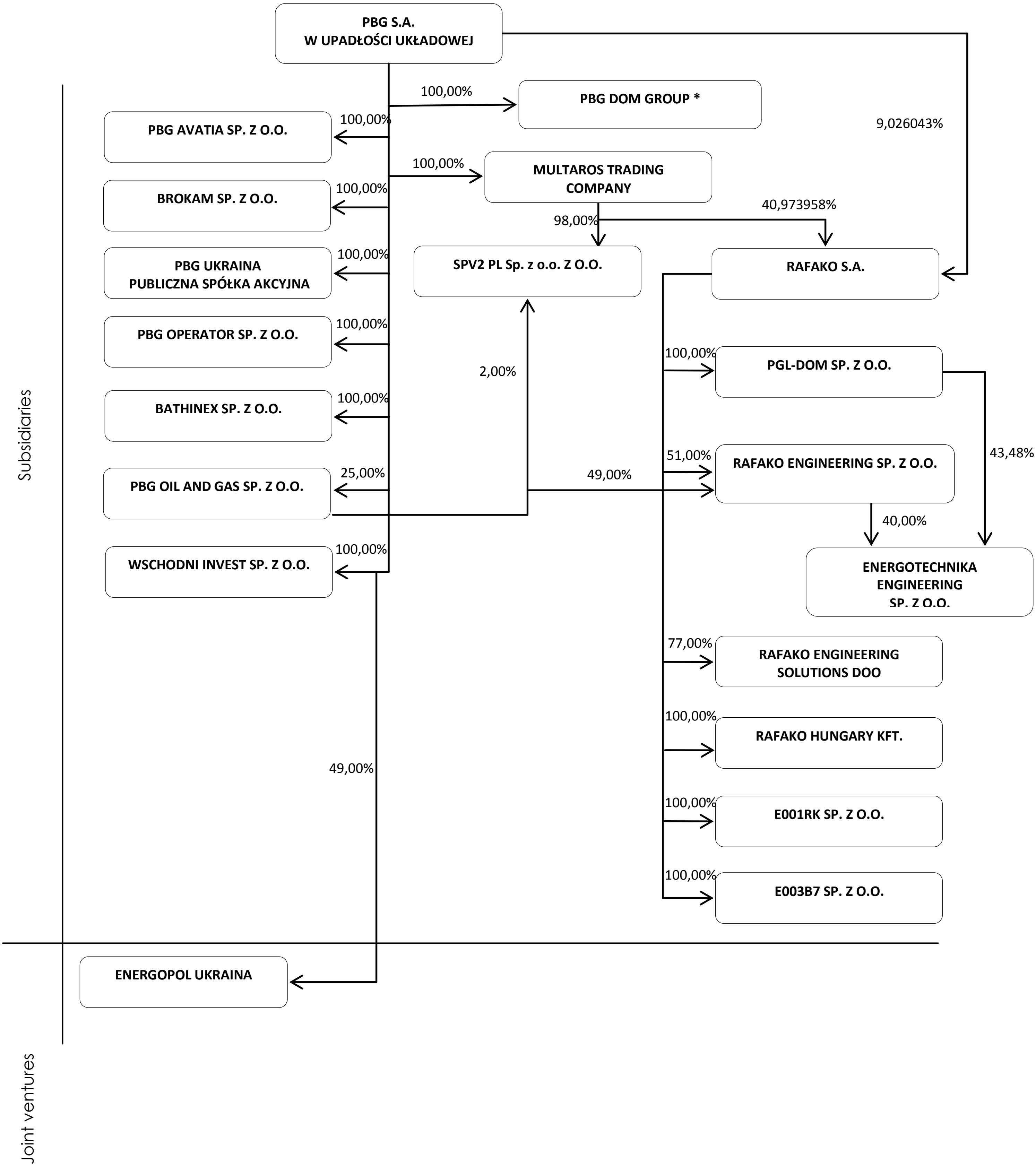
The Parent also holds interests exceeding 50% of the share capital in the following Group companies:

- Strateg Capital Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy),
- Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in liquidation bankruptcy),
- Aprivia SA w upadłości likwidacyjnej (in liquidation bankruptcy),

- PBG Technologia Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy),
- Energomontaż Południe S.A. w upadłości likwidacyjnej (in liquidation bankruptcy),
- KWG S.A. w upadłości likwidacyjnej (in liquidation bankruptcy).

As of the date of the court's decision on final liquidation of the above Group companies, the Parent lost control of the subsidiaries as they were placed under the control of authorities appointed in the insolvency proceedings.

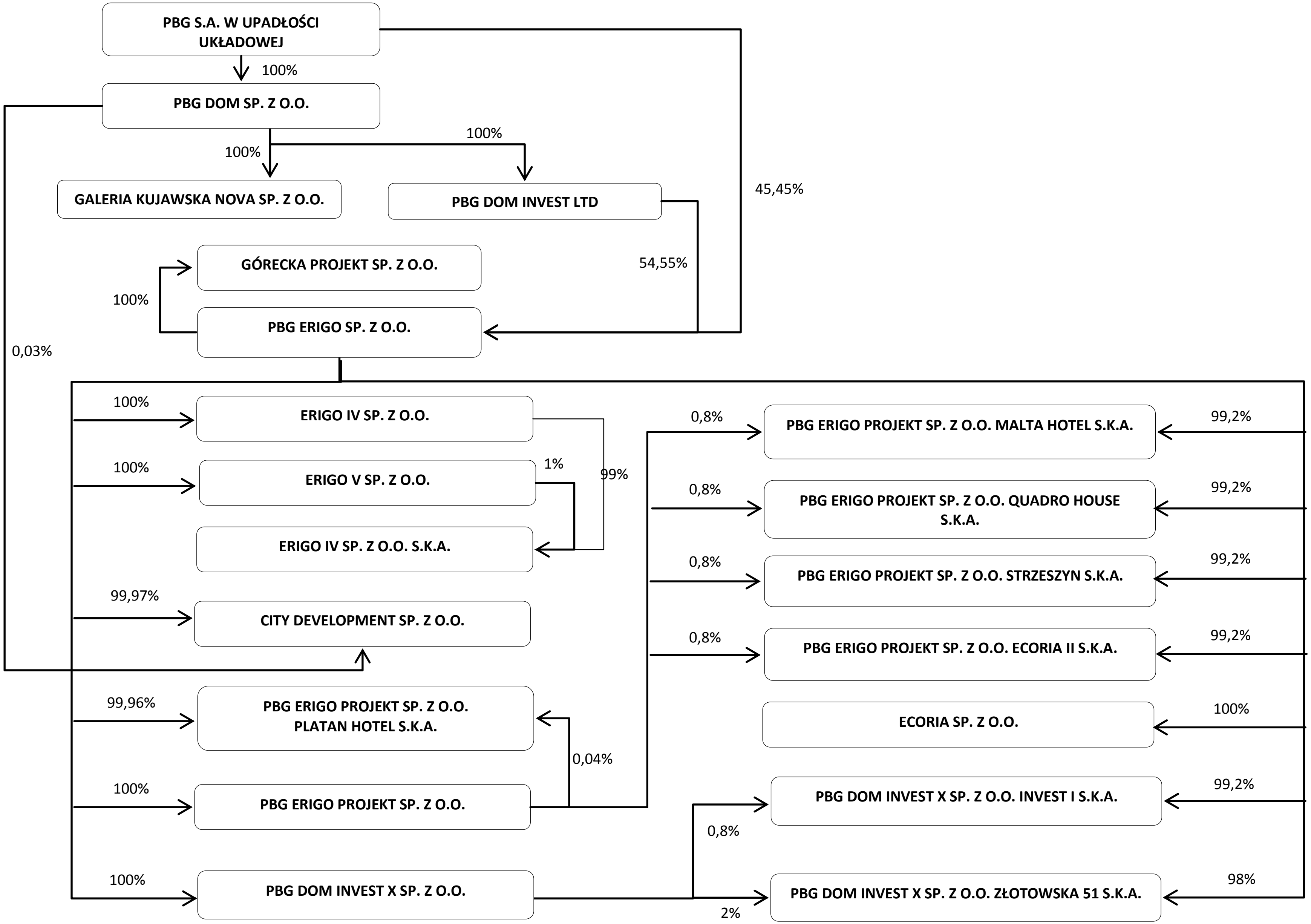
1.4.2 STRUCTURE OF THE PBG GROUP AS AT DECEMBER 31ST 2015



* The structure of the PBG Dom Group is presented below.

Group name:	*PBG GROUP*		
Period covered by the financial statements:	*Jan 1 – Dec 31 2015*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

STRUCTURE OF THE PBG DOM GROUP AS AT DECEMBER 31ST 2015



1.4.3 CHANGES IN THE GROUP IN 2015

In 2015, the following transactions resulted in changes in the structure of the PBG Group:

Sale of shares in FPM S.A.

On December 30th 2014, subsidiary RAFAKO S.A. executed a preliminary conditional agreement for the sale of shares in FPM S.A., its subsidiary, to TDJ S.A., for PLN 48m. The transaction was conditional on:

- TDJ S.A. obtaining clearance from the President of the Polish Office of Competition and Consumer Protection (UOKiK),
- Approval of the sale of FPM S.A. shares by the Supervisory Board of subsidiary RAFAKO S.A.

On January 12th 2015, the Supervisory Board of subsidiary RAFAKO S.A. gave its approval for the sale of FPM S.A. shares, and on February 19th 2015 RAFAKO S.A. received a notification from TDJ to the effect that TDJ obtained transaction clearance from the President of the Polish Office of Competition and Consumer Protection. On February 23rd 2015, a share sale agreement was executed for an aggregate amount of PLN 48m. The sold assets represent 82.19% of FPM S.A.'s share capital and 82.19% of total voting rights at the FPM S.A. General Meeting. Following the transaction, subsidiary RAFAKO S.A. holds no FPM S.A. shares.

FPM S.A.'s operations represented an important separate line of the Group's business, therefore, in accordance with IFRS 5, the results generated by FPM S.A. have been classified as discontinued operations.

As at February 19th 2015, FPM S.A. was excluded from the Group, and its results for the period from January 1st to February 19th 2015 were presented in the interim condensed consolidated financial statements as discontinued operations.

Change in the number of shares and voting rights in RAFAKO S.A.

On May 13th 2015, the RAFAKO Management Board passed resolutions concerning an increase of RAFAKO S.A.'s share capital by an amount not lower than PLN 2 and not higher than PLN 30,664 thousand, through an issue of no fewer than 1 and no more than 15,331,998 Series J ordinary bearer shares with a par value of PLN 2 per share. On July 3rd 2015, the Polish Financial Supervision Authority approved the company's prospectus, which was published on July 6th 2015. The issue price of the new shares was set at PLN 6.10 per share. The Management Board of the Central Securities Depository of Poland resolved to register 15,331,998 allotment certificates (rights to shares) in respect of Series J ordinary bearer shares, which were introduced to trading on the main market of the WSE on July 29th 2015. On July 23rd 2015, RAFAKO S.A. filed a motion with the District Court of Gliwice, 10th Commercial Division of the National Court Register, for registration of the company's share capital increase. RAFAKO's share capital now amounts to PLN 169,863,996. On September 21st 2015, new shares were registered by the Central Securities Depository of Poland and introduced to trading on the WSE Main Market.

In 2015, RAFAKO S.A. used some of the issue proceeds (of the total of PLN 89,226 thousand), for the following objectives:

- PLN 4,090 thousand towards security for new financial instruments,
- PLN 3,066 thousand towards financial services related to execution of new projects,
- PLN 1,031 thousand towards R&D works in Q4 2015.

Following the shares issue, the Parent's share in RAFAKO's share capital and total voting rights fell:

- ✓ from 7,665,999 shares held directly by the Parent − from 11.01% to 9.026%;
- ✓ from 34,800,001 shares held indirectly, through Multaros Trading Company Ltd − from 50% plus 1 share to 40.974%.

Following the share capital increase at RAFAKO S.A., which took place on September 7th 2015, the Parent holds shares representing 50.000001% of the share capital and voting rights in RAFAKO (50% plus 1 share).
In accordance with IFRS 10, following the issue of shares in its subsidiary, the Group made adjustments to controlling and non-controlling interests, recognised directly in equity.

Share capital increase at RAFAKO Engineering Sp. z o.o.

On September 1st 2015, the share capital of the subsidiary was increased from PLN 1m to PLN 1,959 thousand, i.e. by PLN 959 thousand, through an issue of 1,918 new shares with a par value PLN 500 per share. All the new shares were acquired by a new shareholder – the subsidiary PBG oil and gas Sp. z o.o. – and paid for with an in-kind contribution with a total value of PLN 3,879 thousand and a cash contribution of PLN 1,200 thousand.
The transaction was consistent with a strategic plan to create an in-house maintenance function within RAFAKO ENGINEERING Sp. z o.o. as part of the PBG Group.

Merger of subsidiaries Erigo I Sp. z o.o., Erigo II Sp. z o.o., Erigo III Sp. z o.o. and PBG Erigo Finanse Sp. z o.o. through their acquisition by Galeria Kujawska Nova Sp. z o.o.

On October 9th 2015, the acquisition of subsidiaries Erigo I Sp. z o.o., Erigo II Sp. z o.o., Erigo III Sp. z o.o. and PBG Erigo Finanse Sp. z o.o. by Galeria Kujawska Nova Sp. z o.o. was entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court of Poznań-Nowe Miasto and Wilda in Poznań, 8th Commercial Division of the National Court Register. Therefore, the Parent decided to consolidate Galeria Kujawska Nova Sp. z o.o. with the full method. The Group holds a 100% interest in Galeria Kujawska Nova Sp. z o.o. and controls the company within the meaning of IFRS 10 Consolidated Financial Statements.

Acquisition of an organised part of business of PBG AVATIA Sp. z o.o. by RAFAKO S.A.

On October 30th 2015, RAFAKO S.A. acquired an organised part of the business of PBG Avatia Sp. z o.o., a subsidiary, comprising movables, intangible assets and contractual rights, for a total amount of PLN 2,500 thousand. The acquisition was executed as part of a strategy aimed at standardising the IT processes and services across the PBG Group and relocating them to RAFAKO S.A. Pursuant to IFRS 10 Consolidated Financial Statements, the Group made necessary adjustments to eliminate the effect of the transaction on these consolidated financial statements.

Formation of SPV2 PL Sp. z o.o.

On August 19th 2015, PBG oil and gas Sp. z o.o. and Multaros Trading Company Limited (subsidiaries) incorporated a limited liability company SPV2 PL Sp. z o.o. In the period covered by these consolidated financial statements, the company did not conduct any business activity.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS, REPORTING CURRENCY AND LEVEL OF ROUNDING

2.1 BASIS OF PREPARATION

The consolidated financial statements were prepared based on the historical cost approach, except with respect to investment property, derivatives and financial assets available for sale, all of which are measured at fair value. The carrying amount of recognised hedged assets and liabilities is adjusted for fair value changes which may be attributed to the risk against which such assets and liabilities are hedged.

These consolidated financial statements of the PBG Group, comprising the Parent and its subsidiaries, have been prepared in accordance with International Financial Reporting Standards (IFRS) as in effect on December 31st 2015.

These consolidated financial statements were prepared in accordance with the EU-endorsed International Financial Reporting Standards ("EU IFRS"). At the date of approval of these financial statements, taking into account the EU's ongoing process of implementation of IFRS, the policies applied by the Group differ from EU IFRS.

The Group has elected the option, available in the case of application of EU IFRS, of applying IFRIC 21 starting from annual periods beginning on or after January 1st 2015, while amendments to IRS 19 and amendments resulting from the 2010−2012 IFRS Review − starting from annual periods beginning on January 1st 2016.

EU IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and the Committee on International Financial Reporting Interpretations Committee ("IFRIC").

Some of the Group companies maintain their accounting books in accordance with the policies (rules) set out in the Accounting Act of September 29th 1994 (the "Act") as amended and the regulations issued thereunder ("national GAAP"). Accounting policies of the Group companies have been adjusted where necessary to ensure their compliance with IFRS, and the adjustments are reflected in these consolidated financial statements.

2.2 FUNCTIONAL CURRENCY, REPORTING CURRENCY AND LEVEL OF ROUNDING

The reporting currency (presentation currency) in these consolidated financial statements is the Polish złoty, which is the functional currency of the Parent, and all amounts are expressed in thousands of Polish złoty (PLN '000), unless indicated otherwise.

A functional currency is determined for each of the subsidiaries, and their assets and liabilities are measured in the functional currency. The functional currencies of the foreign subsidiaries are the Ukrainian hryvnia (UAH), the Serbian dinar (RSD) and the Hungarian forint (HUF).

The financial statements of foreign operations are translated, for consolidation purposes, into the Polish currency as follows:

- assets and liabilities of each presented statement of financial position (balance sheet) are translated at the closing rate as at the balance sheet date,
- the items of the statement of profit or loss are translated at the exchange rate being an arithmetic mean of the mid-rates as quoted by the National Bank of Poland (NBP) on the last day of each month of the year. Foreign exchange gains/losses on the translation are charged/credited to other comprehensive income and recognised in the translation reserve in equity.

2.3 GOING CONCERN ASSUMPTION

The Parent's current financial position puts in question its ability to continue as a going concern due to the ongoing arrangement bankruptcy proceedings. However, these consolidated financial statements were prepared on the assumption that the Parent would continue as a going concern in the foreseeable future, i.e. for at least 12 consecutive months from the date of preparation of these financial statements. This assumption was made due to the Parent's ongoing arrangement bankruptcy proceedings and the Management Board's efforts which led to the execution of arrangement with the creditors following a vote during the Meeting of Creditors on August 3rd−August 5th 2015. The Parent is awaiting review by the Regional Court of complaints against the Bankruptcy Court's decision approving the arrangement, filed by two creditors. This is the last formal stage in the Parent's arrangement proceedings, which have continued for nearly four years. The outcome favourable to the Parent, that is the dismissal of the creditors' complaints against the court's decision, would enable the Parent to continue its operations.

The Parent's Management Board wishes to indicate that, should the going concern assumption prove incorrect, the consolidated financial statements would have to reflect certain adjustments to the carrying amounts and classification of the Parent's assets and liabilities which could be required if the Parent was unable to continue its operations in the foreseeable future.

Below, the Parent's Management Board presents the circumstances suggesting that the Parent's and its Group's ability to continue as going concerns may be at risk, as well as the steps taken to mitigate the risk.

On June 4th 2012, the Parent's Management Board made a decision to file an arrangement bankruptcy petition (grounds for the decision were presented in the Parent's full-year report for 2012). On June 13th 2012, the District Court for Poznań−Stare Miasto in Poznań, 11th Commercial Insolvency and Arrangement Division (the Bankruptcy Court), declared the Company insolvent, in voluntary arrangement. The Court's decision became final on June 22nd 2012. Overall, twelve companies of the PBG Group filed arrangement bankruptcy petitions. The decision to make their filings almost simultaneously was prompted by the fact that the companies had provided cross-guarantees to secure the repayment of bank loans and trade creditors, and (in some cases) assumed joint and several liability under consortium-delivered contracts. In the vast majority of cases, the current status of the proceedings involves liquidation of their assets.

The voluntary arrangement procedure ensures proper satisfaction of the creditors' claims following approval and implementation of the arrangement. Since 2012, the Parent's Management Board has been actively involved in negotiations with the creditors. During that time, the creditors involved in financing the Parent's or other Group companies' operations and representing the largest group of Creditors have been provided with a plan of restructuring of the Parent's operations and assets. The plan was prepared by the Parent and its financial adviser PwC Polska Sp. z o.o. On November 3rd 2014, the Parent's Management Board and its legal adviser Weil, Gotshal & Manges, Paweł Rymarz Sp. k. completed the preparation of the Arrangement Proposals. On the same day, the Parent filed the Arrangement Proposals along with grounds therefor with the Bankruptcy Court (Current Report No. 23/2014). Then, on April 28th 2015, the Parent's Management Board finalised negotiations with the legal advisers to certain Financial Creditors on updating the Arrangement Proposals of November 3rd 2014. As a consequence, the Arrangement Proposals of April 28th 2015 (Current Arrangement Proposals) were filed with the Bankruptcy Court on April 29th 2015 (Current Report No. 13/2015). In accordance with the Current Arrangement Proposals, the Parent's creditors are divided into seven groups, depending on the category of interest they represent and the type and amount of their claims. The creditors were divided into categories of interest in accordance with the Bankruptcy and Restructuring Law. The full text of the Current Arrangement Proposals is available on the Parent's website at www.pbg-sa.pl in the 'Restructuring' section.

Parallel to the restructuring process and negotiations concerning the terms of the Parent's debt repayment, steps were taken to prepare a list of claims as part of the pending arrangement bankruptcy proceedings. On June 12th 2013, the Parent was notified that a list of claims had been delivered by the Court Supervisor to the Judge Commissioner. The total amount of the acknowledged claims specified in the list of claims was PLN 2,776,254 thousand. On July 4th 2013, the Judge announced that the drafting of the list of claims had been completed. By April 28th 2015, the Judge Commissioner had announced preparation of four supplementary lists of claims, recognised and listed by the Court Supervisor, with a total value of PLN 489.15m as at the date of preparation. On December 9th 2014, the Judge approved: the list of claims, the first supplementary list of claims, the second supplementary list of claims, and the third supplementary list of claims (Current Report No. 28/2014). On July 8th 2015, the Judge approved the fourth supplementary list of claims.

Following the approval of the list of claims and the supplementary lists, on February 19th 2015, the Judge set the date of the Meeting of the Parent's Creditors (Current Report No. 4/2015). In accordance with the Judge's decision, the meeting was called for April 27th, 28th and 29th 2015. Considering the state of negotiations between the Parent and its Financial Creditors, who are the Parent's major creditors and hold more than two-thirds of all claims against the Parent covered by the arrangement, on April 13th 2015 the Parent filed a motion to change the date of the Meeting of Creditors, as reported in Current Report No. 7/2015. Having examined the motion, on April 15th 2015, the Judge Commissioner revoked the initial date of voting (Current Report No. 8/2015). The Judge Commissioner further required that the Parent file updated Arrangement Proposals. The Parent complied with the requirement and on April 29th 2015 filed Current Arrangement Proposals of April 28th 2015 (Current Report No. 13/2015).

On May 14th 2015, the Judge Commissioner called the Meeting of Creditors for August 3rd, August 4th and August 5th 2015 (Current Report No. 14/2015). The meeting of the Parent's Creditors was held on those dates. On the first day of the Meeting of Creditors (August 3rd 2015), the Judge Commissioner adjourned the Meeting until 10.00 am on August 25th 2015.The decision was related to the adoption of written ballot as an admissible form of voting (Current Report No. 27/2015). During the Meeting of Creditors on August 5th 2015, the Judge Commissioner presented a preliminary summary of voting results in each group of Creditors. The information provided by the Judge Commissioner suggested that in Group 1, Group 2, Group 4 and Group 5, the majority of Creditors had voted in favour of the arrangement (separately in each of the groups and also considering the total number of creditors in all groups), holding the required majority of two-thirds (2/3) of the total amount of claims, both in each group and considering the total amount of claims, as reported by the Parent in Current Report No. 32/2015. On August 25th 2015, the Judge Commissioner confirmed the execution of an arrangement between the Parent and its Creditors consistent with the Current Arrangement Proposals of April 28th 2015 (Current Report No. 34/2015). The Judge Commissioner stated that out of the 356 Creditors entitled to vote, whose claims totalled PLN 2,668,353 thousand, the majority, i.e. creditors representing PLN 2,524,531 thousand (94.61%) of the total claims conferring voting rights, voted in favour of the Arrangement. On October 8th 2015, the Bankruptcy Court approved the Arrangement (Current Report No. 46/2015). Two Creditors appealed the decision on December 23rd and 28th 2015. Both appeal motions were found to have formal defects, which the two Creditors were asked to remedy. Following removal of the defects, the complaints will be examined by a court of second instance, which will be the last stage of the arrangement bankruptcy proceedings. If the complaints are dismissed by the court of second instance, the Bankruptcy Court's decision of October 8th 2015 approving the Arrangement will become final. However, it the complaints are found to be valid, there is a risk that the Arrangement's approval will be rejected, resulting in the arrangement bankruptcy proceedings being converted into liquidation bankruptcy proceedings.

On July 31st and August 1st 2015, the Company and certain Arrangement Creditors holding Group 5 and Group 6 claims executed agreements setting out the terms of restructuring of the Parent's liabilities. The executed documents include in particular two key agreements, i.e. the Restructuring Agreement and the Issue and Agency Agreement. Additionally, the Parent executed a number of related documents. The documents comprehensively define the terms of restructuring which had been negotiated by the Parent and its largest Creditors since September 2013. For details of the agreements executed on July 31st and August 1st 2015, see Current Report No. 26/2015. The Parent also reported on new Creditors acceding to the Restructuring Agreement.

In parallel to the steps taken to restructure the debt, operational and asset restructuring efforts have also been undertaken.

In the opinion of the Parent's Management Board, the proper performance of the Arrangement is guaranteed by:

•restructuring of the Parent's non-core non-current assets, the sale of which will be one of the sources of payments to be made under the Arrangement;

•divestment of the PBG Group's property development and other projects;

•ability to bid for profitable contracts in the power construction sector, based on cooperation with RAFAKO S.A., PBG's subsidiary;

•winning new contracts in the oil and gas sector, the Parent's strategic segment.

To be able to continue trading, the RAFAKO Group must maintain its financial liquidity, that is ability to secure sufficient financing for the current contracts. The consolidated financial statements of the RAFAKO Group have been prepared on the assumption that the RAFAKO Group will continue as a going concern for at least 12 months after the end of the reporting period, i.e. December 31st 2015. In view of the above, the Management Board of RAFAKO S.A. has prepared financial projections for 2016 and the following years, based on a number of assumptions, the most important of which relate to:

- continued financing of RAFAKO S.A.'s operations with a credit facility subsequent to May 31st 2016 – pursuant to the annex executed on May 29th 2015, the payment date of the credit facility used by the Parent was extended until May 31st 2016,
- timely delivery and execution of the contracts in RAFAKO S.A.'s current order book, including in particular the timely generation of cash flows from the contracts and renegotiation of selected contracts to optimise cash flows,
- ability to generate positive margins on contracts in RAFAKO S.A.'s order book in line with the current assumption, without any increase in losses already recognised on some of the contracts,
- release of cash locked in performance bonds against delivery of appropriate bank guarantees to RAFAKO S.A.'s trading partners. As at the date of these consolidated financial statements, RAFAKO S.A. had access to open guarantee lines for a total of PLN 165m provided by several financial institutions, with approximately 68% of the limit currently used. Availability of the unused portion of the facilities and success in negotiations with financial institutions concerning further bank/insurance guarantees will enable the subsidiary to perform new contracts it expects to be awarded during the 12 months after December 31st 2015.

RAFAKO S.A. signed an annex with PKO BP S.A. whereby repayment of the PLN 150m facility was extended until May 31st 2016. The subsidiary also sold shares of FPM S.A. for approximately PLN 48m, and issued shares worth approximately PLN 93.5m to finance contractual security arrangements in building its order book, and to increase research and development expenditure. All these efforts have significantly improved the RAFAKO Group's liquidity.

RAFAKO S.A.'s Management Board believes that the above key assumptions underlying the financial projections will materialize, which − coupled with the share issue proceeds − will significantly improve the RAFAKO Group's liquidity during at least the 12 months subsequent to the reporting date.

In light of the above, the RAFAKO Management Board believes that the targets set forth in the financial projections for the coming year will be met.

3. AMENDMENTS TO STANDARDS AND INTERPRETATIONS

3.1 EFFECTIVE AMENDMENTS TO STANDARDS AND INTERPRETATIONS APPLIED BY THE GROUP FROM JANUARY 1ST 2015

The accounting policies applied in preparing these consolidated financial statements are consistent with the policies applied in preparing the Group's consolidated financial statements for the year ended December 31st 2014, save for the effect of application of the following amended standards and new interpretations effective for annual periods beginning on or after January 1st 2015.

- Amendments to IFRS introduced as part of the 2011-2013 improvements cycle:

- Amendments to IFRS 3 Business Combinations

  The amendments clarify that not only joint ventures but also joint arrangements fall outside the scope of IFRS 3. The exception applies solely to the preparation of financial statements of joint arrangements. The amendment is to be applied prospectively.

  The application of these amendments had no effect on the financial standing or performance of the Group.

- Amendments to IFRS 13 Fair Value Measurement

  The amendments clarify that the portfolio exception applies not only to financial assets and financial liabilities but also to other agreements that fall within the scope of IAS 39. The amendments are to be applied prospectively.

  The application of these amendments had no effect on the financial standing or performance of the Group.

- Amendments to IAS 40 Investment Property

  The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e. property, plant and equipment). The amendment is to be applied prospectively, and it clarifies that it is IFRS 3 rather than the definition of ancillary services under IAS 40 that should be used to determine whether a transaction is an asset acquisition or a business acquisition.

  The application of these amendments had no effect on the financial standing or performance of the Group.

- IFRIC 21 Levies

  The interpretation clarifies that an entity recognises a levy liability on the occurrence of an obligating event or, in other words, the activity that triggers the obligation to pay a levy under relevant legislation. For a levy that is triggered upon reaching a minimum threshold, no liability is recognised before the specified minimum threshold is reached. IFRIC 21 is applied retrospectively.

  The application of the amendments had no material effect on the Group's financial standing, financial performance or the scope of disclosures in the Group's full-year consolidated financial statements.

The Group has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet adopted by the European Union.

3.2 PUBLISHED STANDARDS AND INTERPRETATIONS WHICH AS AT DECEMBER 31ST 2015 WERE NOT YET EFFECTIVE, AND THEIR IMPACT ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS

The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, but are not yet effective:

- IFRS 9 Financial Instruments (published on July 24th 2014) − effective for annual periods beginning on or after January 1st 2018 − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (published on November 21st 2013) − effective for annual periods beginning on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.
- Improvements to IFRSs 2010−2012 (published on December 12th 2013) − some of the amendments are effective for annual periods beginning on or after July 1st 2014, and some prospectively for transactions occurring on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.
- IFRS 14 Regulatory Deferral Accounts (published on January 30th 2014) − pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the publication of its final version − not adopted by the EU by the date of authorisation of these financial statements – effective for annual periods beginning on or after January 1st 2016.
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (published on May 6th 2014) – effective for annual periods beginning on or after January 1st 2016.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (published on May 12th 2014) – effective for annual periods beginning on or after January 1st 2016.
- IFRS 15 Revenue from Contracts with Customers (published on May 28th 2014), including amendments to IFRS 15 Effective Date of IFRS 15 (published on September 11th 2015) – effective for annual periods beginning on or after January 1st 2018; not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (published on June 30th 2014) – effective for annual periods beginning on or after January 1st 2016.
- Amendments to IAS 27 Equity Method in Separate Financial Statements (published on August 12th 2014) − effective for annual periods beginning on or after January 1st 2016.
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (published on September 11th 2014) − no decision has been made as to when EFRAG will carry out the individual stages of work leading to the approval of the amendments; not adopted by the EU by the date of authorisation of these financial statements – effective date was deferred by the IASB for an indefinite period.
- Amendments resulting from Improvements to IFRS 2012−2014 (issued on September 25th 2014) effective for annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception (published on December 18th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.

- Amendments to IAS 1 Disclosure Initiative (published on December 18th 2014) – effective for annual periods beginning on or after January 1st 2016.
- IFRS 16 Leases (published on January 13th 2016) – no decision has been made as to when EFRAG will carry out the individual stages of work leading to the approval of the amendments; not adopted by the EU by the date of authorisation of these financial statements – effective for annual periods beginning on or after January 1st 2019.
- Amendments to IAS 12 Recognition of Deferred Tax Assets (published on December 19th 2016) − not adopted by the EU by the date of authorisation of these financial statements – effective for annual periods beginning on or after January 1st 2017.
- Amendments to IAS 7 under Disclosure Initiative (published on January 29th 2016) − not adopted by the EU by the date of authorisation of these financial statements − effective for annual periods beginning on or after January 1st 2017.

The Group has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective.
At the date of authorisation of these consolidated financial statements for issue, the Parent's Management Board does not expect the introduction of these standards and interpretations to have any material impact on the rules (policies) applied by the Group.

4. CHANGES IN ACCOUNTING POLICIES AND CORRECTION OF PRIOR PERIOD ERRORS

No changes in accounting policies were introduced and no errors were corrected in these consolidated financial statements.

5. PROFESSIONAL JUDGEMENT, UNCERTAINTY OF ESTIMATES AND ASSUMPTIONS, AND CHANGES IN ESTIMATES

5.1 PROFESSIONAL JUDGEMENT

When applying the Company's accounting policies, the Parent's Management Board made the following judgements which most significantly affect the presented carrying amounts of assets and liabilities.

Classification of lease agreements

The Group classifies its lease agreements as finance leases or operating leases based on the assessment of the extent to which substantially all the risks and benefits incidental to ownership have been transferred from the lessor to the lessee. Such assessment is in each case based on the economic substance of a given transaction.

Classification of interests in other entities

The Group classifies its interests in other entities based on an assessment of the nature of the involvement with the other entity and the degree of the Group's exposure to variability of returns from the performance of the other entity. Such assessment is based on an analysis of contractual rights held by the Group, including voting rights, if any, held by the Group and other entities. For detailed results of the analysis, see Note 6.2.

Syndicated agreements

Each time after signing a construction contract to be executed as part of a consortium, the Group evaluates the nature of the contract in order to determine the method of accounting for contract revenue and expenses.

Measurement of investment property

The Group determines the fair value of investment property based on valuations performed by independent property appraisers, as well as its own assessment of market conditions and other factors that may have a material bearing on the value of investment property.

5.2 UNCERTAINTY OF ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that carry a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities in the next financial year are discussed below. The Group used the assumptions and estimates concerning the future based on its knowledge as at the time of preparation of these consolidated financial statements. The assumptions and estimates contained in these financial statements may change in the future due to market developments or factors beyond the Group's control. Such developments or factors will be reflected in the estimates or assumptions as and when they occur.

5.2.1 USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The Group reviews the useful lives of its depreciable/amortisable assets annually, on the basis of current estimates. Any such estimation involves uncertainty regarding future operations, resulting from the declaration of bankruptcy by the Parent. In the Group's opinion, as at December 31st 2015 the useful lives of assets applied by the Group reflect the expected period of the use and usefulness of the assets. For carrying amounts of depreciable/amortisable assets, see Notes 14 and 15.

5.2.2 CONSTRUCTION CONTRACT REVENUE

Construction contract revenue and amounts due recognised in the consolidated financial statements depend on the estimates of the management boards of individual PBG Group companies regarding the stage of completion of and profit margins expected to be achieved on individual contracts. Budgeted costs related to specific projects which have not yet been incurred are monitored on an ongoing basis by the management staff supervising the progress of construction work, as a result of which the budgets of individual contracts are revised at least monthly. However, the costs not yet incurred and the profit margins on individual running contracts thus estimated involve a degree of uncertainty, especially in the case of highly complex projects, which take several years to complete. In the present situation, the estimates are affected by additional risks, which may lead to their possible adjustment in the future. These risks include mainly the current limited liquidity of the Parent and some of its subsidiaries, which may affect the pace of or cause delays in completion of the contract work. This may in turn increase contract fixed costs, affect the Company's bargaining power in negotiations with subcontractors and suppliers and, in extreme cases, result in a failure to meet contractual deadlines for completing work and in a threat of penalties being imposed. Another type of risk affecting the pace of work is weather conditions, which cause seasonality of the construction and installation services market. In the case of some subsidiaries, the risk is exacerbated by the operational cycle in the power sector, where investment projects as well as repairs and upgrade work are performed mainly in the summer season. The Group is to some extent exposed to the risk of a downturn in the property market. The steadily falling property prices may affect the profitability of the property development projects. The need to adjust to the market conditions may lead to a decrease in the selling prices, and thus affect the planned revenue. Given the type of their operations, the subsidiaries identify also purely technological risks, following from the implementation of complex and innovative technological processes and quality procedures, and the risk of failure to meet the guaranteed technical specifications of the installed equipment or supplied technologies. These factors may in the future affect the planned costs and revenues and thus the margins which are currently budgeted.

For details on long-term contracts, see Note 32.

5.2.3 PROVISIONS

5.2.3.1 EMPLOYEE BENEFITS OBLIGATIONS AND PROVISIONS

The present value of the provisions for retirement gratuity and jubilee benefits as at the reporting date is assessed by a professional actuarial firm. Retirement gratuity and jubilee benefits reported in the consolidated financial statements amount to PLN 22,138 thousand (2014: PLN 23,285 thousand).

Key assumptions made by the actuary as at December 31st 2015:

- discount rate – 2.8% (2014: 2.5%),
- employee turnover rate – 5 (2014: 5),
- expected growth of salaries and wages – 2% (2014: 5%).

A half percentage point increase in the discount rate would cause the provision to fall by PLN 1,121 thousand (2014: PLN 1,301 thousand). A half percentage point decrease in the discount rate would result in the increase of the provision by PLN 1,336 thousand (2014: PLN 1,403 thousand).

For details on provisions for employee benefits, see Note 27.

