THE GROUP OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO „PEPEES” S.A.

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2015
TO 31 DECEMBER 2015

PREPARED IN ACCORDANCE WITH
THE INTERNATIONAL FINANCIAL
REPORTING STANDARDS
AS ADOPTED BY
THE EUROPEAN UNION

17 March 2016

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

PLN 000s

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	ASSETS	*Note*	*As at 31.12.2015*	*As at 31.12.2014*
I	**Non-current (long-term) assets**		**102,971**	**94,467**
1	Property, plant and equipment	8.1	89,196	78,365
2	Intangible assets	8.3	460	90
3	Goodwill arising on consolidation		486	486
4	Equity-accounted investments	8.4		259
5	Investments in other entities	8.5	113	113
6	Granted loans	12.2		2,664
7	Advances	8.11	10,391	10,391
8	Deferred tax assets	8.22	2,325	2,099
II	**Current (short-term) assets**		**117,917**	**93,617**
1	Inventories	8.6	64,111	68,032
2	Biological assets		172	126
3	Trade receivables	8.7	18,118	13,553
4	Current income tax receivables			
5	Other receivables	8.8	4,237	5,639
5	Advances	8.11	1,085	1,042
6	Cash loans	12.2	2,806	241
7	Investments held for trading	8.5	2,550	2,550
8	Cash and cash equivalents	8.12	24,838	2,434
III	**Non-current assets held-for-sale**			
	Total assets		**220,888**	**188,084**

	EQUITY AND LIABILITIES		*As at 31.12.2015*	*As at 31.12.2014*
I	**Equity**		**109,854**	**104,524**
	Equity attributable to equity holders of the parent		***109,136***	***103,867***
1	Share capital	8.13	5,700	5,700
2	Reserve capital and other reserves	8.14	99,735	96,329
3	Revaluation reserve	8.14	(391)	(379)
4	Retained earnings/loss	8.15	(1,196)	(1,156)

PLN 000s

5	(Loss)/profit for the year	8.15	5,288	3,373
	Non-controlling interests		***718***	***657***
II	**Non-current liabilities**		**23,417**	**13,342**
1	Loans and borrowings	8.16	7,916	1,582
2	Liabilities related to leased assets	8.17	4,246	670
3	Deferred tax liabilities	8.22	6,018	5,473
4	Retirement and similar benefits obligations	8.18	2,509	2,558
5	Grants	8.21	2,728	3,059
III	**Current liabilities**		**87,617**	**70,218**
1	Trade payables	8.19	7,511	13,553
2	Current income tax liabilities	9.10	869	536
3	Other current liabilities	8.19	2,918	2,794
4	Loans and borrowings	8.16	73,114	50,985
5	Liabilities related to leased assets	8.17	1,243	476
6	Retirement and similar benefits obligations	8.18	240	263
7	Provisions for other liabilities and other charges	8.21	1,722	1,611
	Total equity and liabilities		**220,888**	**188,084**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Revenue and expenses ***Profit and loss***	***Note***	***01.01.2015-31.12.2015***	***01.01.2014-31.12.2014***
I	**Sales revenue**			
1	Revenue from the sale of products	9.1	128,808	106,758
2	Revenue from services	9.2	944	684
3	Revenue from the sale of trade goods and materials	9.3	11,801	9,054
	Total sales revenue, including:		**141,553**	**116,496**
	- revenue from continuing operations		***141,553***	***116,496***
	- revenue from discontinued operations			
II	**Cost of sales**			
1	Cost of products sold	9.4	(98,391)	(81,503)
2	Cost of services sold	9.4	(298)	(220)
3	Costs of trade goods and materials sold		(10,399)	(7,991)
4	Profit/loss from agricultural production		(587)	(638)
	Total cost of sales, including:		**(109,675)**	**(90,352)**
	- cost from continuing operations		***(109,675)***	***(90,352)***
	- cost from discontinued operations			
III	**Gross profit from sales (I-II)**		**31,878**	**26,144**
1	Selling and marketing expenses	9.4	(7,081)	(5,273)
2	Administrative expenses	9.4	(16,703)	(16,174)
3	Other operating income	9.6	991	964
4	Other operating expenses	9.7	(478)	(425)
IV	**Operating profit (loss)**		**8,607**	**5,236**
1	Finance costs	9.8	(1,411)	(1,191)
2	Finance income	9.9	746	690
3	Share of profit of an associate	8.4	(799)	(258)
V	**Profit (loss) before tax, including:**		**7,143**	**4,477**
	- profit (loss) before tax from continuing operations		*7,143*	*4,477*
	- profit (loss) before tax from discontinued operations			
	Income tax expense	9.10	(1,801)	(1,105)

PLN 000s

VI	**Net profit (loss)**		**5,342**	**3,372**
	Net profit (loss) attributable to equity holders of the parent		5,288	3,373
	Net profit (loss) attributable to non-controlling interests		54	(1)
VII	**Other comprehensive income**		**(12)**	**(379)**
1	Effects of the valuation of financial assets available-for-sale			
2	Revaluation of employee benefit liabilities		(12)	(379)
VIII	**Total comprehensive income, including:**		**5,330**	**2,993**
	Net comprehensive income attributable to equity holders of the parent		5,276	2,994
	Comprehensive income attributable to non-controlling interests		54	(1)
IX	**Net earnings (loss) per share, including:**	9.11	**0.06**	**0.03**
	- net earnings (loss) per share from continuing operations		***0.06***	***0.03***
	- net earnings (loss) per share from discontinued operations			

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserve capital	Revaluation reserve	Other reserves	Retained earnings/loss	Total equity attributable to equity holders of the parent	Non-controlling interests	Total equity
As at 01.01.2014	**4,980**	**43,911**		**43,859**	**192**	**92,942**	**1,080**	**94,022**
Changes in 2014								
Proceeds from shares issued	720	7,800				**8,520**		8,520
Share-issue expenses		(238)				**(238)**		(238)
Distribution of profit (loss) for 2013		797			(797)			
Net profit (loss) for the period					3,373	**3,373**	(1)	3,372
Other comprehensive income for the year (net)			(379)			**(379)**		(379)
Other changes in equity		200			(551)	**(351)**	(422)	(773)
As at 31.12.2014	**5,700**	**52,470**	**(379)**	**43,859**	**2,217**	**103,867**	**657**	**104,524**
As at 01.01.2015	**5,700**	**52,470**	**(379)**	**43,859**	**2,217**	**103,867**	**657**	**104,524**
Changes in the period from 01.01.2015 to 31.12.2015								
Distribution of profit (loss) for 2014		(215)		3,621	(3,406)	**-**		-
Net profit (loss) for the period					5,288	**5,288**	54	5,342
Other comprehensive income for the year (net)			(12)			**(12)**		(12)
Other changes in equity					(7)	**(7)**	7	-
As at 31.12.2015	**5,700**	**52,255**	**(391)**	**47,480**	**4,092**	**109,136**	**718**	**109,854**