5.2.3.2 PROVISIONS FOR WARRANTY REPAIRS

Provisions for warranty repairs are estimated based on probability-weighted costs of running construction contracts assessed by the management boards of Group companies. They are recognised until the right to make a warranty claim or a claim for repair work expires. As at December 31st 2015, provisions for warranty repairs were PLN 40,071 thousand (2014: PLN 25,909 thousand).

For details on provisions for warranty repairs, see Note 28.

5.2.3.3 PROVISIONS FOR EXPECTED LOSSES

Provisions for losses on construction contracts are recognised if it is probable that the total cost to complete a construction contract will exceed the total contract revenue. The anticipated loss is immediately recognised as cost. Its amount is determined irrespective of the commencement of contract work, the stage of the contract's completion or expected profits on other contracts which are not single construction contracts. Any change in provisions for expected losses increases or reduces operating expenses. As at the reporting date, provisions for expected losses were PLN 31,276 thousand (2014: PLN 40,597 thousand).
For details on provisions for expected losses, see Note 28.

5.2.3.4 OTHER PROVISIONS

The Parent also recognised a provision for its potential liabilities under the sureties and guarantees issued and under joint and several liability to subcontractors related to projects performed under consortium agreements.
The above provision was recognised by the Parent in 2012, at PLN 780,000 thousand. As at December 31st 2015, the Parent reviewed the provision again and adjusted it to PLN 346,824 thousand. The above amount is the amount that the Company expects to pay its Creditors as part of the arrangement.
For the purposes of these consolidated financial statements, the provision was additionally reduced by PLN 9,542 thousand (i.e. to PLN 337,282), which is the equivalent of the provision for the Parent's liabilities towards its subsidiaries.
For detailed information on the provision for potential future obligations, see Notes 28 and 39.

Restructuring provision

The provision was recognised by the Parent in 2012. The amount of the restructuring provision was PLN 17,300 thousand as at December 31st 2015 (2014: PLN 18,644 thousand) (see Note 28).

5.2.4 DEFERRED TAX ASSETS

The Group recognises deferred tax assets based on the assumption that taxable profits will be available in the future against which the deferred tax asset can be utilised. Since there is no certainty that the recognised tax losses may be recovered, the Management Board of the Parent as well as management boards of some subsidiaries resolved not to recognise a deferred tax asset relating to tax losses and not to recognise a deferred tax asset relating to deductible temporary differences in an amount exceeding the deferred tax liability.

5.2.5 IMPAIRMENT OF NON-FINANCIAL ASSETS (INCLUDING GOODWILL)

As at December 31st 2015, the Group performed impairment tests on property, plant and equipment and intangible assets with definite useful lives, for which there was objective indication of impairment. For a detailed description of the methods and techniques used and their effect on these consolidated financial statements, see Notes 13, 14 and 15.

In order to measure the fair value of the investment property as at December 31st 2015, the Group assessed its value based on estimate surveys prepared by an independent expert appraiser and its own assessment of market conditions. The estimate surveys were prepared based on the current plans regarding the benefits that may be obtained. For a detailed description of the measurement methods and techniques used and their effect on fair value adjustment, see Note 19.

As at the end of the reporting period, the Group tests the company's goodwill for impairment. This requires making an estimate of the cash-generating unit's value in use and involves calculating the expected future cash flows from the cash-generating unit and determining a suitable discount rate in order to calculate the present value of those cash flows. For the values of impairment loss on goodwill as at the end of the financial year, see Note 13 to these consolidated financial statements.

5.2.6 CLASSIFICATION OF FINANCIAL ASSETS

Pursuant to the guidelines of IAS 39 *Financial Instruments: Recognition and Measurement* regarding the classification of non-derivative financial instruments with fixed payment dates or determinable maturity dates, such assets are classified as held-to-maturity financial assets. In making such a judgement, the intentions and ability to hold such investments to their maturity should be considered. If the Group Companies fail to meet the requirement of holding assets to their maturity, apart from the circumstances provided for in IAS 39 *Financial Instruments: Recognition and Measurement*, they will be required to re-classify all held-to-maturity financial assets to the category of available-for-sale assets. In such event, re-classified investments will be measured at fair value and not at adjusted acquisition cost.

5.2.7 IMPAIRMENT LOSSES ON RECEIVABLES AND LOANS

The Parent's Management Board and the subsidiaries' management boards review receivables at each reporting date. All receivable balances of significant value are subject to individual assessment in the case of debtors whose balances are past due or when objective evidence has been obtained that the debtor may not pay the receivable (e.g. the debtor is in a difficult financial position, judicial proceedings are conducted against the debtor, there have been changes in the economic environment adverse to the debtor). Impairment losses on doubtful receivables are estimated when the collection of the full amount of the receivable is no longer probable. For details on the Group's current and past receivables and recognised impairment losses, see Note 23.

The rules set out above are also applied to the loans advanced by the Group. In the year ended December 31st 2015, the Group recognised impairment losses on loans advanced in the amount of PLN 3,911 thousand (2014: PLN 32,767 thousand).

5.2.8 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments for which there is no active market is determined with the use of appropriate measurement techniques. In selecting appropriate valuation methods and assumptions, the Group relies on professional judgement. For information on the fair value measurement method for individual financial assets, see Note 21.8.

5.3 CHANGE IN ESTIMATES

In the year ended December 31st 2015 and as at December 31st 2014, the Group reviewed and updated estimates in the areas discussed in Note 5.2.

6. SIGNIFICANT ACCOUNTING POLICIES

6.1 OPERATING SEGMENTS

In distinguishing operating segments, the Parent's Management Board is guided by the product lines and services within particular industries, representing the main services and goods provided by the Group. Each of the segments is managed separately within each product line, given the nature of the Group's services and products, requiring different technologies, resources and execution approaches.

None of the Group's operating segments has been combined with another segment to form a reportable operating segment.

In compliance with IFRS 8 *Operating Segments*, results of the operating segments are based on internal reports regularly reviewed by the Parent's Management Board (the Group's chief operating decision maker) to make decisions on allocation of resources and evaluate the results of the allocation as well as the results of operations. The Parent's Management Board analyses the operating segments' results at the operating profit/(loss) level. Measurement of the operating segments' results used in the management calculations is consistent with the accounting policies applied in the preparation of the consolidated financial statements.

The PBG Group presents revenue, cost of sales and gain/(loss) on sales (gross margin) by individual segments. Assets and liabilities are not presented by operating segments as some of the non-current and current assets are used in production that is classified in different segments. Therefore, the Group is unable to reasonably allocate all items of inventory, property, plant and equipment and trade payables to particular operating segments. The Group's financing sources, finance income and costs, other income and expenses, distribution costs, administrative expenses, restructuring costs, share of profit of equity-accounted entities, and income tax are monitored at the Group level and are not allocated to operating segments.

Transaction prices used in transactions between operating segments are determined on arm's length basis, which is also the case for transactions with unrelated parties.

6.2 BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Parent and the financial statements of the subsidiaries controlled by the Parent, in each case prepared as at December 31st 2015. Subsidiaries are consolidated from the date when the Group obtains control of them and cease to be consolidated when the control is lost. The Company controls an investee when:

- it exercises power over the investee, and
- is exposed, or has rights, to variable returns from its involvement with the investee, and

- has the ability to affect those returns through its power over the investee.

The Company determines whether it has control of investees if there is an indication of change in one or more of the elements of control referred to above.

If the Company holds less than majority of voting rights at an investee, but the voting rights held are sufficient to direct the relevant activities of the investee unilaterally, this means that the Company has control of the investee. When assessing whether the Company's voting rights at an investee are sufficient to give it power, the Company considers all material circumstances, including:

- the size of its holding of voting rights relative to the size and dispersion of other vote holders;
- potential voting rights held by the Company, other shareholders and other parties;
- rights arising from other contractual arrangements; and
- any additional circumstances that may indicate that the Company has, or does not have, the ability to direct the relevant activities when decisions need to be made, including voting patterns at previous general meetings.

Financial statements of the Parent and the subsidiaries included in consolidated financial statements are prepared as at the same reporting date, i.e. December 31st, using uniform accounting policies to account for similar transactions and economic events. To eliminate any discrepancies in the applied accounting principles, adjustments are made to ensure that the accounting policies are uniform.

Subsidiaries whose financial statements are immaterial to the consolidated financial statements of the Group may be excluded from consolidation.

In preparing consolidated financial statements, PBG combines the financial statements of the parent and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses. In order that the consolidated financial statements present financial information about the Group as that of a single economic entity, the following consolidation eliminations or adjustments are made:

- As at the moment of obtaining control of a subsidiary goodwill acquired in the business combination or gain from a bargain purchase are recognised in accordance with IFRS 3 *Business Combinations*;
- Shares in subsidiaries are eliminated with the corresponding equity items;
- Non-controlling interests are identified and presented separately;
- Intra-group balances and transactions (income, expenses, dividends) are eliminated in full;
- Gains and losses resulting from intra-group transactions, which are included in the carrying amount of assets such as inventory or property, plant and equipment, are eliminated. Unrealised losses on intra-group transactions are also eliminated unless they are indicative of asset impairment;
- Deferred tax on temporary differences that arise from the elimination of unrealised gains and losses resulting from intra-group transactions is recognised.

Non-controlling interests are presented as a separate item under equity and represent the portion of a subsidiary's comprehensive income and net assets that is not held by the Group The Group attributes total comprehensive income of subsidiaries between the owners of the Parent and non-controlling interests based on their respective ownership interests.

Changes in the Parent's ownership interest that do not result in loss of control of a subsidiary are accounted for as equity transactions. Any differences between the amount of an adjustment to non-controlling interests and the fair value of the consideration paid or received are charged to equity and attributed to owners of the Parent.

6.3 BUSINESS COMBINATIONS AND GOODWILL

Business combinations which are within the scope of IFRS 3 *Business Combinations* are accounted for by applying the acquisition method. In accordance with IFRS 3 *Business Combinations*, as of the acquisition date, the identifiable assets and liabilities, including contingent liabilities, of the acquiree are measured at fair value and are recognised regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition.

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and equity instruments issued by the Group. The consideration transferred includes contingent consideration measured at fair value as of the acquisition date. Acquisition-related costs (advisory, valuation etc.) are not part of consideration transferred but are expensed as incurred.

Goodwill arising on acquisition of an entity is initially recognised at cost being the excess of:

- the aggregate of:
    - the consideration transferred,
    - the amount of any non-controlling interests in the acquiree, and
    - in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree;
- over the net fair value of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

Following initial recognition, goodwill is carried at acquisition cost less accumulated impairment losses. Goodwill is tested for impairment annually, or more frequently if there is any indication of impairment. Goodwill is not amortised.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that may benefit from the synergies of the business combination. Each unit or set of units to which goodwill has been allocated:

- corresponds to the lowest level within the Group at which goodwill is monitored for internal management purposes and
- is not greater than a single operating segment, determined in accordance with IFRS 8 *Operating Segments*.

Impairment of goodwill is determined by estimating the recoverable amount of the cash-generating unit to which the goodwill has been allocated. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the Group recognises an impairment loss. If goodwill comprises a part of a cash-generating unit and the Group sells a part of the cash-generating unit's business, the goodwill pertaining to the sold business is included in the carrying amount of the sold business for the purpose of calculating gains or losses on disposal of the part of business. Goodwill disposed of in such circumstances is measured on the basis of the relative value of the operations disposed of and the value of the portion of the cash-generating unit retained.

If the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and − in a business combination achieved in stages − the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, is lower than the net fair value of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed, a gain on bargain purchase is recognised. Gain on bargain purchase is equal to the difference between the values specified above and is immediately recognised in the consolidated statement of profit or loss. Gain from bargain purchase is recognised by the Group under other income.

The Group accounts for business combinations involving entities under common control using the pooling of interests method, as follows:

- the acquiree's assets and liabilities are recognised at carrying amount. The acquiree's carrying amounts to be used in the consolidation are those from the perspective of the controlling party rather than the amounts in the acquiree's separate financial statements.
- intangible assets and contingent liabilities are recognised only to the extent that they were recognised by the acquiree in accordance with applicable IFRS prior to the business combination,
- no goodwill is recorded – the difference between the acquirer's cost of investment and the acquired interest in the net assets of the controlled entity is recognised directly in equity under Other components of equity,
- non-controlling interests are measured as a proportionate share of the carrying amounts of the net assets of the controlled entity,
- comparative amounts are restated as if the combination had taken place at the beginning of the comparative period. If the date on which the combining entities first came under common control is later than the beginning of the comparative period, the comparative amounts are restated from the date on which the combining entities first came under common control.

6.4 INVESTMENTS IN ASSOCIATES

Associates are entities which the Parent does not control but in which it has significant influence (directly or through subsidiaries) through participation in their financial and operating policy decisions. Subsidiaries and joint ventures are not associates.

Investments in associates are initially recognised at cost, and subsequently accounted for using the equity method. On acquisition of the investment any difference between fair value of the price paid and the investor's share of the net fair value of the associate's net identifiable assets is accounted for as goodwill. The goodwill is included in the carrying amount of the investments in associates. If acquisition cost is lower than net fair value of identifiable assets and liabilities of the associate as at the acquisition date, the difference is disclosed as gain in the statement of profit or loss for the period in which the acquisition took place.

The financial statements of associates serve as the basis for the valuation of interests in associates held by the Parent. If associates do not use IFRSs, when calculating the interest in net assets of associates, relevant adjustments are made to ensure compliance of the associates' financial information with IFRSs applied by the Group.

The carrying amount of investments in associates is adjusted by:

- the Parent's share of the associate's profits or losses,
- the Parent's share of the associate's other comprehensive income, arising e.g. from revaluation of property, plant and equipment and foreign exchange translation differences,
- any gains and losses on transactions between the Group and the associates, eliminated to the extent of the Group's interest in those entities,
- any distributions received from the associates, which reduce the carrying amount of the investment,
- impairment loss, if any, on the investment.

The financial statements of the Parent and the financial statements of the equity-accounted associates are prepared as of the same date, i.e. December 31st.

The Parent tests investments in associates for impairment whenever there is indication of impairment or indication that any previously recognised impairment loss does not need to be recognised any longer.

The Group ceases to account for an associate using the equity method on the day on which the investment ceases to be its associate or is classified as held for sale. The calculation of the gain or loss on disposal of an associate takes into account the difference between the carrying amount of an associate as at the day on which the Group ceases to account for it using the equity method, and the fair value of the retained shares and the proceeds from sale of a part of the shares in the associate.
If the Group reduces its ownership interest in an associate but continues to account for it using the equity method, the Group reclassifies to profit or loss the portion of the gain or loss previously recognised in other comprehensive income that corresponds to the reduction in its ownership interest if that gain or loss is to be reclassified to profit or loss at the time of disposal of the related assets or liabilities.

6.5 INVESTMENTS IN JOINT ARRANGEMENTS

Joint arrangements are either:

- joint operations, or
- joint ventures.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

A joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly,
- its liabilities, including its share of any liabilities incurred jointly,
- its revenue from the sale of its share of the output arising from the joint operation,
- its share of the revenue from the sale of the output by the joint operation, and
- its expenses, including its share of any expenses incurred jointly.

Because assets, liabilities, revenues and costs relating to the joint operation are disclosed in the separate financial statements of the joint operator, these items are not subject to adjustment or other consolidation procedures when preparing consolidated financial statements by that joint operator.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Those parties are called joint venturers.

In the consolidated financial statements, a joint venturer recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 (for more details on the equity method, see the accounting policies applicable to associates in Note 6.5), unless the entity is exempted from applying the equity method as specified in that standard.

6.6 FAIR VALUE MEASUREMENT

The Group measures the following financial instruments at fair value as at each reporting date:

- instruments available for sale,
- derivative instruments

Certain non-financial assets, such as investment property.

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in a transaction carried out on typical terms of sale of the asset between market participants at the measurement date in the current market conditions. A fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs either:

- on the principal market for the asset or liability,
- in the absence of a principal market – on most advantageous market for the asset or liability.

Both the principal and the most advantageous markets must be available to the Group. The fair value of the asset or liability is measured on the assumption that market participants when determining the price of an asset or liability act in their best economic interest.

In the valuation of a non-financial asset at fair value the ability of a market participant to generate economic benefits by making maximum and optimal use of the asset or by selling it to another market participant who would make maximum and optimal use of the asset is taken into account.

The Group applies valuation methods that are appropriate given the circumstances and for which sufficient information is available to determine the fair value, whereby as many relevant observable inputs as possible are used and as little as possible non-observable inputs are used.

All assets and liabilities that are measured at fair value or their fair value is disclosed in the consolidated financial statements are classified in fair value hierarchy as described below based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines at the end of each reporting period whether, due to a reassessment, a change has occurred in the level classification of the hierarchy, based on the input of the lowest level that is significant for the whole valuation.

All amounts in PLN thousand (unless otherwise indicated)

6.7 FOREIGN CURRENCY TRANSACTIONS

The consolidated financial statements are presented in the Polish złoty (PLN), which is also the functional currency of the Parent.

Transactions denominated in currencies other than Polish zloty are translated into the Polish zloty at the rate of exchange prevailing on the transaction date.

As at the end of the reporting period, cash assets and liabilities denominated in currencies other than the Polish zloty are translated into the Polish zloty at the relevant mid rate quoted by the National Bank of Poland for a given currency, effective as at the end of the reporting period. Foreign exchange gains and losses arising on translation are recognised as finance income (costs) or operating income (expenses), as appropriate, and where the accounting policies so provide, as described in Note 6.8 below, capitalised in assets (as adjustment to interest expense).

The following exchange rates were used to determine the carrying amounts:

Item	Average exchange rate on Dec 31 2015	Average exchange rate on Dec 31 2014
EUR	4.2615	4.2623
USD	3.9011	3.5072
CHF	3.9394	3.5447
CAD	2.8102	3.0255
GBP	5.7862	5.4648
SEK	0.4646	0.4532
TRY	1.3330	1.5070

Non-monetary items of the statement of financial position expressed in foreign currencies are translated using the historical exchange rate effective for the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are translated at the exchange rate effective on the date of determining the fair value. Gains and losses on translation of non-monetary assets and liabilities measured at fair value are recognised in correspondence with gains and losses on change in the fair value of a given asset, meaning that translation gains and losses are posted to other comprehensive income or profit or loss, depending on where the change in fair value is recognised.

Exchange differences arising from settlement of transactions or translation of monetary items other than derivative instruments are recognised under other income or expenses, as appropriate, in net amounts.

Exchange differences arising from settlement of transactions or translation of monetary items related to the financing of the Group's operations are recognised in net amounts under finance costs.

Exchange differences on measurement of foreign-currency denominated derivatives are recognised in the consolidated statement of profit or loss unless the derivatives serve as cash-flow hedges. Derivatives which serve as cash-flow hedges are disclosed in line with the principles of hedge accounting (see Note 6.16.3).

As at the reporting date, items of foreign subsidiaries' financial statements are translated into Group's presentation currency (PLN) in accordance with the following rules:

- Assets and liabilities of a subsidiary whose functional currency is other than the Polish złoty are translated into the Group's presentation currency at the mid exchange rate quoted by the National Bank of Poland ("NBP") for a given reporting date;

All amounts in PLN thousand (unless otherwise indicated)

- The equity of such subsidiary is translated as at the date of the Parent's obtaining control of such subsidiary, at the mid exchange rate quoted by the NBP for that date. Newly issued additional shares are translated at the mid exchange rate quoted for a given currency by the NBP for the day on which the capital increase is entered into the register;
- Such subsidiary's statements of comprehensive income is translated into the Group's presentation currency at the exchange rate computed as the arithmetic mean of mid exchange rates quoted by the NBP for the last day of each month in a given reporting period.

Exchange differences on such translation are recognised directly in other comprehensive income and accumulated in a separate item of equity as 'Exchange differences on translating foreign operations'.
Upon disposal of a foreign entity, the deferred translation differences accumulated in the entity's equity are transferred to the consolidated statement of profit or loss and adjust the gain or loss on disposal of the foreign operation.
Goodwill on acquisition of control of a foreign operation and any adjustments on fair value measurement of assets and liabilities generated from such acquisition are treated like the assets and liabilities of the foreign operation and are translated at the closing rate effective for the reporting date, i.e. the mid-market exchange rate quoted for the given currency by the National Bank of Poland.

Item	NBP mid exchange rate as at reporting date		Arithmetic mean of NBP exchange rates in reporting period	
	As at Dec 31 2015	As at Dec 31 2014	for 2015	for 2014
UAH	0.1622	0.2246	0.1722	0.2637
RSD	0.0349	0.0352	0.0346	0.0357
HUF	1.3601	1.3538	1.3529	1.3528

In such a case, the transactions included in the consolidated statement of profit or loss are translated at the transaction-date exchange rate.

6.8 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are included in the cost of the assets.
Income earned on the temporary investment of borrowings directly allocated for the acquisition, construction or production of an asset is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised directly in profit or loss in the period in which they are incurred.
These cost capitalisation policies do not apply to:

- ✓ assets measured at fair value and
- ✓ inventories.

Borrowing costs may include:

- ✓ interest expense calculated using the effective interest rate method,
- ✓ financial liabilities under finance lease agreements,

- ✓ exchange differences on foreign currency borrowings where they are regarded as an adjustment to interest costs.

Where funds are part of a general pool, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

6.9 INTANGIBLE ASSETS

Intangible assets include trademarks, patents and licences, computer software, costs of development work and other intangible assets which meet the recognition criteria specified in IAS 38 *Intangible assets*. This item also includes such intangible items which have not yet been placed in service (intangible assets under construction) and prepayments for intangible assets.

Intangible assets which are separately acquired or produced (if they meet the criteria for being recognised as development expenditure) are initially recognised at cost. Cost of intangible assets acquired in a business combination is equivalent to their fair value as at the date of the combination. As at the reporting date, intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets with finite lives are amortised using the straight-line method over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Useful lives of and the amortisation method applicable to individual intangible items are reviewed annually, and when necessary – adjusted from the beginning of the next financial year. Amortisation charges on intangible assets with definite useful lives are recognised in profit or loss in the category that corresponds to the function of a given intangible asset.

Expected useful lives for particular groups of intangible assets are presented below:

Group	Period
Brand names	2–5 years
Patents and licences	2–10 years
Computer software	2–10 years
Other	2–5 years

Intangible assets with indefinite useful lives and those that are not in use are not amortised, but tested for impairment annually, either individually or at the level of cash-generating units.

Software maintenance costs incurred in subsequent periods are charged to expense of the period as incurred. Research costs are charged to consolidated profit or loss as incurred. Expenditures incurred for internally generated intangible assets, excluding capitalised development costs, are not capitalised and are charged against profits in the period in which they are incurred.

The expenditure directly related to development work is recognised as intangible assets only when the following criteria are met:

- technical feasibility of the asset for sale or use has been established,

- the Group intends to complete the asset and either use it or sell it,
- the Group is able to either use or sell the intangible asset,
- the intangible asset will bring economic benefits and the Group is able to demonstrate that (existence of a market or usefulness of the item for the Group),
- the Group has all the technical, financial and other means necessary to complete the development work and either sell or use the asset,
- the expenditure incurred in the course of development work can be measured reliably and attributed to the given intangible item.

Expenditure incurred on development work performed as part of a given project is carried forward to the next period when it can be assumed that it will be recovered in the future. Future benefits are estimated in accordance with the principles set forth in IAS 36 *Impairment of Assets*.

Following initial recognition of expenditure on development work, the historical cost model is used, according to which individual assets are carried at cost less accumulated amortisation and accumulated impairment losses. Completed development work is amortised using the straight-line method over the period during which they are expected to generate economic benefits.

Gains or losses on disposal of intangible assets are calculated as the difference between the sales proceeds and the carrying amount of the given intangible assets and are recognised in consolidated profit or loss as other income or other expenses.

The policies relating to the recognition of impairment losses are discussed in detail in Note 5.2.5.

Any prepayments made in connection with a planned purchase of intangible assets are recognised in the Group's consolidated financial statements under intangible assets in the consolidated statement of financial position.

6.10 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are assets:

- which are held by the Group with a view to being used in the production process, in supply of goods or provision of services, or for administrative purposes,
- which will be used for a period longer than one year,
- in respect of which it is probable that the future economic benefits associated with the asset will flow to the Group,
- whose cost can be measured reliably.

Property, plant and equipment is initially recognised at cost. Such cost is increased by any expenses directly attributable to the purchase and preparation or adaptation of the item for use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred, if relevant recognition criteria are fulfilled. Costs incurred after an item of property, plant and equipment has been placed in service, such as costs of maintenance or repair, are charged to profit or loss when incurred.

Following initial recognition, items of property, plant and equipment are carried at cost less accumulated depreciation and accumulated impairment losses. Property, plant and equipment under construction include assets in the course of construction or assembly, and are measured at cost less any impairment losses. Property, plant and equipment under construction is not depreciated until the construction work is completed and the item is placed in use. If construction is abandoned, the total of the incurred expenses connected with work performed up to that point is charged to expense of the period. A project may be suspended if there is reasonable intention to continue the project in subsequent periods. Projects are suspended by virtue of a decision by the PBG Management Board.

Assets are depreciated with the straight-line method over their estimated useful lives. For the particular groups of items of property, plant and equipment, the depreciation rates are presented below:

Group	Period
Land (perpetual usufruct rights)	not depreciated
Buildings	40−67 years
Machinery and equipment	2−20 years
Motor vehicles	2−10 years
Other	2.5−10 years

Depreciation begins in the month in which a property, plant and equipment becomes available for use. Useful lives, depreciation methods and residual value are reviewed once a year, leading to an adjustment of the depreciation charges from the beginning of the next reporting period.

An item of property, plant and equipment may consist of parts with a cost that is significant in relation to the total cost of the item to which separate useful lives can be attributed. Costs of major overhauls and major spare parts and fittings can also be considered such parts, provided that they will be used for a period longer than one year.

An item of property, plant and equipment may be removed from the consolidated statement of financial position if it is sold or if the company does not expect to realise any economic benefits from its further use. Any gains or losses arising from the sale, liquidation or withdrawal from use are calculated as the difference between the sale proceeds and carrying amount of the property, plant and equipment item, and are included in consolidated profit or loss as other income or other expenses at the time of transaction.

Any prepayments made in connection with a planned purchase of property, plant and equipment are presented in the consolidated financial statements of the Group under property, plant and equipment in the consolidated statement of financial position.

In accordance with the policies adopted by the Group, any *land perpetual usufruct rights* acquired on the basis of administrative decisions are recognised in the consolidated statement of financial position at fair value. The fair value is:

- the market value of the perpetual usufruct right if information on such market value is available to the Group, or
- the value estimated by an expert appraiser.

Any excess of so determined fair value over the cost incurred to acquire the land perpetual usufruct right based on an administrative decision is also disclosed in the equity and liabilities side of the consolidated statement of financial position, under retained earnings.

Land perpetual usufruct rights purchased on the secondary market are measured at cost and are not subject to revaluation.

Land perpetual usufruct rights are not amortised.

6.11 LEASED ASSETS – THE GROUP AS THE LESSEE

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased asset, are recognised in the consolidated statement of financial position at commencement of the lease term at the lower of:

- the fair value of the leased asset, or
- the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability, in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rent is recognised as an expense in the period in which it is incurred. The finance charge is recognised directly in profit or loss, unless the capitalisation criteria are met.

The depreciation policy for leased assets held under finance leases is consistent with that for assets owned by the Group. However, if there is no reasonable certainty that the Group will obtain ownership before the end of the lease, the asset is depreciated over the shorter of:

- the estimated useful life of the asset, or
- the lease term.

Leases whereby the lessor retains substantially all the risks and rewards incident to ownership of the leased asset, are classified as operating leases. Lease payments under operating leases and subsequent lease payments are recognised as operating expenses in profit or loss on a straight-line basis throughout the lease term. Contingent lease payments are expensed in the period in which they become due.

6.12 LEASE RECEIVABLES – THE GROUP AS THE LESSOR

Finance leases are disclosed in the statement of financial position as receivables, at amounts equal to net investment in the lease. Finance income under finance leases is recognised in subsequent periods based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease. Income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless the application of a different method better reflects the pattern of reduction over time of the benefits derived from a leased asset.

6.13 IMPAIRMENT OF NON-FINANCIAL NON-CURRENT ASSETS

The following assets are tested for impairment on an annual basis:

- goodwill (the first impairment test is performed before the end of the period in which the acquisition occurred),
- intangible assets with infinite lives,
- intangible assets not yet available for use.

For other intangible assets, items of property, plant and equipment and other non-financial assets, the entity assesses on an annual basis whether there is any indication that an asset may be impaired.

Key external indicators of impairment include the following situations: during the period a non-financial non-current asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use, or the carrying amount of the net assets of the reporting entity is more than its market capitalisation. Furthermore, some of the most important indicators of impairment include a situation where significant adverse changes have taken place in the technological, market or economic environment in which the Group companies operate.

Internal indicators of impairment which should be considered include first of all a situation where the actual net cash inflows are significantly lower than those budgeted or where an asset has become obsolete or has been physically damaged.

If given developments or circumstances indicate that the carrying amount of an asset may not be recoverable, the asset is tested for impairment.

For impairment testing, assets are grouped into smallest groups at which they generate cash flows independently of other assets or asset groups (cash-generating units). Assets which generate cash-flows independently from other assets are tested for impairment individually. Goodwill is allocated to those cash-generating units that are expected to benefit from the synergies of a business combination, provided that a cash generating unit is not larger than an operating segment.

The Group estimates the recoverable amount of a given asset or the cash-generating unit which the asset is part of.

The recoverable amount of the asset or the cash-generating unit is:

- the fair value less cost to sell the asset or cash-generating unit, or
- its value in use,

whichever is higher.

The recoverable amount is determined for individual assets, unless a given asset does not generate separate cash flows largely independent from those generated by other assets or asset groups.

In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.

If the carrying amount of an asset is higher than its recoverable amount, the value of the asset is impaired and an impairment loss is recognised up to the established recoverable amount. Impairment loss is first allocated to the carrying amount of goodwill. Then the carrying amounts of the assets comprising the cash-flow generating unit are reduced pro rata. Impairment losses are recognised in consolidated profit or loss under other expenses.

The Group assesses as at the reporting date whether there is an indication that previously recognised impairment losses on a given asset no longer exist or should be reduced. Is such indication is identified, the Group estimates the recoverable amount of the asset or the cash-generating unit which the asset is part of. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased up to its recoverable amount. Such increased amount may not exceed the carrying amount of the asset that would have been determined, net of accumulated amortisation or depreciation, had no impairment loss been recognised for the asset in prior years. Impairment losses for goodwill cannot be reversed in subsequent periods. Reversed impairment losses on other assets are recognised in the consolidated profit or loss as other income. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to a given asset is adjusted so that its revised carrying amount, less residual value, can be regularly written off over the remaining useful life of the asset.

6.14 INVESTMENT PROPERTY

Investment property is held to earn rentals and/or for capital appreciation and is measured based on fair value.

Investment property is initially measured at cost, including transaction costs. The carrying amount of investment property includes the cost of replacement of component parts of the investment property at the moment it is incurred if the recognition criteria are met, and does not include day-to-day maintenance costs of the property. As at subsequent reporting dates, investment property is measured at fair value (determined by an independent property valuer or based on internal analyses, taking into account the location and type of the property and the current market environment).

Gains or losses arising from changes in the fair value of investment property are recognised in consolidated profit or loss for the period in which they arise, under other income or expenses.

Upon change in use, the Group transfers a given asset to investment property. For the purposes of preparing financial statements in accordance with the IFRS/IAS, property transferred to investment property is measured as at the transfer time based on the fair value model or cost model, unless the assets will be classified as available for
sale (as a disposal group), in which case the asset is measured at the lower of its carrying
amount and fair value less costs to sell (IFRS 5).

Under Paragraph 57 of IAS 40, transfers to, or from, investment property
are made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease to another party, for a transfer from inventories to investment property.

Paragraph 57(b) of IAS 40 requires an entity to transfer a property from investment property to inventories when, and only when, there is a change in use, evidenced by commencement of development with a view to sale. When an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognised (eliminated from the statement of financial position) and does not treat it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

Under Paragraph 60 of IAS 40, for a transfer from investment property carried at fair value to owner-occupied property or inventories, the property's deemed cost for subsequent accounting in accordance with IAS 16 or IAS 2 is its fair value at the date of change in use. It should be stressed that property must be measured at fair value at the date of its transfer from investment property to inventories.

Investment property is derecognised on disposal or permanent withdrawal from use if no future economic benefits are expected from sale of the property. Any gains or losses arising from the elimination of investment property from the consolidated statement of financial position are recognised in profit or loss in the period of the elimination.
Any prepayments made in connection with a planned purchase of investment property or land are recognised in the Group's consolidated financial statements under investment property in the consolidated statement of financial position.

6.15 NON-REGENERATIVE NATURAL RESOURCES

Non-regenerative natural resources are initially recognised at cost. The cost is increased by any costs directly associated with the purchase and preparation or adaptation of the item for use.
Any costs incurred after non-regenerative natural resources were made available for use are recognised in consolidated profit or loss as incurred.
After initial recognition, non-regenerative natural resources are carried at cost less accumulated depreciation and accumulated impairment losses.
Non-regenerative natural resources are depreciated using the units-of-production method.
If in the course of preparation of consolidated financial statements there is indication that the carrying amount of non-regenerative natural resources may not be recoverable, the asset is reviewed for impairment. Impairment losses are recognised in consolidated profit or loss under other expenses.
An item of non-regenerative natural resources may be removed from the consolidated statement of financial position if it is sold or if the company does not expect to realise any economic benefits from its further use. Any gains or losses on the sale/liquidation or withdrawal of non-regenerative natural resources from use are calculated as the difference between the sale proceeds and the carrying amount of the resources, and are recognised in consolidated profit or loss at the time of the economic transaction.

6.16 FINANCIAL INSTRUMENTS

Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity is a financial instrument.
A financial asset or financial liability is recognised on the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and liabilities is recognised using trade date accounting.
Initially, a financial asset is recognised at its fair value, plus, for financial assets other than classified as financial assets at fair value through profit and loss, transaction costs which are directly attributable to the purchase.
A financial asset is derecognised when the rights to economic benefits specified in the contract and the risks associated with the contract are either discharged or cancelled, or expire.
A financial liability is derecognised when it is extinguished – that is when the obligation specified in the contract is discharged or cancelled or expires.
On acquisition, the Group recognises financial assets and liabilities at their fair value, that is most frequently the fair value of the payment made in the case of an asset or of the amount received in the case of a

liability. Transaction costs are included in the initial value of all financial assets and liabilities, except in the case of financial assets and liabilities at fair value through profit or loss.
As at each reporting date, financial assets and liabilities are measured in accordance with the principles discussed below.

6.16.1 FINANCIAL ASSETS

For the purpose of measurement subsequent to initial recognition, financial assets other than hedging derivatives are classified by the Group as follows:

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

These categories determine the measurement policies to be applied and recognition of gains or losses from such measurement in consolidated profit or loss or in other comprehensive income.

If the Group:

- holds a valid legal title to set off the recognised amounts, and
- intends to settle on a net basis, or to recover the asset and settle the liability simultaneously,

then financial assets and liabilities are set off against each other and are disclosed on a net basis in the statement of financial position.

The framework agreement referred to in IAS 32.50 does not provide any basis for the offset of assets and liabilities, unless the criteria specified above are satisfied.

Except for the financial assets at fair value through profit or loss, all the financial assets are assessed at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that a financial asset is impaired, a relevant impairment loss is recognised. Impairment indicators are analysed as at each reporting date separately for the individual categories of financial assets, as presented below.

<u>Loans and receivables</u> are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost, using the effective interest rate method. Current receivables are measured at amounts expected to be received, as the effect of discounting future receipts would be negligible.
Impairment losses on doubtful receivables are estimated when the collection of the full amount of the receivable is no longer probable. All receivable balances of significant value are subject to individual assessment in the case of debtors whose balances are past due or when objective evidence has been obtained that the debtor may not pay the receivable (e.g. the debtor is in a difficult financial position, judicial proceedings are conducted against the debtor, there have been changes in the economic environment adverse to the debtor). In the case of those receivables which are not subject to individual

assessment, evidence of impairment are analysed for particular credit risk classes of assets e.g. credit risk specific to the sector, region or structure of customer base). The ratio of impairment losses recognised in respect of any class is based on the recently observable trends as to debtors' payment difficulties.

Financial assets classified as loans and receivables are presented in the consolidated statement of financial position as:

- non-current assets in 'non-current receivables' and 'loans' if they mature in more than 12 months after the reporting date,
- current assets in 'loans,' 'trade and other receivables,' and 'cash' if they mature in less than 12 months as of the reporting date.

Financial assets measured at fair value through profit or loss include assets which are classified as held for trading or which were designated on initial recognition as ones to be measured at fair value with fair value changes in profit or loss because they met the criteria defined in IAS 39 *Financial Instruments: Recognition and Measurement*.

A financial asset is classified as held for trading if:

- it is acquired primarily for the purpose of selling it in the near term, or
- it is part of a portfolio of identified financial instruments that are managed together and for which there is probability of profit-taking in the near future, or
- it is a derivative (except for a derivative that is part of hedge accounting or financial guarantee contracts).