in PLN 000s

CONSOLIDATED STATEMENT OF CASH FLOWS

Indirect method	*01.01.2015-31.12.2015*	*01.01.2014-31.12.2014*
A. Cash flows from operating activities		
I. Profit (loss) before tax	7,143	4,477
II. Total adjustments	**86**	**(27,378)**
1. Depreciation and amortisation	6,381	6,177
2. Foreign exchange (gains) losses	(112)	(180)
3. Interest and share of profit (dividend)	815	862
4. (Profit) loss from investing activities	(105)	(276)
5. Net increase/decrease in provisions	39	1,052
6. Net increase/decrease in inventories	3,921	(27,533)
7. Net increase/decrease in biological assets	(46)	(126)
8. Net increase/decrease in receivables	(3,163)	(1,838)
9. Net increase/decrease in current liabilities, except for loans and borrowings	(5,918)	7,814
10. Net increase/decrease in advances	(43)	(11,247)
11. Income tax paid	(995)	(1,635)
12. Net increase/decrease in grants	(331)	(416)
13. Other adjustments	(357)	(32)
III. Net cash flows from operating activities (I+/-II)	**7,229**	**(22,901)**
B. Cash flows from investing activities		
I. Proceeds	**4,099**	**2,305**
1. Disposal of intangible assets and property, plant and equipment	3,958	1,896
2. Received dividends	61	134
3. Repayment of loans	80	275
II. Expenses	**15,961**	**13,571**
1. Acquisition of intangible assets and property, plant and equipment	15,961	10,057
2. Acquisition of shares and interests		3,514
3. Granted loan		
III. Net cash flows from investing activities (I-II)	**(11,862)**	**(11,266)**
C. Cash flows from financing activities		
I. Proceeds	**75,009**	**55,175**
1. Loans and borrowings	74,446	46,893
2. Proceeds from shares issued		8,282
3. Received additional payments	563	
II. Expenses	**53,007**	**36,265**
1. Repayments of loans and borrowings	51,142	34,676
2. Interest on loans and borrowings	958	956
3. Lease payments	907	633
III. Net cash flows from financing activities (I-II)	**22,002**	**18,910**
D. Total net cash flows (A.III+/-B.III+/-C.III)	**17,369**	**(15,257)**
F. Cash at the beginning of period	**(1,201)**	**14,056**
F. Cash at the end of period (F+/- D)	**16,168**	**(1,201)**
including restricted cash	-	**-**

SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

NO.	SELECTED FINANCIAL FIGURES	PLN 000s		EUR 000s	
		2015	2014	2015	2014
I	Total sales revenue	128,808	116,496	30,780	27,808
II	Net profit	5,288	3,373	1,264	805
III	Net comprehensive income	5,276	2,994	1,261	715
IV	Net cash flows from operating activities	7,229	(22,901)	1,727	(5,467)
V	Net cash flows from investing activities	(11,862)	(11,266)	(2,835)	(2,689)
VI	Net cash flows from financing activities	22,002	18,910	5,258	4,514
VII	Total net cash flows	17,369	(15,257)	4,151	(3,642)
VIII	Total assets	220,888	188,084	51,833	44,127
IX	Equity	109,136	103,867	25,610	24,369
X	Earnings (loss) per share	0.06	0.037	0.013	0.01
XI	Comprehensive income per share	0.06	0.032	0.013	0.01
XII	Book value per share	1.15	1.13	0.27	0.26

To translate the selected financial figures into EUR, the Group applied the following exchange rates published by the National Bank of Poland (NBP):

- selected items of the statement of financial position as at 31.12.2015 – at the average exchange rate as at the balance sheet date: 1 EUR = 4.2615 PLN;

- selected items of the statement of financial position as at 31.12.2014 – at the average exchange rate as at the balance sheet date: 1 EUR = 4.2623 PLN;

- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2015 to 31.12.2015 – at the exchange rate being the arithmetic mean of average exchange rates published by the NBP and applicable on the last day of each month of 2015: 1 EUR = 4.1848 PLN;

- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2014 to 31.12.2014 – at the exchange rate being the arithmetic mean of average exchange rates published by the NBP and applicable on the last day of each month of 2014: 1 EUR = 4.1893 PLN.

in PLN 000s

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information about the parent company

Full business name	Przedsiębiorstwo Przemysłu Spożywczego „PEPEES" S.A.
Registered office address	18-402 Łomża, ul. Poznańska 121
REGON [Company Stat. ID No.]	450096365
NIP [Tax ID No.]	718-10-05-512
Registration authority	District Court in Białystok, XII Economic Division of the National Court Register
No. in the Register	000038455
Legal status	Spółka Akcyjna [a joint stock company]
Organisational form	a single-establishment company
Primary objects according to the Polish Classification of Activities (PKD)	1062Z Manufacture of starches and starch products.
Industry	Food industry
Company's lifetime	indefinite

The composition of the Board of Directors as at 31.12.2015

Wojciech Faszczewski – President
Krzysztof Homenda – Member, Chief Financial Officer

The composition of the Supervisory Board as at 31.12.2015:

1. Maciej Kaliński – Chairman
2. Piotr Marian Taracha – Vice-Chairman
3. Krzysztof Stankowski – Secretary
4. Piotr Łuniewski – Member
5. Robert Malinowski – Member

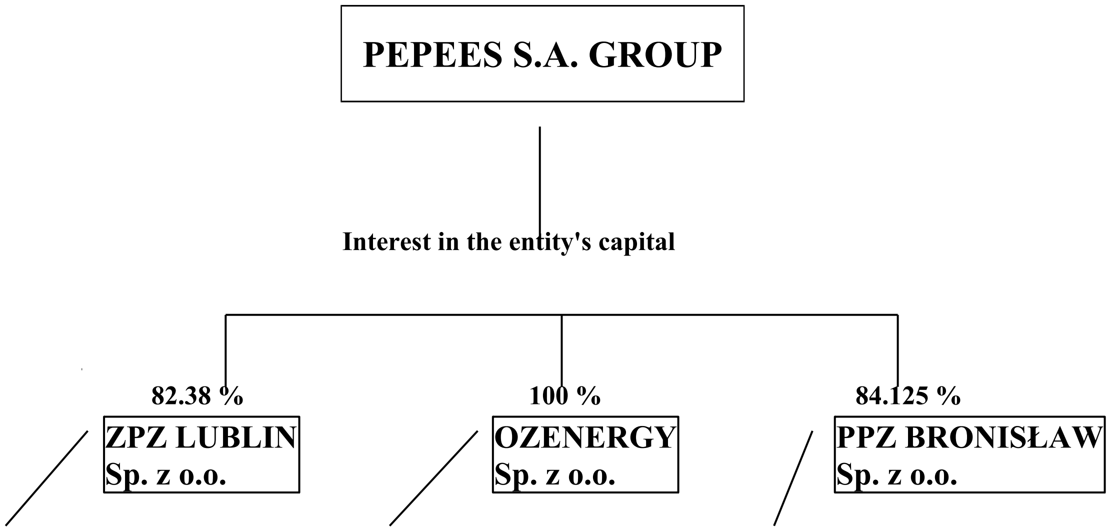
2. Reporting periods

These consolidated financial statements cover the period from 1 January 2015 to 31 December 2015, and comparative financial information and explanatory notes cover the period from 1 January 2014 to 31 December 2014.
They were prepared assuming that the Group would continue as a going concern in the foreseeable future. There are no circumstances indicating the risk of discontinuing its operations.

in PLN 000s

3. The Group structure

3.1 The structure of the Group as at 31 December 2015



Name	Registered office	Objects	Registry court	Issuer's interest in capital	Share in total votes
ZPZ LUBLIN Sp. z o.o.	Lublin	Production and sale of potato syrup and dried potatoes; fruit and vegetable processing	District Court in Lublin, XI Economic Division of the National Court Register (NCR)	82.38	82.38
OZENERGY Sp. z o.o.	Łomża	Power generation	District Court in Białystok, XII Economic Division of the National Court Register (NCR)	100	100
PPZ BRONISŁAW Sp. z o.o.	Bronisław	Manufacture of starches and starch products	District Court in Bydgoszcz, XIII Economic Division of the National Court Register (NCR)	84.125	84.125
CHP ENERGIA Sp. z o.o. (an associate)	Wojny Wawrzyńce	Production of electricity and heat from gas produced in a biogas plant	District Court in Białystok, XII Economic Division of the National Court Register (NCR)	24.91	24.91

The three subsidiaries are subject to full consolidation, and the shares in CHP Energia were measured using the equity method.