A financial asset may be designated by the Group on initial recognition as one to be measured at fair value through profit or loss. Asset or liability may be designated by the Group on initial recognition as at fair value through profit or loss only if such designation:

- eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases,
- applies to a group of financial instruments which, in accordance with a documented risk management policy or investment strategy, is managed and evaluated on a fair value basis.

If a contract contains one or more embedded derivatives, the entire contract can be designated as a financial asset at fair value through profit or loss. The above does not apply when an embedded derivative has no significant impact on the cash flows generated under the contract or when it is clear, without an analysis or following a short analysis, that if a similar hybrid instrument was first considered, separation of the embedded derivative would be prohibited.

Financial assets at fair value through profit or loss are measured at fair value, based on their market value as at the end of the reporting period, without reflecting costs to sell. Gains and losses on measurement of financial assets are the change in their fair value established on the basis of quoted prices in an active market or – if there is no active market – using valuation techniques. Any changes in the value of such financial instruments are recognised in the consolidated statement of profit or loss as income (net fair value gains) or costs (net fair value losses).

This category includes all derivatives disclosed in the consolidated statement of financial position separately as 'Other financial assets', except hedging derivatives, which are measured in accordance with the requirements of hedge accounting.

Held-to-maturity investments *are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity intends and is able to hold to maturity, other than:*

- assets classified as loans and receivables,
- financial assets designated on initial recognition as measured at fair value through profit or loss,
- financial assets designated as available for sale.

Held-to-maturity investments are measured at amortised cost, using the effective interest rate method. If there is evidence that a held-to-maturity investment may be impaired (e.g. credit rating of an issuer of bonds or notes), the assets are measured at the present value of the estimated future cash flows. Any changes in the carrying amount of an investment, including impairment losses, are recognised in the consolidated statement of profit or loss.

In this category the Group classifies bonds/notes and other debt securities held to maturity and presents them in the statements of financial position under 'other financial assets'.

Financial assets classified as held-to-maturity investments are presented in the consolidated statement of financial position as:

- non-current assets, if they mature in more than 12 months after the reporting date,
- current assets, if they mature in less than 12 months after the reporting date.

Available-for-sale financial assets *are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified into any of the categories discussed above.*

Shares of non-listed companies are measured at cost less impairment, due to the fact that it is not possible to reasonably determine their fair value. Impairment losses are recognised in the consolidated statement of profit or loss.

All other financial assets available for sale are recognised at fair value increased by the transaction costs which may be directly attributed to the acquisition or issue of the financial asset. Any gains and losses on such measurement are recognised in other comprehensive income and accumulated in equity, except for impairment losses and foreign exchange gains or losses on monetary items, which are recognised in the consolidated statement of profit or loss. Any interest calculated using the effective interest rate method, is also included in the consolidated statement of profit or loss.

Reversals of impairment losses on available-for-sale financial assets are recognised in other comprehensive income, except in the case of impairment losses on debt instruments, the reversals of which are recognised in the consolidated statement of profit or loss if the increase of fair value of the asset may be objectively associated with an event that occurred after impairment was recognised.

On derecognition of an asset, all accumulated gains and losses previously recognised in other comprehensive income are reclassified from equity to the consolidated statement of profit or loss, and are presented in other comprehensive income as reclassification to profit or loss.

The Group classifies in this category quoted bonds or notes that are not held to maturity and shares in companies other than its subsidiaries or associates. In the consolidated statement of financial position, such assets are disclosed in ‘other financial assets’.

6.16.2 IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

6.16.2.1 FINANCIAL ASSETS AT AMORTISED COST

If there is an objective indication that the value of loans and receivables measured at amortised cost has been impaired, the impairment loss is recognised in the amount equal to the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition). An impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and evidence of impairment of financial assets that are not individually significant. If the analysis shows that there is no objective evidence of impairment for an individually assessed financial asset, regardless of whether it is significant or not, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses their impairment. Assets that are individually reviewed for impairment and for which an impairment loss has been recognised or it has been concluded that the existing impairment loss will not change, are not taken into account in collective review of assets for impairment.

If in a subsequent period the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, in so far at the reversal date the carrying amount of the asset does not exceed its amortised cost.

6.16.2.2 FINANCIAL ASSETS CARRIED AT COST

If there is objective evidence of impairment of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or of a derivative instrument that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount if impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

6.16.2.3 AVAILABLE-FOR-SALE FINANCIAL ASSETS

If there is objective evidence of impairment of a financial asset available for sale, the amount of the difference between the purchase price of the asset (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in profit or loss, is reclassified from equity to profit or loss. Reversal of an impairment loss on equity instruments classified as available for sale may not be recognised in profit or loss. If in a subsequent period, the fair value of a debt instrument available for sale increases and the increase can be objectively related to an event occurring after the impairment was recognised in profit or loss, the amount of the reversal is recognised in profit or loss.

6.16.3 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

In accordance with the corporate risk management strategy adopted by the PBG Group, all the Group companies executing construction contracts which are settled in foreign currencies are obliged to use hedge accounting in order limit the impact of financial risk on operating profit as far as possible. The Group's hedging strategy assumes hedging of individual contracts the future inflows from which will be received or denominated in a foreign currency. The strategy is based on the principle of matching hedging instruments with planned transactions under the contract, always taking into account the actual net exposure, given budgeted exchange rates determined in accordance with the relevant definition, possible foreign-currency expenses, the time horizon and the quantitative distribution of the currency flows in the particular quarters.

In accordance with the adopted strategy, the key financial risk management tools used by the Company include forward contracts and interest rate swaps (IRS). The Company's strategy also permits purchase of currency options and interest rate options.

With respect to derivatives designated as cash flow hedges, the Group applies specific accounting policies. To apply hedge accounting, the Group must meet certain conditions specified in IAS 39 *Financial Instruments: Recognition and Measurement*, concerning documentation of the hedging relationship, high probability of a forecast transaction and effectiveness of the hedge. A cash flow hedge is a hedge of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable planned transaction and that could affect profit or loss. The hedge accounting documentation identifies the hedging instrument, the hedged item or transaction, the nature of the hedged risk, as well as the manner of assessing the hedging instrument's effectiveness in offsetting potential changes in the cash flows attributable to the hedged risk. The hedge is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk. The hedge is assessed on an ongoing basis to determine whether it remains highly effective during all the reporting periods for which it was undertaken.

In the reporting period, the Group designated certain of its forward contracts as cash-flow hedges. The forward contracts were concluded by the Group as part of its foreign exchange risk management, in connection with legally binding sale and purchase agreements that will be settled in foreign currencies.

All the hedging derivatives are measured at fair value. Derivative instruments are recognised as assets if their value is positive and as liabilities if their value is negative. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in the cash flow hedge reserve. The ineffective portion of the hedge is immediately recognised in the consolidated statement of profit or loss.

If the hedged item results in the recognition of a financial asset or financial liability, any gains or losses related to that item which had been recognised in other comprehensive income and accumulated in equity are transferred to consolidated profit or loss in the same period or in the periods when the acquired asset or the assumed liability have an effect on profit or loss. Such reclassification is presented in the consolidated statement of comprehensive income under 'cash-flow hedges – reclassification to profit or loss'.

If the hedged transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, any gains or losses previously recognised in other comprehensive income, are reclassified from equity and included in the initial cost of the asset or liability.

If a hedging instrument expires or is sold, terminated or exercised, or no longer meets the criteria for hedge accounting, the Group ceases to apply hedge accounting. In such a case, the total gain or loss on the hedging instrument which has been recognised in other comprehensive income and accumulated in equity continue to be carried in equity until the anticipated transaction is effected. If the Group ceases to expect that the anticipated transaction will actually take place, the total net gain or loss accumulated in equity is taken to net profit or loss for the current period.

6.16.4 EMBEDDED DERIVATIVES

Embedded derivatives are separated from the host contract and accounted for as derivatives when:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract,
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and
- the hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in profit or loss.

Embedded derivatives are recognised similarly as standalone financial derivatives which are not considered hedges.

The extent to which pursuant to IAS 39 *Financial Instruments: Recognition and Measurement* the economic characteristics and risks of an embedded derivative in a foreign currency are closely related to the economic characteristics and risks of the host contract includes a situation when the currency of the host contract is a currency that is commonly used in contracts to purchase or sell non-financial items in the economic environment in which the transaction takes place.

The Group assesses whether to account for the embedded derivative separately from the host contract on its initial recognition.

6.16.5 FINANCIAL LIABILITIES

Financial liabilities other than derivative hedging instruments are presented in the consolidated statement of financial position under the following items:

- borrowings, other debt instruments,
- finance leases,
- trade and other payables,
- derivative financial instruments.

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities held for trading or designated as ones to be measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss include derivatives other than designated as hedging instruments. Current trade payables are measured at amounts expected to be paid, as the effect of discounting future outflows would be negligible.

Any gains or losses on measurement of financial liabilities are recognised in the consolidated statement of profit or loss under financing activities.

6.17 INVENTORIES

Inventories include:

- materials,
- semi-finished products and work in progress,
- finished goods,
- merchandise,
- prepayments for materials or merchandise classified as inventories.

Inventories are measured at the lower of cost and net realisable value. Cost includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost of finished goods and work in progress includes all expenses directly attributable to the manufacturing process (mainly materials and labour) as well as suitable portions of related production overheads, based on normal operating capacity.

Costs of finished goods are assigned using the weighted average cost formula. Costs of materials and merchandise are assigned using the first in, first out cost formula.

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

All construction costs incurred in relation to property development activity are recognised in inventories as work in progress.

Writing inventories down below cost or to net realisable value as at the reporting date is recognised in profit or loss as other expenses. When the circumstances that previously caused inventories to be written down no longer exist, the amount of the write-down is reversed and recognised as other income.

Circumstances that cause inventories to be written down include:

- obsolete and damaged items,
- overstocked items which are no longer needed or difficult to sell,

- slow moving items,
- items with declining selling prices due to lower prices of competitors.

When the cost of an inventory item cannot be recovered, the item is written down to its net realisable value. The amount of write-downs to net realisable value as well as inventory losses are recognised as expenses for the period in which the write-down or loss occurred.
Any prepayments made in connection with a planned purchase of inventory are recognised in the consolidated financial statements under 'inventories' in the consolidated statement of financial position.

6.18 TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised and disclosed at originally invoiced amounts, net of impairment on doubtful receivables. Impairment losses on receivables are estimated when the collection of the full amount of the receivable is no longer probable.
Where the effect of changes in the time value of money is material, the value of receivable is determined by discounting forecast future cash flows to their current value, with the use of a discount rate reflecting the current market assessments of the time value of money. If discounting is used, any increase in the amount of receivables reflecting the passage of time is recognised as other income.
Other receivables include in particular retentions on construction contracts, amounts receivable in connection with disposals of property, plant and equipment, receivables from the state budget and prepayments. Income tax receivable is disclosed as a separate item in the consolidated statement of financial position.
Prepayments are presented by nature of the assets, to which they relate, as non-current or current assets. As non-monetary assets, prepayments are not discounted.

6.19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and cash at banks, demand deposits and highly liquid short-term investments (with maturities up to three months), that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

6.20 NON-CURRENT ASSETS AND GROUPS OF NET ASSETS HELD FOR SALE

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use of the asset. That condition is met only if an asset (or a disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets, and its sale is highly probable within one year from the date of classification.
Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Some of the Group's non-current assets classified as held for sale (e.g. financial assets) continue to be measured in accordance with the same accounting policy that applied to them

before they were reclassified as non-current assets held for sale. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

6.21 EQUITY

Share capital represents the nominal value of shares that have been issued, as specified in the Parent's articles of association and the relevant entry in the National Court Register.
Treasury shares acquired and held by the Parent or by other entities of the consolidated group are deducted from equity. Treasury shares are measured at cost.
Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.
Other components of equity include the following:

- share-based payment reserve,
- other comprehensive income accumulated in equity, including:
  - fair value measurement of property, plant and equipment (see Note 6.10)
  - measurement of available-for-sale financial assets (see Note 6.16.2.3),
  - measurement of cash-flow hedges (see Note 6.16.3),
  - exchange differences on translating foreign operations (see Note 6.7),
  - share of comprehensive income of equity-accounted investees (see Notes 6.4 and 6.5)

Retained earnings (deficit) includes all current and prior period retained profits (including the amounts transferred to reserves on the base of shareholders' approval).
Transactions with owners of the Parent are presented separately in the consolidated statement of changes in equity.

6.22 EMPLOYEE BENEFITS

Employee benefits liabilities and provisions reported in the consolidated statement of financial position include:

- provisions for unused holiday entitlement,
- provisions for short-term employee benefits,
- other long-term employee benefits, under which the Group presents provisions for jubilee and retirement gratuity.

6.22.1 SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are measured at the undiscounted amounts and reported in the consolidated statement of financial position at amounts that the Group expects to pay.

6.22.2 PROVISIONS FOR UNUSED HOLIDAY ENTITLEMENT

The Group recognises provision for the expected cost of accumulating compensated absences, as a result of the unused holiday entitlement as at the reporting date.

The provision for unused holiday entitlement is calculated on the basis of the number of vacation days unused in the current period, plus the number of vacation days unused in prior periods. The provision for the cost of accumulating compensated absences is recognised in the consolidated statement of financial position under short-term employee benefits, after deducting any amount already paid. The provision for accumulating compensated absences is classified as a short-term provision and is not discounted.

6.22.3 RETIREMENT GRATUITY AND JUBILEE BENEFITS

In accordance with the remuneration systems in the Group, employees of the Group entities are entitled to jubilee and retirement gratuity benefits. Jubilee benefits are paid out after a specific period of service, whereas retirement gratuity benefits are one-off benefits, paid out when the employee retires. The amounts of retirement gratuity and jubilee benefits depend on the length of employment and average remuneration of a given employee.

The Group recognises a provision for future retirement gratuity and jubilee obligations in order to allocate costs to the periods in which the benefits become vested.

According to IAS 19 *Employee Benefits*, jubilee benefits are classified as other long-term employee benefits, whereas retirement gratuity benefits – as defined post-employment benefit plans.

The present value of the provisions as at reporting date is assessed by an independent actuary or internally by the Company. The calculated value of the provisions is equal to the amount of discounted future payments, taking into account employee turnover, and relates to the period until the reporting date. Information on demographics and employment turnover is sourced from historical data.

Revaluation of employee benefit obligations under defined benefit programmes, including actuarial gains and losses, is recognised in other comprehensive income and is not subject to subsequent reclassification to profit or loss.

Changes in the net defined benefit obligation attributable to:

- service cost (including, among others, current service cost and past service cost),
- net interest on the net defined benefit obligation,

are recognised by the Group in cost of sales, administrative expenses or distribution costs, as applicable.

6.23 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group recognises a provision if has a present obligation (legal or constructive) resulting from past events whose settlement is likely to result in an outflow of economic benefits and whose amount can be reliably estimated. The timing and amount of the liability may be uncertain.

Provisions are recognised for:

- warranties to provide after-sale support of products and services,
- pending litigations and disputes,
- losses on construction contracts, accounted for in accordance with IAS 11 *Construction Contracts*,
- restructuring, only if the Group is required to undertake the restructuring under separate regulations or a binding agreement.

Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, based on the most reliable evidence available on the date on which the consolidated financial statements are prepared, including evidence as to risks and uncertainties. If the effect of the time value of money is material, the provision is measured by discounting expected future cash flows to their present value, using a discount rate that reflects current market assessments of the time value of money and the risks, if any, specific to the liability. If discounting is used, any increase in the amount of the provision reflecting the passage of time is recognised as other expenses.

Provisions for warranties reflect future obligations to make a payment or provide a service (in connection with current operations) to unknown persons, if the amount of the liability can be estimated, even though its timing is unknown. Provisions for warranty repairs are estimated based on probability-weighted costs of running construction contracts assessed by management boards of the Group companies. Provisions for warranties are charged to contract costs, based on the proportion of direct expenditures already incurred to total estimated direct costs. The costs related to accrued provisions for warranties do not influence the stage of a contract's completion. At the Group, provisions for warranties are broken down into individual construction contracts. They are reported as long as it is probable that a warranty claim or a claim for repair work will arise, until the right to make the claim expires. If any provisions remain unused (after end of the warranty term), they are reversed to other income. Depending on the expected exercise date, warranty provision is classified in the consolidated statement of financial position as a non-current or current provision.

Provisions for losses on construction contracts are recognised if it is probable that the total cost to complete a construction contract exceeds the total revenue under the contract. The anticipated loss is immediately expensed in the consolidated statement of profit or loss. Its amount is determined irrespective of the commencement of contract work, the stage of the contract's completion or expected profits on contracts which are not single construction contracts. Any change in provisions for expected losses increases or reduces operating expenses.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. The expenditure relating to a given provision is presented in the consolidated statement of profit or loss net of any reimbursement.

Any unused provisions are reversed on the day when they are unnecessary. A provision is used only for expenditures for which the provision was originally recognised.

If the probability of an outflow of resources to settle a present obligation is remote, no contingent liability is recognised in the consolidated statement of financial position, except for contingent liabilities identifiable in a business combination, as part of the allocation of acquisition costs under IFRS 3 *Business Combinations* (see Note 6.3).

For information on contingent liabilities, see the descriptive part of the consolidated financial statements in Note 39. The Group also presents information on contingent lease payment liabilities arising under operating leases (Note 6.11).

Any possible inflows of economic benefits to the Group which do not yet meet the criteria to qualify as assets are classified as contingent assets, and as such are not recognised in the consolidated statement of financial position.

6.24 INTEREST-BEARING BORROWINGS AND OTHER DEBT INSTRUMENTS

All borrowings and other debt instruments are initially recognised at fair value net of transaction costs associated with the borrowing.
After initial recognition, interest-bearing borrowings and other debt instruments are measured at amortised cost using the effective interest rate method.
Amortised cost includes the cost of obtaining the borrowing as well as any discounts or premiums obtained in connection with the liability.
Any gains or losses are taken to profit or loss when the liability is derecognised or accounted for using the effective interest rate method.

6.25 TRADE AND OTHER PAYABLES

Current trade and other payables are reported at amounts payable.
Other non-financial liabilities include in particular value added tax payable to tax authorities. Other non-financial liabilities are recognised at amounts due.

6.26 ACCRUALS AND DEFERRALS

In the consolidated statement of financial position, under the asset line item 'prepaid expenses' the Group reports prepaid costs relating to future reporting periods, mainly lease payments and costs incurred in securing construction contracts (if the probability of obtaining the contract is high).
The liabilities line item 'deferred income' includes deferred income, including cash transferred to the Group by the government to finance property, plant and equipment, accounted for under IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. Accrued expenses are presented as non-current and current, depending on when they are expected to be paid.
Grants are recognised only when there is reasonable assurance that the Group will comply with the conditions attached to them and that the grant will be received. Grants are recognised at fair value.
A grant related to an item of expense is recognised as income over the period necessary to match it with the related expense.
A grant related to an asset is recognised as income in the consolidated statement of profit or loss on a systematic basis, over the useful life of the asset. Instead of deducting the grant from the asset's carrying amount, the Group presents it in the consolidated statement of financial position as deferred income, under 'deferred income'.

6.27 REVENUE

Revenue is measured by reference to the fair value of the consideration received or receivable, less discounts, VAT and other sales-related taxes (i.e. excise duty), and arises from the sale of goods and the rendering of services in the course of ordinary activities. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Group and its amount can be measured reliably.

6.27.1 SALE OF GOODS (MERCHANDISE AND PRODUCTS)

Revenue from sale of goods is recognised when the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods. That condition is deemed satisfied when the goods are undisputedly delivered to the buyer.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

6.27.2 SALE OF SERVICES

Rental income from operating lease

Rental income from operating leases of investment property is recognised on the straight-line basis over the term of the lease.

Contract revenue

Construction work contracts are executed at fixed price and fall within the scope of IAS 11 Construction Contracts.

When the outcome of a construction contract can be estimated reliably, contract revenue are recognised by reference to the stage of completion of the contract activity. The stage of completion, expressed as a percentage, is determined as the proportion that contract costs incurred for work performed by the reporting date bear to the estimated total contract costs. Revenue and costs of construction contracts in progress are determined at the end of each month, at least once a quarter. Both revenue and costs are determined for the period from the start of work under a given contract until the reporting date.

If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent that contract costs incurred are expected by the Group to be recoverable.

The percentage of completion method is applied on a cumulative basis in each reporting period to the current estimates of contract revenue and contract costs. Therefore, the effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate (see IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*). The changed estimates are used in the determination of the amount of revenue and expenses recognised in the consolidated statement of profit or loss in the period in which the change is made and in subsequent periods.

The total revenue determined at the end of each reporting period (reporting date) includes only revenue that can be reliably measured and is assessed as likely to be paid by the customer.

No retentions are taken into account when determining the amount of revenue.

When contract revenue receivable under a construction contract in foreign currency exceeds progress billings, the contract revenue is measured using the mid-exchange rate quoted by the National Bank of Poland. When the Company receives prepayments in foreign currencies, the revenue receivable under a construction contract, measured as at the reporting date, includes the amount of the prepayment.

The excess of contract revenue over progress billings, identified when estimating the amount of revenue disclosed in the consolidated financial statements, is presented as a separate asset item under 'amounts due from customers for construction contract work in progress'.

When progress billings for a construction contract in foreign currency exceed contract revenue (presented under liabilities), the construction contract revenue is measured as at the reporting date at the exchange rate effective as at the invoice date, applying the first in, first out formula.

The excess of progress billings over contract revenue, identified when estimating the amount of revenue disclosed in the consolidated financial statements, is presented as a separate item under 'amounts payable to customers for construction contract work in progress'.

When executing construction contracts in foreign currencies, the Group is obliged to comply with its hedging policy in order to ensure adequate level of future cash flows and mitigate the adverse impact of exchange rate fluctuations on its operating activities, which is aimed at securing the operating margin calculated in the contract budget. The policy is based on matching hedging instruments with the planned transactions under the hedged contract, with the actual net exposure, bid price, time horizon and the quantitative distribution of foreign-currency revenues in the individual quarters being taken into account Using the approach of limiting the impact of currency risk on the operating performance of the Group companies to the largest extent possible, the Group selected forward transactions for hedging purposes. If it is probable that the total contract costs will exceed the total contract revenue, an expected loss on a construction contract is immediately recognised as an expense.

If the Group performs a construction contract which it classifies as a joint arrangement in accordance with IFRS 11, such contract is presented in accordance with the policies described in detail in Note 6.5.

6.28 DIVIDENDS, OTHER INCOME AND FINANCE INCOME

Dividends are recognised when the shareholder's right to receive payment is established,

Income for the reporting period includes:

- other income, related indirectly to operating activities**, including:**
  - gains on financial investments,
  - gains on derivative instruments relating to operating activities,
  - foreign exchange gains, excluding exchange differences on liabilities used to finance the Group's operations,

  - reversals of impairment losses on held-to-maturity financial assets, available-for-sale financial assets and loans,
  - reversal of impairment losses on intangible assets, property, plant and equipment, receivables, loans advanced, and of inventory write-downs,
  - reversal of unused provisions previously recognised in other expenses,
  - gain on disposal of property, plant and equipment, intangible assets and investment property,
  - net gains on fair value measurement of investment property,
- finance income**, related to the financing of the Group's operations, including:**
  - net foreign exchange gains on liabilities which constitute the Group's financing (contracted loans, credit facilities, notes, finance leases, etc.),
  - gains from realisation and fair value measurement of derivative instruments hedging liabilities financing the Group's operations.

Finance income and costs related to raising financing are disclosed in financing activities on a net basis.
Interest income is recognised as it accrues (using the effective interest method that discounts future cash flows over the expected life of financial instruments) based on the net carrying amount of a particular financial asset.

6.29 EXPENSES

Cost of sales as at the reporting date is adjusted to account for changes in the fair value of financial instruments designated as cash-flow hedges, if the hedge relationship is no longer effective or if the hedged item affects profit or loss.
Expenses are analysed by function and by nature. Expenses in the consolidated statement of profit or loss are classified using the former method.
The total cost of sales includes:

- cost of products sold,
- cost of services sold,
- cost of merchandise and materials sold,
- administrative expenses.

Moreover, the reporting period's expenses include:

- **other expenses**, related indirectly to operating activities, including:
  - loss on disposal of property, plant and equipment, intangible assets and investment property,
  - donations granted,
  - provisions for litigation, penalties, damages, and other costs related indirectly to operating activities,
  - interest on cash in a bank account (interest on cash deposits received in advance for construction contracts),
  - loss on financial investments,
  - loss on derivative instruments related to operating activities,
  - net foreign exchange loss on operating activities, excluding exchange differences on liabilities used to finance the Group's operations,

  - impairment losses on held-to-maturity financial assets, available-for-sale financial assets, loans and other investments,
  - impairment losses on intangible assets, goodwill, property, plant and equipment, receivables, loans advanced, and inventory write-downs,
  - net costs of fair value measurement of investment property,
- **finance costs,** related to financing of the Group's operations, including in particular:
  - interest on overdrafts,
  - interest on current and non-current loans, borrowings and other sources of financing, including discounting of liabilities,
  - interest on cash in current bank account
  - net foreign exchange losses arising on liabilities used to finance the Group's operations,
  - interest rate hedges.

6.30 INCOME TAX (CURRENT AND DEFERRED)

Income tax expense (tax income) recognised in consolidated profit or loss includes current and deferred income tax not recognised in other comprehensive income or directly in equity.
Current tax is calculated based on the taxable profit (tax loss) for a financial year, which differs from profit or loss in the financial statements due to temporary differences and items which will never be subject to taxation. Current income tax payable and receivable for the current period and for previous periods is measured at the amount expected to be paid to (or recovered from) tax authorities, using the tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred income tax is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases (liability method).
A deferred tax liability is recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss, nor taxable profit or loss, and
- in the case of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences, as well as unused tax assets and unused tax losses brought forward, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised:

- except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss, nor taxable profit or loss, and
- in the case of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that

it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are calculated at tax rates (and based on tax legislation) that are expected to apply when the asset is realised and the liability is settled, based on tax rates (and tax legislation) which are in force on the reporting date or which are certain to be in force on the reporting date.
The carrying amount of a deferred tax asset is reviewed as at each reporting date and is reduced to the extent it is no longer probable that sufficient taxable profits will be generated to allow the deferred tax asset to be realised in full or in part. As at each reporting date, an unrecognised deferred tax asset is reassessed and recognised to the extent that it is probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss: as part of other comprehensive income for items recognised in other comprehensive income or directly in equity for items recognised directly in equity.

Deferred income tax assets and deferred income tax liabilities are offset by the Group if and only if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

6.31 VALUE ADDED TAX

Revenue, expenses, assets and liabilities are recognised net of the VAT, except in the following cases:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities; in such a case it is recognised in the cost of a given asset or as part of the cost item, and
- in the case of receivables and payables which are recognised inclusive of VAT.

The net amount of the value added tax which is recoverable from or payable to tax authorities is carried in the consolidated statement of financial position under receivables or liabilities, as appropriate.

6.32 EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss for the period attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the period.
Diluted EPS for each period is calculated by dividing profit or loss for period, adjusted for the effects of all dilutive potential ordinary shares, attributable to equity holders of the Parent, by the adjusted weighted average number of ordinary shares. The Group does not present diluted earnings/loss per share as there are no potential ordinary shares with dilutive effect.

7. CAPITAL MANAGEMENT

The objective of the Group's capital management is to maintain the Group's ability to continue as a going concern, taking into account any investment plans, in order to provide return for shareholders and increase benefits for other investors.
In line with the prevalent market practice, the effective use of capital is monitored against the following key measures:

- the equity ratio (capitalisation), calculated as the ratio of equity to equity and liabilities,
- the debt/EBITDA ratio, calculated as the ratio of interest-bearing debt less cash to EBITDA (EBITDA for the last 12 months, calculated as profit before deduction of tax, interest (included in finance costs) and amortisation/depreciation.

Because the Parent is in voluntary arrangement, it is not able to manage capital in a manner that would otherwise by expected by the market and its shareholders. Currently, the Parent's key objective is to ensure that the Bankruptcy Court's decision approving the arrangement becomes final and is effectively implemented, which would enable the Parent to continue its operations and rebuild its shareholder value in the future.

8. OPERATING SEGMENTS

Currently, the Group divides its business into the following operating segments:

- Gas, oil and fuels **(strategic business segment),**
- Power construction **(strategic business segment),**

The following areas are identified within particular segments:

- **In the Gas, oil and fuels segment:**
  - surface installations for crude oil and natural gas production,
  - installations for liquefying natural gas and for LNG storage and regasification,
  - LPG, C5+ separation and storage facilities,
  - LNG storage and evaporation facilities,
  - underground gas storage facilities,
  - desulfurization units,
  - surface infrastructure of underground gas storage facilities,
  - crude oil tanks,
  - transmission systems for natural gas and crude oil, including pressure reduction and metering stations and metering and billing stations, mixing plants, distribution nodes, compressor stations, etc.,
  - fuel terminals.
- **Power construction segment:**
  - assembly, modernisation and repair of power equipment and industrial units.

Revenue comprises amounts derived from sales to external customers. Like in 2013, no inter-segment sales took place in 2014.

All amounts in PLN thousand (unless otherwise indicated)

Any income and expenses not allocated to any of the main segments are classified by the PBG Group as 'Other'.

The profit/(loss) of each segment is the profit/(loss) generated by individual segments, without allocating distribution costs and administrative expenses, restructuring costs, finance income and cost, share of profit of equity-accounted entities, or income tax. For more information, see Note 6.1 to these financial statements.

The table below presents data for the individual operating segments.

OPERATING SEGMENTS – JANUARY 1ST– Dec 31 2015 (audited)

Item	Segments		Other	Total
	Gas, oil and fuels	Power construction		
Financial results of the operating segments for the period from January 1st to December 31st 2015 (audited)				
Segment's total revenue	**222,964**	**1,552,389**	**23,462**	**1,798,815**
Revenue from external customers	222,964	1,552,389	23,462	1,798,815
Total cost	**(226,757)**	**(1,424,025)**	**(30,380)**	**(1,681,162)**
Segment's profit or loss	**(3,793)**	**128,364**	**(6,918)**	**117,653**
Distribution costs/administrative expenses	x	x	x	(111,890)
Other income/expenses	x	x	x	(188,047)
Restructuring costs	x	x	x	(8,354)
Operating profit (loss)	x	x	x	**(190,638)**
Finance costs	x	x	x	(4,458)
Share of profit/(loss) of equity-accounted entities	x	x	x	2,952
Profit (loss) before tax	x	x	x	**(192,144)**
Income tax expense	x	x	x	(8,903)
Net profit/(loss) from continuing operations	x	x	x	**(201,047)**

OPERATING SEGMENTS – JANUARY 1ST– DECEMBER 31ST 2014 (audited)

Item	Segments		Other	Total
	Gas, oil and fuels	Power construction		
Financial results of the operating segments for the period from January 1st to December 31st 2014 (audited)				
Segment's total revenue	**236,176**	**1,188,076**	**105,996**	**1,530,248**
Revenue from external customers	236,176	1,188,076	105,996	1,530,248
Total cost	**(267,639)**	**(1,061,866)**	**(106,249)**	**(1,435,754)**
Segment profit or loss	**(31,463)**	**126,210**	**(253)**	**94,494**
Cost of sales/administrative expenses	x	x	x	(111,446)
Other income/expenses	x	x	x	(22,308)
Restructuring costs	x	x	x	(6,994)
Operating profit (loss)	x	x	x	**(46,254)**
Finance costs	x	x	x	(12,399)
Share of profit/(loss) of equity-accounted entities	x	x	x	(8,228)
Profit/(loss) before tax	x	x	x	**(66,881)**
Income tax expense	x	x	x	(9,104)
Net profit/(loss) from continuing operations	x	x	x	**(75,985)**

Geographical information

The Group operates principally in Poland, where the Parent's registered office is situated.

All amounts in PLN thousand (unless otherwise indicated)

Below is presented the Group's revenue from external customers by geographical structure. The Group allocates revenue from foreign customers to specific countries depending on the location of the customer's registered office. Like in the previous year, revenue from customers based in a single country other than Poland in 2015 did not exceed 10% of total revenue.

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
- domestic customers	1,670,172	1,303,980
- foreign customers	128,643	226,268
Total revenue	**1,798,815**	**1,530,248**

Information on major customers

The Group classifies as major those customers whose share in its total revenue exceeds 10%. In 2015, revenue from key customers was PLN 679,571 thousand, derived entirely from the power construction segment (2014: PLN 516,447 thousand in the power construction segment and PLN 181,101 thousand in the gas, oil and fuels segment, totalling PLN 697,548 thousand).

9. BUSINESS COMBINATIONS AND DISPOSALS

9.1 BUSINESS COMBINATIONS

Business combinations effected by the Group in the year ended December 31st 2015
and resulting in the Group taking control of business entities are presented in Note 1.4.3. The business combinations had no material effect on these consolidated financial statements.

9.2 DISPOSALS

Disposals of subsidiaries effected by the Group in the reporting period are presented in Note 1.4.3. The tables below present key information on the effect of the disposal of subsidiary FPM S.A. on these consolidated financial statements.

DISPOSAL / SALE OF SUBSIDIARIES IN THE PERIOD FROM JANUARY 1ST TO DECEMBER 31ST 2015

Item	As at 28.02.2015
Total consideration on disposal	48,000
Additional transaction cost	(1,440)
Part of consideration on disposal received in cash and cash equivalents	46,560
Cash and cash equivalents at the disposed subsidiary as at the disposal date	26,570
Loss on disposal, including a portion of that profit or loss that can be allocated when recognising the investment retained in the former subsidiary at fair value as at the date of control loss	(6,305)

All amounts in PLN thousand (unless otherwise indicated)

Item	As at Feb 28 2015	As at Dec 31 2014 (audited)
Non-current assets	**32,594**	**34,228**
Property, plant and equipment	29,417	28,670
Intangible assets	82	88
Goodwill	1,457	3,832
Receivables	33	33
Other non-current financial assets	1,605	1,605
Current assets	**48,145**	**47,458**
Inventories	7,156	7,647
Trade and other receivables, current prepayments and accrued income	9,182	7,046
Amounts due from customers for construction contract work	4,830	5,308
Other current financial assets	26,977	27,457
Impairment loss on assets held for sale	-	(8,779)
Total assets	**80,739**	**72,907**

Item	As at Feb 28 2015	As at Dec 31 2014 (audited)
Non-current liabilities	**4,590**	**4,473**
Finance lease liabilities	1,169	1,020
Deferred tax liabilities	2,509	2,541
Employee benefit obligations and provisions	912	912
Current liabilities	**11,832**	**10,401**
Trade and other payables	10,949	10,292
Employee benefit obligations and provisions	62	62
Liabilities under construction contracts, current accruals and deferred income	821	47
Total liabilities	**16,422**	**14,874**
Total equity and liabilities	**16,422**	**14,874**

10. INVESTMENTS IN SUBSIDIARIES

Information on subsidiaries is presented in Note 1.4 to these consolidated financial statements. The note also contains a description of changes in the Group's structure in the reporting period.

Information on subsidiaries holding material non-controlling interests is presented in the table below.

Subsidiary	Registered office and place of business	Proportion of ownership interest and voting power held by non-controlling shareholders		Profit/(loss) attributable to non-controlling interests		Accumulated value of non-controlling interests	
		Dec 31 2015 (audited)	Dec 31 2014 (audited)	Jan 1– Dec 31 2015 (audited)	Jan 1– Dec 31 2014 (audited)	Dec 31 2015 (audited)	Dec 31 2014 (audited)
PBG oil and gas	Poland	75.00%	75.00%	961	722	7,696	6,735
RAFAKO Group	Poland	49.9999988%	38.99%	(24,490)	7,741	343,358	265,458

All amounts in PLN thousand (unless otherwise indicated)

Below is presented selected financial information on all subsidiaries in which there are material non-controlling interests. The amounts presented below have not been adjusted for effects of intra-group transactions.

Item	Dec 31 2015 (audited) PBG oil and gas	Dec 31 2015 (audited) RAFAKO Group	Dec 31 2014 (audited) PBG oil and gas	Dec 31 2014 (audited) RAFAKO Group
Current assets	156,706	925,434	50,998	849,736
Non-current assets	6,352	378,791	2,063	340,940
Current liabilities	150,510	653,669	42,039	735,049
Non-current liabilities	1,208	220,790	913	142,174
Equity attributable to owners of the Parent	2,835	214,883	2,527	191,238
Non-controlling interests	8,505	214,883	7,582	122,215

Item	Jan 1–Dec 31 2015 (audited) PBG oil and gas	Jan 1–Dec 31 2015 (audited) RAFAKO Group	Jan 1–Dec 31 2014 (audited) PBG oil and gas	Jan 1–Dec 31 2014 (audited) RAFAKO Group
Revenue	142,937	1,550,294	44,267	1,184,028
Cost of sales (-)	(134,490)	(1,420,809)	(40,237)	(1,060,197)
Profit attributable to owners of the Parent	388	19,622	192	15,712
Profit attributable to non-controlling interests	1,163	14,327	575	11,242
Profit for the year	1,551	33,949	766	26,954
Other comprehensive income attributable to owners of the Parent	-	(356)	-	(2,441)
Other comprehensive income attributable to non-controlling interests	-	(129)	-	(1,560)
Other comprehensive income for the year	-	(485)	-	(4,000)
Total comprehensive income attributable to owners of the Parent	388	19,266	192	13,272
Total comprehensive income attributable to non-controlling interests	1,163	14,198	575	9,682
Total comprehensive income for the year	1,551	33,464	766	22,954
Dividends paid to non-controlling interests	-	-	-	605

All amounts in PLN thousand (unless otherwise indicated)

11. PARTICIPATION IN A JOINT VENTURE

The Group holds interest in an equity-accounted joint venture − Energopol Ukraina SA. Energopol Ukraina S.A. is a company incorporated under Ukrainian law, with its registered office in Kiev. Its business involves construction and assembly work. The company is pursuing a development project in Kiev, partly financed with loans from the Parent. The company's shares are not listed on an active market. The Group currently holds a 49% interest in the share capital and voting rights at the company. The investment in Energopol Ukraina is the only joint venture in which the Group has joint control and as such does not have strategic importance. The tables below present selected financial information from the separate financial statements of Energopol Ukraina S.A., prepared in accordance with the IFRS and brought into compliance with the Group's accounting policy.

Item	Dec 31 2015 (audited)	Dec 31 2014 (audited)
Equity-accounted investments in joint ventures	34,579	46,447
Current (short-term) assets	236,156	357,542
Non-current (long-term) assets	7,978	3,446
Current liabilities	264,660	268,122
- including financial liabilities without trade and other payables and provisions	*133,595*	*106,343*
Non-current liabilities	-	112,508
- including financial liabilities without trade and other payables and provisions	-	*96,561*

Item	Jan 1–Dec 31 2015 (audited)	Jan 1–Dec 31 2014 (audited)
Revenue	39,014	120,350
Amortisation/depreciation (-)	(281)	(1,119)
Finance income	-	-
Finance costs (-)	(20,893)	(30,110)
Income tax expense (-)	3,099	1,999
Net loss from continuing operations	(22,450)	(44,382)
Net loss from discontinued operations	-	-
Loss for the year	(22,450)	(44,382)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	(22,450)	(44,382)
Dividend received from the joint venture	-	-

12. INTEREST IN A JOINT OPERATION

The Group is executing the contract "Delivery of the working design, construction and commissioning of the Liquefied Natural Gas Regasification Terminal in Świnoujście". In these consolidated financial statements, the contract is recognised as a joint operation under IFRS 11. In accordance with the consortium agreement, the Group holds a 33% interest in the joint operation and this proportion of its assets, liabilities, revenue and costs is recognised in these consolidated financial statements.

All amounts in PLN thousand (unless otherwise indicated)

As at December 31st 2015 and December 31st 2014, the Group's share in assets and liabilities of the joint operation was as follows:

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Non-current assets	1,599	1,975
Current assets, including:	190,108	45,280
Cash and cash equivalents	*120,959*	*15,708*
Receivables under construction services	*69,006*	*29,572*
Non-current	1,282	1,401
Current liabilities	188,918	108,560

For the year ended December 31st 2015 and December 31st 2014, the Group's share in revenue and costs of the joint operation was as follows:

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Revenue	109,380	181,101
Cost of sales	(107,776)	(201,770)
Other income	1,067	556
Other costs	(250)	(1,841)
Profit/(loss) before tax	2,421	(21,954)

13. GOODWILL

Note 6.3 contains a detailed description of the method used to measure goodwill on acquisitions during the period. The table below presents changes in the carrying amounts of goodwill during the periods covered by these consolidated financial statements.

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Gross carrying amount		
Balance at beginning of period	**399,441**	**414,468**
Acquisition through business combination	-	42
Sale of subsidiaries / Exit from the Group (-)	-	(15,069)
Carrying amount at end of period	**399,441**	**399,441**
Accumulated impairment		

Balance at beginning of period	**17,755**	**28,950**
Impairment loss recognised as expense in the period	90,949	42
Sale of subsidiaries / Exit from the Group (-)	-	(11,237)
Accumulated impairment at end of period	**108,704**	**17,755**
Goodwill – net carrying amount at end of period	**290,737**	**381,686**

Goodwill disclosed under assets in the Group's consolidated statement of financial position is related to the acquisition of the following subsidiaries:

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Brokam Sp. z o.o.	283	283
RAFAKO	290,078	381,027
RAFAKO Group companies:		
Wyrskie Zakłady Urządzeń Przemysłowych NOMA INDUSTRY Sp. z o.o. w upadłości (in bankruptcy)	376	376
Total goodwill	**290,737**	**381,686**

The table below presents goodwill by operating segments:

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Power construction	290,454	381,403
Other	283	283
Total goodwill	**290,737**	**381,686**

As required under IAS 36 *Impairment of Assets* and the accounting policies applied by the Group, goodwill of the companies listed above was tested for impairment as at December 31st 2015.

In order to perform the annual impairment tests, goodwill is allocated to relevant cash-generating units which are separate operating segments.

The recoverable amount of cash-generating units containing goodwill was determined on the basis of their value in use, using the discounted cash flow method.

An impairment test carried out to measure the impairment of the RAFAKO Group's goodwill covered total net assets of the RAFAKO Group as at December 31st 2015, plus the value of goodwill of the companies acquired as part of business combinations. The test was based on an analysis prepared by the independent advisor Grant Thornton Frąckowiak Sp. z o.o. Sp. k., entitled "Fair value measurement of RAFAKO S.A. shares". The results of a DCF valuation based on the current forecasts of the RAFAKO Management Board for 2015−2019 set the market value of the company's equity at PLN 719,844 thousand. Based on the impairment test, the Parent's Management Board decided to recognise a PLN 90,949 thousand impairment loss on RAFAKO assets. The impairment loss pertains only to goodwill allocated to the power construction segment.

All amounts in PLN thousand (unless otherwise indicated)

Key assumptions used in the impairment test

The discount rate was based on the estimated weighted average cost of capital (WACC), with the cost of capital calculated using the CAPM model. The discount rate was calculated based on the following assumptions:

- tax rate – 19%,
- risk-free rate – 2.37% (average yield of 10-year treasury bonds as at March 12th 2015),
- risk premium – 7.03% (Aswath Damodoran, January 2015),
- beta coefficient – 1.39 (based on monthly rates of return on RAFAKO shares in the last five years),
- specific risk premium – 3%.

Based on these assumptions, a discount rate of 11.76% was calculated.
A growth rate of 1% was applied in the forecast period.

The table below presents a sensitivity analysis accounting for the change of two parameters, i.e. the growth rate beyond the forecast period and the weighted average cost of capital.

Change in WACC	FCF growth rate beyond the forecast period				
	-1.00%	-0.50%	0.00%	0.50%	1.00%
-1.00%	719,844	748,460	779,854	814,469	852,851
-0.50%	693,639	719,844	748,460	779,854	814,469
0.00%	669,542	693,639	**719,844**	748,460	779,854
0.50%	647,300	669,542	693,639	719,844	748,460
1.00%	626,697	647,300	669,542	531,790	719,844

14. INTANGIBLE ASSETS

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Brand names	-	-
Patents and licences	4,366	5,504
Computer software	5,578	5,656
Development costs	240	-
Other	17	36
Carrying amount	**10,201**	**11,196**
Intangible assets under development	-	149
Total intangible assets	**10,201**	**11,345**
Intangible assets classified as held for sale	-	-
Intangible assets	**10,201**	**11,345**

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 – Dec 31 2015	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

CHANGES IN CARRYING AMOUNTS OF INTANGIBLE ASSETS IN 2015 (AUDITED)

Item	Brand names	Patents and licences	Computer software	Development costs	Other	Intangible assets under development	Prepayments for intangible assets	TOTAL
for the period Jan 1−Dec 31 2015 (audited)								
Net carrying amount as at Jan 1 2015	**-**	**5,504**	**5,656**	**-**	**36**	**149**	**-**	**11,345**
Additions	-	32	1,592	240	-	-	-	**1,864**
Reclassifications:	-	-	149	-	-	-	-	**149**
Disposal of subsidiary (-)	-	-	6	-	-	-	-	**6**
Disposals (-)	-	(13)	-	-	-	-	-	**(13)**
Decrease on reclassification to another asset category, excluding reclassification to assets held for sale (-)	-	-	-	-	-	(149)	-	**(149)**
Impairment loss reversed	-	-	265	-	-	-	-	**265**
Depreciation (-)	-	(1,112)	(2,086)	-	(20)	-	-	**(3,218)**
Net exchange differences on translating financial statements into presentation currency	-	-	-	-	2	-	-	**2**
Other changes	-	(45)	(4)	-	(1)	-	-	**(50)**
Net carrying amount as at Dec 31 2015	**-**	**4,366**	**5,578**	**240**	**17**	**-**	**-**	**10,201**

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***Jan 1 – Dec 31 2015***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

CHANGES IN CARRYING AMOUNTS OF INTANGIBLE ASSETS IN 2014 (AUDITED)

Item	Brand names	Patents and licences	Computer software	Development costs	Other	Intangible assets under development	Prepayments for intangible assets	TOTAL
for the period Jan 1–Dec 31 2014 (audited)								
Net carrying amount at Jan 1 2014	**3**	**5,387**	**8,046**	**-**	**57**	**-**	**-**	**13,493**
Additions	-	-	225	-	-	149	-	**374**
Reclassifications:	-	2,111	1,668	-	-	3,779	-	**7,558**
Disposal of subsidiary (-)	(3)	-	(33)	-	-	-	-	**(36)**
Decrease following the exit from the Group (liquidation) (-)	-	-	(132)	-	-	-	-	**(132)**
Disposals (-)	-	(50)	(175)	-	-	-	-	**(225)**
Decrease on reclassification to another asset category, excluding reclassification to assets held for sale (-)	-	-	-	-	-	(3,779)	-	**(3,779)**
Decrease on reclassification to assets held for sale (-)	-	-	(88)	-	-	-	-	**(88)**
Impairment loss (-)	-	(420)	(1,476)	-	-	-	-	**(1,896)**
Impairment loss reversed	-	-	3	-	-	-	-	**3**
Amortisation (-)	-	(1,525)	(2,350)	-	(19)	-	-	**(3,894)**
Net exchange differences on translating financial statements into presentation currency	-	(2)	(26)	-	-	-	-	**(28)**
Other changes	-	3	(6)	-	(2)	-	-	**(5)**
Net carrying amount at Dec 31 2014	**-**	**5,504**	**5,656**	**-**	**36**	**149**	**-**	**11,345**

All amounts in PLN thousand (unless otherwise indicated)

Intangible assets included patents, licences and software. Listed below are the largest items of intangible assets presented in the Group's consolidated financial statements:

- a licence for the BENSON supercritical steam generators, with a carrying amount of PLN 3,337 thousand as at December 31st 2015 (December 31st 2014: PLN 3,452 thousand); the remaining licence amortisation period was nine years from December 31st 2015.
- a licence for catalytic flue gas denitrification, with a carrying amount of PLN 716 thousand as at December 31st 2015 (December 31st 2014: PLN 891 thousand); the remaining licence amortisation period was four years from December 31st 2015.

Amortisation of intangible assets

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Cost of sales	1,719	2,390
Administrative expenses	1,421	1,428
Distribution costs	78	76
Total amortisation of intangible assets	**3,218**	**3,894**

In 2015, the Group did not recognise impairment of intangible assets. As a consequence, at the reporting date the Group did not recognise impairment losses on intangible assets (2014: PLN 1,896 thousand).

As at December 31st 2015, intangible assets with a carrying amount of PLN 9,675 thousand (2014: PLN 8,788 thousand) served as security in respect of the Group's liabilities. The assets serve as security for liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (mortgage) and for repayment of BGK's, PKO BP's and PZU's claims against RAFAKO S.A. under the Surety Agreement executed to secure the liabilities of E003B7 arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW Unit Project (registered pledge over a set of movables and rights).

The Group does not use intangible assets with indefinite useful lives (see Accounting Policies, Note 6.9).

As at the reporting date, no material investment-related agreements were executed by the Group which would place it under an obligation to purchase certain intangible assets in the future.

In 2015 and 2014, the Group did not recognise borrowing costs as intangible assets.

All amounts in PLN thousand (unless otherwise indicated)

15. PROPERTY, PLANT AND EQUIPMENT

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Land	28,375	28,969
Buildings	128,825	154,994
Machinery and equipment	60,337	51,698
Motor vehicles	9,029	7,594
Other	7,136	7,733
Carrying amount	**233,702**	**250,988**
Property, plant and equipment under construction	3,142	7,250
Prepayments for tangible assets	-	-
Total	**236,844**	**258,238**

Group name:	PBG GROUP		
Period covered by the financial statements:	*Jan 1 – Dec 31 2015*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

CHANGES IN CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT IN 2015

Item	Land	Buildings	Plant and machinery	Motor vehicles	Other	Property, plant and equipment under construction	Prepayments for tangible assets	**Total**
for the period Jan 1–Dec 31 2015 (audited)								
Net carrying amount as at Jan 1 2015	**28,969**	**154,994**	**51,698**	**7,594**	**7,733**	**7,250**	**-**	**258,238**
Additions	54	731	3,202	166	717	19,110	-	**23,980**
Increase attributable to executed lease agreements	-	-	559	2,596	-	-	-	**3,155**
Reclassifications	21	4,937	14,131	864	-	-	-	**19,953**
Disposal of subsidiary (-)	-	(410)	(111)	(33)	-	-	-	**(554)**
Disposals (-)	(19)	(78)	(525)	(669)	(73)	-	-	**(1,364)**
Liquidation (-)	-	(93)	(34)	(57)	(164)	-	-	**(348)**
Decrease on reclassification to another asset category, excluding reclassification to assets held for sale (-)	-	-	-	-	-	(23,028)	-	**(23,028)**
Decrease on reclassification to assets held for sale (-)	(3)	(110)	(82)	227	-	(193)	-	**(161)**
Decrease attributable to termination of lease agreements (-)	-	-	-	(2)	-	-	-	**(2)**
Impairment loss (-)	(647)	(25,736)	(799)	-	-	-	-	**(27,182)**
Impairment loss reversed	-	-	3	41	-	-	-	**44**
Depreciation (-)	-	(5,410)	(7,642)	(1,683)	(1,060)	-	-	**(15,795)**
Net exchange differences on translating financial statements into presentation currency	-	-	(2)	(1)	-	-	-	**(3)**
Other changes	-	-	(61)	(14)	(17)	3	-	**(89)**
Net carrying amount as at Dec 31 2015	**28,375**	**128,825**	**60,337**	**9,029**	**7,136**	**3,142**	**-**	**236,844**

All amounts in PLN thousand (unless otherwise indicated)

CHANGES IN CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT IN 2014

Item	Land	Buildings	Plant and machinery	Motor vehicles	Other	Property, plant and equipment under construction	Prepayments for tangible assets	**Total**
for the period Jan 1−Dec 31 2014 (audited)								
Net carrying amount at Jan 1 2014	**33,931**	**176,092**	**65,244**	**5,879**	**8,858**	**2,310**	**-**	**292,314**
Additions	19	443	607	1,043	255	9,547	-	**11,914**
Construction	-	149	914	78	-	1	-	**1,142**
Increase attributable to executed lease agreements	-	-	-	3,149	-	-	-	**3,149**
Reclassifications	-	517	3,188	60	213	(3,692)	-	**286**
Disposal of subsidiary (-)	-	(245)	(81)	(65)	(376)	(118)	-	**(885)**
Decrease following the exit from the Group (liquidation) (-)	(360)	-	-	(106)	-	-	-	**(466)**
Disposals (-)	(55)	(186)	(61)	(53)	(1)		-	**(356)**
Liquidation (-)	-	(82)	(105)	(191)	(15)	-	-	**(393)**
Decrease on reclassification to another asset category, excluding reclassification to assets held for sale (-)	-	(272)	(42)	-	-	(628)	-	**(942)**
Decrease on reclassification to assets held for sale (-)	(4,562)	(15,726)	(7,881)	(670)	(15)	(139)	-	**(28,993)**
Decrease attributable to termination of lease agreements (-)	-	-	-	(112)	-	-	-	**(112)**
Impairment loss (-)	-	-	(2,000)	-	-	-	-	**(2,000)**
Depreciation (-)	-	(5,509)	(8,037)	(1,348)	(1,069)	-	-	**(15,963)**
Net exchange differences on translating financial statements into presentation currency	-	(199)	(46)	(35)	(117)	(30)	-	**(427)**
Other changes	(4)	12	(2)	(35)	-	(1)	-	**(30)**
Net carrying amount at Dec 31 2014	**28,969**	**154,994**	**51,698**	**7,594**	**7,733**	**7,250**	**-**	**258,238**

All amounts in PLN thousand (unless otherwise indicated)

As at December 31st 2015, the Group performed impairment tests to verify if there was objective evidence of impairment of its property, plant and equipment. The Group engaged an independent expert appraiser (see Note 19) to prepare estimate surveys for, among other things, the market value of office buildings owned by the Parent. Based on the appraiser valuation, impairment losses were recognised for:

- a production and office building located at ul. Serdeczna, Wysogotowo, with a net amount disclosed in the Company's register of non-current assets of PLN 17,755 thousand, and the market value of PLN 6,140 thousand (according to the appraiser valuation). The Group recognised an impairment loss of 11,615 thousand for
- a production and storage building located at ul. Skórzewska, Wysogotowo, with a net amount disclosed in the Company's register of non-current assets of PLN 9,308 thousand, and the market value of PLN 3,880 thousand (according to the appraiser valuation). The Group recognised an impairment loss of 5,428 thousand
- on items of property, plant and equipment which are closely related to buildings disclosed under "investment property" in the consolidated financial statements. The Company recognised impairment losses on the following categories of property, plant and equipment:
    - sewage system – impairment loss of PLN 3,645 thousand,
    - power supply – impairment loss of PLN 5,278 thousand,
    - other – impairment loss of PLN 1,209 thousand

  total – PLN 10,132 thousand.

The impairment losses were recognised as other expenses (Note 33.4)

In the comparative period ended December 31st 2014, impairment losses on property, plant and equipment were PLN 2,000 thousand.

Gross carrying amount of fully depreciated property, plant and equipment that is still in use by the PBG Group amounted to:

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Gross carrying amount of fully depreciated property, plant and equipment still in use	28,749	26,441
Total carrying amount of fully depreciated property, plant and equipment	**28,749**	**26,441**

Depreciation of property, plant and equipment was recognised in the following items of the consolidated statement of profit or loss:

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Cost of sales	10,724	11,273
Administrative expenses	4,539	4,289
Distribution costs	532	401
Total depreciation of property, plant and equipment	**15,795**	**15,963**

All amounts in PLN thousand (unless otherwise indicated)

In 2015, the Group companies did not enter into any material investment agreements whereby they would make any commitments to purchase property, plant and equipment in the future (2014: PLN 1,102 thousand).

The Group also leases (or rents) other tangible assets, which mostly comprise properties used in operating activities, including construction camps, office premises, accommodation for project employees, land properties for storage of equipment and materials, etc. Costs of using these assets are recognised in the consolidated statement of profit or loss.

The Group's non-current assets also include works of art (paintings and antiques) with the total value of PLN 3,400 thousand. All the works of art are controlled by the Group. The Management Board did not identify any indication of impairment as at December 31st 2015 with respect to the assets described above (works of art). The remaining works of art and antiques held by the Group are recognised as long-term investment (Note 20).

Mortgages and registered pledges were established in favour of banks and creditors on certain items of property, plant and equipment. As at December 31st 2015, the carrying amount of property, plant and equipment pledged as security was PLN 145,791 thousand (December 31st 2014: PLN 149,415 thousand). In the year ended December 31st 2015, the carrying amount of assets pledged as security for liabilities changed mainly as a result of:

- pledging Group's movables as security for repayment of BGK's, PKO BP's and PZU's claims against RAFAKO S.A. under the Surety Agreement executed to secure liabilities of E003B7 arising under the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with the Jaworzno III 910 MW Unit Project
- satisfying claims of the Parent's creditors: Bank DNB NORD Polska SA (currently DNB BANK POLSKA S.A.) and of Polski Bank Przedsiębiorczości S.A. (currently FM BANK PBP S.A.).

In 2015 and 2014, the Group did not recognise borrowing costs as property, plant and equipment.

ITEMS OF PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY FOR LIABILITIES

Liability / restricted title	Type of security	Collateral	Carrying amount	
			As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Credit facility, Bank DNB NORD POLSKA S.A.	mortgage	buildings	-	136
Credit facility, Bank DNB NORD POLSKA S.A.	mortgage	civil engineering and water projects	-	2,876
Credit facility provided by DZ Bank S.A.	mortgage	buildings	-	700
Credit facility provided by PBP S.A.	mortgage	buildings	-	9,145
Credit facility provided by PKO BP S.A.	mortgage	land, buildings and structures, machinery and equipment, vehicles	92,225	136,558
Credit facility provided by PKO BP S.A.	registered pledge	movables	53,566	-
Total carrying amount of property, plant and equipment			**145,791**	**149,415**

All amounts in PLN thousand (unless otherwise indicated)

16. PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASE

The Group as a lessee uses property, plant and equipment under finance lease agreements.

The following table presents future minimum lease payments due as at the reporting date:

Item	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
As at Dec 31 2015 (audited)				
Future minimum lease payments	3,388	10,858	638	14,884
Finance costs (-)	(450)	(733)	(9)	(1,192)
Present value of future minimum lease payments	**2,938**	**10,125**	**629**	**13,692**
As at Dec 31 2014 (audited)				
Future minimum lease payments	3,074	13,023	1,559	17,656
Finance costs (-)	(620)	(1,432)	(54)	(2,106)
Present value of future minimum lease payments	**2,454**	**11,591**	**1,505**	**15,550**

The most important finance lease agreements include the lease of a drilling rig with an initial value of the leased asset of PLN 7,058 thousand. The agreement was executed in September 2011 for 10 years, after which time the Group will have the right to purchase the leased asset. Interest on lease instalments is based on a 1M WIBOR-linked floating interest rate, and their repayment is secured with a blank promissory note.

In these consolidated financial statements the Group recognises as investment property residential units with a total fair value of PLN 12,060 thousand (2014: PLN 17,254 thousand); the units are leased out by the Group. Present value of future minimum lease payments under the lease agreements is PLN 3,724 thousand (2014: PLN 7,099 thousand).

In the reporting period no expenses were recognised for contingent lease payments.

Under operating lease agreements, the Group (as a lessee) uses also property, plant and equipment. These are company cars used for the purpose of the Group entities' operations. Operating lease agreements involve assets of similar unit values, therefore it is not possible to single out the most material arrangements.

All amounts in PLN thousand (unless otherwise indicated)

17. THE GROUP AS A LESSOR

In these consolidated financial statements, the Group is the lessor under lease agreements. The following table presents future minimum lease payments due as at the reporting date:

Item	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
As at Dec 31 2015 (audited)				
Future minimum lease payments	341	-	-	341
Finance costs (-)	(5)	-	-	(5)
Present value of future minimum lease payments	**336**	**-**	**-**	**336**
As at Dec 31 2014 (audited)				
Future minimum lease payments	339	315	-	654
Finance costs (-)	(23)	(5)	-	(28)
Present value of future minimum lease payments	**316**	**310**	**-**	**626**

The finance lease arrangement concerns perpetual usufruct right to land property located in Szczecin and the ownership right to an office building built thereon.

18. NON-REGENERATIVE NATURAL RESOURCES

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Carrying amount at beginning of period	**36,782**	**36,782**
Disposals	(1,714)	-
Impairment loss	(29,068)	-
Carrying amount at end of period	**6,000**	**36,782**

Non-regenerative natural resources comprise assets disclosed in the statement of financial position of the Group entities. These include the following:

- Ownership title to undeveloped mining property with an aggregate area of 2.6328 ha located in the Ząbkowice Śląskie commune, Brodziszów cadastral district, for which the District Court in Ząbkowice Śląskie, V Land and Mortgage Registry Division, maintains Land and Mortgage Register entries No. SW1Z/00054175/1, SW1Z/00057132/9 and SW1Z/00054742/7;
- Ownership title to undeveloped mining property with an aggregate area of 25.0500 ha located in the Ząbkowice Śląskie commune, Brodziszów cadastral district, for which the District Court in Ząbkowice Śląskie, V Land and Mortgage Registry Division, maintains Land and Mortgage Register entries No. SW1Z/00051040/5, SW1Z/00040975/8 and SW1Z/00048153/6;
- Simplified geological documentation (of C1 category Brodziszów-Kłośnik A Field granodiorite reserve; the documentation was approved by virtue of Wałbrzych Governor's decision No.252/98 of October 12th 1998) together with geological documentation of C1category granodiorite reserve

All amounts in PLN thousand (unless otherwise indicated)

(Brodziszów-Kłośnik A Field; the documentation was approved by virtue of Wrocław Province Governor's decision No. 1/2000 of January 14th 2000);

- Geological documentation of granodiorite reserve (Brodziszów-Kłośnik B Field; the documentation was approved by virtue of Wrocław Province Governor's decision No. 2/2001 of April 9th 2001) together with geological information included in simplified geological documentation (of C1 category Brodziszów-Kłośnik B Field granodiorite reserve; the documentation was approved by virtue of Wrocław Province Governor's decision No. 2/2001 of April 9th 2001);
- Rights under the ownership title to geological documentation related to the granodiorite reserve and rights under licences for granodiorite production from the reserve.

In 2015, the Group sold some of the land classified as non-regenerative natural resources. Only the plots adjacent to the Group's aggregate deposits were sold, and the transactions had no effect on the volume of the deposits.

As at December 31st 2015, the Group recognised an impairment loss on the non-regenerative natural resources. The recoverable amount was determined based on an offer to purchase the deposit received by the Group.

19. INVESTMENT PROPERTY

Changes in carrying amounts during the period were as follows:

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Carrying amount at beginning of period	**213,783**	**210,504**
Additions from acquisition of property	2,702	3,811
Additions from subsequent expenditures	668	1,026
Reclassifications:	**235**	**628**
- from property, plant and equipment in the course of its construction	235	628
Loss of control (-)	-	(820)
Disposal of property (-)	(8,410)	(8,559)
Net gain (loss) from fair value adjustments (+/-)	(19,539)	8,179
Net exchange differences on translating financial statements into presentation currency	-	(177)
Other changes	-	(809)
Carrying amount at end of period	**189,439**	**213,783**

The PBG Group's item 'Investment property' comprises buildings as well as undeveloped property acquired to derive economic benefits from capital appreciation or from other sources, such as rental payments.

The key items of Group's investment property include:

- Skalar Office Center – class A office and services building with underground parking garage, located at ul. Górecka in Poznań,
- residential units located in Świnoujście within an area bounded by ul. Wojska Polskiego, ul. Chełmońskiego, ul. 11 Listopada and ul. Malczewskiego,
- undeveloped land property at ul. Termalna in Poznań.

All these properties are owned by the Group, except 40 residential units in Świnoujście, which are used under lease agreements. Their fair value is PLN 12,060 thousand (2014: PLN 17,254 thousand).

The fair value of investment property in the Group's portfolio, of PLN 168,714 thousand, was determined based on estimate surveys prepared by an independent expert appraiser as at the reporting date. The appraiser engaged to prepare the surveys has a long-standing experience in the property market and applies professional standards endorsed by:

- The Polish Federation of Valuers' Associations,
- The European Group of Valuers' Associations (TEGoVA), and
- The Royal Institution of Chartered Surveyors (RICS).

Below are presented valuation methods and the appraiser's assumptions for the measurement of fair value of the Group's key investment property.

1. The fair value of Skalar Office Center was estimated at **PLN 101,424 thousand**. The estimate was prepared using the income approach, based on the leased area as per the concluded lease agreements (84% of the total leasable area). For the purpose of cash flow projections it was assumed that the vacant office and services space and the unoccupied parking spaces would be leased out after 6 and 12 months. For the valuation purposes, market rent was estimated based on rent amounts provided for in lease agreements concluded for similar office buildings in Poznań, taking into account the recently concluded agreements for the lease of space in the valued property. The rents used for valuation purposes are presented in the table below.

Space type	Rent (m^2 per month)
Office	EUR 13
Ancillary	EUR 13
Services	EUR 13
Warehouse	EUR 6.5
Canteen	EUR 3
Ground car park*	EUR 35
Underground car park*	EUR 55
Buffer car park*	EUR 30
Other**	EUR 2,355

* Price per one parking space.
** Price per total area.

For the purposes of this valuation, an 8.25% hardcore rate was assumed for market-level rental income. For any excess revenue, an 8.75% froth rate was assumed. Additionally, due to the volatility of rental income from parking spaces located on the leased plots, a 9.25% hardcore rate was assumed. A slight increase in the adopted yield would result in a major decline in the fair value of the valued property.

2. The fair value of residential units and parking spaces in Świnoujście was estimated at **PLN 20,528 thousand**, using the comparative method. The assumed price per square metre of a residential unit was adjusted to take account of such factors as internal finishing, functionality and area, with the minimum price set at PLN 4,691.20 per square metre and the maximum price set at PLN 5,476.76 per square metre. The price per parking space was estimated at PLN 12,007.00.

3. The value of the undeveloped land property at ul. Termalna in Poznań was estimated using the pairwise comparison method. Its fair value was estimated at **PLN 24,890 thousand**. The property was valued

All amounts in PLN thousand (unless otherwise indicated)

by comparing it with similar properties traded, for which the transaction prices, transaction terms and property prices are known. The table below presents the prices adopted to estimate the value of various types of space.

Function/use	Value/m²	Area *(m²)*
Internal road	PLN 320.82	561
Land for development 1	PLN 906.33	8,850
Land for development 2	PLN 847.64	13,210
Land for development 2	PLN 788.95	6,955

The fair value of investment property was estimated solely based on unobservable inputs (level 3 of the fair value hierarchy according to IFRS 13 *Fair Value Measurement*).

During the reporting period, the Group earned rentals and recognised the following direct operating expenses:

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Amounts recognised in the statement of comprehensive income:		
- rental income from investment property	13,510	13,046
- direct operating expenses (including cost of repair and maintenance) attributable to the investment property that earned rentals in the period	(5,287)	(4,960)
- direct operating expenses (including cost of repair and maintenance) attributable to investment property that did not generate rental income during the period	-	(85)
Total	**8,223**	**8,001**

In 2015 and 2014, the Group did not execute any investment agreement whereby it would be committed to purchase investment property in the future.

INVESTMENT PROPERTY PLEDGED AS SECURITY FOR LIABILITIES

Liability / restricted title	Type of security	Collateral	Carrying amount	
			As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Credit facility, Bank DNB NORD POLSKA S.A.	tacit mortgage	buildings	-	14,478
Credit facility, Bank DNB NORD POLSKA S.A.	tacit mortgage	land,	-	1,822
Bondholders of Piecobiogaz S.A. *	mortgage	land	12,900	12,900
Credit facility provided by m Bank S.A.	mortgage	building	101,424	111,900
Total carrying amount of property, plant and equipment			**114,324**	**141,100**

*As at the date of issue of these consolidated financial statements, the Parent repaid PLN 1,635 thousand to Bondholders whose claims were secured with the Łeba property, and obtained Bondholders' consent to delete a PLN 400 thousand mortgage from the mortgage register.

20. LONG-TERM INVESTMENTS

Long-term investments comprise works of art and antiques with a value of PLN 7,577 thousand. These assets are not depreciated and are disclosed at historical cost in the consolidated financial statements.

21. FINANCIAL ASSETS AND LIABILITIES

21.1 CATEGORIES OF ASSETS AND LIABILITIES

In the consolidated statement of financial position, financial assets are presented in the following IAS 39 measurement categories:

1 − loans and receivables

2 − financial assets at fair value through profit or loss − held for trading

3 − financial assets at fair value through profit or loss − designated as such upon initial recognition

4 − held-to-maturity investments

5 − available-for-sale financial assets

6 − derivatives designated as cash flow hedging instruments

7 − assets not included in IAS 39.

In the consolidated statement of financial position, financial liabilities are presented in the following IAS 39 measurement categories:

1 − financial liabilities at fair value through profit or loss − held for trading

2 − financial liabilities at fair value through profit or loss − designated as such upon initial recognition

3 − financial liabilities measured at amortised cost

4 − derivatives designated as cash flow hedging instruments

5 − liabilities not included in IAS 39 (Non-IAS 39) – this item includes liabilities incurred by the date of the Court's decision declaring the Parent insolvent (June 13th 2012), which are not measured at amortised cost but at a value that includes interest accrued by the date preceding the date of insolvency declaration.

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***Jan 1 – Dec 31 2015***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

CARRYING AMOUNTS OF EACH CATEGORY OF FINANCIAL ASSETS DEFINED IN IAS 39 (AUDITED)

Item	Note	*Categories of financial instruments defined in IAS 39							**Total**
		Receivables and loans	Financial assets at fair value through profit or loss – held for trading	Financial assets at fair value through profit or loss – designated as such upon initial recognition	Held-to-maturity investments	Available-for-sale financial assets	Derivatives designated as cash flow hedging instruments	Non-IAS 39	
As at Dec 31 2015 (audited)									
Non-current:									
Receivables	6.1	39,957	-	-	-	-	-	-	**39,957**
Loans	10.2	118	-	-	-	-	-	-	**118**
Other non-current financial assets	10.5.1	-	-	-	-	1,484	-	-	**1,484**
Current assets:									
Trade and other receivables	6.3	531,610	-	-	-	-	-	336	**531,946**
Current loans	10,2	260	-	-	-	-	-	-	**260**
Other current financial assets	10.5.1	-	-	-	70	-	-	-	**70**
Cash and cash equivalents	12.1	341,746	-	-	-	-	-	-	**341,746**
Total carrying amounts of each categories		**913,691**	**-**	**-**	**70**	**1,484**	**-**	**336**	**915,581**
As at Dec 31 2014 (audited)									
Non-current:									
Receivables	23	56,503	-	-	-	-	-	310	**56,813**
Loans advanced	21.2	38	-	-	-	-	-	-	**38**
Other non-current financial assets	21.4	-	-	-	-	1,673	-	-	**1,673**
Current assets:									

All amounts in PLN thousand (unless otherwise indicated)

Trade and other receivables	23	443,132	-	-	-	-	-	316	**443,448**
Current loans	21.2	381	-	-	-	-	-	-	**381**
Cash and cash equivalents	24	104,693	-	-	-	-	-	-	**104,693**
Total carrying amounts of each categories		**604,746**	**-**	**-**	**-**	**1,673**	**-**	**626**	**607,045**

CARRYING AMOUNTS OF EACH CATEGORIES OF FINANCIAL LIABILITIES DEFINED IN IAS 39 (AUDITED)

Item	No.	*Categories of financial instruments defined in IAS 39					**Total**
		Financial liabilities at fair value through profit or loss – held for trading	Financial liabilities at fair value through profit or loss – designated as such upon initial recognition	Financial liabilities measured at amortised cost	Derivatives designated as cash flow hedging instruments	Non-IAS 39	
As at Dec 31 2015 (audited)							
Non-current:							
Borrowings and other debt instruments	10.6.1	-	-	49,186	-	-	**49,186**
Finance lease liabilities	17.1.3	-	-	-	-	10,754	**10,754**
Derivative financial instruments	10.4.1	-	-	-	1,063	-	**1,063**
Other liabilities	16.1	-	-	35,825	-	-	**35,825**
Short-term liabilities:							
Trade and other payables	16.2	-	-	476,998	-	353,005	**830,003**
Borrowings and other debt instruments	10.6.1	-	-	127,271	-	1,204,635	**1,331,906**
Finance lease liabilities	17.1.3	-	-	-	-	2,938	**2,938**
Total carrying amounts of each categories		**-**	**-**	**689,280**	**1,063**	**1,571,332**	**2,261,675**
As at Dec 31 2014 (audited)							
Non-current:							
Borrowings and other debt instruments	21.5	-	-	54,959	-	-	**54,959**
Finance lease liabilities	16	-	-	-	-	13,096	**13,096**
Derivative financial instruments	21.3	-	-	-	916	-	**916**

All amounts in PLN thousand (unless otherwise indicated)

Other liabilities	29	-	-	22,544	-	-	**22,544**
Short-term liabilities:							
Trade and other payables	29	-	-	284,822	-	353,671	**638,493**
Borrowings and other debt instruments	21.5	-	-	137,143	-	1,208,814	**1,345,957**
Finance lease liabilities	16	-	-	-	-	2,454	**2,454**
Total carrying amounts of each categories		**-**	**-**	**499,468**	**916**	**1,578,035**	**2,078,419**

ITEMS OF INCOME, EXPENSES, GAINS AND LOSSES RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS, BY CATEGORY OF FINANCIAL INSTRUMENTS (AUDITED)

Item	Categories defined in IAS 39	Interest income (+) and expense (-)	Gain (+) and loss (-) from exchange differences	Reversal (+) and recognition (-) of impairment losses	Gains (+) and losses (-) on remeasurement	Gains (+) and losses (-) on sale of financial instruments	Other	**Total**
Jan 1–Dec 31 2015 (audited)								
Non-current:								
Receivables	Receivables and loans	-	-	(2,643)	177	-	-	**(2,466)**
Loans advanced	Receivables and loans	3	2	-	-	-	-	**5**
Other non-current financial assets	Available for sale	-	-	-	-	-	11	**11**
Current assets:								
Trade and other receivables	Receivables and loans	5,157	83	(24,245)	(4,241)	-	108	**(23,138)**
Loans advanced	Receivables and loans	284	-	93	-	-	-	**377**
Other current financial assets	Available for sale	7	84	-	-	-	-	**91**
Cash and cash equivalents	Receivables and loans	1,491	647	-	-	-	-	**2,138**
Total		**6,942**	**816**	**(26,795)**	**(4,064)**	**-**	**119**	**(22,982)**
								Jan 1–Dec 31 2014 (audited)
Non-current:								

Receivables	Receivables and loans	-	-	-	(1,155)	-	-	**(1,155)**
Loans advanced	Receivables and loans	1	-	81	(4)	-	-	**78**
Other non-current financial assets	Available for sale	-	-	-	83	-	14	**97**
Current assets:								
Trade and other receivables	Receivables and loans	5,395	416	(13,404)	(1,306)	-	76	**(8,823)**
Loans advanced	Receivables and loans	9,828	204	(36,772)	-	-	-	**(26,740)**
Other current financial assets	Available for sale	9	(78)	(10,242)	-	(334)	-	**(10,645)**
Cash and cash equivalents	Receivables and loans	1,918	605	-	-	-	-	**2,523**
Total		**17,151**	**1,147**	**(60,337)**	**(2,382)**	**(334)**	**90**	**(44,665)**

ITEMS OF INCOME, EXPENSES, GAINS AND LOSSES RECOGNISED IN THE STATEMENT OF PROFIT OR LOSS, BY CATEGORY OF FINANCIAL INSTRUMENTS (CONT.)