3.2 Changes in the Group

In the reporting period, there were no changes in PEPEES Group.

4. Significant accounting policies

4.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Accounting Standards (IAS) on the historical cost basis, except for financial instruments. The financial statements are presented in thousands of Polish złoty.

4.2 Changes in accounting policies

When preparing these financial statements, as compared to previous periods, the Group did not change its accounting policies applied previously.

4.3 Corrections of errors from previous periods

In the reporting period, there were no corrections of errors from previous periods.

4.4 Statement of compliance

These financial statements have been prepared in accordance with the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and related interpretations published in the form of regulations of the European Commission and applicable on 31 December 2015.
The Group did not apply earlier any new Standards and Interpretations, which have already been published and adopted by the European Commission and which will become effective after the balance sheet date. The Group did not estimate in detail any impact of new standards on the Group's consolidated financial statements.

4.5 Basis of consolidation

The companies of PEPEES Group, in the reporting period and comparative periods, were consolidated with the full method.
Financial statements of subsidiaries were prepared for the same reporting period as the financial statements of the parent company, applying consistent accounting policies. Adjustments are made to reconcile any divergent policies.
In the course of the consolidation process, the Group eliminated intragroup receivables and liabilities, revenue and expenses related to transactions between consolidated entities, profit and losses from intragroup transactions, included in the values of assets and equity and liabilities subject to consolidation. In addition, the parent company's interests in the equity of subsidiaries were eliminated.
The consolidated statement of cash flows was prepared on the basis of the consolidated statement of comprehensive income and the consolidated statement of financial position as well as the explanatory notes of the companies subject to the consolidation.
The consolidated statement of changes in equity was prepared on the basis of the consolidated statement of financial position, statements of changes in equity and the explanatory notes of the companies subject to the consolidation.

4.6 Foreign currencies

The Polish złoty is the the functional (valuation) currency and the presentation currency of PEPEES S.A. Group. Transactions in foreign currencies were translated, as at the balance sheet date, at the exchange rate of the bank used by the Group. All foreign exchange differences are recognised in the income statement.

4.7 Property, plant and equipment

Upon the transition to IASs, the Group adopted the fair value of property, plant and equipment determined by a valuer at the deemed cost.
Assets under construction for manufacturing, rental or administrative purposes, and for the purposes not yet determined, are disclosed in the statement of financial position at cost less any impairment losses. The cost is increased with fees and, for certain assets, with borrowing costs. The depreciation of such property, plant and equipment begins upon the commencement of their use. Depreciation is calculated for all property, plant and equipment, excluding land and assets under construction, for the estimated period of the actual utilisation of these assets, using a straight-line method. Useful lives for particular categories of property, plant and equipment are as follows:

- buildings and structures	10 - 30 years
- plant and machinery	2 - 20 years
- means of transport	3 - 8 years
- fixed fittings and equipment	2 - 11 years

Land owned is not depreciated. The Group recognises the granted right of perpetual usufruct rights as operating lease.
Assets held under a finance lease contract are depreciated over their useful life in the same manner as in the case of own assets.
Property, plant and equipment and assets under construction that meet the criteria to be classified as held for sale are measured at the lower of the initial carrying amount or fair value less costs to sell.
The gain or loss arising on the disposal (retirement) of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of such assets and is recognised in profit or loss.
As at the balance sheet date, property, plant and equipment are measured at cost less any depreciation charges and any impairment losses.

4.8 Intangible assets

Intangible assets are recognised when it is probable that future economic benefits that may be associated directly with the assets will flow to the Group. The Group does not have any intangible assets with an indefinite useful life.

(a) Trademarks and licences

Trademarks and licences have finite useful lives and are carried in the balance sheet at historical cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful lives (2-10 years).

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2-10 years).
The costs of the development or maintenance of computer software are recognised as an expense as incurred.

(c) Greenhouse gas emission allowance

Emission allowances are recognised in books of account with the date of their acquisition. The acquisition cost of a granted emission allowance is calculated as the product of the unit selling price of a granted emission allowance and the number of granted allowances. The granted emission allowances are recognised as deferred income, which gradually increases other

operating income, parallel to amortisation charges for these allowances. Revenue is accounted for upon the use or sale of granted free emission allowances.
The initial value of held emission allowances is reduced by (accumulated) amortisation charges recognised to account for their use. The amortisation of emission allowances increases products manufacturing costs. The amount of the amortisation is the product of the emission allowances used during a given period and their unit acquisition cost. If the acquisition costs of held emission allowances are different, the Company, to measure the amortisation taking into account the use of these allowances, applies the first-in, first-out (FIFO) method.
At the end of each financial year/a given settlement period, on the basis of the verified annual report referred to in Article 57 Clause 3 of the Emissions Trading Act, used and retired emission allowances are written-off from records. Retired allowances are written-off from records by debiting the accumulated amortisation of emission allowances and crediting emission allowances.

As at the balance sheet date, intangible assets are measured at cost less any amortisation charges and any impairment losses.

4.9 Goodwill

Goodwill is measured as the excess of the fair value of the consideration transferred for the Group's interests in the acquired entity over the net amount of identifiable recognised assets and liabilities of the acquired entity.
Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.
For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently, whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.
On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.10 The right of perpetual usufruct of land

In accordance with the adopted accounting principles (policies), the Group recognises the decision under which it exercises its right of perpetual usufruct of land as an agreement satisfying the conditions of operating lease in accordance with IAS 17. As a result, the fair value of the right of perpetual usufruct of land on which the buildings and structures of the Group's companies are located was not disclosed in non-current assets. The information on the land used under the right of perpetual usufruct, and on the fair value of the right of perpetual usufruct of the land is presented in note 11 in the financial statements.

In the case of the acquisition of such rights on the secondary market, they would be recognised as intangible assets and amortised over their expected useful lives.

4.11 Investment property

Investment property is property held to earn rentals or for capital appreciation.
Investment property as at the date of the transition to IASs was carried at fair value, and this value was applied as deemed cost. Each new property is measured at cost.
Depreciation is calculated over estimated useful lives of such assets on a straight-line basis. Land

is not depreciated.
Gains or losses arising on the disposal (retirement) of investment property is determined as the difference between the sales proceeds and the carrying amount of such assets and is recognised in profit or loss.
As at the balance sheet date, the Group did not hold any investment property.

4.12 Investments

All investments are initially recognised at cost corresponding to the fair value of the consideration paid including the costs attributable to the acquisition of the investment.
As at the balance sheet date, investments in an associate were measured using the equity method.

Available-for-sale financial assets and financial assets at fair value, with gains or losses recognised in profit or loss, are accounted for after the initial recognition at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest rate (EIR) method. Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value are presented in the income statement in the period in which they arise.
The shares of „Warszawski Rolno-Spożywczy Rynek Hurtowy" acquired in the reporting period were classified as investments held for trading and measured at fair value using the discounted cash flow (DCF) model. Fair value measurement was classified at level 3 of the fair value hierarchy pursuant to IFRS 13.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

4.13 Inventories

Inventories comprise materials, trade goods, finished products and work in progress.
Materials and trade goods are initially carried at cost. Finished products and work in progress are initially carried at actual cost. The cost of finished products and work in progress comprises design costs, raw materials, direct labour, other direct costs and related departmental production overheads (based on normal operating capacity), but does not comprise borrowing costs. The outgoings of inventories are measured using the weighted average cost formula.
As at the balance sheet date, inventories are measured on a prudent basis, i.e. at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale (i.e. costs of sale, costs of marketing etc.) When the cost is higher than the net realisable value, the Group recognises write-downs charged to costs of sold products.

4.14 Biological assets

Since March 2014, PEPEES has leased a farm where it grows annual plants such as potatoes, field bean and cereals. Biological assets are measured on initial recognition and at subsequent reporting dates at fair value less costs to sell having regard for the ripeness of plants.

4.15 Current and non-current receivables

Trade receivables are disclosed and recognised at originally invoiced amounts less any write-downs. A write-down of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The write-downs are made on the basis of the ageing analysis of these receivables, the collectibility analysis, and for trade receivables in litigation and in liquidation or bankruptcy proceedings.

4.16 Foreign currency transactions

Transactions denominated in currencies other than the Polish złoty are translated into the Polish złoty according to the exchange rate effective on the date of the transaction.
As at the balance sheet date, cash, bank loans and other assets and liabilities denominated in currencies other than the Polish złoty are translated into the Polish złoty at the buying and selling exchange rates of the bank used by the companies. The resulting foreign exchange differences are recognised as finance income or finance cost respectively.

4.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and a bank overdraft.
Term deposits are measured at amortised cost using the effective interest rate (EIR) method.
Bank overdraft is shown within short-term loans and borrowings in current liabilities on the balance sheet.

4.18. Prepaid expenses and accruals

In the case of expenses which are expected to generate economic benefits for several financial periods, and when their relationship with revenue can only be determined in general terms and indirectly, the expenses are recognised in profit or loss through a systematic and rational spreading them out over time. The expenses are recognised immediately in profit or loss when such expenses do not produce any future economic benefits.

4.19 Equity

Share capital is recognised at the value determined in the Company's Articles of Association entered into the National Court Register.
Reserve capital is established in accordance with the Company's Articles of Association and the Polish Code of Commercial Companies, which state that it may be increased by:

- allocating a portion of net profit;
- transferring the surplus from the issue of shares above their nominal value (share premium);
- making additional contributions by shareholders in return for special rights for their existing shares, if such additional contributions are not used to cover extraordinary write-downs or losses;
- transferring the positive net difference from the revaluation of fixed assets due to their sale or retirement, if separate regulations do not provide that such differences are charged to profit or loss;

and may be decreased by:

- covering losses;
- redeeming treasury shares;
- covering the costs of shares issues to the amount of the excess of the issue value over the nominal value of shares; the remainder of the costs are recognised as finance costs;
- a free transfer of fixed assets in accordance with a resolution of the General Meeting of Shareholders;
- transferring the negative net difference from the revaluation of fixed assets due to their sale or retirement, if separate regulations do not provide that such differences are charged to profit or loss.

Revaluation reserve is used to account for revaluations of non-current assets resulting in an

increase in their value to the level of market prices, and the revaluation of future employee benefits.
Reserves are created in accordance with the Articles of Association and resolutions of the General Meeting of Shareholders from net profit, and are used to cover capital expenditure.

4.20 Bank loans and borrowings

Interest-bearing bank loans and borrowings (including bank overdrafts) are accounted for at the value of received proceeds. Finance costs (except for costs arising directly from the construction or acquisition of property, plant and equipment), including fees and commissions payable upon the repayment or writing-off, and direct costs of borrowings are recognised in profit or loss using the effective interest rate (EIR) method, and they increase the book value of the instrument, taking into account payments made in the period.
Loans with below-market interest rates are discounted to the market interest rate, and the difference between the discounted value and received proceeds is reported as a government grant.
Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date. Then, they are accounted for as non-current liabilities.

4.21 Borrowing costs

Borrowing costs directly attributable to the construction, adaptation, assembly or improvement of fixed assets or intangible assets, throughout the period of construction, adaptation, assembly or improvement, are recognised at the value of those assets, if the liabilities were incurred for this purpose. Other borrowing costs are recognised in profit or loss.

4.22 Deferred income tax

Deferred tax liability is recognised in the full amount on a liability basis for all temporary differences between the tax value of assets and liabilities and their carrying amount in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit (loss). Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax assets are realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The value of deferred tax assets is analysed at each balance sheet date and to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the asset to be realised, it is written-off.

4.23 Employee benefits

Expected employee benefits expense (jubilee benefits, retirement benefits etc.) is accounted for throughout the period of employment using the actuarial valuation method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income over an employee’s expected average remaining working life. These obligations are valued every six months by independent qualified actuaries.
Employee benefits may also be payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to

either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

4.24 Trade payables

Trade payables, if they are not interest-bearing instruments, are recognised in the balance sheet at nominal amounts.

4.25 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, and when it is certain or highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the amount of the obligation.
No provisions are recognised for future operating losses.

4.26 Accruals

Accruals are liabilities to pay for goods or services that have been received or supplied in full or in part, but have not been invoiced or formally agreed with the supplier. Accruals also include amounts relating to accrued vacation pay. Accruals are recognised when the amounts of the future obligation and the payment date can be reliably measured.

4.27 Impairment of assets

At each balance sheet date, the Group is required to assess whether there is any objective indication that an asset or a group of assets may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset and recognises an impairment loss in the amount equal to the difference between the recoverable amount and the carrying amount.
The impairment loss is recognised in profit or loss for the period. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. The reversal of the impairment loss is recognised immediately in profit or loss.

4.28 Leases

Leases in which substantially all the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to expenses on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The arising payable to the lessor is disclosed in the balance sheet. Lease payments comprise the principal and interest. Finance costs are recognised in profit or loss.

4.29 Recognition of revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.
Sales revenue comprises the fair value of the revenue from the sale of products, trade goods and services, net of value-added tax, rebates and discounts, and net of excise tax. Revenue is recognised as follows:

a) revenue from the sale of products and trade goods

Revenue arising from the sale of products and trade goods is recognised upon the delivery of the goods by the Company to the customer, their acceptance by the customer, and gaining reasonable assurance as to the collection of the relevant payment.

b) revenue from the rendering of services

Revenue from the rendering of services is recognised in the period in which the services were rendered by reference to the stage (percentage) of completion of the transaction, which is the proportion of services performed to total services to be performed.

c) rental income

Rental income on investment properties is accounted for on a straight-line basis over the rental term for contracts in progress.

d) interest income

Interest income is recognised on an accrual basis using the effective interest rate (EIR) method. Interest income from granted impaired loans is recognised on a cash basis or on a recovered cost basis, depending on the circumstances.

e) dividends

Dividend income is recognised when the shareholder's right to receive payment is established.

4.30 Other operating income

Other operating income comprises revenue and profits not attributable directly to the Group's operations. This category comprises e.g. profit from the sale of non-current assets; profit from the revaluation of assets; the reversal of write-downs of receivables; received indemnities; overpaid tax payables, except for the corporate income tax, etc.

4.31 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.
Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises expenses for the related costs for which the grants are intended to compensate. In particular, the grants to purchase, construct or acquire non-current assets in a different way, are recognised as deferred income in the consolidated statement of financial position and recognised as income on a systematic basis in justified amounts over the useful lives of related assets.
A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs is recognised as income of the period in which it becomes receivable.
Benefits from subsidised loans at below-market interest rates are treated as grants and measured as the difference between the value of the loans and the fair value of the loans at the appropriate market interest rate.

4.32 Operating expenses

The Group presents an analysis of expenses using a classification based on their function. Operating expenses comprise the cost of sales, selling and distribution costs and administrative expenses.