Item	Categories defined in IAS 39	Interest income (+) and expense (-)	Gain (+) and loss (-) from exchange differences	Reversal (+) and recognition (-) of impairment losses	Gains (+) and losses (-) on remeasurement	Gains (+) and losses (-) on sale of financial instruments	Other	**Total**
Jan 1–Dec 31 2015 (audited)								
Non-current:								
Borrowings and other debt instruments	Other financial liabilities at amortised cost	(3)	187	-	-	-	-	**184**
Finance lease liabilities	Other financial liabilities at amortised cost	(389)	-	-	-	-	-	**(389)**
Derivative financial instruments	At fair value through profit or loss	107	-	-	-	-	-	**107**

Group name:	PBG GROUP		
Period covered by the financial statements:	*Jan 1 – Dec 31 2015*	**Reporting currency:**	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

Other liabilities	Other financial liabilities at amortised cost	(219)	(1)	-	(10)	-	-	**(230)**
Short-term liabilities:								
Trade and other payables	Other financial liabilities at amortised cost	(1,542)	838	-	1,343	-	(81)	**558**
Borrowings and other debt instruments	Other financial liabilities at amortised cost	(5,497)	(231)	-	-	-	(907)	**(6,635)**
Finance lease liabilities	Other financial liabilities at amortised cost	(460)	-	-	-	-	-	**(460)**
Total		**(8,003)**	**793**	**-**	**1,333**	**-**	**(988)**	**(6,865)**
Jan 1–Dec 31 2014 (audited)								
Non-current:								
Borrowings and other debt instruments	Other financial liabilities at amortised cost	(1,401)	593	-	-	-	(1,762)	**(2,570)**
Finance lease liabilities	Other financial liabilities at amortised cost	(764)	-	-	-	-	-	**(764)**
Derivative financial instruments	At fair value through profit or loss	(873)	-	-	-	(556)	(289)	**(1,718)**
Other liabilities	Other financial liabilities at amortised cost	-	-	-	(64)	-	-	**(64)**

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***Jan 1 – Dec 31 2015***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

Short-term liabilities:								
Trade and other payables	Other financial liabilities at amortised cost	(4,856)	(1,711)	-	(10)	-	(9)	**(6,586)**
Borrowings and other debt instruments	Other financial liabilities at amortised cost	(7,609)	(161)	-	-	-	(1,246)	**(9,016)**
Finance lease liabilities	Other financial liabilities at amortised cost	(507)	-	-	-	-	-	**(507)**
Total		**(16,010)**	**(1,279)**	**-**	**(74)**	**(556)**	**(3,306)**	**(21,225)**

21.2 LOANS ADVANCED

RECEIVABLES AND LOANS

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Loans	118	38
Current loans	260	381
Total loans advanced:	**378**	**419**

Loans are recognised at amortised cost, using the effective interest rate method. The carrying amount of loans bearing interest at a variable interest rate is considered to be a reasonable approximation of fair value.

21.3 FINANCIAL DERIVATIVES

All derivatives are measured at fair value, determined based on market data (exchange rates and interest rates).

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Non-current:		
hedging derivatives, including	**1,063**	**916**
- cash flow hedge derivatives	1,063	916
Non-current derivatives	**1,063**	**916**

<u>DERIVATIVE INSTRUMENTS</u>

CHARACTERISTICS OF CASH FLOW HEDGE DERIVATIVES (RISKS)

	Nominal value in foreign currency (thousands)	Carrying amounts*		Periods of cash flow occurrence		Periods of affecting profit/(loss)	
		Financial assets	Financial liabilities	from	to	from	to
As at Dec 31 2015 (audited)							
Interest rate swaps	EUR 13,850	,-	1,063	2014-11-27	2019-11-05	2014-11-27	2019-11-05
Total fair value hedge derivatives		**-**	**1,063**	,			
As at Dec 31 2014 (audited)							
Interest rate swaps	EUR 13,850	-	916	2014-11-27	2019-11-05	2014-11-27	2019-11-05
Total fair value hedge derivatives		**-**	**916**				

* fair value

EFFECT OF CURRENCY RISK HEDGES ON THE RESULTS OF THE PBG GROUP

As at December 31st 2015, the PBG Group carried no derivatives used to hedge currency risk.

EFFECT OF INTEREST RATE HEDGES ON THE RESULTS OF THE PBG GROUP

A PBG subsidiary in company voluntary arrangement uses interest rate swaps (IRS) to hedge against variable interest rate risk.

Under a credit facility agreement with a bank the subsidiary was required to mitigate its interest rate risk. As required by the bank on November 27th 2014 the subsidiary entered into an amortisable IRS transaction for the principal amount of EUR 13,850 thousand, maturing on November 5th 2019.
In Q1–Q4 2015, the effect of derivatives used to hedge interest rate risk, as recognised in the consolidated statement of profit or loss as at December 31st 2015, was as follows:

Effect of derivative instruments related to interest rate risk		
Item	Dec 31 2015 (audited) PLN '000	Dec 31 2014 (audited) PLN '000
Finance income	164	-
Total income	**164**	-
Finance costs	-	1,365
Total expenses	**-**	**1,365**
Effect on profit/(loss)	**164**	**(1,365)**

In the same period, the net effect of the derivatives used to hedge interest rates, recognised in the consolidated statement of profit or loss was negative at PLN -119 thousand (2014: PLN 1,622 thousand).
As at December 31st 2015, the fair value of open positions used to hedge interest rates was negative at PLN -1,063 thousand (2014: PLN -916 thousand) and related to fair value hedge derivatives.

21.4 OTHER FINANCIAL ASSETS

CHARACTERISTICS OF AVAILABLE-FOR-SALE ASSETS

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Shares and other equity instruments	1,484	1,673
Total available-for-sale financial assets	**1,484**	**1,673**
- non-current	1,484	1,673
- current	-	-

All amounts in PLN thousand (unless otherwise indicated)

CHANGE IN AVAILABLE-FOR-SALE ASSETS

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
At beginning of period	**1,673**	**37,179**
Impairment loss recognised as expense in the period (-)	(158)	(11,061)
Increase in value charged to profit or loss (+)	-	50
Disposals (-)	(30)	-
Other changes	(1)	(24,495)
Balance at end of period	**1,484**	**1,673**

Available-for-sale assets held by the Group include listed and non-listed equity instruments

The Group's portfolio includes the following key financial assets designated as available for sale:

- interest (7.5%) in Al Watanyiah United Engineering & Contracting Co. LLCo, with a carrying amount of PLN 1,254 thousand (2014: PLN 1,254 thousand),

21.5 BORROWINGS AND OTHER DEBT INSTRUMENTS

The tables below present the amounts of borrowings and other debt instruments recognised in the consolidated financial statements.

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Bank borrowings	526,548	551,475
Non-bank borrowings	11,593	6,490
Bank overdrafts (measurement of closed forwards)	4,179	4,179
Debt instruments	838,772	838,772
Other	-	-
Total borrowings, other debt instruments	**1,381,092**	**1,400,916**
- non-current	49,186	54,959
- current	1,331,906	1,345,957

The Group does not classify any borrowings or other debt instruments as financial liabilities designated to be measured at fair value with fair value changes in profit or loss. All borrowings and other debt instruments are measured at amortised cost, using the effective interest rate method, except for the Parent's liabilities incurred by the date of the Court's decision declaring the Parent insolvent (June 13th 2012), which are not measured at amortised cost but at a value that includes interest accrued by the date preceding the date of insolvency declaration.

Note 21.8 presents the fair values of borrowings and other debt instruments.

The bank borrowings taken out by the Group companies bore interest at variable interest rates. In most cases, the interest rates were based on 1M WIBOR or 3M EURIBOR plus bank margin.

The total amount of overdraft facilities used by the Group as at December 31st 2015 was PLN 150,500 thousand (December 31st 2014: PLN 150,000 thousand). The total amount drawn under these facilities was PLN 110,507 thousand as at December 31st 2015 (December 31st 2014: PLN 129,426 thousand).

Within these limits, the overdraft facilities are renewed for annual periods.

Group name:	***PBG GROUP***		
Period covered by the financial statements:	***Jan 1 – Dec 31 2015***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

BORROWINGS, OTHER DEBT INSTRUMENTS AT DECEMBER 31ST 2015 (AUDITED)

Lender	Amount as per agreement		Maturity date	Interest rate	Outstanding principal					
					non-current			current		
	currency	PLN			currency	exchange rate*	PLN	currency	exchange rate*	PLN
Loan from EGBP Management Sp. z o.o. (formerly: PBG Energia Sp. z o.o.)	PLN	1,500	Dec 31 2015	3M WIBOR + margin	PLN	x	-	PLN	x	1,549
Loan from S-SERVICE ARGO	PLN	302	Dec 31 2015	3M WIBOR + margin	PLN	x	-	PLN	x	64
Mierzeja Development – agreement of September 2nd 2015	PLN	3	Dec 31 2015	3M WIBOR + margin	PLN	x	-	PLN	x	3
Loan from Słowian Invest Sp. z o.o.	PLN	13	Dec 31 2015	3M WIBOR + margin	PLN	x	-	PLN	x	14
Loan from a natural person	PLN	36	Dec 31 2015	fixed rate – 10%	PLN	x	-	PLN	x	56
Loan from a natural person	PLN	8	Dec 31 2015	3M WIBOR + margin	PLN	x	-	PLN	x	8
Loan from a natural person	PLN	4,409	Nov 26 2015	3M WIBOR + margin	PLN	x	-	PLN	x	4,409
Loan from a natural person	PLN	5,490	Feb 16 2016	3M WIBOR + margin	PLN	x	-	PLN	x	5,490
Total	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**11,593**

All amounts in PLN thousand (unless otherwise indicated)

BORROWINGS, OTHER DEBT INSTRUMENTS AT DECEMBER 31ST 2014 (AUDITED)

Lender	Amount as per agreement		Maturity date	Interest rate	Outstanding principal					
					non-current			current		
	currency	PLN			currency	exchange rate*	PLN	currency	exchange rate*	PLN
Loan from EGBP Management Sp. z o.o. (formerly: PBG Energia Sp. z o.o.)	PLN	1,500	Aug 31 2012	3M WIBOR + margin	PLN	x	-	PLN	x	1,549
Loan from S-SERVICE ARGO	PLN	320	Dec 31 2014	3M WIBOR + margin	PLN	x	-	PLN	x	62
Loan from Dzierżawca Sp. z o.o.	PLN	800	Dec 31 2015	fixed rate – 3.5%	PLN	x	-	PLN	x	400
Loan from Słowian Invest Sp. z o.o.	PLN	13	Dec 31 2013	3M WIBOR + margin	PLN	x	-	PLN	x	14
Loan from a natural person	PLN	31	Dec 31 2013	fixed rate – 10%	PLN	x	-	PLN	x	49
Loan from a natural person	PLN	50	Dec 31 2009	3M WIBOR + margin	PLN	x	-	PLN	x	7
Loan from a natural person	PLN	4,409	Nov 26 2015	3M WIBOR + margin	PLN	x	-	PLN	x	4,409
Total	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**x**	**6,490**

All amounts in PLN thousand (unless otherwise indicated)

BANK BORROWINGS AT DECEMBER 31ST 2015 (AUDITED)

Currency	Reference rate	Liability at end of period					
		non-current			current		
		currency	exchange rate*	PLN	currency	exchange rate*	PLN
EUR	variable*	EUR 12,006	4.2615	49,690	EUR 901	4.2615	3,840
PLN	variable*	x	x	-	x	x	109,208
Credit facilities		X	x	-	PLN	x	361,614
Credit cards		X	x	-	PLN	x	4
Interest accrued		x	x	-	PLN	x	1,363
Bank overdrafts		x	x	-	PLN	x	1,300
Adjusted at the effective interest rate		PLN	x	(504)	PLN	x	33
Total		**x**	**x**	**49,186**	**x**	**x**	**477,362**

BANK BORROWINGS AT DECEMBER 31ST 2014 (AUDITED)

Currency	Reference rate	Liability at end of period					
		non-current			current		
		currency	exchange rate*	PLN	currency	exchange rate*	PLN
EUR	variable*	EUR 12,894	4.2623	54,959	EUR 956	4.2623	4,075
PLN	variable*	x	x	-	x	x	489,741
Credit cards		x	x	-	PLN	x	4
Interest accrued		x	x	-	PLN	x	1,363
Bank overdrafts		x	x	-	PLN	x	1,300
Adjusted at the effective interest rate		PLN	x	-	PLN	x	33
Total		**x**	**x**	**54,959**	**x**	**x**	**496,516**

* Most of the bank borrowings taken out by the Group entities bear interest at variable interest rates. For PLN-denominated borrowings, in most cases the interest rates are based on the 1M WIBOR reference rate plus bank margin, depending on the borrower's creditworthiness. Most of the EUR-denominated borrowings bear interest at EURIBOR plus bank margin.

All amounts in PLN thousand (unless otherwise indicated)

21.6 ASSETS PLEDGED AS SECURITY FOR LIABILITIES

Carrying amounts of assets pledged as security for liabilities:

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Intangible assets	9,675	8,788
Property, plant and equipment (including finance leases)	145,791	149,415
Investment properties and other long-term investments	114,324	141,100
Financial assets (other than receivables)	-	388
Inventories	18,726	22,492
Trade and other receivables	26,137	20,367
Cash and cash equivalents	123,112	17,025
Total carrying amount of assets pledged	**437,765**	**359,575**

21.7 FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The table below presents the fair value of financial assets and liabilities:

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Class of financial instrument	Dec 31 2015 (audited)		Dec 31 2014 (audited)	
	Fair value	Carrying amount	Fair value	Carrying amount
Assets:				
Non-bank borrowings	378	378	419	419
Trade and other receivables	571,903	571,903	500,261	500,261
Listed equity instruments	230	230	370	370
Investments in non-listed equity instruments*	1,254	1,254	1,303	1,303
Other classes of other financial assets	70	70	-	-
Cash and cash equivalents	341,746	341,746	104,693	104,693
Liabilities:				
Credit facilities	53,026	416,041	59,034	422,049
Bank overdrafts	111,806	110,507	128,127	129,426
Non-bank borrowings	13,142	11,593	4,941	6,490
Debt instruments	1,677,544	838,772	-	838,772
Finance lease liabilities	13,692	13,692	15,550	15,550
Derivative financial instruments	1,063	1,063	916	916
Liabilities under closed forwards	-	4,179	-	4,179
Trade and other	512,823	865,828	307,366	661,037

* Does not include equity instruments carried at cost as their fair value cannot be measured reliably.

The Group decided not to measure the fair value of some of its investments in non-listed equity instruments, as it is difficult to measure estimate their fair value. Certain investments in non-listed equity instruments disclosed under available-for-sale financial assets whose fair value cannot be estimated, are measured at cost net of any impairment (see Note 21.4) and therefore they are not presented in the table above.

All amounts in PLN thousand (unless otherwise indicated)

For further information on the method of measurement and fair value of financial assets and liabilities, which, in accordance with the accounting policies applied by the Group, are disclosed in the Group's consolidated statement of financial position at fair value, see Note 21.8.

The fair value of financial assets and liabilities for which there is no active market and which, in accordance with the accounting policies applied by the Group, are disclosed in the Group's statement of financial position at amortised cost, has been determined as present value of estimated future cash flows, discounted at the market interest rate. The fair value was estimated solely based on unobservable inputs (level 3 of the fair value hierarchy according to IFRS 13 Fair Value Measurement).

The Group did not measure the fair value of trade receivables and trade payables. The carrying amounts of these items are assumed to be a sufficient approximation of their fair value (this does not apply to the arrangement liabilities listed below).

On the day the Court declared the Parent insolvent in voluntary arrangement, interest on the Parent's bank borrowings, bonds in issue, trade payables and closed forward transactions contracted prior to the Court's decision stopped accruing. As at December 31st 2015, these liabilities totalled PLN 1,561,819 thousand. Consequently, as at the reporting date the Group was unable to estimate the fair value of those financial instruments.

21.8 DISCLOSURES CONCERNING FAIR VALUE MEASUREMENT METHODS FOR FINANCIAL INSTRUMENTS

The table below presents fair value of financial assets and liabilities, classified in accordance with a 3-level fair value hierarchy:

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

Class of financial instrument	Level 1	Level 2	Level 3	Total
As at Dec 31 2015 (audited)				
Assets:				
Listed equity instruments	230	-	-	230
Total assets	**230**	**-**	**-**	**230**
Liabilities:				
Cash flow hedge derivatives (-)	-	(1,063)	-	(1,063)
Total liabilities (-)	**-**	**(1,063)**	**-**	**(1,063)**
Net fair value	**230**	**(1,063)**	**-**	**(833)**
As at Dec 31 2014 (audited)				

All amounts in PLN thousand (unless otherwise indicated)

Assets:				
Listed equity instruments	370	-	-	370
Total assets	**370**	**-**	**-**	**370**
Liabilities:				
Cash flow hedge derivatives (-)	-	(916)	-	(916)
Total liabilities (-)	**-**	**(916)**	**-**	**(916)**
Net fair value	**370**	**(916)**	**-**	**(546)**

* Does not include equity instruments carried at cost as their fair value cannot be measured reliably.

In the reporting period, no transfer occurred of fair value of instruments between Level 1 and Level 2, and no instrument was transferred to/from Level 3 of the fair value hierarchy.
As at the reporting date, the Group did not make any reclassifications of financial assets which would lead to a change of the measurement method for such assets, requiring such assets to be measured at fair value, at cost, or at amortised cost.
As at the reporting date, the Group had no financial assets whose transfers would result in the assets' exclusion from the statement of financial position.

22. INVENTORIES

The Group recognised the following items of inventories in the consolidated financial statements:

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Raw materials	19,205	22,921
Semi-finished products and work in progress	219	25
Finished goods	**2,019**	**4,142**
- value at cost	2,019	4,142
- inventory write-down (-)	-	-
Merchandise	31,613	34,439
Prepaid deliveries	89	69
Total carrying amount of inventories	**53,145**	**61,596**

Under inventories the Group discloses property with a total amount of PLN 33,706 thousand (2014: 38,606 thousand).

The Group tests inventories for impairment as at each reporting date.

All amounts in PLN thousand (unless otherwise indicated)

INVENTORY WRITE-DOWNS

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
At beginning of period	**20,902**	**15,836**
Disposals of subsidiaries	-	(3,380)
Write-downs recognised as expense in the period, under:	**2,790**	**9,308**
Other expenses	2,790	9,308
Write-downs reversed, recognised as income in the period (-) under:	**(283)**	**(485)**
Other income (-)	(283)	(485)
Amounts written off (uncollectable) (-)	-	(314)
Other (net exchange differences)	-	(63)
Balance at end of period	**23,409**	**20,902**

In 2015, the Group recognised write-downs of PLN 2,790 thousand (2014: PLN 9,308 thousand), including PLN 2,730 due to the reclassification of viable materials as unsuitable for production. Impairment losses are recognised in consolidated profit or loss under other expenses (Note 33.4).

As at December 31st 2015, inventories of PLN 18,726 thousand were pledged as security for the Group companies' liabilities (2014: PLN 22,492 thousand).

In 2015, the Group's inventories did not include borrowing costs (2014: PLN 2,244 thousand – the amount comprised interest-bearing liabilities contracted by the Group solely for the purpose of preparing an inventory item for sale).

VALUE OF INVENTORIES RECOGNISED AS EXPENSES IN THE PERIOD

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Expenses recognised in the reporting period	10,033	43,071

In the year ended December 31st 2015, the Group saw a significant decline in the cost of inventories recognised as expenses in the period, chiefly due to lower sales by property development companies.

All amounts in PLN thousand (unless otherwise indicated)

23. TRADE AND OTHER RECEIVABLES

The table below presents trade and other receivables disclosed by the Group:

NON-CURRENT RECEIVABLES

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Financial assets		
Financial receivables	**39,957**	**56,813**
Trade receivables	6,092	28,990
Allowance for credit losses on trade receivables (-)	(1)	-
Non-current receivables, net	**6,091**	**28,990**
Disposals of non-current assets	751	806
Amount of retentions on construction contracts	35,464	26,469
Finance lease receivables	-	310
Other receivables	330	329
Impairment loss on other financial receivables (-)	(2,679)	(91)
Other financial receivables, net	**33,866**	**27,823**
Non-financial assets		
Non-financial receivables	**843**	**399**
Other non-financial receivables	843	399
Total Non-current receivables	**40,800**	**57,212**

Non-current receivables mainly include receivables with extended maturities for services performed and amounts retained as performance bond with respect to construction work in progress or completed. These amounts bear no interest. Due to long repayment periods (up to five years in some cases), these receivables have been discounted. Non-current receivables are discounted at the rate based on 1M WIBOR + 1 p.p.

Non-current receivables are subject to relatively high credit risk. The management boards of the Group entities monitor debtors' standing on an on-going basis; in the event of any threat to full recoverability of a receivable, an impairment loss is recognised.

In these consolidated financial statements, non-current receivables are disclosed at net amounts, after discounting and impairment losses.

All amounts in PLN thousand (unless otherwise indicated)

CURRENT RECEIVABLES

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Financial assets		
Financial receivables	**531,946**	**443,448**
Trade receivables	489,242	371,447
Allowance for credit losses on trade receivables (-)	(104,106)	(102,329)
Trade receivables (net)	**385,136**	**269,118**
Disposals of non-current assets	1,284	4,966
Amount of retentions on construction contracts	146,305	166,002
Finance lease receivables	336	316
Receivables under court proceedings	300	300
Disposals of equity instruments	1,564	1,642
Other receivables	24,415	22,625
Impairment loss on other financial receivables (-)	(27,394)	(21,521)
Other net financial receivables	**146,810**	**174,330**
Non-financial receivables	**90,972**	**91,366**
VAT receivables	24,272	13,610
Taxes, social security and other	1,275	100
Prepayments received for construction contract work	33,823	26,466
Settlements with employees	618	169
Other non-financial receivables	55,715	30,329
Other non-financial receivables	57	46,434
Impairment loss on other financial receivables (-)	(24,788)	(25,742)
Total trade and other receivables	**622,918**	**534,814**

Trade receivables bear no interest. The Group follows a policy pursuant to which it sells its products exclusively to customers who have successfully passed a credit verification procedure. The Parent's Management Board believes that this policy protects the Group against additional credit risk, in excess of an impairment loss. Trade receivables are reviewed for impairment at each reporting date. All receivable balances of significant value are subject to individual assessment in the case of debtors whose balances are past due or when objective evidence has been obtained that the debtor may not pay the receivable (e.g. the debtor is in a difficult financial position, judicial proceedings are conducted against the debtor, there have been changes in the economic environment adverse to the debtor).

Under current receivables, the Group presents its receivables recognised as interest in joint operations of PLN 1,074 thousand (2014: PLN 12,958 thousand).

The main source of changes in receivables disclosed by the Group in these consolidated financial statements were transactions executed by the RAFAKO Group.

The RAFAKO Group's current trade receivables disclosed in the consolidated statement of financial position as at December 31st 2015 of PLN 277,397 thousand relate to contracts executed with domestic and foreign trading partners. In this group of receivables, the largest items are primarily receivables from:

– TAURON Wytwarzanie S.A., of PLN 115,000 thousand,
– ENERGA Elektrownie Ostrołęka S.A., of PLN 25,415 thousand,
– Grupa Azoty Zakłady Azotowe Kędzierzyn S.A., of PLN 23,616 thousand,
– Synthos Dwory 7 Sp. z o.o. Sp. j., of PLN 18,653 thousand,
– Mostostal Warszawa S.A., of PLN 18,434 thousand,
– Hitachi Inova AG, of PLN 8,952 thousand,
– PGE Górnictwo i Energetyka Konwencjonalna S.A., of PLN 7,448 thousand.

The following transactions had the largest effect on the change in receivables from retentions (deposits) as at December 31st 2015:

- repayment of retention monies (deposit) under the contract concluded with EDF Polska CUW Sp. z o.o. for the design, delivery and start-up of wet flue gas desulfurisation units at the Gdynia CHP Plant; in the 12 months ended December 31st 2015, the repaid deposit totalled PLN 6,333 thousand;
- repayment of retention monies (deposit) under the contract concluded with EDF Polska CUW Sp. z o.o. for the design, delivery and start-up of wet flue gas desulfurisation units at the Gdańsk CHP Plant; in the 12 months ended December 31st 2015, the repaid deposit totalled PLN 8,010 thousand;
- repayment of retention monies (deposit) under the contract concluded with EDF Polska CUW Sp. z o.o. for the design, delivery and start-up of wet flue gas desulfurisation units at the Wrocław CHP Plant; in the 12 months ended December 31st 2015, the repaid deposit totalled PLN 12,239 thousand;
- repayment of retention monies (deposit) under the contract concluded with EDF Polska CUW Sp. z o.o. for the design, delivery and start-up of wet flue gas desulfurisation units at EDF Kraków S.A.; in the 12 months ended December 31st 2015, the repaid deposit PLN 10,238 thousand;
- repayment of retention monies (deposit) under the contract concluded with Synthos Dwory 7 Sp. z o.o. S.K.A. for construction of a fluidized bed boiler at Synthos Dwory 7 Sp. z o.o. S.K.A. of Oświęcim; in the 12 months ended December 31st 2015, the repaid deposit totalled PLN 6,064 thousand.

A material item disclosed under other receivables is prepayments, which as at December 31st 2015 amounted to PLN 34,469 thousand, including:

– prepayments to Termokimik Corporation SPA (PLN 8,947 thousand),
– prepayments to Wallstein Ingenieur Gesellschaft GmbH (PLN 2,357 thousand),
– prepayments to TAURON Wytwarzanie S.A. (PLN 6,815 thousand),
– prepayments to Zamet Industry S.A. (PLN 2,872 thousand),
– prepayments to Veolia Water Technologies Sp. z o.o. (PLN 2,417 thousand).

As at December 31st 2015, receivables with a carrying amount of PLN 26,137 thousand represented the security for the Group's liabilities (2014: PLN 20,367 thousand).

All amounts in PLN thousand (unless otherwise indicated)

Changes in impairment losses on receivables which were recognised during the period covered by these consolidated financial statements are presented in the tables below:

IMPAIRMENT LOSSES ON NON-CURRENT RECEIVABLES

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
At beginning of period	**91**	**2,738**
Impairment loss recognised as expense during the period	2,643	2
Impairment loss reversed (-)	(54)	(44)
Other (net exchange differences)	-	(2,605)
Balance at end of period	**2,680**	**91**

As at the reporting date, the Company's Management Board resolved to recognise an impairment loss equal to the amount of the security deposit retained by and due from KGHM Polska Miedź S.A., that is PLN 2,632 thousand.

IMPAIRMENT LOSSES ON CURRENT RECEIVABLES

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
At beginning of period	**149,592**	**201,006**
Disposals of subsidiaries (exits from the Group)	-	(50,707)
Impairment loss recognised as expense during the period	34,499	35,094
Impairment loss reversed (-)	(13,013)	(35,505)
Amounts written off (uncollectable) (-)	(14,790)	(802)
Other (net exchange differences)	-	506
Balance at end of period	**156,288**	**149,592**

As at the reporting date, the Company's Management Board resolved to recognise impairment losses on doubtful current receivables, including:

- financial receivables, of PLN 16,529 thousand and
- non-financial receivables, of PLN 7,441 thousand.

In 2015, RAFAKO S.A. reversed a PLN 9,531 thousand impairment loss on accrued contractual penalties.

In the reporting period, the Parent used the following impairment losses recognised in prior periods:

- PLN 9,239 thousand loss following the approval of Infra S.A.'s arrangement,
- PLN 3,687 thousand impairment loss on receivables deemed irrecoverable.

All amounts in PLN thousand (unless otherwise indicated)

PAST DUE AND NON-PAST DUE SHORT-TERM FINANCIAL RECEIVABLES

Item	Dec 31 2015 (audited)		Dec 31 2014 (audited)	
	Not past due	Past due	Not past due	Past due
Current receivables:				
Trade receivables	382,455	106,787	246,684	124,763
Allowance for credit losses on trade receivables (-)	(7,782)	(96,324)	(44)	(102,285)
Trade receivables (net)	**374,673**	**10,463**	**246,640**	**22,478**
Other financial receivables	150,096	24,108	185,808	10,043
Impairment loss on other financial receivables (-)	(8,516)	(18,878)	(12,822)	(8,699)
Other net financial receivables	**141,580**	**5,230**	**172,986**	**1,344**
Financial receivables	**516,253**	**15,693**	**419,626**	**23,822**

AGE OF FINANCIAL RECEIVABLES PAST DUE

Item	Trade receivables		Other financial receivables	
	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Current receivables past due:				
Up to 1 month	5,369	5,473	-	-
From 1 to 6 months	3,030	3,055	4,466	138
From 6 to 12 months	956	1,216	107	8
Over one year	1,108	12,734	657	1,198
Past due financial receivables	**10,463**	**22,478**	**5,230**	**1,344**

24. CASH AND CASH EQUIVALENTS

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Cash at bank (accounts in PLN)	222,256	57,171
Cash in foreign currency bank accounts	18,800	9,033
Cash in hand (PLN)	375	256
Cash in hand (foreign currencies)	67	61
Short-term deposits (PLN)	98,000	29,802
Short-term deposits (foreign currencies)	-	6,926
Other (PLN)	2,248	1,444
Total	**341,746**	**104,693**

Cash in hand and short-term deposits denominated in PLN and in foreign currencies are presented in aggregate, as at the reporting date, after translation at the exchange rate used for valuation.

Cash and cash equivalents comprise cash at banks and cash in hand, as well as current financial assets with maturities up to three months. The carrying amounts of these assets correspond to their fair values.

Under cash and cash equivalents, the Group discloses cash representing its interest in joint operations of PLN 120,959 thousand (2014: PLN 15,708 thousand).

All amounts in PLN thousand (unless otherwise indicated)

As at December 31st 2015, cash with a carrying amount of PLN 123,112 thousand (2014: PLN 17,025 thousand) was restricted. It included cash in joint escrow accounts of PLN 120,959 thousand, and grants received for specific purposes, including R&D projects, of PLN 2,153 thousand.

25. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

ASSETS HELD FOR SALE

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Non-current assets held for sale, including:	**2,055**	**37,202**
- land	66	4,626
- buildings and structures	852	16,516
- plant and equipment	188	8,003
- vehicles	949	1,608
- other non-current assets	-	6,449
Current assets held for sale, including:	**-**	**47,458**
- inventories	-	7,647
- cash and cash equivalents	-	27,050
- other current assets	-	2,609
- amounts due from customers for construction contract work	-	5,308
- trade and other receivables	-	4,844
Impairment loss on assets held for sale	-	**(8,779)**
Total	**2,055**	**75,881**

LIABILITIES RELATED TO ASSETS CLASSIFIED AS HELD FOR SALE

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Non-current:	**-**	**4,473**
Current liabilities, including:	**-**	**11,118**
- trade and other payables	-	10,292
- amounts due to customers for construction contract work	-	47
- other current liabilities	-	779
Total	**-**	**15,591**

As at December 31st 2015, the Group classified assets with a carrying amount of PLN 2,055 thousand (December 31st 2014: PLN 75,881 thousand) as held for sale. The assets are not used by the Group in its day-to-day operations, have been designated for sale and reclassified as held for sale. As at the reporting date, assets classified as held for sale were carried by the Group at fair value less costs to sell. The material decrease in assets held for sale and in the related liabilities are attributable to the fact that in the previous reporting period assets and liabilities of FMP were disclosed in connection with the then-planned sale of the subsidiary (see Note 1.4.3.).

All amounts in PLN thousand (unless otherwise indicated)

Under discontinued operations in the consolidated statement of profit or loss, the Group discloses the financial results of FPM S.A.

FPM S.A.'s financial results for the period January 1st−February 19th 2015 and for 2014 are presented below:

Item	for the period Jan 1−Feb 19 2015	for the period Jan 1–Dec 31 2014 (audited)
Revenue	8,574	71,309
Expenses	(8,649)	(66,631)
Pre-tax profit/(loss)	**(75)**	**4,678**
Net finance costs	(57)	227
Impairment loss on assets held for sale	66	(8,779)
Loss before tax from discontinued operations	**(66)**	**(3,874)**
Income tax expense, including:	(11)	940
- current income tax	20	1,312
- deferred income tax	(31)	(372)
Loss from discontinued operations	**(55)**	**(4,814)**

FPM S.A.'s net cash flows:

Item	for the period Jan 1−Feb 19 2015	for the period Jan 1–Dec 31 2014 (audited)
Net cash from operating activities	531	4,993
Net cash from (used in) investing activities	(848)	(1,076)
Net cash from financing activities	(134)	(4,024)
Net increase/(decrease) in cash and cash equivalents	**(451)**	**(107)**

Immediately before FPM S.A. was classified as discontinued operations, the recoverable amount of its net assets attributable to the Parent was determined. The assets were found to be impaired. After FPM S.A. was classified as discontinued operations, an impairment loss had to be recognised in order to recognise the assets comprised in the disposal group at fair value less costs to sell. In the 12 months ended December 31st 2014, the impairment loss amounted to PLN 8,779 thousand. In the 12 months ended December 31st 2015, the adjustment to the impairment loss was PLN 66 thousand. This impairment loss was accounted for in the statement of profit or loss in 'Net loss from discontinued operations'.

All amounts in PLN thousand (unless otherwise indicated)

26. EQUITY

26.1 SHARE CAPITAL

Equity (attributable to owners of the Parent)

As at December 31st 2015, the Parent's share capital amounted to PLN 14,295 thousand (2014: PLN 14,295 thousand) and was divided into 14,295,000 shares (2014: 14,295,000 shares) with a par value of PLN 1.00 per share. All shares were paid up in full.

3,740,000 series A shares are voting preference shares, each carrying two votes at the Parent's General Meeting. The remaining shares are not preferred and each share carries one vote at the Parent's General Meeting.

As at December 31st 2015, the structure of the share capital was as follows:

Series / Issue	Preference	Limitation of rights	Number of shares	Par value of series / issue	Form of payment
series A	voting preference 2:1	none	3,740,000	3,740	contribution in kind
series A	none	none	1,960,000	1,960	cash
series B	none	none	1,500,000	1,500	cash
series C	none	none	3,000,000	3,000	cash
series D	none	none	330,000	330	cash
series E	none	none	1,500,000	1,500	cash
series F	none	none	1,400,000	1,400	cash
series G	none	none	865,000	865	cash
				14,295	

As at December 31st 2014, the structure of the share capital was as follows:

Series / Issue	Preference	Limitation of rights	Number of shares	Par value of series / issue	Form of payment
series A	voting preference 2:1	none	3,740,000	3,740	contribution in kind
series A	none	none	1,960,000	1,960	cash
series B	none	none	1,500,000	1,500	cash
series C	none	none	3,000,000	3,000	cash
series D	none	none	330,000	330	cash
series E	none	none	1,500,000	1,500	cash
series F	none	none	1,400,000	1,400	cash
series G	none	none	865,000	865	cash
				14,295	

All amounts in PLN thousand (unless otherwise indicated)

SHAREHOLDERS HOLDING AT LEAST 5% OF TOTAL VOTING RIGHTS AT THE GENERAL MEETING AS AT DECEMBER 31ST 2015

Shareholder	Number of shares	Total par value (PLN)	Ownership interest (%)	% of total voting rights
Jerzy Wiśniewski	3,881,224 shares, including: 3,735,054 Series A registered preference shares	3,881,224	27.15%	42.23%

CHANGES IN SHAREHOLDING STRUCTURE IN 2015

In 2015, there were no changes in the ownership structure of the Company shares held by shareholders holding 5% or more of total voting rights at the General Meeting.