4.33 Other operating expenses

Other operating expenses comprise expenses and losses not attributable directly to the Group's operations. This category comprises losses arising from the disposal of non-current assets; losses from the revaluation of assets and liabilities; write-downs of receivables; donations made; the effects of guarantees and sureties, etc.

4.34 Finance costs

Finance costs are costs related to the utilisation of external sources of finance; interest payable on finance leases; and other finance costs. Finance costs also include foreign exchange losses.

4.35 Finance income

Finance income comprises dividend income; interest income on investing activities; and foreign exchange gains.

4.36 Earnings per share

Earnings per share for each period are calculated by dividing net profit for a given period by the weighted average number of the Company's shares, as the Company does not have preference shares.

4.37 Derivatives

In the financial year 2015, the Group did not have derivatives.

4.38 Estimates and related assumptions

The Group makes estimates and assumptions based on its past experience and various other factors considered to be reasonable in the circumstances, and their results provide the basis to determine the carrying amount of assets and liabilities that does not result directly from other sources. The actual value may differ from the estimate.
Estimates and related assumptions are subject to an ongoing verification. A change in accounting estimates is recognised in the period in which such estimates were changed.

4.39 Consolidated statement of cash flows

The Group prepares the consolidated statement of cash flows according to the indirect method in breakdown into operating, investing and financing activities.
Cash flows from operating activities are primarily cash flows from the main revenue-generating activities. They do not include external sources of finance.
Cash flows from investing activities comprise primarily:
- cash paid and received due to the acquisition (disposal) of property, plant and equipment, intangible assets and other non-current assets;
- cash related to the acquisition or sale of equity instruments;
- dividends received;
- loans granted to third parties;

- cash from the settlement of forwards.

Cash flows from financing activities are related primarily to external sources of finance. They include, e.g.:

- proceeds from shares issued;
- the purchase of treasury shares;
- dividends and other distributions to equity holders;
- loans and borrowings taken out and repaid;
- grants and all other non-refundable proceeds from a third-party source of finance.

4.40 Segment reporting

The Group operates in a single, main reporting segment covering the processing of potatoes to obtain starch, dried potato-based products and starch hydrolysates. A single segment is identified in the daily records and internal reports.

4.41 New accounting standards and interpretations applied for the first time

The application of new interpretations and amendments to standards in 2015 did not affect the financial situation of the Company.

4.42 New accounting standards and interpretations not applied in these financial statements.

The standards below have not been applied yet by the Group in the process of the preparation of these consolidated financial statements.

a) IFRS 9 *Financial Instruments* – applies to reporting periods beginning on or after 1 January 2018. This standard introduces an improved and simplified approach to the classification and measurement of financial assets and liabilities, and the requirements for hedge accounting and the recognition of the impairment of financial assets.

b) IFRS 14 *Regulatory Deferral Accounts* issued on 30 January 2014, applies to annual reporting periods beginning on or after 1 January 2016.

c) IFRS 15 *Revenue from Contracts with Customers* – applies to annual reporting periods beginning on or after 1 January 2017. This standard provides a single accounting model for revenue from contracts with customers. It will replace the guidelines for the recognition of revenue included in IAS 18 *Revenue,* IAS 11 *Construction contracts* and in related *Interpretations.*

d) IFRS 16 *Leases* - applies to annual reporting periods beginning on or after 1 January 2019. The standard eliminates the division into operating lease and finance lease. All contracts that meet the definition of lease will be accounted for, in principle, in the same way as the present finance lease.

e) Amendments to IFRS 10 and IAS 28 applicable to reporting periods beginning on or after 1 January 2016. The amendments pertain to the sale or contribution of assets between an investor and its associate or joint venture, aiming to eliminate contradictions between the requirements of IAS 28 and IFRS 10.

f) Amendments to IFRS 10, IFRS 12 and IAS 28 and to IAS 1 issued on 18 December 2014 applicable to annual reporting periods beginning on or after 1 January 2016.

g) Amendments to IFRS 11 *Joint Arrangements* – apply to annual reporting periods beginning on or after 1 January 2016. The amendments pertain to the accounting for acquisitions of interests in joint operations in which the activity constitutes a business, as defined in IFRS 3 *Business Combinations.*

h) Amendments to IAS 16 and IAS 38 applicable to annual reporting periods beginning on or after 1 January 2016. The amendments provide clarifications of acceptable depreciation and amortisation methods.

i) Amendments to IAS 16 and IAS 41 applicable to annual reporting periods beginning on or after 1 January 2016. The amendments introduce the definition of bearer plants and require the accounting of biological assets that meet the definition, as property, plant and equipment in accordance with IAS 16. Produce growing on bearer plants continues to be accounted for under IAS 41.

j) Amendments to IAS 7 – apply to annual reporting periods beginning on or after 1 January 2017. Disclosure Initiative.

k) Amendments to IAS 12 – apply to annual reporting periods beginning on or after 1 January 2017. Clarification concerning the recognition of deferred tax assets for unrealised losses.

l) Amendments to IAS 19 – apply to annual reporting periods beginning on or after 2 February 2015. The simplification of accounting principles for defined benefit plan contributions paid by employees or third parties.

m) Amendments to IAS 27 issued on 12 August 2014 applicable to annual reporting periods beginning on or after 1 January 2016. The applications of the equity method in separate financial statements.

n) Annual Improvements to IFRSs: 2010-2012 Cycle – applicable to annual reporting periods beginning on or after 2 February 2015. Improvements pertain to the following issues: IFRS 2 – vesting conditions; IFRS 3 – contingent consideration; IFRS 8 – presentation of operating segments; IFRS 13 – short-term receivables and payables; IAS 16 / IAS 38 – disproportionate restatement of gross value and accumulated depreciation in the revaluation model; IAS 24 – definition of key management personnel.

o) Improvements to IFRSs: 2012-2014 Cycle, applicable to annual reporting periods beginning on or after 1 January 2016, provide for a number of modifications in IFRSs. Improvements pertain to the following issues: IFRS 5 – changes in methods of disposal; IFRS 7 – servicing contracts and the applicability of the standard to interim financial statements; IAS 19 – discount rate on a regional market; IAS 34 – additional guidelines on disclosures in interim financial statements.

The Board of Directors is currently assessing the impact of the aforementioned standards and interpretations upon the Group's reporting.

5. Changes in applied accounting policies; correcting errors and presentations

In 2015, the Group did not change accounting policies and did not correct errors from previous years.

in PLN 000s

6. Financial instruments

Major financial instruments used by the Group comprise bank loans, leases, cash and short-term bank deposits. The main purpose of these financial instrument is sourcing funds for the Group's business activities. In addition, the Group holds other financial instruments such as trade receivables and payables arising directly in the course of its business.

Financial assets	As at 31.12.2015	As at 31.12.2014
At fair value through profit or loss		
Held for trading	2,550	2,550
Derivatives		
Held-to-maturity investments		
Loans and receivables (including cash)	47,193	21,626
Available-for-sale financial assets	113	372
Total financial assets	**49,856**	**24,548**

Financial assets recognised in the financial statements as:	As at 31.12.2015	As at 31.12.2014
Equity-accounted investments		259
Investments in other entities	113	113
Investments held for trading	2,550	2,550
Trade receivables	18,118	13,553
Other receivables	4,237	5,639
Cash and cash equivalents	24,838	2434
Total financial assets	**49,856**	**24,548**

Financial liabilities	As at 31.12.2015	As at 31.12.2014
At fair value through profit or loss		
Held for trading		
Derivatives		
Amortised cost	86,519	53,713
Other liabilities	10,429	16,347
Total financial liabilities	**96,948**	**70,060**

Financial liabilities recognised in the financial statements as:	As at 31.12.2015	As at 31.12.2014
Long-term loans and borrowings	7,916	1,582
Liabilities related to leased assets	5,489	1,146
Trade payables	7,511	13,553
Short-term loans and borrowings	73,114	50,985
Other current liabilities	2,918	2,794
Total financial liabilities	**96,948**	**70,060**

7. Segment reporting

The Group operates in a single, main reporting segment covering the processing of potatoes to obtain starch, dried potato-based products and starch hydrolysates. A single segment is identified in the daily records and internal reports.

in PLN 000s

7.1 Products and services

Within the segment: “the processing of potatoes”, the Group produces:

- potato starch used in households and by the food industry, pharmaceutical industry, paper industry and textile industry;
- a few varieties of glucose used by the food industry, confectionery industry and pharmaceutical industry;
- maltodextrin, which is an essential ingredient of powdered products (ice cream, sauces, soups, fruit extracts, flavoured sprinkles) and vitamin and mineral preparations and supplements for children and athletes;
- a protein that is produced from cellular juice of potatoes through coagulation, separation and drying; it is a valuable component of compound feedingstuffs for animals and a great substitute for animal proteins;
- a wide range of starch syrups used in confectionery and baking industries;
- potato grits, potato flakes, potato cubes and potato dumplings; products used by the food industry.

Other types of activities:

- the generation of heat, which is produced mainly to meet the Group's own needs and a part of it is sold to plants in the vicinity;

- works and services;

- the sale of certain trade goods and materials.

The table below presents the revenue for each group of products and services obtained from external customers.

Product or service	**Sales revenue**	
	2015	**2014**
Starch	82,634	60,236
Glucose	6,791	8,054
Maltodextrin	13,358	12,113
Potato flakes	3,232	1,452
Protein	7,258	6,851
Starch syrups	5,404	5,651
Hydrol	139	356
Dried potato-based products (grits, cubes, dumplings)	6,455	8,399
Heat	3,537	3,646
Trade goods and materials	944	9,054
Services	11,801	684
Total	**141,553**	**116,496**

7.2 Sales revenue by territories:

Specification	**2015**	**2014**
Poland, including	**107,357**	**94,713**
Starch	53,555	42,360
Glucose	6,762	8,006
Maltodextrin	12,341	11,156

in PLN 000s

Potato flakes	3,193	1,452
Protein	4,466	4,622
Starch syrups	5,404	5,630
Hydrol	139	356
Dried potato-based products (grits, cubes, dumplings)	6,455	8,334
Heat	3,537	3,646
Trade goods	10,561	8,467
Services	944	684
EU countries - intra-Community supplies, including:	**11,166**	**5,648**
Starch	8,957	4,354
Maltodextrin	1,007	933
Glucose	15	48
Protein	1,124	139
Dried potato-based products (grits, cubes, dumplings)	39	65
Trade goods	24	
Other countries – export, including:	**23,030**	**16,135**
Starch	20,122	13,522
Glucose	14	
Maltodextrin	10	24
Protein	1,668	2,090
Starch syrups		21
Trade goods	1,216	478
Total	**141,553**	**116,496**

7.3 Major customers

The Group does not have a customer for whom sales revenue would be 10 or more percent of total revenue. However, for specific products, there are customers whose share represents over 10% in the sale of a given product. And so:
- starch with the value exceeding 10% of total sale was sold to one Polish customer;
- protein with the value exceeding 20% of total sale was sold to one Polish customer;
- more than 10% of maltodextrin was sold to each of the four Polish customers;
- about 17% of glucose - to one Polish customer.

8. Explanatory notes to the consolidated statement of financial position

8.1 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT	**As at 31.12.2015**	**As at 31.12.2014**
a) fixed assets, including:	80,944	71,075
- land	1,117	1,117
- buildings and civil engineering works	55,668	50,879
- plant and machinery	22,090	17,402
- means of transport	1,712	1,265

in PLN 000s

- other fixed assets	357	412
b) assets under construction	8,252	7,290
Total property, plant and equipment	**89,196**	**78,365**

MOVEMENT ON FIXED ASSETS (BY GROUPS)

	land	buildings and civil engineering works	plant and machinery	means of transport	other fixed assets	**Total**
As at 1 January 2014						
Gross value	**1,117**	**74,458**	**53,102**	**2,536**	**911**	**132,124**
Accumulated depreciation	**0**	**23,534**	**34,726**	**1,397**	**620**	**60,277**
Net book value	**1,117**	**50,924**	**18,376**	**1,139**	**291**	**71,847**
2014						
Gross value at the beginning of period	1,117	74,458	53,102	2,536	911	132,124
Increases (due to)		2,643	2,199	528	216	5,586
- investments		2,643	1,318			3,961
- purchases			337		216	553
- lease			544	528		1,072
Decreases (due to)		486	332	171	7	996
- sales				169	3	172
- retirement		486	332	2	4	824
Derecognition of the accumulated depreciation of sold and retired fixed assets		(483)	(248)	(96)	(7)	(835)
Depreciation		2,685	3,089	327	96	6,197
Net book value at the end of period	1,117	50,879	17,402	1,265	412	71,075
As at 31.12.2014						-
Gross value	**1,117**	**76,615**	**54,969**	**2,893**	**1,120**	**136,714**
Accumulated depreciation		**25,736**	**37,567**	**1,628**	**708**	**65,639**
Net book value	**1,117**	**50,879**	**17,402**	**1,265**	**412**	**71,075**
2015						
Gross value at the beginning of period	1,117	76,615	54,969	2,893	1,120	136,714
Increases		7,703	7,576	803	56	16,138

in PLN 000s

(due to)						
- investments		7,703	2,699			10,402
- purchases			666	493	56	1,215
- lease			4,211	310		4,521
Decreases (due to)			70	294	4	368
- sales			24	213		237
- retirement			46	81	4	131
Derecognition of the accumulated depreciation of sold and retired fixed assets			(66)	(211)	(4)	(281)
Depreciation		2,914	2,884	273	111	6,182
Net book value at the end of period	1,117	55,668	22,090	1,712	357	80,944
As at 31.12.2015						
Gross value	**1,117**	**84,318**	**62,475**	**3,402**	**1,172**	**152,484**
Accumulated depreciation	**0**	**28,650**	**40,385**	**1,690**	**815**	**71,540**
Net book value	**1,117**	**55,668**	**22,090**	**1,712**	**357**	**80,944**

Upon the transition to IFRSs, all companies of the Group adopted the fair value of property, plant and equipment determined by a valuer at the deemed cost.
The valuation difference less deferred income tax was charged to the item of equity “Retained earnings/loss”.

In the reporting period, depreciation charges increased the costs of sold products, trade goods and materials, selling and marketing expenses, and administrative expenses.

Encumbrances on property, plant and equipment due to borrowed bank loans:
- contractual mortgage amounting to PLN 58,500 thousand for the benefit of Bank Zachodni WBK S.A.;
- contractual mortgage amounting to PLN 73,234 thousand for the benefit of Bank BGŻ BNP Paribas S.A.;
- general mortgage amounting to PLN 1,596 thousand for the benefit of Bank Polskiej Spółdzielczości;
- general mortgage amounting to PLN 404 thousand for the benefit of Bank Spółdzielczy in Łomża;
- general mortgage amounting to PLN 1,295 thousand for the benefit of Bank Polskiej Spółdzielczości;
- capped mortgage up to PLN 1,197 thousand for the benefit of Bank Polskiej Spółdzielczości;
- capped mortgage up to PLN 880,6 thousand for the benefit of Bank Polskiej Spółdzielczości;
- capped mortgage up to PLN 303 thousand for the benefit of Bank Spółdzielczy in Łomża;

in PLN 000s

- registered pledge on plant and machinery amounting to PLN 3,465 thousand for the benefit of Bank Spółdzielczy in Łomża;
- transfer of ownership of plant and machinery amounting to PLN 1,295 thousand for the benefit of Bank Polskiej Spółdzielczości.