CHANGES IN SHAREHOLDING STRUCTURE UNTIL DECEMBER 31ST 2015

By the date of authorisation of these consolidated financial statements, no changes occurred in the ownership structure of the Company shares held by shareholders holding 5% or more of total voting rights at the General Meeting.

EVENTS WHICH MAY RESULT IN CHANGE IN SHAREHOLDINGS

On August 25th 2015, the Parent published Current Report No. 34/2015, in which it announced that the Court confirmed the execution of the Arrangement with Creditors. Shareholding structure after the Court's decision to approve the Arrangement becomes final. Once all new shares proposed under the Arrangement Proposals of April 28th 2015 are issued, the Parent's shareholding structure will be as follows:

a) financial creditors will hold ordinary bearer shares representing approximately 75% of the Parent's share capital;

b) Jerzy Wiśniewski will hold ordinary bearer shares representing approximately 23.45% of the Parent's share capital;

c) other shareholders will hold ordinary bearer shares representing approximately 1.46% of the Parent's share capital.

Further, in accordance with the Parent's Arrangement Proposals, the decision to approve the Arrangement having become final, the Parent's share capital will be reduced by PLN 14,009,100 (by reducing the par value per share from PLN 1.00 to PLN 0.02), that is to PLN 285,900, with the simultaneous capital increase to no less than PLN 14,295,000. The Arrangement Proposals provide for neither the return of shareholders' contributions to the share capital nor exempting the shareholders from making contributions to the share capital; however, the Proposals provide for the conversion of claims into Series H ordinary registered shares in the Company, with a par value of PLN 0.02 per share and issue price of PLN 0.02 per share.

The Court's decision approving the Arrangement becoming final is also a precondition for cancelling the voting preference attached to 3,740,000 Series A registered shares and converting the shares into ordinary bearer shares.

All amounts in PLN thousand (unless otherwise indicated)

26.2 SHARE PREMIUM

Share premium includes premiums received on issue of series B, C, D, E, F, and G shares. As at December 31st 2015, share premium amounted to PLN 733,348 thousand.

	Issue price (PLN)	Number of shares	Value of share issue	Nominal value of shares issued (-)	Issue costs (-)	Share premium
Share premium at Jan 1 2014						**733,348**
Share issue	-	-	-	-	-	-
Share premium at Dec 31 2014						**733,348**
Share issue	-	-	-	-	-	-
Share premium at Dec 31 2015						**733,348**

26.3 CASH-FLOW HEDGES AND TRANSLATION RESERVE

Cash-flow hedges and translation reserve comprised:

- balances on valuation of derivative instruments that satisfy the requirements of hedge accounting, cash-flow hedges, or effective part of the hedges as at December 31st 2015 – negative at PLN -861 thousand (2014: negative at PLN -742 thousand);
- exchange differences on translating foreign operations as at December 31st 2015 – negative at PLN -15,338 thousand (2014: PLN -3,765 thousand). As at December 31st 2015, this item comprised the translation of foreign operations of:
    - PBG Ukraina S.A.,
    - Energopol Ukraina S.A.,
    - PBG Dom Invest Ltd,
    - RAFAKO Hungary KFT, and
    - RAFAKO Engineering Solution.

In the consolidated statement of comprehensive income under 'Translation reserve' the Group discloses foreign exchange losses of PLN 11,021 thousand on measurement of loans advanced to Energopol Ukraina S.A. In accordance with IAS 21, the Group recognises these loans as part of net investment in a foreign operation.

26.4 OTHER COMPONENTS OF EQUITY

As at December 31st 2015 and December 31st 2014, the Parent had liabilities under a loan from its major shareholder totalling PLN 35,790 thousand plus accrued interest. Pursuant to Art. 14.3 of the Polish Commercial Companies Code, a shareholder's receivables under a loan advanced to the company are deemed the shareholder's contribution to the company if the company is declared bankrupt within two years from the date of the loan agreement. Accordingly, the Company recognised the liabilities in its equity.

All amounts in PLN thousand (unless otherwise indicated)

26.5 RETAINED EARNINGS/(ACCUMULATED LOSSES) AND LIMITATIONS ON DIVIDEND PAYMENT

Retained earnings include amounts which are not subject to distribution, that is may not be paid out as dividend.

Dividend is payable from the profit disclosed in the separate financial statements prepared for the purposes provided for in the Articles of Association.

Under the Commercial Companies Code, the Parent is obliged to recognise statutory reserve funds to cover a loss, if any. After each financial year, at least 8% of net profit disclosed in the Parent's separate financial statements should be contributed to statutory reserve funds, until the funds reach at least one-third of the Parent's share capital. While it is the General Meeting that resolves how to use statutory reserve funds and capital reserve, a part of statutory reserve funds equal to one-third of the share capital may be used exclusively to cover a loss disclosed in the Parent's separate financial statements and may not be used for any other purposes.

As at December 31st 2015, no other limitations on dividend payment existed.

26.6 SHARE-BASED PAYMENT PROGRAMMES

As at the reporting date, the Group does not operate any incentive schemes based on stock options or other equity instruments.

26.7 NON-CONTROLLING INTERESTS

Non-controlling interests represent a portion of net assets of subsidiaries which is not directly or indirectly owned by shareholders of the Parent.

Non-controlling interests disclosed in the Group's equity relate to the following subsidiaries:

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
RAFAKO Group	343,358	265,458
PBG oil & gas	7,696	6,735
Total non-controlling interests	**351,054**	**272,193**

In the reporting period, non-controlling interests decreased as a result of transactions which affected the Group's structure, and as a result of settlement of a portion of comprehensive income attributable to non-controlling interests, as shown in the table below:

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Balance at beginning of period	**272,193**	**275,437**
Changes in ownership interests in subsidiaries (transactions with non-controlling interest)		
Disposal of subsidiaries – derecognition of non-controlling interest (-)	(11,452)	1,314

All amounts in PLN thousand (unless otherwise indicated)

Ownership interests disposed of by the Group to non-controlling interest, with no loss of control (+)	113,975	720
Other changes	-	190
Comprehensive income:		
Net profit/(loss) for the period (+/-)	(23,529)	3,589
Other comprehensive income for the period (after tax) (+/-)	(133)	(8,452)
Other changes	-	(605)
Balance at end of period	**351,054**	**272,193**

For information on significant non-controlling interests, see Note 10.

27. EMPLOYEE BENEFITS

For detailed rules of calculating provisions for employee benefits, see Note 5.2.3.1.

CHANGES IN PROVISIONS FOR EMPLOYEE BENEFITS

Item	Provision for retirement gratuity	Provision for jubilee	Accrued holiday entitlement	Provision for other employee benefits	Total
for the period Jan 1–Dec 31 2015 (audited)					
Balance as at Jan 1 2015	**7,041**	**16,244**	**4,577**	**12,873**	**40,735**
Increase in provisions recognised as expense in the period (new provisions)	-	-	535	11,044	11,579
Reversal of provisions recognised as income in the period (-)	-	-	(800)	(9,396)	(10,196)
Interest expense	170	406	-	94	670
Current service costs	203	246	-	33	482
Actuarial gains/losses	(491)	869	-	(75)	303
Cost of benefits paid	(280)	(2,270)	(4)	(169)	(2,723)
Balance at Dec 31 2015, including:	**6,643**	**15,495**	**4,308**	**14,404**	**40,850**
- non-current provisions	6,205	14,124	-	3,751	24,080
- current provisions	438	1,371	4,308	10,653	16,770

All amounts in PLN thousand (unless otherwise indicated)

Item	Provision for retirement gratuity	Provision for jubilee	Accrued holiday entitlement	Provision for other employee benefits	Total
for the period Jan 1−Dec 31 2014 (audited)					
Balance as at Jan 1 2014	**6,078**	**13,498**	**3,664**	**4,488**	**27,728**
Increase in provisions recognised as expense in the period (new provisions)	-	-	4,357	9,067	13,424
Decrease in provisions – exit (sale) of subsidiaries from the Group	(990)	-	(819)	-	(1,809)
Reversal of provisions recognised as income in the period (-)	-	-	(2,489)	(800)	(3,289)
Interest expense	261	540	-	145	946
Current service costs	230	386	-	35	651
Actuarial gains/losses	1,019	3,916	-	106	5,041
Cost of benefits paid	(287)	(2,096)	(147)	(168)	(2,698)
Past service costs	1	-	-	-	1
Other changes	729	-	11	-	740
Balance as at Dec 31 2014	**7,041**	**16,244**	**4,577**	**12,873**	**40,735**
- non-current provisions	6,811	14,764	-	3,900	25,475
- current provisions	230	1,480	4,577	8,973	15,260

EMPLOYEE BENEFITS OBLIGATIONS AND PROVISIONS

Item	Non-current		Current	
	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Wages and salaries liabilities	-	-	10,048	10,906
Social security liabilities	-	-	9,765	10,934
Other long-term employee benefits	-	-	898	390
Total employee benefit obligations	**-**	**-**	**20,711**	**22,230**
Provision for retirement severance payments	6,205	6,811	438	230
Provisions for length-of-service awards	14,124	14,764	1,371	1,480
Accrued holiday entitlement	-	-	4,308	4,577
Provision for other employee benefits	3,751	3,900	10,653	8,973
Total employee benefit provisions	**24,080**	**25,475**	**16,770**	**15,260**
Employee benefit obligation and provisions	**24,080**	**25,475**	**37,481**	**37,490**

All amounts in PLN thousand (unless otherwise indicated)

EMPLOYEE BENEFITS EXPENSE

Item	for the period Jan 1–Dec 31 2015 (audited)	for the period Jan 1–Dec 31 2014 (audited)
Salaries and wages	177,632	188,387
Social security	37,844	38,258
Accrued holiday entitlement	535	4,714
Other costs related to employee benefits	6,074	8,956
Total employee benefits expense, including:	**222,085**	**240,315**
- recognised as cost of sales	166,341	174,384
- recognised as distribution costs	10,485	10,365
- recognised as administrative expenses	45,259	55,566

28. OTHER PROVISIONS

Provisions disclosed in the consolidated financial statements and their changes in the respective periods are presented in the table below

All amounts in PLN thousand (unless otherwise indicated)

CHANGES IN OTHER PROVISIONS

Item	Provisions for warranties	Provision for losses on construction contracts	Other provisions	Restructuring provision	Global provision for the Parent's potential liabilities	Total
for the period Jan 1–Dec 31 2015 (audited)						
Balance as at Jan 1 2015	**25,909**	**40,597**	**28,100**	**18,644**	**347,527**	**460,777**
Increase in provisions recognised as expense in the period (new provisions)	10,434	17,969	34	-	-	28,437
Revision of estimates	20,319	-	-	8,354	-	28,673
Decrease in provisions – exit (sale) of subsidiaries from the Group	(528)	(42)	-	-	-	(570)
Reversal of provisions recognised as income in the period (-)	(10,933)	(18,605)	(2,719)	-	(7,686)	(39,943)
Use of provisions (-)	(5,129)	(68)	(16)	(9,698)	(2,559)	(17,470)
Revision of estimates (-)	-	(8,575)	(16,706)	-	-	(25,281)
Other changes (net exchange differences)	(1)	-	-	-	-	(1)
Balance at Dec 31 2015, including:	**40,071**	**31,276**	**8,693**	**17,300**	**337,282**	**434,622**
- non-current provisions	25,645	-	-	-	337,282	362,927
- current provisions	14,426	31,276	8,693	17,300	-	71,695

Group name:	PBG GROUP		
Period covered by the financial statements:	Jan 1 – Dec 31 2015	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Item	Provisions for warranties	Provision for losses on construction contracts	Other provisions	Restructuring provision	Global provision for the Parent's potential liabilities	Total
for the period Jan 1−Dec 31 2014 (audited)						
Balance as at Jan 1 2014	**25,365**	**48,410**	**95,982**	**17,838**	**444,556**	**632,151**
Increase in provisions recognised as expense in the period (new provisions)	17,892	17,408	7,524	-	-	42,824
Revision of estimates	1,218	345	4,187	6,993	-	12,743
Decrease in provisions – exit (sale) of subsidiaries from the Group	(387)	-	(23,502)	-		(23,889)
Reversal of provisions recognised as income in the period (-)	(15,269)	(22,753)	(55,849)	-	(97,029)	(190,900)
Use of provisions (-)	(2,384)	-	(39)	-	-	(2,423)
Revision of estimates (-)	-	(2,772)	(211)	(6,187)	-	(9,170)
Other changes (net exchange differences)	(526)	(41)	8	-	-	(559)
Balance as at Dec 31 2014	**25,909**	**40,597**	**28,100**	**18,644**	**347,527**	**460,777**
- non-current provisions	9,365	-	-	-	347,527	356,892
- current provisions	16,544	40,597	28,100	18,644	-	103,885

All amounts in PLN thousand (unless otherwise indicated)

OTHER PROVISIONS FOR LIABILITIES

Item	Non-current		Current	
	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Provisions for warranties	25,645	9,365	14,426	16,544
Provision for losses on construction contracts	-	-	31,276	40,597
Other provisions	-	-	8,693	28,100
Restructuring provision	-	-	17,300	18,644
Global provision for the Parent's potential liabilities	337,282	347,527	-	-
Total other provisions, including:	**362,927**	**356,892**	**71,695**	**103,885**

The Group recognises provisions for projected losses on construction contracts when a total cost to complete a construction contract exceeds the total revenue under the contract. The provisions are recognised in the consolidated statement of profit or loss when disclosed (see Note 5.2.3.3).

In the non-current portion of the provisions for liabilities, the Group recognises a provision for the Parent's potential liabilities under the sureties and guarantees issued and under joint and several liability to subcontractors related to projects performed under consortium agreements (see Note 5.2.3.4.).

The Group recognises provisions for warranty repairs (see Note 5.2.3.2.). As part of completing a construction contract the Group entities are responsible for faults and defects reported by the customer following completion of the project. The Group recognises a provision for warranty repairs charged to costs of the contract by reference to the stage of its completion When calculating the provisions for each contract, the Group uses estimates, including historical data on costs of remedial works, value of the contract, its nature and the risk of faults and defects. The calculation is based on multiplication of the incurred variable costs by the percentage ratio. The ratios range from 0.1% to 1.2%. As at December 31st 2015, the provision for warranty repairs was PLN 40,071 thousand (2014: PLN 25,909 thousand).

One of the key items is a provision for future obligations related to the restructuring of the Parent (see Note 5.2.3.4).

All amounts in PLN thousand (unless otherwise indicated)

29. TRADE AND OTHER PAYABLES

Trade and other payables of the Group are presented below:

LONG-TERM LIABILITIES

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Financial liabilities	**35,825**	**22,544**
Trade payables	20,647	22,087
Purchase of non-current assets	852	172
Amount of retentions on construction contracts	14,326	285
Non-financial liabilities	**90,290**	**47,075**
Prepayments received for construction contract work	90,183	46,794
Other non-financial liabilities	107	281
Total trade and other payables	**126,115**	**69,619**

The largest item of long-term liabilities are prepayments received for construction contract work and trade payables with long payment terms.

These amounts bear no interest. Due to long payment terms, in some cases exceeding five years, the liabilities have been discounted. Long-term liabilities are discounted using the rate equal to 1M WIBOR + 1 p.p.

CURRENT LIABILITIES

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Financial liabilities	**830,003**	**638,493**
Trade payables	802,501	607,187
Purchase of non-current assets	5,038	8,292
Liabilities under investment purchases	26	26
Liabilities under purchase of debt	12,378	12,378
Liabilities under purchase of equity instruments	135	135
Amount of retentions on construction contracts	9,864	8,932
Other financial liabilities	61	1,543
Non-financial liabilities	**91,712**	**61,734**
VAT payable	6,677	5,067
Tax and duties and grants payable	3,532	3,516
Prepayments received for deliveries	12,664	7,470
Prepayments received for construction contract work	96	34,381
Other non-financial liabilities	68,743	11,300
Total trade and other payables	**921,715**	**700,227**

Trade payables do not bear interest and usually mature in 30 days.

All amounts in PLN thousand (unless otherwise indicated)

ANALYSIS OF AGE OF PAST DUE SHORT-TERM FINANCIAL LIABILITIES

Item	Dec 31 2015 (audited)		Dec 31 2014 (audited)	
	Not past due	Past due	Not past due	Past due
Short-term liabilities:				
Trade payables	561,933	240,568	358,718	248,469
Other financial liabilities	6,645	20,857	4,318	26,988
Financial liabilities	**568,578**	**261,425**	**363,036**	**275,457**

The Group views the carrying amount of trade liabilities represent a reasonable approximation of their fair value.

The past due liabilities shown in the table above mainly include the Parent's liabilities which arose before the Parent was declared bankrupt and which in accordance with the Bankruptcy Law will be settled once the arrangement with creditors becomes final.

In these consolidated financial statements, cash received from Saipem s.p.a and Techint s.p.a, both involved in the performance of the LNG Świnoujście contract, is presented under other non-financial liabilities. This cash provides for the working capital needs, necessary to ensure uninterrupted execution of the project. By mutual agreement of the Consortium Members, the Parent does not participate in the financing of the project. As at December 31st 2015, the total amount paid by Saipem s.p.a and Techint s.p.a. to the consortium's bank account was EUR 40,459 thousand. In these consolidated financial statements, the Group disclosed 33% (or 52,272) of the amount paid to the account. The liability is expected to be paid once free cash is generated from the project or through a set-off against amounts receivable from the other consortium members.

All amounts in PLN thousand (unless otherwise indicated)

30. ACCRUALS AND DEFERRALS

PREPAID EXPENSES AND DEFERRED INCOME

Item	Non-current		Current	
	Dec 31 2015 (audited)	Dec 31 2014 (audited)	Dec 31 2015 (audited)	Dec 31 2014 (audited)
Assets – prepaid expenses:				
- Insurance contracts	3,796	39	3,874	3,916
- Guarantees	89	3,161	24	2,047
- Turn-of-reporting-period expenses	-	-	6	4
- Expenses incurred prior to construction contract execution	-	-	32,999	43,095
- Cost of future acquisitions	-	-	-	1
- Subscriptions, training	-	-	55	-
- New projects expenses – joint ventures	-	-	116	-
- Other	42	18	2,005	3,184
Assets – prepaid expenses	**3,927**	**3,218**	**39,079**	**52,247**
Liabilities – deferred income:				
- Government grants	-	1,071	1,875	-
- Audit provision	-	-	354	225
- Deferred service income	1,028	113	4,419	2,015
- Other	-	-	-	4
Liabilities – deferred income:	**1,028**	**1,184**	**6,648**	**2,244**

Under “Expenses incurred prior to construction contract execution”, the Group recognises accrued expenses on contract acquisition, as well as on bank and insurance guarantees relating to contract performance.

31. SOCIAL ASSETS OF AND LIABILITIES TO THE COMPANY SOCIAL BENEFITS FUND

The Act on Company Social Benefits Fund of March 4th 1994, as amended, stipulates that each employer with more than 20 full-time employees is obliged to create a Company Social Benefits Fund. The Group creates such a fund and makes periodic contributions thereto (the basic contribution and post-employment contributions). The Fund does not carry any non-current assets. The Fund is designed to finance social activities, loans advanced to employees and other social costs.

The Group offset the Fund’s assets against its liabilities to the Fund as the assets do not meet the definition of the Group’s assets. In effect, the net balance as at December 31st 2015 was PLN 296 thousand (December 31st 2014: PLN 211 thousand).

All amounts in PLN thousand (unless otherwise indicated)

The table below presents the assets, liabilities to and costs of the Fund:

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Property, plant and equipment contributed to the Fund	-	-
Loans advanced to employees	1,457	1,934
Cash and cash equivalents	3,825	3,182
Liabilities to the Fund (-)	(4,986)	(4,905)
Net balance	**296**	**211**
Contributions to the Fund in the period	2,883	3,043

32. SALE OF SERVICES

The amounts recognised in the consolidated statement of financial position arise under construction contracts in progress as at the reporting date. Amounts due from (liabilities to) customers for construction contract work are recognised as the aggregate recognised cost of a construction contract increased by profit (or decreased by loss) on the contract, less progress billings (see Note 6.27.2 in Accounting policies). The carrying amounts of amounts due to and from customers for construction contract work are presented in the table below:

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Initial amount of revenue agreed in contract	8,949,937	8,815,721
Variations	(27,799)	(7,403)
Aggregate contract revenue	**8,922,138**	**8,808,318**
Costs incurred to the reporting date	4,068,934	2,625,584
Costs expected to be incurred to complete contract work	4,326,793	5,621,384
Aggregate estimated contract costs	**8,395,727**	**8,246,968**
Aggregate estimated profit (losses) on construction contracts	**526,411**	**561,350**
Stage of completion as at the reporting date	48,46%	31,84%
Prepayments received as at the reporting date	165,202	125,324
Prepayments that can be set off with amounts due from customers for construction contract work	58,817	44,148
Retentions total	75,718	28,641
Aggregate costs incurred to the reporting date	4,161,279	2,678,688
Aggregate profits (losses) recognised to the reporting date	61,923	28,090
Revenue estimated as at the reporting date	**4,223,202**	**2,706,778**
Progress billings	3,980,635	2,516,538
Amounts due from customers for construction contracts work as at the reporting date	**292,492**	**316,615**
Amounts due from customers for construction contract work payable to the consortium as a whole as at the reporting date, less prepayments that can be set off	**233,675**	**272,467**
Amounts due to customers for construction contracts work as at the reporting date	**49,925**	**126,375**

In view of the binding confidentiality agreements, the Group discloses the information required under IAS 11 *Construction Contracts* as aggregate amounts, without itemising the individual contracts.

Amounts due from customers for construction contract work of PLN 233,675 thousand (2014: PLN 272,467 thousand) and construction contract revenue reflect the Group's best estimates of the results and stage of completion of particular contracts.

Revenue amounts presented in the financial statements include contractual penalties which have been or may be imposed on the Group for failing to meet the originally agreed delivery deadlines. The Note also accounts for the Group's provisions for expected losses on running contracts, which as at the end of the reporting period amounted to PLN 31,276 thousand (see Note 28).

Prepayments for construction contract work are recognised as trade payables (see Note 29) and totalled PLN 165,202 thousand as at December 31st 2015 (December 31st 2014: PLN 125,324 thousand).

As at December 31st 2015, retentions under construction contracts totalled PLN 75,718 thousand (December 31st 2014: PLN 28,641 thousand) and were recognised under receivables. Retentions will be released upon acceptance of the work performed.

If the total costs to be incurred in connection with the running contracts increased by 10% on the Company's current estimates, revenue would theoretically decrease by PLN 50.5m as at the end of the reporting period, provision for expected losses would increase by PLN 19.6m, and net loss would be greater by a total of PLN 70.1m.

The presented revenue amounts account for the effect of termination by PGNiG S.A. (Employer) of the contract for the construction of the Wierzchowice Underground Gas Storage Facility on April 2nd 2014. As at the reporting date, the Parent had recognised provisions for cost deficit under settlements with the subcontractors under that contract, and further recognised as revenue, taking a conservative approach, amounts due for the estimated scope of works not yet settled, based on a survey of the construction site carried out by the Employer. The Parent's Management Board is of the opinion that the survey carried out by the Employer does not reflect the actual value of completed work and the Parent will seek to document a greater progress of work than specified in the Employer's document. On April 2nd 2014, the Parent received a debit note from the Employer, for the amount of PLN 133.4m as a contract termination penalty, and for PLN 10.3m under interest accrued. The note was not recognised in the Parent's books and was sent back to the Employer as groundless.

On February 27th 2015, the Parent's Management Board was notified that on November 21st 2014 Polskie Górnictwo Naftowe i Gazownictwo S.A. filed with the District Court for Poznań-Stare Miasto of Poznań, 10th Commercial Division, a request to summon the companies of the Consortium comprising PBG S.A. w upadłości układowej (in company voluntary arrangement), Tecnimont S.p.A., TCM FR (formerly Société Française d'Etudes et de Réalisations d'Equipements Gaziers SOFREGAZ), Plynostav Pardubice Holding a.s., and Plynostav – Regulace Plynu a.s., performing the project 'Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bcm, sub-phase: 1.2bcm', to a conciliation hearing. The parties have commenced negotiations to settle the contract. The court proceedings came to a close without the parties reaching a settlement; negotiations are pending. The Company reiterates its position with regard to the contractual penalty, as stated in current reports No. 7/2014 of April 2nd 2014 and No. 8/2014 of April 8th 2014, and upholds this position during the settlement negotiations.

In 2008, the Company's Management Board signed an agreement as a member of a consortium, considered a joint arrangement under IFRS 11. The Group classifies the agreement as joint operations (see Note 12).

Joint operations:

- Consortium of Saipem SpA, Techint Sp, Snamprogetti Canada INC, PBG S.A., PBG Energia Sp. z o.o. (formerly PBG Export Sp. z o.o.) formed to execute the project "Delivery of the working design, construction and commissioning of the Liquefied Natural Gas Regasification Terminal in Świnoujście"; The contract price is PLN 2,367,751 thousand.

According to the Consortium, the current stage of completion of work under the Liquefied Natural Gas Regasification Terminal in Świnoujście project is 99.2%. According to the Parent, the current stage of completion of work under the contract is 97.8%, in line with the accounting policy based on the stage of completion measured by reference to contract costs incurred. As at the date of approval of these consolidated financial statements, the Company did not have the updated cost budget of the contract which would be confirmed by the Consortium Members. The contract was settled based on the 2015 budget, i.e. the most recent budget approved by the Consortium.

December 2015 saw the first volume of contractual LNG supplied from Qatar and unloaded without impediments or technical issues. The LNG will be used for technological tests and commissioning of the terminal. In February 8th−10th 2016, a second delivery of contracted LNG from Qatar took place. So far, the Consortium has completed 10 out of 11 technological tests provided for in the contract. As at the issue date of these financial statements, the Consortium completed 72-hour trial run tests at variable operating parameters.

Currently, defects identified during the tests are being removed and a complete set of documents is being collected to obtain an operational permit, so that the complete facility could be delivered to the Employer at the end of May 2016.

The key reason for failure to meet the contractual completion deadline, provided for in Annex 1, is change of legal regulations that occurred during the contract life. The Consortium (comprising Saipem, Techint, and PBG) reached a settlement with the Employer after many months of negotiations and, on September 9th 2015, the parties signed Annex 2 to the contract. The Annex stipulates the terms of completing the project, in particular the new deadline for delivery of the LNG Terminal to the Employer, i.e. by May 31st 2016.

On March 13th 2015, the Employer issued a debit note for a total of PLN 71m (3% of the contract value), charging the Consortium with contractual penalties for the delay in achieving a Key Milestone. The Consortium does not agree with the Employer's position and did not accept the debit note.

Under Annex 2, the Parties agreed on a six-month period of negotiations to reach a compromise on the milestone. At present, the Parties are negotiating the possibility to extend the period of negotiations to reach a compromise and resolve the case amicably.

If the Parties fail to reach an agreement, the case will be referred to arbitration.

Key contracts executed by the RAFAKO Group

Opole project

In February 2012, RAFAKO S.A., a subsidiary, acting as the Leader of a Consortium comprising RAFAKO S.A., Polimex-Mostostal S.A. and Mostostal Warszawa S.A. executed a PLN 9.4bn contract with PGE Elektrownia Opole S.A. (currently PGE Górnictwo i Energetyka Konwencjonalna S.A. − the "Employer") for turn-key design, delivery, construction, assembly, start-up and performance of all related services with respect to a facility consisting of power unit No. 5 and power unit No. 6 at PGE Elektrownia Opole S.A., together with equipment and devices as well as all related buildings and structures.

On October 11th 2013, the Consortium and the Employer concluded an annex to the Agreement, whereby Alstom was included in the list of subcontractors.

E001RK Sp. z o.o. ('SPV-RAFAKO') was appointed by RAFAKO S.A., its parent, as the subcontractor in charge of 100% of work and services related to the construction of the power generating units at Elektrownia Opole. SPV-RAFAKO's remuneration for the performance of the works and services is PLN 3.96bn.

Under the subcontractor agreement between SPV-RAFAKO and Alstom, SPV-RAFAKO appointed Alstom as its subcontractor responsible for 100% of the work and services making up the Company's scope of work under the Opole Project. Alstom took over the entire responsibility towards the Employer for the execution of the contract.

By December 31st 2015, Alstom signed with ENERGOTECHNIKA ENGINEERING Sp. z o.o., a subsidiary, an agreement for delivery of project documentation.

Rules of accounting for the Opole Contract:

Presentation of income and expenses under the contract has no effect on the amounts disclosed in the consolidated statement of profit or loss and the settlements under the contract have no effect on the figures disclosed in the Group's statement of financial position.

Payments under the contract are made by the Employer directly to Alstom.

The execution of the Opole Project may affect the Group's performance if RAFAKO S.A. becomes Alstom's subcontractor for the design and construction of the boiler island comprising the steam generator, desulfurization, dust removal and denitrification units, as well as all equipment required for the operation of these units.

Jaworzno project

On January 24th 2013, RAFAKO S.A. received a notice from TAURON Wytwarzanie S.A. (Employer) stating that the bid put forward by a consortium comprising RAFAKO S.A. (Consortium Leader) and MOSTOSTAL WARSZAWA S.A. was selected in a contract award procedure, carried out as negotiated procedure with prior contract notice, for 'Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. – Construction of supercritical 800–910 MW generating unit at the Jaworzno III Power Plant – Power Plant II: Steam boiler, turbine generator set, main building, electrical and I&C systems'. The bid price is approximately PLN 5.4bn (VAT inclusive). On August 4th 2013, the project consortium agreement was amended, with RAFAKO S.A. taking over 99.99% of the Project scope of deliveries (with Mostostal Warszawa taking the remaining 0.01%); consequently, the distribution of consideration due to the consortium members changed to reflect the members' actual shares in the work executed under the Project. In connection with the Amended Consortium Agreement, on August 4th 2013 the parties also entered into an additional agreement, which defines the commercial terms for the new framework of cooperation between the parties on the Jaworzno project, including compensation due to Mostostal Warszawa S.A. for the reduction of its share in the total remuneration and scope of works and deliveries under the Jaworzno project.

Rules of accounting for the Jaworzno project:

For the purposes of Project execution, a special purpose vehicle (E003B7 Sp. z o.o.) was established, to which RAFAKO S.A. subcontracted approximately 90% of the Project's scope of work, with RAFAKO S.A. executing directly the remaining 10% (with an approximate value of PLN 447m; the scope includes the design of the boiler island, as well as supply of boiler pressurised parts and a dust removal unit).

For the purposes of execution of the Project, RAFAKO S.A. and its subsidiary E003B7 Sp. z o.o. concluded agreements with financial institutions, whereby they obtained bank/insurance guarantees with an aggregate amount of PLN 523m, required for the Project execution; under the same agreements, security for the guarantees was established on the assets of RAFAKO S.A. and E003B7 Sp. z o.o.

RAFAKO S.A., as the Consortium Leader, issues, to the Employer, invoices for the entire scope of work; payments are made directly to the special purpose vehicle and the key sub-supplier (Siemens S.A.). The payment for the scope of work executed by RAFAKO S.A. is made by the special purpose vehicle. In its consolidated financial statements, the Group recognises total income and expenses related to the Jaworzno Project, i.e. for both RAFAKO S.A. and E003B7 Sp. z o.o. The contract is measured in its entirety, that is with the use of a single margin and single percentage of completion for the Project's entire scope of work. In the consolidated financial statements, the Group offsets Project-related income, expenses and settlements between RAFAKO S.A. and the special purpose vehicle.

All amounts in PLN thousand (unless otherwise indicated)

33. INCOME AND EXPENSES

33.1 EXPENSES BY NATURE

Item	for the period Jan 1–Dec 31 2015 (audited)	for the period Jan 1–Dec 31 2014 (audited)
Depreciation and amortisation	19,013	19,857
Raw materials and consumables used	525,393	589,856
Services	957,622	636,408
Taxes and duties	10,735	9,827
Employee benefits	234,395	224,721
Other expenses	42,802	38,064
Total expenses	**1,789,960**	**1,518,733**
Cost of merchandise and materials sold	5,985	16,146
Changes in inventories of finished goods and work in progress (-)	(1,104)	10,073
Work performed by entity and capitalised (-)	(1,789)	2,248
Cost of sales	**1,681,162**	**1,435,754**
Distribution costs	**21,935**	**27,089**
Administrative expenses	**89,955**	**84,357**
Total cost of sales, distribution costs and administrative expenses	**1,793,052**	**1,547,200**

33.2 DEPRECIATION, AMORTISATION, IMPAIRMENT LOSSES, EXCHANGE DIFFERENCES AND INVENTORY RECOGNISED IN PROFIT OR LOSS

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Items recognised as cost of sales:	**32,263**	**17,504**
Depreciation of property, plant and equipment	10,724	11,273
Amortisation of intangible assets	1,719	2,390
Cost of warranty provisions	19,820	3,841
Items recognised as distribution costs:	**610**	**477**
Depreciation of property, plant and equipment	532	401
Amortisation of intangible assets	78	76
Items recognised as administrative expenses:	**5,960**	**5,717**
Depreciation of property, plant and equipment	4,539	4,289
Amortisation of intangible assets	1,421	1,428

All amounts in PLN thousand (unless otherwise indicated)

33.3 OTHER INCOME

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Gain on disposal of non-financial non-current assets	980	-
Change in fair value of investment property	-	8,179
Reversal of impairment loss on assets, including:		
- property, plant and equipment and intangible assets	28	3
- receivables	7,800	35,549
- inventories	282	485
- other assets	-	198
Interest related to operating activities, including interest:		
- on cash in bank accounts	861	452
- on loans advanced	285	498
- other interest	5,055	5,597
Reversal of unused provisions	1,468	3,186
Liabilities cancelled in court proceedings	-	1,439
Compensation and penalties received	1,043	159
Grants received	1,593	580
Lease income	2,151	1,531
Debt claims sold	900	-
Gain on disposal of equity instruments	370	2,674
Exchange differences on operating activities	566	-
Discount (non-current receivables and payables)	86	-
Other income, including:		
- surety and guarantee services	-	562
- reversal of global provision for potential liabilities	7,686	97,029
- court fees refunded	39	330
- past due liabilities written-off	5	14
- other income	756	3,696
Total other income	**31,954**	**162,161**

In 2015, other income amounted to PLN 31,954 thousand, and mainly included:

- reversal by RAFAKO S.A. of impairment losses on accrued contractual penalties, of PLN 5,261 thousand,
- interest on deposits, of PLN 5,055 thousand,
- reversal of PLN 7,686 thousand provision for the Parent's potential liabilities under joint and several liability

All amounts in PLN thousand (unless otherwise indicated)

33.4 OTHER EXPENSES

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Loss on disposal of non-financial non-current assets	-	911
Change in fair value of investment property	19,539	-
Impairment loss on assets, including:		
- goodwill	90,949	42
- property, plant and equipment and intangible assets	27,223	3,896
- receivables	34,595	35,096
- inventories	2,790	9,308
- loans advanced	3,911	32,767
- non-regenerative natural resources	29,068	-
- other assets	142	10,750
Interest related to operating activities, including interest:		
- trade payables and other liabilities	1,762	4,661
Recognition of provisions for liabilities	1,205	729
Recognition of provisions for warranty repairs	-	3,474
Compensation and penalties paid	343	4,169
Grants	1,544	639
Running costs of investments	263	1,150
Gain (loss) on derivative instruments related to operating activities	-	484
Loss on investments in related entities	-	42,384
Exchange differences on operating activities	-	1,262
Discount (non-current receivables and payables)	-	1,573
Other expenses, including:		
- licensing fees	3,444	-
- cost of court proceedings	329	1,878
- statute barred, cancelled or unrecoverable receivables written-off	641	17,247
- costs related to VAT correction	-	3,243
- other expenses	2,253	8,806
Total other expenses	**220,001**	**184,469**

In 2015, other expenses amounted to PLN 220,001 thousand, and mainly included:

- change in fair value of investment property:
  - undeveloped land property at ul. Termalna in Poznań − decline in the fair value by PLN 9,511 thousand,
  - the Skalar Office Center office building – decline in the fair value by PLN 11,184 thousand,
- recognition of impairment loss on the Parent's past due receivables following the assessment of likelihood of recovering PLN 26,602 thousand of the receivables,

All amounts in PLN thousand (unless otherwise indicated)

- recognition of impairment loss on the RAFAKO Group's goodwill of PLN 90,949 thousand,
- recognition of impairment loss on non-regenerative natural resources of PLN 29,068 thousand (see Note 18).
- recognition of impairment loss on property, plant and equipment of PLN 27,223 thousand (see Note 15).