Due to the acquisition of property, plant and equipment, long-term investment loans were taken out in previous periods; their outstanding value at the reporting date amounts to PLN 10,124 thousand (31.12.2014: PLN 2,592 thousand).
In the income statement, in "other operating income", the Group recognised indemnities from an insurance company due to the impairment of property, plant and equipment caused by fortuitous events amounting to PLN 5 thousand (2014: PLN 20 thousand).

8.3 Intangible assets

INTANGIBLE ASSETS	**As at 31.12.2015**	**As at 31.12.2014**
a) acquired concessions, patents, licenses and similar assets,	133	90
- computer software	53	90
b) greenhouse gas emission allowance	327	
c) other intangible assets		
Total intangible assets	**460**	**90**

MOVEMENT ON INTANGIBLE ASSETS	acquired concessions, patents, licenses and similar assets, including: computer software	greenhouse gas emission allowance	other intangible assets	**Total**
As at 01.01.2014				
Gross value	**669**	**464**	**0**	**1133**
Accumulated amortisation	**540**	**239**	**0**	**779**
Net book value	**129**	**225**	**0**	**354**
2014				0
Gross value at the beginning of period	669	464	0	1,133
Increases (due to)	22	1,529		1,551
- purchases	22	1,300		1,322
- granted assets		229		229
Decreases (due to)		1,993		1,993
- sales		1,993		1,993
- retirement				
Derecognition of the accumulated amortisation of sold and retired intangible assets		(239)		(239)
Write-down utilisation	16			16
Amortisation	45			45
Net book value at the end of period	90			90
As at 31.12.2014				
Gross value	**691**	**-**	**-**	**691**

in PLN 000s

Accumulated amortisation	**601**	**-**	**-**	**601**
Net book value	**90**	**-**	**-**	**90**
2015				
Gross value at the beginning of period	691			691
Increases (due to)	81	975		1,056
- purchases	81	975		1,056
- granted assets				
Decreases (due to)		648		648
- sales		307		307
- retirement		341		341
Derecognition of the accumulated amortisation of sold and retired intangible assets				
Write-down utilisation				
Amortisation	38			38
Net book value at the end of period	133	327		460
As at 31.12.2015				
Gross value	**772**	**327**		**1,099**
Accumulated amortisation	**639**	**0**		**639**
Net book value	**133**	**327**		**460**

The entire amortisation of intangible assets is presented in the income statement in the item: "administrative expenses".

8.4 Equity-accounted investments

PEPEES has one associate which was acquired in 2012. It is a limited liability company called CHP ENERGIA with its registered office in Wojny-Wawrzyńce, Podlaskie Province.

Goodwill arising on acquisition:

Specification	**Value in PLN 000s**
Intangible assets	95
Property, plant and equipment	1,100
Receivables	5
Cash	637
TOTAL ASSETS	**1,837**
Non-current liabilities	
Current liabilities	60
TOTAL NET ASSETS	**1,777**
Acquired interest in net assets	443
Remuneration paid for interests	637
GOODWILL	**194**

in PLN 000s

Condensed financial figures of CHP ENERGIA

Specification	2015	2014
Total assets as at 31.12	26,700	28,608
Total liabilities as at 31.12	29,650	28,352
Net assets as at 31.12	(2,950)	256
Share of PEPEES in net assets (24.9 %)	(735)	64
Revenue for the year	4,612	1,078
Expenses for the year	(7,819)	(2,114)
Net loss for the year	(3,207)	(1,036)
Share of PEPEES in the loss for 2015	(799)	
Loss for the period from the acquisition date until 31.12.2015	(5,427)	(2,220)
Share of PEPEES in the loss (24.9 %)	(1,352)	(553)

8.5 Investments in other entities

MOVEMENT ON INVESTMENTS IN OTHER ENTITIES	2015	2014
a) balance at the beginning of period	113	113
- shares or interests	113	113
b) increases (due to)		
- purchases		
c) decreases (due to)		
- sales		
e) balance at the end of period	**113**	**113**
- shares or interests	113	113

The Group holds interests in 3 entities which ensure less than 5 % of the total number of votes at the General Meeting of Shareholders, and they are not material in terms of their value and the Group's investment policy.

On 30 April 2014, PEPEES acquired 3,000 non-preference shares of “Warszawski Rolno-Spożywczy Rynek Hurtowy” Spółka Akcyjna with its registered office in Bronisze (“WRSRH”) with the nominal value of PLN 3,000 thousand for the price of PLN 2,550 thousand. These shares represent 2,5 % of the share capital of WRSRH and 1.6 % of votes at the GMS. The State Treasury is the main owner of WRSRH with more than 59 % of the share capital. PEPEES does not control WRSRH. This investment is held for trading and disclosed in current assets. The fair value of the investment as at the balance sheet date approximates the purchase price.

8.6 Inventories

INVENTORIES	As at 31.12.2015	As at 31.12.2014
a) materials	2,885	2,993
b) semi-finished products and work in progress	1,491	3,334
c) finished products	55,221	60,483

in PLN 000s

d) trade goods	4,514	1,222
Total inventories	**64,111**	**68,032**

Inventories recognised as an expense in the reporting period amounted to PLN 106,287 thousand (86,738).
Write-downs recognised as expenses in the period amounted to PLN 61 thousand and PLN 251 thousand in 2014.
The reversal of write-downs of inventories in 2015 amounted to PLN 3 thousand.
Write-downs as at 31.12.2015 amount to PLN 93 thousand (31.12.2014: PLN 35 thousand).

The carrying amount of inventories securing the repayment of bank loans amounts to PLN 60,660 thousand (31.12.2014: PLN 51,593 thousand).
Encumbrances on inventories due to borrowed bank loans:
- a registered pledge on inventories of materials, finished products and trade goods for the benefit of Bank Zachodni WBK S.A., securing loans for which the debt as at 31.12.2015 amounts to PLN 22,137 thousand;
- a registered pledge on inventories for the benefit of BGŻ BNP PARIBAS, securing loans for which the debt as at 31.12.2015 amounts to PLN 22,819 thousand.

8.7 Trade receivables

TRADE RECEIVABLES BY CURRENCIES	**As at 31.12.2015**	**As at 31.12.2014**
a) in the Polish currency	14,793	10,872
b) in foreign currencies (by currencies and after translation into PLN)	3,325	2,681
b1. unit/currency 000s/USD	45	
PLN 000s	170	
b2. unit/currency 000s/EUR	767	673
PLN 000s	3,155	2,681
Total current receivables	**18,118**	**13,553**

(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:	**As at 31.12.2015**	**As at 31.12.2014**
a) up to 1 month	8,316	5,822
b) over 1 month up to 3 months	7,281	5,250
c) over 3 months up to 6 months	1,465	150
d) over 6 months up to 1 year	36	90
e) over 1 year	-	-
f) past due receivables	2,571	3,191
Total (gross) trade receivables	19,669	14,503
- write-downs of trade receivables	(1,551)	(950)
Total (net) trade receivables	**18,118**	**13,553**

Past due receivables for which no write-downs were recognised are receivables from debtors with whom the Group has cooperated for several years now and the assessment of their economic and financial situation does not imply that they are doubtful receivables. The past due period for those receivables ranges from a few days to three months.