33.5 FINANCE INCOME

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Interest income for financial assets other than at fair value through profit or loss:		
Cash and cash equivalents (deposits)	631	1,487
Loans and receivables	3	7
Other interest	112	61
Total interest income for financial assets other than at fair value through profit or loss	**746**	**1,555**
Gain (loss) (+/-) from exchange differences on:		
Cash and cash equivalents	932	972
Loans and receivables	(1)	-
Financial liabilities at amortised cost	126	-
Total gain (loss) (+/-) from exchange differences	**1,057**	**972**
Other finance income	1,704	214
Total finance income	**3,507**	**2,741**

All amounts in PLN thousand (unless otherwise indicated)

33.6 FINANCE COSTS

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Interest expenses for financial liabilities other than at fair value through profit or loss:		
Finance lease liabilities	849	664
Credit facilities	1,355	3,105
Bank overdrafts	4,134	7,130
Non-bank borrowings	8	14
Trade and other payables	29	68
Total interest expenses for financial liabilities other than at fair value through profit or loss	**6,375**	**10,981**
Fair value and disposal losses on financial instruments at fair value through profit or loss:		
Cash flow hedge derivatives	(164)	1,719
Other	222	-
Total fair value and disposal losses on financial instruments at fair value through profit or loss	**58**	**1,719**
Impairment losses on available-for-sale financial assets	131	817
Other finance costs	1,401	1,623
Total finance costs	**7,965**	**15,140**

All amounts in PLN thousand (unless otherwise indicated)

34. INCOME TAX EXPENSE

34.1 TAX EXPENSE

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Current tax expense:		
Tax for the reporting period	(12,523)	(9,291)
Current income tax	**(12,523)**	**(9,291)**
Deferred income tax expense:		
Origination and reversal of temporary differences	3,620	187
Deferred income tax	**3,620**	**187**
Total income tax expense	**(8,903)**	**(9,104)**

The PBG Group is not a consolidated group for tax purposes. As the Group entities are independent taxpayers, deferred tax assets and liabilities are calculated separately by each entity.

For further information on income tax recognised in the consolidated statement of comprehensive income, see Note 34.2.

All amounts in PLN thousand (unless otherwise indicated)

34.2 DEFERRED CORPORATE INCOME TAX

The table below presents deferred tax assets and liabilities disclosed in the consolidated financial statements:

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Balance at beginning of period:		
Deferred tax assets	154,000	152,016
Deferred tax liabilities	103,814	129,910
Net deferred tax at beginning of period	**50,186**	**22,106**
Changes in the period recognised in:		
Profit and loss (+/-)	3,620	187
Other comprehensive income (+/-)	76	(537)
Change in Group structure and net exchange differences on translation into reporting currency	10	28,059
Other	-	371
Net deferred tax at end of period, including:	**53,892**	**50,186**
Deferred tax assets	177,871	154,000
Deferred tax liabilities	123,979	103,814

All amounts in PLN thousand (unless otherwise indicated)

DEFERRED TAX ASSETS AS AT DECEMBER 31ST 2015 (AUDITED)

Temporary differences	Balance at beginning of period	Change in:				Net exchange differences*	Balance at end of period
		statement of profit or loss	Other comprehensive income	Change in Group structure	other		
As at Dec 31 2015 (audited)							
Deferred tax assets							
- retirement benefits	5,677	(299)	47	-	-	-	5,425
- accrued holiday entitlements	830	(44)	-	-	-	-	786
- warranty repairs	3,980	2,695	-	-	-	-	6,675
- provision for losses on contract	6,949	(1,034)	-	-	-	-	5,915
- unpaid salaries and wages during the period	778	508	-	-	-	-	1,286
- unpaid social security contributions	293	37	-	-	-	11	341
- interest accrued on loans	15,660	2,504	-	-	-	-	18,164
- interest accrued on liabilities	1,039	111	-	-	-	-	1,150
- interest accrued on bonds and other securities	2,626	-	-	-	-	-	2,626
- liabilities on borrowings measured at adjusted acquisition cost (using effective interest rate method)	6	-	-	-	-	-	6
- fair value measurement of financial instruments	191	(17)	28	-	-	-	202
- fair value measurement of investment property	364	3,397	-	-	-	-	3,761
- fair value measurement of other financial assets	1,786	(385)	-	-	-	-	1,401
- costs related to accrued but uninvoiced revenue	60,442	12,485	-	-	-	-	72,927
- over-invoicing	8,409	(2,393)	-	-	-	-	6,016
- impairment loss on receivables	14,640	(3,852)	-	-	-	-	10,788
- inventory write-down	1,227	488	-	-	-	-	1,715
- impairment loss on other assets	-	438	-	-	-	-	438
- unrealised foreign exchange losses	500	(6)	-	-	-	-	494
- audit provision	19	35	-	-	-	-	54
- discount	752	943	-	-	-	-	1,695
- tax losses	2,463	2,688	-	-	-	-	5,151
- other	21,821	5,078	-	-	-	-	26,899
- restructuring provision	3,548	408	-	-	-	-	3,956
Total	**154,000**	**23,785**	**75**	**-**	**-**	**11**	**177,871**

All amounts in PLN thousand (unless otherwise indicated)

DEFERRED TAX ASSETS AS AT DECEMBER 31ST 2014 (AUDITED)

Temporary differences	Balance at beginning of period	Change in:				Net exchange differences*	Balance at end of period
		statement of profit or loss	Other comprehensive income	Change in Group structure	other		
As at Dec 31 2014 (audited)							
Deferred tax assets							
Retirement benefits	4,652	77	951	(3)	-	-	5,677
Accrued holiday entitlements	594	340	-	(104)	-	-	830
Warranty repairs	4,631	(578)	-	(73)	-	-	3,980
- provision for losses on contract	6,060	889	-	-	-	-	6,949
- unpaid salaries and wages during the period	634	144	-	-	-	-	778
- unpaid social security contributions	230	24	-	-	-	39	293
- interest accrued on loans	15,195	961	-	(496)	-	-	15,660
- interest accrued on liabilities	1,086	(32)	-	(15)	-	-	1,039
- interest accrued on bonds and other securities	2,626	-	-	-	-	-	2,626
- liabilities on borrowings measured at adjusted acquisition cost (using effective interest rate method)	6	-	-	-	-	-	6
- fair value measurement of financial instruments	555	17	(381)	-	-	-	191
- fair value measurement of investment property	5,593	(5,229)	-	-	-	-	364
- fair value measurement of other financial assets	1,823	(37)	-	-	-	-	1,786
- costs related to accrued but uninvoiced revenue	53,970	7,754	-	(1,282)	-	-	60,442
over-invoicing	1,822	6,587	-	-	-	-	8,409
- impairment loss on receivables	22,371	(7,607)	-	-	-	(124)	14,640
- inventory write-down	1,348	(121)	-	-	-	-	1,227
- impairment loss on other assets	2,615	(2,615)	-	-	-	-	-
- unrealised foreign exchange losses	1	502	(1,107)	1,104	-	-	500
- Audit provision	30	(7)	-	(4)	-	-	19
- discount	296	461	-	(5)	-	-	752
- tax losses	2,344	336	-	(217)	-	-	2,463
- other	20,139	370	-	1,312	-	-	21,821
- restructuring provision	3,395	153	-	-	-	-	3,548
- deferred tax asset	-	-	-	-	-	-	-
Total	**152,016**	**2,389**	**(537)**	**217**	**-**	**(85)**	**154,000**

Group name:	PBG GROUP		
Period covered by the financial statements:	*Jan 1 – Dec 31 2015*	Reporting currency:	*Polish złoty (PLN)*
Rounding:	*All amounts in PLN thousand (unless otherwise indicated)*		

DEFERRED TAX LIABILITIES AS AT DECEMBER 31ST 2015 (AUDITED)

Temporary differences	Balance at beginning of period	Change in:				Net exchange differences*	Balance at end of period
		statement of profit or loss	Other comprehensive income	Change in Group structure	other		
As at Dec 31 2015 (audited)							
Deferred tax liability							
- unrealised interest accrued on borrowings	33,849	3,061	-	-	-	-	36,910
- unrealised interest accrued on deposits and own cash	25	(11)	-	-	-	-	14
- unrealised interest accrued on receivables	73	(22)	-	-	-	-	51
- unrealised interest accrued on bonds and other securities	-	-	-	-	-	-	-
- liabilities on borrowings measured at adjusted acquisition cost (using effective interest rate method)	-	-	-	-	-	-	-
- revenue due on costs incurred – uninvoiced	638	21,852	-	-	-	-	22,490
- revenue recognised during the current period – subsequent period for tax purposes	37,720	(4,715)	-	-	-	-	33,005
- difference between net carrying amount of own tangible assets and tax base of assets	20,444	(422)	-	-	-	-	20,022
- difference between net carrying amount of leased tangible assets and tax base of assets	1,061	639	-	-	-	-	1,700
- fair value measurement of financial instruments	-	-	-	-	-	-	-
- fair value measurement of investment property	5,400	(1,451)	-	-	-	-	3,949
- fair value measurement of other financial assets	9	-	-	-	-	-	9
- unrealised foreign exchange gains	322	584	-	-	-	-	906
- discount	2,734	(548)	-	-	-	-	2,186
- other	1,539	1,198	-	-	-	-	2,737
Total	**103,814**	**20,165**	**-**	**-**	**-**	**-**	**123,979**

All amounts in PLN thousand (unless otherwise indicated)

DEFERRED TAX LIABILITIES AS AT DECEMBER 31ST 2014 (AUDITED)

Temporary differences	Balance at beginning of period	Change in: statement of profit or loss	Change in: Other comprehensive income	Change in: Change in Group structure	Change in: other	Net exchange differences*	Balance at end of period
As at Dec 31 2014 (audited)							
Deferred tax liability							
- unrealised interest accrued on borrowings	32,603	1,246	-	-	-	-	33,849
- unrealised interest accrued on deposits and own cash	34	(9)	-	-	-	-	25
- unrealised interest accrued on receivables	25	48	-	-	-	-	73
- unrealised interest accrued on bonds and other securities	-	-	-	-	-	-	-
- liabilities on borrowings measured at adjusted acquisition cost (using effective interest rate method)	55	(55)	-	-	-	-	-
- revenue due on costs incurred – uninvoiced	-	-	-	638	-	-	638
- revenue recognised during the current period – subsequent period for tax purposes	35,024	3,422	-	(726)	-	-	37,720
- difference between net carrying amount of own tangible assets and tax base of assets	22,916	(2,433)	-	(39)	-	-	20,444
- difference between net carrying amount of leased tangible assets and tax base of assets	375	695	-	(9)	-	-	1,061
- fair value measurement of financial instruments	3	(3)	-	-	-	-	-
- fair value measurement of investment property	27,704	2,936	-	(18,368)	-	(6,872)	5,400
- fair value measurement of other financial assets	-	9	-	-	-	-	9
- unrealised foreign exchange gains	580	(258)	-	-	-	-	322
- discount	3,984	(1,240)	-	(10)	-	-	2,734
- other	6,607	(2,527)	-	-	-	-	4,080
- transfer to discontinued operations	-	-	-	(2,541)	-	-	(2,541)
Total	**129,910**	**1,831**	**-**	**(21,055)**	**-**	**(6,872)**	**103,814**

The Parent, which is in company voluntary arrangement, and its subsidiaries, which are affected primarily by the Parent's financial standing, recognise deferred tax assets only up to the amount of deferred tax liability.

The Group entities which incur tax loss have recognised deferred tax assets whose realisation depends on recording tax revenue in the future in the amount exceeding the gains on reversal of taxable temporary differences. As at December 31st 2015, deferred tax assets amounted to PLN 5,151 thousand (2014: PLN 2,463 thousand). The current budgets of the Group entities approved by the Parent's Management Board and the Group's business strategy form the basis for the recognition of such assets.

All amounts in PLN thousand (unless otherwise indicated)

Income tax relating to components of other comprehensive income:

Item	Jan 1–Dec 31 2015 (audited)		
	Before tax	Income tax	Net
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met, relating to: -			
Cash flow hedges:			
- amounts recognised at initial carrying amount of hedged items	(147)	28	(119)
Other comprehensive income that will not be reclassified to profit or loss, relating to:			
Actuarial gains/losses	(250)	48	(202)
Total	**(397)**	**76**	**(321)**

Item	Jan 1–Dec 31 2014 (audited)		
	Before tax	Income tax	Net
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met, relating to:			
Cash flow hedges:			
- gains/(losses) recognised for the period under other comprehensive income	(2,587)	492	(2,095)
- amounts reclassified to profit or loss	4,594	(873)	3,721
Exchange differences on translating foreign operations	(6,543)	1,243	(5,300)
Exchange gain (loss) on disposal of foreign operations recognised in profit or loss	12,369	(2,350)	10,019
Other comprehensive income that will not be reclassified to profit or loss, relating to:			
Actuarial gains/losses	(5,013)	951	(4,062)
Total	**2,820**	**(537)**	**2,283**

All amounts in PLN thousand (unless otherwise indicated)

EFFECTIVE TAX RATE

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Profit/(loss) before tax	**(192,144)**	**(66,881)**
Tax rate applied by the Parent	19%	19%
Tax calculated at the Parent's domestic tax rate	**(36,507)**	**(12,707)**
Reconciliation of income tax due to:		
- application of a different tax rate in the Group companies (+/-)	(66)	277
- non-taxable income (-)	(39,826)	(61,520)
- expenses which are permanently non-tax-deductible (+)	23,964	22,150
- use of previously unrecognised tax losses (-)	-	(268)
- unrecognised deferred tax asset on negative temporary differences (+)	49,044	41,005
- unrecognised deferred tax asset on tax losses (+)	13,868	24,794
- unrecognised deferred tax liability on positive temporary differences (-)	-	(545)
- adjustment to tax expense for previous periods (+/-)	(3,077)	(4,080)
- other	1,505	(3)
Income tax expense	**8,903**	**9,104**
Average tax rate applied	**-5%**	**-14%**

TAX RATES APPLIED BY GROUP COMPANIES

Item	for the period Jan 1–Dec 31 2015 (audited)	for the period Jan 1–Dec 31 2014 (audited)
Poland	19%	19%
Ukraine	18%	18%
Serbia	15%	15%
Hungary	10%	10%

35. EARNINGS PER SHARE, DIVIDENDS PAID AND PROPOSED, ISSUE AND REDEMPTION OF DEBT SECURITIES

35.1 EARNINGS PER SHARE

Basic earnings per share are computed as the quotient of net profit attributable to owners of the Parent and the weighted average number of ordinary shares outstanding during the period.

While computing both basic and diluted earnings (loss) per share, the Group substitutes the amount of net profit/(loss) attributable to owners of the Parent in the numerator, thus avoiding the dilutive effect on profit/(loss).

The table below presents the computation of the basic and diluted earnings (loss) per share, with the reconciliation of the diluted weighted average number of shares.

Item	Jan 1–Dec 31 2015 (audited)	Jan 1–Dec 31 2014 (audited)
Continuing operations		
Net loss from continuing operations (PLN '000)	(177,546)	(81,020)
Weighted average number of ordinary	14,295,000	14,295,000
Dilutive effect of options	-	-
Diluted weighted average number of ordinary shares	14,295,000	14,295,000
Basic earnings per share (PLN)	(12.42)	(5.67)
Diluted earnings per share (PLN)	(12.42)	(5.67)
Discontinued operations		
Net loss from discontinued operations (PLN '000)	(29)	(3,368)
Weighted average number of ordinary	14,295,000	14,295,000
Dilutive effect of options	-	-
Diluted weighted average number of ordinary shares	14,295,000	14,295,000
Basic earnings from discontinued operations per share (PLN)	0.00	(0.24)
Diluted earnings from discontinued operations per share (PLN)	0.00	(0.24)
Continuing and discontinued operations		
Net loss (PLN '000)	(177,575)	(84,388)
Weighted average number of ordinary	14,295,000	14,295,000
Dilutive effect of options	-	-
Diluted weighted average number of ordinary shares	14,295,000	14,295,000
Basic earnings per share from all operations (PLN)	(12.42)	(5.90)
Diluted earnings per share from all operations (PLN)	(12.42)	(5.90)

35.2 DIVIDENDS PAID AND PROPOSED

In the 12 months ended December 31st 2015, the Group companies paid no dividend.

35.3 ISSUE AND REDEMPTION OF DEBT SECURITIES

On July 31st and August 1st 2015, the Parent concluded the Issue and Agency Agreement with some of the arrangement creditors classified in Group 5 or Group 6. The Issue and Agency Agreement sets out the terms of issue of bonds to be offered, in accordance with the Arrangement Proposals, to the creditors holding Group 1, Group 3, Group 4, Group 5 or Group 6 claims ("Eligible Creditors") once the decision to approve the arrangement becomes final. The bonds will be issued at a nominal value equal to the amount of the Eligible Creditor's arrangement claims outstanding after their reduction and conversion in accordance with the arrangement. Series A, B, C, D, E, F, G, H, I, and J bonds will be issued as part of the programme. The number of bonds will be no higher than 7,100,000 (seven million, one hundred thousand) for each series and in aggregate for the entire programme. The bonds will be acquired as part of the arrangement, and as a new non-arrangement liability of the Parent. They will be redeemable on the terms and conditions agreed in the bond programme. The bonds will not bear any interest. The final redemption date for the last series of bonds will be June 30th 2020. The Company may redeem the bonds early.

36. EVENTS OF DEFAULT ON CREDIT FACILITIES OR LOANS

In 2012, 12 companies of the PBG Group filed arrangement bankruptcy petition, which was reported in detail by the Parent in the full-year consolidated report for 2012.

As at December 31st 2015, liabilities under credit facility agreements, other than the agreements executed by the Parent,

amounted to PLN 162,234 thousand, and comprised liabilities incurred by RAFAKO S.A. and Górecka Projekt Sp. z o.o.

Pursuant to the Terms and Conditions of the Bonds, the Parent received calls for immediate redemption from bondholders who had acquired Series C and Series D bonds. As at the redemption call date, the value of the bonds including interest accrued to the day preceding the date on which the court declared the Company insolvent in voluntary arrangement, was PLN 838.772 thousand.

The companies did not repay the claims under the bond redemption calls or under the credit and guarantee facilities which were terminated or expired. These claims are covered by the arrangement, and their satisfaction is governed by the Bankruptcy and Restructuring Law. Any disclosed decreases resulted from enforcement of security by the creditors or from the performance of agreements concluded by the Group companies, including the agreements reported by the Parent in Current Reports No.11/2013, No. 23/2013 and No. 32/2013.

Given that the Parent was declared insolvent, its liabilities incurred prior to the Court's decision declaring the Parent insolvent (issued on June 13th 2012) are not measured at amortised cost but at nominal value, increased by interest accrued to the date of the Court declaration (in accordance with the Bankruptcy and Restructuring Law), save for interest on liabilities secured on tangible property, which continue to accrue after the date of insolvency declaration (June 13th 2012), in accordance with the Bankruptcy and Restructuring Law. Other liabilities incurred after the Court's decision declaring the Company insolvent in voluntary arrangement are measured at amortised cost.

All amounts in PLN thousand (unless otherwise indicated)

37. CASH FLOWS

The Group discloses cash flows from operating activities using the indirect method, by which profit/(loss) before tax is adjusted for non-cash transactions, deferred income, prepayments, and revenues and expenses related to cash flows from investing or financing activities.

Below are presented significant items of the consolidated statement of cash flows.

The PLN 8,945 thousand decrease in inventories disclosed in the consolidated statement of cash flows for the 12 months ended December 31st 2015 was mainly caused by:

Item	Change in	Effect on cash flows
Raw materials	decrease	3,716
Finished goods	decrease	2,123
Merchandise	decrease	2,826

The PLN -71,800 thousand increase in receivables disclosed in the consolidated statement of cash flows for the

12 months ended December 31st 2015 was mainly caused by:

Item	Change in	Effect on cash flows
Trade receivables	increase	(95,224)
Amount of retentions on construction contracts	decrease	13,344
Other receivables	decrease	8,079
Prepayments received for construction contract work	increase	(7,436)
Other non-financial receivables	decrease	18,087
VAT receivables	increase	(10,662)
Receivables from discontinued operations	decrease	2,104

The PLN 295,501 thousand increase in liabilities disclosed in the consolidated statement of cash flows for the 12 months ended December 31st 2015 was mainly caused by:

Item	Change in	Effect on cash flows
Trade payables	increase	193,873
Amount of retentions on construction contracts	increase	14,973
Prepayments received for deliveries	increase	5,194
Prepayments received for construction contract work	increase	9,104
Other non-financial liabilities	increase	57,271
VAT payable	increase	1,610
Set-off of income tax liabilities of	increase	11,380

All amounts in PLN thousand (unless otherwise indicated)

The PLN -10,852 thousand change in provisions, accruals and prepaid expenses disclosed in the consolidated statement of cash flows for the 12 months ended December 31st 2015 was mainly caused by:

Item	Change in	Effect on cash flows
Provision for retirement severance payments	decrease	(398)
Provisions for length-of-service awards	decrease	(749)
Accrued holiday entitlement	decrease	(269)
Provisions for warranties	increase	14,162
Provision for losses on construction contracts	decrease	(9,321)
Other provisions	decrease	(29,652)
Restructuring provision	decrease	(1,344)
Audit provision	increase	129
Deferred income	increase	3,319
Accruals and deferrals – insurance policies	increase	(3,715)
Accruals and deferrals – guarantees	decrease	5,095
Accruals and deferrals – expenses incurred prior to construction contract execution	decrease	9,980
Accruals and deferrals – grants received	decrease	804
Other accruals and deferrals	decrease	1,100

The PLN 37,658 thousand change in construction contracts disclosed in the consolidated statement of cash flows for the 12 months ended December 31st 2015 was mainly caused by:

Item	Change in	Effect on cash flows
Amounts due from customers for construction contract work	decrease	38,792
Amounts due to customers for construction contract work	decrease	(76,450)

The amount of PLN 28,234 thousand related to the purchase of property, plant and equipment and intangible assets comprises capital expenditure on property, plant and equipment of PLN 26,765 thousand and capital expenditure on intangible assets of PLN 1,469 thousand. The expenditure on property, plant and equipment was primarily related to the modernisation of the buildings and structures as well as purchase of plant and equipment by the RAFAKO Group.

Under cash flows from investing activities, the Group also discloses the effect of disposal of FPM S.A., i.e. receipt of PLN 48,000 thousand, and outflow of cash and cash equivalents at the disposed subsidiary as at the disposal date, i.e. PLN 26,570 thousand.

Repayments of borrowings of PLN 23,043 thousand disclosed under cash flows from financing activities relate mainly to:

- PLN 18,970 thousand repayment of the credit facility extended to RAFAKO S.A. by PKO BP S.A.

- PLN 4,043 thousand repayment of the credit facility extended to Górecka Projekt Sp. z o.o. by mBank S.A.

All amounts in PLN thousand (unless otherwise indicated)

The Group's cash from financing activities also comprised PLN 5,095 thousand interest paid on the two credit facilities, and by PLN 89,226 thousand proceeds from issue of new shares by RAFAKO S.A.

38. RELATED-PARTY TRANSACTIONS

The effects of transactions between the companies covered by these consolidated financial statements have been eliminated. The transactions between the Parent and its subsidiaries are disclosed in the separate financial statements of PBG S.A. (in company voluntary arrangement).

Transactions with related parties are executed on an arm's-length basis, with the nature and terms of those transactions determined by day-to-day operations.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Group's key management personnel includes members of the Parent's Management Board and members of subsidiaries' management boards. During the reviewed periods, members of the key management personnel received the following compensation:

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Key management personnel compensation		
Short-term employee benefits	15,324	13,479
Termination benefits	19	-
Other benefits	120	17
Total	**15,463**	**13,496**

For detailed information on the compensation of members of the Parent's Management Board, see Note 44.2.

The Group advanced no loans to the key management personnel in the reporting period or in comparative periods.

As at December 31st 2015, loans received by the Group from its key management amounted to PLN 9,956 thousand (December 31st 2014: PLN 4,409 thousand).

As at December 31st 2015, the balance of the Group's non-current receivables from its key management personnel was PLN 0 thousand (December 31st 2014: PLN 0 thousand).

As at December 31st 2015, the balance of the Group's liabilities towards its key management was PLN 0 thousand (December 31st 2014: PLN 0 thousand).

OTHER-RELATED-PARTY TRANSACTIONS

During the reviewed periods, the following amounts of sales and receivables from the other related parties were disclosed:

All amounts in PLN thousand (unless otherwise indicated)

OTHER-RELATED-PARTY TRANSACTIONS – SALES

Item	Revenue		Receivables	
	Jan 1–Dec 31 2015 (audited)	Jan 1–Dec 31 2014 (audited)	as at Dec 31 2015 (audited)	as at Dec 31 2014 (audited)
Sales to:				
Other related parties	475	9,094	2,142	16,643
Total	**475**	**9,094**	**2,142**	**16,643**

In the reporting period ended December 31st 2015, the Group recognised impairment loss on receivables from other related parties of PLN 14,515 thousand.

During the reviewed periods, the following amounts of purchases from and liabilities towards other related parties were disclosed:

OTHER-RELATED-PARTY TRANSACTIONS – PAYABLES AND PURCHASES

Item	Purchases (costs, assets)		Liabilities	
	Jan 1–Dec 31 2015 (audited)	Jan 1–Dec 31 2014 (audited)	as at Dec 31 2015 (audited)	as at Dec 31 2014 (audited)
Purchases from:				
Other related parties	7,897	4,820	9,601	4,556
Total	**7,897**	**4,820**	**9,601**	**4,556**

OTHER-RELATED-PARTY TRANSACTIONS – LOANS

Item	Dec 31 2015 (audited)		Dec 31 2014 (audited)	
	Amount granted in the period	Outstanding balances	Amount granted in the period	Outstanding balances
Loans advanced to:				
Other related parties	150	195	144	146
Total	**150**	**195**	**144**	**146**

In 2015, loans granted by the Group to other related parties totalled PLN 150 thousand (December 31st 2014: PLN 144 thousand). The balance of loans granted to other related parties as at December 31st 2015 was PLN 195 thousand (December 31st 2014: PLN 146 thousand). The loans were advanced for a short term and are repayable by December 31st 2016.

OTHER-RELATED-PARTY TRANSACTIONS – BORROWINGS

Item	Dec 31 2015 (audited)		Dec 31 2014 (audited)	
	Amount granted in the period	Outstanding balances	Amount granted in the period	Outstanding balances
Borrowings from:				
Other related parties	1,916	1,566	2,313	1,963
Total	**1,916**	**1,566**	**2,313**	**1,963**

In 2015, the Group obtained from other related parties loans for a total amount of PLN 1,916 thousand (2014: PLN 2,313 thousand). The balance of loans received from other related parties as at December 31st 2015 was PLN 1,566 thousand (December 31st 2014: PLN 1,963 thousand).

39. CONTINGENT ASSETS AND LIABILITIES

OFF-BALANCE RECEIVABLES

Off-balance-sheet receivables (PLN '000)	Dec 31 2015 (audited)	Dec 31 2014 (audited)
Receivables under bank and insurance guarantees received mainly as security for performance of contracts, including:	608,771	536,365
Receivables under sureties received, including:	7,600	7,600
Promissory notes received as security, including:	34,628	31,027
Letters of credit	-	19,180
Total off-balance-sheet receivables, including:	**650,999**	**594,172**

OFF-BALANCE LIABILITIES

Off-balance-sheet liabilities (PLN '000)	Dec 31 2015 (audited)	Dec 31 2014 (audited)
Commitments under bank and insurance guarantees issued mainly as security for performance of contracts, including:	330,886	374,690
Liabilities under sureties, including:	2,343,779	2,267,245
Promissory notes issued as security, including:	33,871	29,754
Guarantee claims paid	366,040	359,342
Total off-balance-sheet liabilities, including:	**3,074,576**	**3,031,031**

In these consolidated financial statements as at December 31st 2015, the PBG Group disclosed contingent liabilities recognised as off-balance-sheet items of PLN **3,074,576** thousand. The contingent liabilities pertain to liabilities under sureties issued for credit facilities and trade payables, sureties issued to third parties by PBG Group companies, as well as liabilities under guarantees issued at the request of PBG Group companies to third parties and liabilities under promissory notes.

The PBG Group's total contingent liabilities include **PLN 1,664,380** thousand of the Parent's liabilities under joint and several liability for third parties, and liability arising in connection with sureties and guarantees issued by the Parent for other parties.

The Parent has acknowledged the liabilities and once the court's decision approving the arrangement becomes final the liabilities will be paid by the Parent in compliance with the arrangement. As at December 31st 2012, the Parent estimated and recognised a provision for the contingent liabilities which may result in a future outflow of cash. As at December 31st 2015, the provision was PLN 337,282 thousand.

The value of contingent liabilities disclosed by the PBG Group as at December 31st 2015 net of the provision was **PLN 2,737,294 thousand**.

In the 12 months ended December 31st 2015, the PBG Group recorded a PLN 43,545 thousand increase in contingent liabilities, including a PLN 43,804 thousand decrease in liabilities under provided guarantees, a PLN 76,534 thousand increase in liabilities under sureties, a PLN 4,117 thousand increase in liabilities under promissory notes, and a PLN 6,698 thousand increase in guarantee claims paid.

As at December 31st 2015, the PBG Group disclosed contingent liabilities recognised as off-balance-sheet items of **PLN 650,999 thousand**. The contingent receivables are related mainly to performance bonds of PLN 608,771 thousand and promissory notes of PLN 34,628 thousand. Another item of contingent receivables are received sureties of PLN 7,600 thousand.

In the 12 months ended December 31st 2015, the PBG Group recorded an increase in contingent liabilities, mainly comprising amounts received as security for performance of contracts (PLN 56,827 thousand), including a PLN 72,406 thousand increase in receivables under guarantees received, a PLN 3,601 thousand increase in receivables under promissory notes, and a PLN 19,180 thousand decrease in contingent receivables under letters of credit.

In accordance with the Issue and Agency Agreement discussed in Note 35.3, the Parent will secure the bonds up to a maximum amount of PLN 1,065,000 thousand (i.e. 150% of the maximum value of the bond issue programme). The security interests will remain effective from the bond issue date, i.e. a date falling not later than 60 days after the date on which the decision to approve the arrangement becomes final. The security interests will encumber assets owned by the Parent and the Obligor Companies. The bonds will be secured by:

- civil-law sureties provided by selected subsidiaries up to an amount of PLN 1,065,000 thousand (i.e. 150% of the maximum value of the bond issue programme);
- registered pledges over the Parent's shares in selected subsidiaries;
- pledges over the Parent's and selected subsidiaries' business assets;
- mortgages on most of the real properties owned by the Parent and its subsidiaries;
- security assignments of receivables of the Parent and selected subsidiaries under: a) insurance contracts in respect of mortgaged properties, (b) loan agreements between the Parent or the Obligor Companies and the subsidiaries, (c) loan agreements between the Parent and PBG oil and gas Sp. z o.o. (POG), (d) intra-group service agreements and subcontractor agreements under construction contracts concluded by POG and the Parent, and other subcontractor agreements under construction contracts;
- registered pledges over receivables from the Parent's bank account and from the bank accounts of selected subsidiaries;
- declarations of voluntary submission to enforcement, made by the Parent and selected subsidiaries.

Furthermore, it was agreed that POG will issue a surety to the Security Agent for the Divestment Account funds used by the Parent up to the lower of the amount equal at any time to 150% of the funds or PLN 226,500 thousand.

The surety will be effective from the date on which the decision to approve the arrangement becomes final. For more information, see PBG Current Report No. 26/2015.

40. LITIGATIONS AND DISPUTES

As at the reporting date, the Parent was involved in litigations in which it acted as the defendant or the plaintiff.

In 2015, there were no major changes in the disputes and litigations instigated by the Parent that could affect its financial standing. The litigation instigated by the Parent against Control Process S.A. for the payment of PLN 996 thousand with interest was concluded. Control Process agreed to pay PLN 500 thousand to the Parent and waived the claim of PLN 1,700 thousand related to the settlement of the Parent's liabilities under Clause 5.18 of the contract of February 12th 2009. In July 2015, PLN 500 thousand was transferred to the Parent under the settlement.

On December 17th 2015, the litigation for payment against the State Treasury, Regional Water Management Authority of Wrocław (in bankruptcy) instigated by the Parent was concluded. Value of the claim: PLN 4,092 thousand. The cash was transferred to the Parent on February 8th 2016.

No litigations against the Parent that could have a material effect on its financial standing were concluded in 2015.

A detailed description of the litigations is presented in the financial statements prepared in accordance with the IFRSs, available at:

http://www.pbg-sa.pl/relacje-inwestorskie/raporty-okresowe/jednostkowy-raport-roczny-pbg-za-2014-rok.html

In addition, in 2015, the Parent received the following calls for conciliation hearings:

- Polskie Górnictwo Naftowe i Gazownictwo S.A. filed a request to summon the companies of the Consortium comprising PBG S.A. w upadłości układowej (in company voluntary arrangement), Tecnimont S.p.A., TCM FR Plynostav Pardubice Holding a.s. and Plynostav – Regulace Plynu a.s., performing the project 'Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bcm, sub-phase: 1.2bcm', to enter into a settlement whereby they would agree to pay to PGNiG S.A., within 14 days of the settlement date, the amount of PLN 143,661 thousand, comprising a contractual penalty of PLN 133,398 thousand and accrued interest of PLN 10,262 thousand. The Parent reiterates its position with regard to the contractual penalty, as stated in current reports No. 7/2014 of April 2nd 2014 and No. 8/2014 of April 8th 2014, and will uphold this position during the settlement negotiations. (Current Report No. 5/2015 of February 27th 2015.)

- Petition to call for a conciliation hearing, dated August 14th 2015, filed by KGHM Polska Miedź S.A. in connection with the contract of July 30th 2010 for the delivery, installation and commissioning of four heat recovery steam generators, implemented as part of KGHM's project for the construction of CCGT units in Głogów and Polkowice. The petition to call for a conciliation hearing filed by KGHM concerns the payment by the Parent of PLN 357,371 thousand and EUR 176,030 thousand in total contractual penalties charged for delays in rectifying or failure to rectify the defects revealed during the final technical acceptance testing. The value of the contract performed by the Parent was originally agreed with KGHM at PLN 23,550 thousand and EUR 11,600 thousand, i.e. at approximately PLN 72m in total, translated as at the date of the Contract. The Parent's Management Board does not agree with the Employer's position in the dispute or the reasons for charging the contractual penalties. (Current Report No. 41/2015 of October 7th 2015).

- Petition to call for a conciliation hearing, dated August 14th 2015, filed by KGHM Polska Miedź S.A. in connection with the contract of July 9th 2010 for the manufacture, delivery, installation and commissioning of four complete Gas Turbine Generator Sets, implemented as part of KGHM's project for the construction of CCGT units in Głogów and Polkowice. The petition to call for a conciliation hearing filed by KGHM concerns the payment by the Parent of PLN 526,283 thousand in total contractual penalties charged for delays in rectifying or failure to rectify the defects discovered during the final technical acceptance testing. The value of the Contract performed by the Parent was originally agreed with KGHM at PLN 95,100 thousand. The Parent's Management Board does not agree with KGHM's position in the dispute, the reasons for charging the contractual penalties and with the amount of the penalties in particular, given that the relevant agreement contains a provision limiting the amount of contractual penalties to 10% of the contract price. The CCGT units in Polkowice and Głogów, for which the Turbine Generator Sets were delivered, were both placed in use by KGHM. (Current Report No. 49/2015 of November 21st 2015).

- Petition to call for a conciliation hearing, dated June 12th 2015, filed by Zurich Insurance plc Niederlassung fur Deutschland of Frankfurt, Germany, with the purpose of reaching a settlement that would provide for the Parent to pay PLN 152,479 thousand to Zurich. The claim specified by Zurich in the Petition is a recourse claim against the Parent arising from the indemnity agreement executed on June 11th 2010 in connection with a performance bond issued by Zurich at the request of the Parent and Hydrobudowa Polska S.A. (currently in liquidation bankruptcy) in respect of the contract for construction of the National Stadium in Warsaw for Narodowe Centrum Sportu Sp. z o.o. (NCS). As at the last day of the validity period of the performance bond (July 31st 2012), the maximum guarantee amount was PLN 152,479 thousand. As provided for in the agreement, Zurich, as the Guarantor, may demand payment of the full amount of the performance bond from the Parent and Hydrobudowa, as joint and several debtors, should the beneficiary (NCS) make a call for payment under the performance bond. The Parent's position is that the claim pursued by

Zurich through settlement is a claim covered by the arrangement scheme and, as such, should be satisfied in accordance with the Arrangement Proposals of April 28th 2015. (Current Report No. 47/2015 of October 9th 2015).

- Petition to call for a conciliation hearing, dated September 25th 2015, filed by the General Directorate for National Roads and Motorways. The claim of PLN 193,190 thousand comprises contractual penalties of 10% of the contract price, costs of remuneration for subcontractors and other business partners, and costs incurred in connection with the performance of repair and protection works. The claim specified by GDDKiA in the petition has been filed in connection with the "non-performance of the contract 'Construction of the S5 expressway Poznań (the A2 motorway, Głuchowo junction) – Wrocław (the A8 motorway, Widawa junction) the Kaczkowo – Korzeńsko section, the Bojanów and Rawicz by-pass'". The Parent's Management Board does not agree with the grounds on which GDDKiA is pursuing this claim. (Current Report No. 48/2015 of November 6th 2015).

On February 3rd 2015, the Regional Court of Warsaw, 26th Commercial Division, issued decisions to stay the proceedings instituted by the Consortium constructing the multi-purpose National Stadium in Warsaw with ancillary infrastructure against Narodowe Centrum Sportu Sp. z o.o. and the State Treasury, Minister of Sport and Tourism (Employer). The Parent reported on the case, filed by the bankruptcy administrator of Alpine Bau Deutschland AG, bankruptcy administrator of Alpine Bau GmbH, Alpine Construction Polska Sp. z o.o. and PBG S.A. w upadłości układowej (in company voluntary arrangement), as well as the bankruptcy administrator of Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in liquidation bankruptcy), in Current Report No. 86/2012 of July 31st 2012. The order was issued by the Court upon a joint motion of the parties to the proceedings, and it opens the way for settlement negotiations between the parties. (Current Report No. 2/2015 of February 10th 2015);

Below are described key disputes and litigations to which RAFAKO S.A. is a party.

1. **<u>RAFAKO S.A. against ING Bank Śląski S.A.</u>**

On November 3rd 2009, RAFAKO S.A. brought an action for payment to the Regional Court of Warsaw, 20th Commercial Division, against ING Bank Śląski S.A. In the action, RAFAKO S.A. demanded a refund of ca. PLN 9m which was unlawfully enforced from its accounts by ING Bank Śląski S.A. On November 29th 2010, the court of first instance issued a ruling in which it awarded an amount of PLN 8,996,566.00, plus statutory interest and litigation costs, to be paid by ING Bank Śląski S.A. to RAFAKO S.A. The attorney of ING Bank Śląski S.A. filed an appeal against the ruling of the court of first instance. On October 12th 2011, the Court of Appeals in Warsaw, having completed hearings, did not find the claims raised in the appeal by ING Bank Śląski S.A. justified, but resolved ex officio that the court of first instance failed to consider the substance of the dispute, reversed the ruling and remanded the case for re-examination by the court of first instance. In its ruling of April 1st 2014, the Regional Court in Warsaw ordered ING Bank Śląski S.A. to pay RAFAKO PLN 3,646,699.59, plus statutory interest for the period from November 3rd 2009 until the payment date. The court dismissed the remaining part of the claim. Both parties lodged appeals against the ruling. The amount awarded to RAFAKO under the final ruling of the Court of Appeals in Warsaw, issued on May 29th 2015, was PLN 3,636,226.62 with statutory interest from November 25th 2009. The costs of the appeal proceedings were offset. The awarded amount was paid in July 2015.

2. <u>RAFAKO S.A. against Donetskoblenergo of Ukraine</u>

In another material court proceedings involving RAFAKO S.A., the company is seeking compensation from Donetskoblenergo of Ukraine in the amount of USD 11,500 thousand (PLN 38,151 thousand). RAFAKO S.A. demands the compensation following the Customer's final decision to abandon a steam-generator construction project. In 2009, courts of the first and second instance ruled in favour of RAFAKO S.A.. However, the High Commercial Court, having examined a cassation appeal, reversed the rulings and remanded the case for re-examination. On August 6th 2010, RAFAKO S.A. received a decision issued by the Judicial Chamber for business cases of the Supreme Court of Ukraine granting a cassation appeal lodged by RAFAKO S.A. on March 2nd 2010 and upholding the ruling of the Donetsk Commercial Court of Appeals of December 23rd 2008, whereby RAFAKO was awarded UAH 56.7m (approximately USD 11.5m as at the date of filing the claim) in compensation, default interest, court expenses and legal representation costs. As the enforceability of the decision remains uncertain, RAFAKO did not recognise the awarded amount in revenue. RAFAKO's attorney reported that in July 2012 the Commercial Court for the Donetsk region resumed the examination of the case having received Donetskoblenergo's petition to declare the agreement of May 16th 1994 invalid. According to the attorney, there is no new evidence to grant the petition. Due to the current situation in Ukraine, no date for the next hearing has been set.

3. <u>FISIA BABCOOK ENVIROMENT GmbH against RAFAKO S.A.</u>

An action brought by FISIA BABCOCK ENVIRONMENT GmbH has been pending before the International Court of Arbitration at the International Chamber of Commerce in Vienna against RAFAKO S.A. The proceedings were initiated following the filing of claim for payment of about EUR 3.8m in connection with a licence agreement relating to wet flue gas desulfurization units. The principal claims relate to payment of the allegedly due outstanding licence fees. In RAFAKO S.A.'s opinion, the claims are groundless. RAFAKO S.A.'s stance is that the contract for the upgrading of four desulfurization units, in relation to which the dispute arose, had been performed based RAFAKO's proprietary technological solutions, without any licensed know-how. On December 18th 2015, the parties entered into an understanding to finally settle the Agreement and thus conclude the dispute. Under the understanding, RAFAKO S.A. will pay to Steinmüller Babcock Environment GmbH an amount of EUR 800 thousand in three instalments. On February 12th 2016, RAFAKO received from the Court of Arbitration a formal confirmation of the dispute conclusion.

4. <u>ESPD Environmental Solutions and Project Development GmbH against RAFAKO S.A.</u>

On December 9th 2014, RAFAKO S.A. received a claim for payment of EUR 612.6 thousand from ESPD Environmental Solutions and Project Development GmbH of Vienna (ESPD). The Company's liability is alleged to arise out of the cooperation agreement signed between the parties, under which ESPD agreed to provide support for RAFAKO S.A.'s efforts to win contracts for flue gas denitrification (DeNOx) units. RAFAKO S.A.'s stance is that the fee claimed by ESPD is not due since no services have been provided. On

December 7th 2015, the Court of Arbitration at the Polish Chamber of Commerce in Warsaw issued a decision to award the full amount of the claim to ESPD. On January 21st 2016, RAFAKO filed a petition with the Court of Appeals in Katowice for the decision to be overturned. Currently, it is difficult to predict when the petition will be examined.

ADMINISTRATIVE PROCEEDINGS

Administrative proceedings instigated ex officio by the Polish Financial Supervision Authority are currently pending against the Parent. The proceedings seek the imposition of an administrative sanction on the Parent under Art. 96.1c of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005. The Polish Financial Supervision Authority is planning to close the case in late March 2016.

41. TAX SETTLEMENTS

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by administrative bodies, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within public administration bodies and between those bodies and businesses, leading to uncertainty and conflicts. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements may be subject to inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities for the Group. In the Group's opinion, as at December 31st 2015 adequate provisions were recognised for identified and measurable tax risks.

42. OBJECTIVES AND POLICIES OF FINANCIAL RISK MANAGEMENT

The following are the key objectives of the financial risk management at the PBG Group:

- hedging short- and medium-term cash flows and limiting cash flow volatility,
- preventing volatility of the Company's financial result,
- implementing debt and asset restructuring measures.

The key financial instruments used by the PBG Group in 2015 included:

- cash,
- current deposits,
- interest rate swaps,
- bank overdrafts,
- borrowings,
- finance lease agreements.

The main purpose of these instruments is to support and secure financially the day-to-day operations of Group companies by stabilising and neutralising liquidity, exchange rate and interest rate risks, and to ensure safe and effective management of free cash.

The Group's other financial instruments, such as trade receivables and payables, arise in the course of the Group's day-to-day operations and are an inherent part thereof.

The policy that the PBG Group presently applies and applied during the entire reporting period is not to trade in financial instruments. The role of all financial instruments discussed in this section is to support the Group's core business processes. The PBG Group does not permit the use of financial instruments for speculative or other purposes not directly related to its core operations.

The key financial risk to which the PBG Group is exposed is liquidity risk, discussed in Note 42.1.

42.1 LIQUIDITY RISK

The PBG Group is exposed to liquidity risk, that is the loss of ability to timely meet financial liabilities. The PBG Group companies monitor the risk of losing operating cash flows by means of a periodic liquidity planning tool. The tool is used to control both maturities of financial assets (mainly receivables) and projected cash flows from operating and investing activities.

As at December 31st 2015 and as at the date of approval of this Report, the PBG Group companies were focusing their efforts on maintaining financial liquidity necessary to ensure uninterrupted execution of running contracts.

The table below presents the Company's financial liabilities by maturity as at December 31st 2015 and December 31st 2014, based on contractual undiscounted payments. In the case of derivative instruments, fair values are presented as at the respective reporting dates.

All amounts in PLN thousand (unless otherwise indicated)

FINANCIAL LIABILITIES EXPOSED TO LIQUIDITY RISK

Item	Current:		Non-current:			Total undiscounted liabilities	Carrying amount of liabilities
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years		
As at Dec 31 2015 (audited)							
Credit facilities	1,920	1,920	7,353	7,353	36,457	55,003	416,041
Bank overdrafts	109,208	-	-	-	-	109,208	110,507
Liabilities under closed forwards	-	-	-	-	-	-	4,179
Non-bank borrowings	10,044	-	-	-	-	10,044	11,593
Debt instruments	-	-	-	-	-	-	838,772
Finance lease liabilities	1,669	1,670	5,747	5,049	638	14,773	13,692
Derivative financial instruments	38	38	153	153	681	1,063	1,063
Trade and other payables	442,138	29,211	10,966	30,493	209	513,017	865,828
Total exposure to liquidity risk	**565,017**	**32,839**	**24,219**	**43,048**	**37,985**	**703,108**	**2,261,675**
As at Dec 31 2014 (audited)							
Credit facilities	2,037	2,038	8,147	8,147	38,665	59,034	422,049
Bank overdrafts	128,127	-	-	-	-	128,127	129,426
Liabilities under closed forwards	-	-	-	-	-	-	4,179
Non-bank borrowings	132	4,809	-	-	-	4,941	6,490
Debt instruments	-	-	-	-	-	-	838,772
Finance lease liabilities	1,513	1,637	5,650	6,464	1,559	16,823	15,550
Derivative financial instruments	32	32	126	126	600	916	916
Trade and other payables	261,078	27,123	17,565	6,965	869	313,600	661,037
Total exposure to liquidity risk	**392,919**	**35,639**	**31,488**	**21,702**	**41,693**	**523,441**	**2,078,419**

The Parent's subsidiaries used external sources of financing (credit facilities). Credit limits available to the PBG Group as at December 31st 2015:

PLN '000	Dec 31 2015 (audited)	31.12.2014 (audited)
Credit limits granted	150,500	150,000
Drawn balances	110,507	129,426
Available credit limits in current account	**39,993**	**20,574**

42.2 INTEREST RATE RISK

Management of interest rate risk focuses on minimising the impact of fluctuations in interest cash flows on financial assets and liabilities bearing variable rate interest.

The exposure of the PBG Group companies to the interest rate risk arises primarily in connection with liabilities under contracted bank borrowings and advanced loans.

A PBG subsidiary in company voluntary arrangement uses interest rate swaps (IRS) to hedge against variable interest rate risk. Under a credit facility agreement with a bank the subsidiary was required to mitigate its interest rate risk. As required by the bank on November 27th 2014 the subsidiary entered into an amortisable IRS transaction for the principal amount of EUR 13,850 thousand, maturing on November 5th 2019.

Upon formal receipt of the court's decision declaring the Parent of the PBG Group insolvent in voluntary arrangement, the Parent stopped accruing interest on bank borrowings, bonds in issue and trade payables incurred prior to the court's decision. The amount of liabilities on which the Company stopped accruing interest is PLN 1,561,819 thousand. The amounts of liabilities incurred by the date on which the decision declaring the Group companies insolvent in voluntary arrangement was issued may be reduced and interest terms may be amended following the court's decision on creditors' approval of the arrangement becoming final.

All amounts in PLN thousand (unless otherwise indicated)

INTEREST RATE RISK – ASSETS

Item	< 1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years	**Total**
As at Dec 31 2015 (audited)							
Fixed interest							
Receivables under finance leases and lease agreements with a purchase option	336	-	-	-	-	-	336
Variable interest							
Cash and cash equivalents	341,746	-	-	-	-	-	341,746
Current deposits	70	-	-	-	-	-	70
Loans advanced	260	118	-	-	-	-	378
As at Dec 31 2014 (audited)							
Fixed interest							
Receivables under finance leases and lease agreements with a purchase option	310	316	-	-	-	-	626
Variable interest							
Cash and cash equivalents	104,693	-	-	-	-	-	104,693
Loans advanced	381	38	-	-	-	-	419
Other assets	105	-	-	-	-	-	105

INTEREST RATE RISK – LIABILITIES

Item	< 1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years	**Total**
As at Dec 31 2015 (audited)							
Fixed interest							
Credit facilities	3,840	3,676	3,676	3,676	3,676	34,482	53,026
Borrowings	6	-	-	-	-	-	6
Liabilities under finance leases and lease agreements with a purchase option	265	410	164	-	-	-	839
Derivative financial instruments	63	63	63	63	63	748	1,063
Variable interest							
Bank overdrafts	109,208	-	-	-	-	-	109,208
Borrowings	10,038	-	-	-	-	-	10,038
Liabilities under finance leases and lease agreements with a purchase option	2,112	2,704	4,606	1,313	928	629	12,292
As at Dec 31 2014 (audited)							
Fixed interest							
Credit facilities	4,075	-	-	-	-	54,959	59,034
Derivative financial instruments	-	-	-	-	-	916	916
Variable interest							
Bank overdrafts	128,127	-	-	-	-	-	128,127
Borrowings	4,941	-	-	-	-	-	4,941
Liabilities under finance leases and lease agreements with a purchase option	2,454	2,567	2,477	5,571	976	1,505	15,550

All amounts in PLN thousand (unless otherwise indicated)

The table below presents sensitivity of profit/(loss) before tax to reasonable movements in interest rates, with other factors assumed constant (cash, advanced loans, borrowings, bank credit facility, amounts payable under leases with variable interest rate). The effect on the Company's equity is not presented. The analysis of profit/(loss) sensitivity to interest rate movements does not include a bank credit facility hedged with an IRS and the liabilities described in the paragraph above.

SENSITIVITY ANALYSIS

Sensitivity analysis at Dec 31 2015	Value at risk	Rate increase (pp)	Rate decrease (pp)
		1%	-1%
Financial assets	342,194	3,422	(3,422)
Financial liabilities	(131,538)	(1,315)	1,315
Effect on profit/(loss) for the year		2,107	(2,107)

Sensitivity analysis at Dec 31 2014	Value at risk	Rate increase (pp)	Rate decrease (pp)
		1%	-1%
Financial assets	105,217	1,052	(1,052)
Financial liabilities	(148,618)	(1,486)	1,486
Effect on profit/(loss) for the year		(434)	434

42.3 CURRENCY RISK

The PBG Group is exposed to currency risk in connection with transactions the Group enters into. Currency risk arises when the Group companies execute sell or buy transactions in currencies other than the transactions' valuation currency.

The PBG Group is exposed to risk related to fluctuations in exchange rates as raw materials for high unit-value contracts are imported and some of the Group's revenue is denominated in foreign currencies. The currency risk is mainly related to fluctuations in the PLN/EUR, PLN/GBP, PLN/CAD and PLN/HUF exchange rates.

In the reporting period, more than 7% of the PBG Group's sales revenue was denominated in foreign currencies. The PBG Group's financial risk management strategy provides for the use of both natural hedging as well as hedging strategies based on derivative instruments. The strategy also provides for the use of forward derivative instruments. The Group companies try to negotiate the terms of hedge derivatives so that they match the terms of the hedged position to ensure maximum hedging effectiveness.

As at December 31st 2015, the PBG Group companies carried no derivatives used to hedge currency risk.

The sensitivity analysis assumes a 10% increase or decrease in the EUR/PLN, GBP/PLN, CAD/PLN and HUF/PLN exchange rates vs. the mid exchange rates quoted by the National Bank of Poland for the reporting dates.

All amounts in PLN thousand (unless otherwise indicated)

Mid exchange rate of the National Bank of Poland	Dec 31 2015	Dec 31 2014
EUR/PLN	4.2615	4.2623
GBP/PLN	5.7862	5.4648
CAD/PLN	2.8102	3.0255
HUF/PLN	0.0136	0.0135

The table below presents the sensitivity of the Group's profit/(loss) before tax (due to changes in the fair value of cash assets and liabilities as well as changes in the fair value of forward contracts) and the Group's total comprehensive income to reasonable fluctuations primarily in the EUR, GBP, CAD and HUF exchange rates, on a ceteris paribus assumption.

Sensitivity analysis at Dec 31 2015	Increase in exchange rate										Decrease in exchange rate									
	10%										-10%									
	Effect on profit (loss) for the year (PLN '000)					Effect on other comprehensive income for the year (PLN '000)					Effect on profit (loss) for the year (PLN '000)					Effect on other comprehensive income for the year (PLN '000)				
	EUR	CAD	GBP	HUF	Total	EUR	CAD	GBP	HUF	Total	EUR	CAD	GBP	HUF	Total	EUR	CAD	GBP	HUF	Total
	4.69	3.09	6.36	0.01		4.69	3.09	6.36	0.01		3.84	2.53	5.21	0.01		3.84	2.53	5.21	0.01	
Financial assets	2,391	-	376	352	3,118	-	-	-	-	-	(2,391)	-	(376)	(352)	(3,118)	-	-	-	-	-
Financial liabilities	(14,606)	(152)	-	(142)	(14,901)	-	-	-	-	-	14,606	152	-	142	14,901	-	-	-	-	-
Effect on profit/(loss) for the year	**(12,215)**	**(152)**	**376**	**210**	**(11,783)**	**-**	**-**	**-**	**-**	**-**	**12,215**	**152**	**(376)**	**(210)**	**11,783**	**-**	-	-	-	-
Effect on other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Sensitivity analysis at Dec 31 2014	Increase in exchange rate								Decrease in exchange rate							
	10%								-10%							
	Effect on profit/(loss) for the year (PLN '000)				Effect on other comprehensive income for the year (PLN '000)				Effect on profit/(loss) for the year (PLN '000)				Effect on other comprehensive income for the year (PLN '000)			
	EUR	CAD	GBP	Total	EUR	CAD	GBP	Total	EUR	CAD	GBP	Total	EUR	CAD	GBP	Total
	4.69	3.33	6.01		4.69	3.33	6.01		3.84	2.72	4.92		3.84	2.72	4.92	
Financial assets	**2,230**	**-**	**510**	**2,740**	**-**	**-**	**-**	**-**	**(2,230)**	**-**	**(510)**	**(2,740)**	**-**	**-**	**-**	**-**
Financial liabilities	**(15,410)**	**(164)**	**(64)**	**(15,638)**	**-**	**-**	**-**	**-**	**15,410**	**164**	**64**	**15,638**	**-**	**-**	**-**	**-**
Effect on profit/(loss) for the year	**(13,179)**	**(164)**	**446**	**(12,898)**	**-**	**-**	**-**	**-**	**13,179**	**164**	**(446)**	**12,898**	**-**	**-**	**-**	**-**
Effect on other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

All amounts in PLN thousand (unless otherwise indicated)

Exposure to the foreign currency risk varies over the year, depending on the volume of transactions executed in foreign currencies. Nevertheless, the sensitivity analysis can be regarded as a representative measure to quantify the PBG Group's exposure to the foreign currency risk.

42.4 CREDIT RISK

Credit risk is understood as the inability of the PBG Group's debtors to meet their obligations towards the Group. The following are the key aspects of credit risk:

- creditworthiness of customers with whom the Group companies enter into transactions for physical delivery of products;
- creditworthiness of entities in which the Group companies invest.

The following are the areas of credit risk exposures with different credit risk profiles:

- cash and bank deposits,
- trade receivables,
- loans advanced,

The Company's maximum exposure to credit risk is measured through the carrying amounts of the following financial assets:

Item	As at Dec 31 2015 (audited)	As at Dec 31 2014 (audited)
Non-bank borrowings	378	419
Trade and other receivables	571,903	500,261
Other classes of other financial assets	70	-
Cash and cash equivalents	341,746	104,693
Total exposure to credit risk	**914,097**	**605,373**

The PBG Group companies monitor clients' and creditors' outstanding payments by analysing the credit risk individually, or for the individual asset classes according to credit risk (e.g. by industry, region or structure of customers).

<u>Credit risk related to cash and cash equivalents</u>

With respect to such financial assets as cash and cash equivalents, the Group's exposure to credit risk arises from its counterparty's inability to make payments as they fall due. However, considering that in this case the Group's counterparties are banks registered in Poland, the related credit risk is immaterial. The maximum exposure to credit risk is equal to the carrying amount of these instruments, and as at December 31st 2015 amounted to PLN 341,746 thousand (December 31st 2014: PLN 104,693 thousand).

Credit risk of loans advanced

As at December 31st 2015, the outstanding balance of loans advanced by the PBG Group was PLN 378 thousand. To limit the risk, the PBG Group companies monitor, on an ongoing basis, the assets and financial performance of its borrowers. Credit risk of the loans is not significant.

Credit risk inherent in trade receivables and other financial receivables

The PBG Group's credit risk exposure is closely related to the core business of the Group companies. The exposure results from outstanding trade contracts and is related to the risk of occurrence of such credit events as the contractor's insolvency, only partial collection of receivables or material delays in repayment of receivables. Providing trade credit to trade partners is an essential part of the Group's business. However, the Group companies undertake a number of measures to mitigate the risk of entering into trade relations with potentially unreliable customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Customers who are deemed financially unreliable, based on the results of credit verification procedures performed by the Group companies, are required to provide appropriate financial security to limit the risk of insolvency of such customers to the PBG Group companies.

As at December 31st 2015, the total amount of the PBG Group's net trade receivables, excluding the fair value of accepted security, up to which the PBG Group may be exposed to credit risk, was PLN 571,903 thousand (December 31st 2014: PLN 500,261 thousand).

With respect to trade receivables, the PBG Group companies are exposed to credit risk related to a single major partner or a group of similar partners.

43. CAPITAL MANAGEMENT

Because the Parent is in voluntary arrangement, it is not able to manage capital in a manner that would otherwise by expected by the market and its shareholders. Currently, the Company's key objective is to ensure that the Bankruptcy Court's decision approving the arrangement becomes final and is effectively implemented, which would enable the Company to continue its operations and rebuild its shareholder value in the future.

44. OTHER INFORMATION

44.1 KEY ITEMS TRANSLATED INTO THE EURO

During the periods covered by these consolidated financial statements and the comparative periods, the mid exchange rates quoted by the National Bank of Poland were used to translate the złoty into the euro, and in particular:

a) net revenue from sale of finished goods, merchandise, and materials, operating profit, profit before tax, net profit, as well as net cash generated by operating activities, net cash from (used in) investing activities, net cash from financing activities, and net increase/(decrease) in cash and cash equivalents for 2015 were translated at the average EUR exchange rate based on the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of the individual months, i.e. PLN 4.1848;

All amounts in PLN thousand (unless otherwise indicated)

b) net revenue from sale of finished goods, merchandise, and materials, operating profit, profit before tax, net profit, as well as net cash generated by operating activities, net cash from (used in) investing activities, net cash from financing activities, and net increase/(decrease) in cash and cash equivalents for 2014 were translated at the average EUR exchange rate based on the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of the individual months, i.e. PLN 4.1893;

c) total assets, liabilities and provisions for liabilities, current liabilities, non-current liabilities, equity and share capital as at December 31st 2015 were translated at the EUR mid rate effective for that date, i.e. PLN 4.2615;

d) total assets, liabilities and provisions for liabilities, current liabilities, non-current liabilities, equity and share capital as at December 31st 2014 were translated at the EUR mid rate exchange effective for that date, i.e. 4.2623 PLN.

Item	As at Dec 31 2015	As at Dec 31 2014
Exchange rate effective for the last day of the period	4.2615	4.2623
Average exchange rate for the period, calculated based on the arithmetic mean of exchange rates effective for the last day of each individual month during the period	4.1848	4.1893
Highest exchange rate during the period	4.3580 – Dec 15 2015	4.3138 – Dec 30 2014
Lowest exchange rate during the period	3.9822 – Apr 21 2015	4.0998 – Jun 9 2014

Key items of the consolidated statement of profit or loss and statement of cash flows from the consolidated financial statements and comparative consolidated financial information.

All amounts in PLN thousand (unless otherwise indicated)

SELECTED FINANCIAL DATA

Item	for the period Jan 1–Dec 31 2015 (unaudited) PLN	for the period Jan 1–Dec 31 2014 (unaudited) PLN	for the period Jan 1–Dec 31 2015 (unaudited) EUR	for the period Jan 1–Dec 31 2014 (unaudited) EUR
Consolidated statement of profit or loss				
Revenue	1,798,815	1,530,248	429,845	365,275
Operating profit (loss)	(190,638)	(46,254)	(45,555)	(11,041)
Profit (loss) before tax	(192,144)	(66,881)	(45,915)	(15,965)
Net profit/(loss) from continuing operations, including attributable to:	(201,047)	(75,985)	(48,042)	(18,138)
- owners of the Parent	(177,546)	(81,020)	(42,427)	(19,340)
- non-controlling interests	(23,501)	5,035	(5,616)	1,202
Net profit/(loss) from continuing and discontinued operations, including attributable to:	(201,104)	(80,799)	(48,056)	(19,287)
- owners of the Parent	(177,575)	(84,388)	(42,433)	(20,144)
- non-controlling interests	(23,529)	3,589	(5,622)	857
Comprehensive income (loss) attributable to:	(213,075)	(90,678)	(50,916)	(21,645)
- owners of the Parent	(189,417)	(85,815)	(45,263)	(20,484)
- non-controlling interests	(23,658)	(4,863)	(5,653)	(1,161)
Basic earnings per share (PLN/EUR)	(12.42)	(5.90)	(2.97)	(1.41)
Diluted earnings per share (PLN/EUR)	(12.42)	(5.90)	(2.97)	(1.41)
Consolidated statement of cash flows				
Net cash from operating activities	150,277	27,111	35,910	6,472
Net cash from (used in) investing activities	157	44,095	38	10,526
Net cash from financing activities	59,919	(113,816)	14,318	(27,168)
Net increase/(decrease) in cash and cash equivalents	210,353	(42,610)	50,266	(10,171)
Average PLN/EUR exchange rate	X	X	4.1848	4.1893

All amounts in PLN thousand (unless otherwise indicated)

Item	As at Dec 31 2015 (unaudited) PLN	As at Dec 31 2014 (audited) PLN	As at Dec 31 2015 (unaudited) EUR	As at Dec 31 2014 (audited) EUR
Consolidated statement of financial position				
Assets	2,193,807	2,189,205	514,797	513,621
Non-current liabilities	579,028	526,842	135,874	123,605
Current liabilities	2,422,879	2,335,120	568,551	547,855
Equity attributable to owners of the Parent	(1,159,154)	(944,950)	(272,006)	(221,700)
Share capital	14,295	14,295	3,354	3,354
Number of shares	14,295,000	14,295,000	14,295,000	14,295,000
Weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000
Book value per share (PLN/EUR)	(81.09)	(66.10)	(19.03)	(15.51)
Dividend per share declared or paid (PLN/EUR)	-	-	-	-
PLN/EUR exchange rate at the end of the period	X	X	4.2615	4.2623

44.2 REMUNERATION OF MEMBERS OF THE PARENT'S MANAGEMENT AND SUPERVISORY BOARDS

Total amount of the remuneration and other benefits paid to members of the Parent's Management Board:

Item	At Parent:		At subsidiaries and associates:		Total
	Base	Other benefits*	Base	Other benefits*	
Jan 1–Dec 31 2015 (audited)					
Total	**1,907**	**2**	**2,126**	**781**	**4,816**
Jan 1–Dec 31 2014 (audited)					
Total	**1,963**	**10**	**2,932**	**1,544**	**6,449**

* Other benefits – benefits paid by Social Insurance Institution (ZUS), remuneration for members delegated to independently perform supervisory functions, discretionary bonuses and other benefits

For other information on key management personnel, including loans, see Note 38.

All amounts in PLN thousand (unless otherwise indicated)

Total amount of remuneration and other benefits paid to members of the Parent's Supervisory Board:

Item	At Parent:		At subsidiaries and associates:		Total
	Base	Other benefits*	Base	Other benefits**	
Jan 1–Dec 31 2015 (audited)					
Total	**348**	**8**	**1,523**	**250**	**2,129**
Jan 1–Dec 31 2014 (audited)					
Total	**357**	**-**	**1,294**	**180**	**1,831**

** Other benefits – remuneration for members delegated to independently perform supervisory functions

44.3 EMPLOYMENT IN THE GROUP AND STAFF TURNOVER

The average employment at the Group by employee groups and staff turnover are presented below:

AVERAGE EMPLOYMENT IN THE GROUP

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
White-collar employees	1,615	1,665
Manual employees	1,065	1,194
Total	**2,680**	**2,859**

STAFF TURNOVER

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Number of persons hired	378	362
Number of persons made redundant	(411)	(279)
Total	**(33)**	**83**

44.4 AUDITOR'S CONSIDERATION

Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. of Warsaw was the auditor which audited and reviewed the financial statements of the PBG Group companies in 2015.

On June 30th 2015, acting in compliance with applicable regulations and having considered the recommendation of the Audit Committee, the PBG Supervisory Board resolved to appoint Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. ("E&Y"), with its registered office at Rondo ONZ 1, 00-124 Warsaw, Poland, entered in the list of entities qualified to audit financial statements maintained by the National Chamber of Statutory Auditors under No. 130, to review the interim financial statements of PBG S.A. w upadłości układowej (in company voluntary arrangement) and the interim condensed consolidated financial statements of the PBG Group prepared for H1 2015, as well as to audit

All amounts in PLN thousand (unless otherwise indicated)

the separate financial statements of PBG S.A. w upadłości układowej (in company voluntary arrangement) and the consolidated financial statements of the PBG Group for 2015.
E&Y's total fee was PLN 1,351 thousand, of which PLN 1,087 thousand was the fee for audit and review of the financial statements.

Consideration paid to the auditor for the provision of its services to the Group is presented below.

Item	for the period Dec 31 2015 (audited)	for the period Dec 31 2014 (audited)
Audit of full-year financial statements	1,037	1,041
Review of interim financial statements	40	127
Other services	264	40
Total	**1,341**	**1,208**

45. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

After the reporting date certain events occurred which did not need to be disclosed in the consolidated financial statements for 2015. The events disclosed after the reporting date occurred before the approval of the 2015 financial statements for issue, that is before March 21st 2016.

Two more creditors join the Restructuring Agreement

The Management Board of PBG S.A. w upadłości układowej (in company voluntary arrangement) (the "Company") announced that it has been notified of submission by Pioneer Fundusz Inwestycyjny Otwarty of Warsaw, and Pioneer Obligacji – Dynamiczna Alokacja Fundusz Inwestycyjny Otwarty of Warsaw of a declaration of accession to the Restructuring Agreement, dated January 8th 2016.

Conditions precedent under conditional subcontract agreement relating to the Jaworzno Project are fulfilled

On January 13th 2016, a conditional agreement between E003B7 Sp. z o.o. (RAFAKO S.A.'s subsidiary) and a Consortium comprising KOPEX S.A. of Katowice (Consortium Leader) and STAL-SYSTEMS S.A. of Wólka Pełkińska (Consortium Partner), providing for the supply and assembly of the steel structure of the building housing the turbine house, boiler house, bunkering room, LUVO and SCR, assembly of coal bunkers, as well as hoisting and laying of steam blowers in connection with project 'Development of new coal-fired power generation capacities at Tauron Wytwarzanie S.A. – Construction of a 910 MW supercritical power generating unit at the Jaworzno III Power Plant – Power Plant II, implemented by RAFAKO S.A. and the SPV, has come into force.

Annex to a reportable significant agreement of subsidiary of RAFAKO S.A. establishes security on assets of RAFAKO S.A. and its subsidiary

On February 24th 2016, E003B7 Sp. z o.o. (the "SPV") (a wholly-owned subsidiary of RAFAKO S.A.) executed with (i) Powszechna Kasa Oszczędności Bank Polski S.A. ("PKO BP"), (ii) Powszechny Zakład Ubezpieczeń S.A. ("PZU"), (iii) Bank Gospodarstwa Krajowego ("BGK") and (iv) mBank S.A. ("mBank", and collectively with PKO BP, PZU and BGK the "Guarantors"), an Annex to the agreement of April 16th 2014 providing for the grant of bank and insurance guarantees to the SPV in connection with the project "Development of new coal-fired generation capacities at TAURON Wytwarzanie S.A. (the "Employer") – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II" ("Jaworzno Project") implemented by RAFAKO S.A. and the SPV.

Under the Annex, mBank undertook to provide to the Employer, (i) an advance payment bank guarantee of PLN 48,000,000 and (ii) a performance bond bank guarantee for the Jaworzno Project of PLN 126,334 thousand. Both guarantees were provided on February 26th 2016. As a result of concluding the Annex and in connection with the change of the form of performance bond relating to the Main Contract, after mBank provided the guarantees, the amount of PLN 40m deposited in cash by RAFAKO S.A. to secure performance of the Main Contract was returned to the Company. At the same time, the SPV received an advance payment of PLN 48m, and a PLN 19.7m repayment of retained deposits. In order to secure the Guarantors' (including mBank's) claims under legal recourse arising from the guarantees provided by the Guarantors, RAFAKO and the SPV made changes to the security reported by the Company in Current Report No. 18/2014 and created security interests for the benefit of mBank identical to those created for the benefit of PKO, BGK and PZU, in particular by creating or changing the scope of the following security: (i) a surety for the SPV's liabilities under the Agreement, valid until April 17th 2028, provided by RAFAKO in favour of the Guarantors; (ii) a registered pledge over assets comprising the SPV's business; (iii) a registered and financial pledge over SPV shares representing 100% of the SPV's share capital and conferring the right to 100% of voting rights at the SPV's general meeting, held by RAFAKO, and (iv) registered and ordinary or financial pledges over the SPV's and RAFAKO's bank accounts and receivables connected with the Main Contract; as well as RAFAKO's and the SPV's statements on submission to enforcement. All the registered pledges secure claims up to a maximum amount of PLN 1,300m.

On March 10th 2016, RAFAKO S.A. received a court decision on registration in the register of pledges of:

a) change of the pledge created by RAFAKO S.A. over the Parents's receivables from the Employer under the agreement for execution of the Jaworzno Project, made on April 17th 2014 between the SPV and RAFAKO S.A. to secure the Guarantors' claims against RAFAKO S.A. for the SPV's liabilities under the Guarantee Agreement,
b) change of the pledge established by RAFAKO S.A. over RAFAKO's shareholding in the SPV, representing 100% of the SPV's share capital and 100% of votes at the SPV's General Meeting, securing the Guarantors' receivables from the Parent arising from RAFAKO's surety for SPV's liabilities under the Guarantee Agreement,
c) change of the pledge established by RAFAKO over RAFAKO's shareholding in the SPV, representing 100% of the SPV's share capital and 100% of votes at the SPV's General Meeting, securing the Guarantors' receivables from SPV's under the Guarantee Agreement,

d) change of the pledge established by the SPV over its receivables under the Project Account Agreement concluded between the SPV and PKO BP, securing the Guarantors' receivables from the SPV under the Guarantee Agreement,

e) change of the pledge established by the SPV over its receivables under the Jaworzno Project subcontractor agreement, securing the Guarantors' receivables from the SPV under the Guarantee Agreement,

f) change of the second ranking pledge established by RAFAKO over a set of the Parent's movables and rights, securing the Guarantors' receivables from RAFAKO S.A arising from RAFAKO's surety for the SPV's liabilities under the Guarantee Agreement.

Further, on March 18th 2016, RAFAKO S.A. received a decision on registration in the register of pledges of:

a) change of the pledge created by RAFAKO over RAFAKO's receivables from the Employer under the agreement for execution of the Jaworzno Project, made on April 17th 2014, to secure the Guarantors' claims against the SPV under the Guarantee Agreement,

b) change of the pledge established by the SPV over its receivables under euro bank account agreements, under the agreement concluded on September 8th 2014 between the SPV and BGK as the Pledge Administrator,

c) change of the pledge established by the SPV over its movables and rights under the agreement concluded on September 16th 2014 between the SPV and BGK as the Pledge Administrator,

d) change of the pledge created by SPV over money transfers comprising a portion of the remuneration payable to RAFAKO for the performance of the Main Contract and a portion of the advance payment attributable to RAFAKO under the Main Contract, securing the Guarantors' claims against SPV RAFAKO under the Guarantee Agreement,

change of the pledge established by the SPV over its receivables under bank account agreements, under the agreement concluded on September 16th 2014 between the SPV and BGK as the Pledge Administrator.

All amounts in PLN thousand (unless otherwise indicated)

46. AUTHORISATION OF THE FINANCIAL STATEMENTS

These consolidated financial statements for the year ended December 31st 2015 (and comparative data) were authorised by the Parent's Management Board on March 21st 2016.

Signatures of all Management Board members			
Date	Full name	Position	Signature
2016-03-21	Jerzy Wiśniewski	President of the Management Board	
2016-03-21	Mariusz Łożyński	Vice-President of the Management Board	
2016-03-21	Kinga Banaszak-Filipiak	Vice-President of the Management Board	
2016-03-21	Dariusz Szymański	Vice-President of the Management Board	
2016-03-21	Bożena Ciosk	Member of the Management Board	
Signature of the person responsible for the preparation of the consolidated financial statements			
Date	Full name	Position	
2016-03-21	Bartosz Kuźmin	Deputy Director for Consolidation and Accounting	