in PLN 000s

8.8 Other receivables

OTHER RECEIVABLES	As at 31.12.2015	As at 31.12.2014
- taxes, grants, customs, social security and health insurance and other	3,940	5,097
- advances for supplies	207	513
- other	90	29
Total net other current receivables	**4,237**	**5,639**
Write-downs of other receivables		
Total gross other current receivables	**4,237**	**5,639**

8.9 Receivables in litigation

RECEIVABLES IN LITIGATION	As at 31.12.2015	As at 31.12.2014
Gross receivables in litigation	7	13
Write-downs of receivables	(7)	(13)
Total net other current receivables		**-**

8.10 Write-downs of receivables

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	2015	2014
At the period beginning	963	1,307
a) increases (due to)	692	106
- recognition for doubtful trade receivables	2	18
- recognition for interest receivable	690	79
- recognition for receivables in litigation	-	9
b) decreases (due to)	97	450
- reversal of provisions due to payment	92	117
- utilisation due to the writing-off and sale of receivables	2	92
- cancellations	3	5
Write-downs of current receivables at the end of period	**1,558**	**963**

Increases and decreases in write-downs of receivables were recognised in profit or loss in the item: “other operating expenses”.

8.11 Advances

in PLN 000s

Advances	As at 31.12.2015	As at 31.12.2014
a) long-term, including:	10,391	10,391
- rent for the lease of an agricultural holding	10,391	10,391
b) short-term	1,085	1,042
- rent for the lease of an agricultural holding	742	742
- departmental costs of seasonal production	151	141
- property insurance	146	117
- rents and subscriptions payable in advance	16	11
- other	30	31
Total	**11,476**	**11,432**

8.12 Cash and cash equivalents

CASH AND CASH EQUIVALENTS	As at 31.12.2015	As at 31.12.2014
Cash at bank and in hand	2,614	1,960
Cash in transit	-	
Short-term deposits	22,224	474
Total cash and cash equivalents	**24,838**	**2,434**
- including restricted cash		

Short-term deposits are made for various periods: from one day to three months, depending on the current demand of the Group's companies for cash, and are subject to interest at interest rates determined for them.

CASH AND CASH EQUIVALENTS (BY CURRENCIES)	As at 31.12.2015	As at 31.12.2014
a) in the Polish currency	23,625	1,865
b) in foreign currencies (by currencies and after translation into PLN)	1,213	569
B1. unit/currency USD/000s	3	8
PLN 000s	10	27
B2. unit/currency EUR/000s	292	131
PLN 000s	1,203	542
Total cash and cash equivalents	**24,838**	**2,434**

in PLN 000s

8.13 Share capital

Series / issue	Type of shares	Preference or non-preference shares	Type of restrictions on the rights to shares	Number of shares	Value of series / issue at nominal value	Date of registration
A	ordinary shares, bearer shares	non-preference shares	no restrictions	83 million	4,980	09.05.2008
B	ordinary shares, bearer shares	non-preference shares	no restrictions	12 million	720	30.09.2014
Total number of shares				95 million		
Total share capital					5,700	
Nominal value per share = PLN 0.06						

According to the best knowledge, the shareholding structure at the reporting date was as follows:

- Maksymilian Maciej Skotnicki - the number of votes: 19,532,088; the share in the total number of votes of at GMS – 20.56 %
- TRADO S.A. - the number of votes: 8,600,000; the share in the total number of votes of at GMS – 9.05 %
- Newth Jonathan Reginald the number of votes: 7,995,200; the share in the total number of votes of at GMS – 8.42 %
- Epsilon Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych - the number of votes: 6,398,731; the share in the total number of votes of at GMS – 6.7355 %
- Mazowiecka Korporacja Finansowa Sp. z o.o. – the number of votes: 5,397,343; the share in the total number of votes of at GMS – 5.68 %
- Krzysztof Borkowski (indirectly through related parties, including Mazowiecka Korporacja Finansowa) – the number of votes: 7,923,409; the share in the total number of votes of at GMS – 8.34 %
- Richie Holding Ltd - the number of votes: 6,133,100; the share in the total number of votes of at GM – 6.455 %

None of the remaining shareholders informed about the holding of at least 5 % of the share capital and total votes at the GMS.

8.14 Reserve capital and other reserves

RESERVE CAPITAL	As at 31.12.2015	As at 31.12.2014
a) share premium	7,562	7,562
b) statutory reserve capital	1,660	1,660
c) from revaluation of assets (non-distributable)	31,122	31,122
d) from profits	11,911	12,126
Total reserve capital	**52,255**	**52,470**

in PLN 000s

OTHER RESERVES (BY PURPOSE)	As at 31.12.2015	As at 31.12.2014
- investments fund	47,480	43,859
Total other reserves	**47,480**	**43,859**

The investments fund was created from retained earnings.

REVALUATION RESERVE	*As at 31.12.2015*	*As at 31.12.2014*
- revaluation of employee benefit liabilities	(482)	(468)
- deferred tax on revaluation effects	91	89
Total other reserves	**(391)**	**(379)**

8.15 Retained earnings/loss

RETAINED EARNINGS/LOSS	As at 31.12.2015	As at 31.12.2014
- retained earnings (loss) brought forward	(1,196)	(1,156)
- net profit/loss for the period	5,288	3,373
Total retained earnings/loss	**4,092**	**2,217**

8.16 Loans and borrowings

Long-term

NON-CURRENT LIABILITIES WITH THE PAYMENT PERIOD REMAINING AFTER THE BALANCE SHEET DATE OF:	*As at 31.12.2015*	*As at 31.12.2014*
a) over 1 year to 3 years	3,530	1,357
b) over 3 years to 5 years	2,770	225
c) over 5 years	1,616	0
Total long-term liabilities	**7,916**	**1,582**

in PLN 000s

No.	Loan type	Contractual loan amount	Currency	Loan/borrowing amount still to be repaid	Currency	Interest rate	Repayment date
1	Subsidised loan to purchase property, plant and equipment. The principal will be repaid in quarterly instalments of PLN 165 thousand, from 29.06.12 to 30.06.17, and the interest is payable on a monthly basis on the amount of debt.	3,465	PLN	990 (carrying amount 953)	PLN	1.50 of the rediscount rate on bills of exchange, where the issuer pays 0.25 % interest on the loan, however not less than 2 % p.a.; the remaining part is paid by the Agency for Restructuring and Modernisation of Agriculture (ARMA);	30.06.2017
2	Subsidised loan to upgrade plant and machinery. The principal will be repaid in quarterly instalments, and the interest is payable on a monthly basis on the amount of debt.	1,295	PLN	706 (carrying amount 629)		1.6 of the rediscount rate on bills of exchange, where the issuer pays 0.25 % interest on the loan, however not less than 2 % p.a.; the remaining part is paid by the Agency for Restructuring and Modernisation of Agriculture (ARMA);	30.11.2018
3	Investment loan for the construction of a starch drying room, an unloading node and a water treatment unit	9,823	PLN	8,542	PLN	The interest rate is based on WIBOR for 3-month deposits plus the Bank's margin.	25.02.2022
	TOTAL	**14,583**		**10,238**			

The amount of PLN 2,208 thousand was recognised in the balance sheet in current liabilities, as it will be repaid in the period of 12 months from the balance sheet date. Subsidised loans were measured in accordance with IAS 39, and the difference between the amount received and the discounted amount was recognised as a government grant in accruals.

Securities
Re: 1
The loan is secured with an authorisation to use a current account; a general mortgage amounting to PLN 2,000 thousand; a capped mortgage up to PLN 1,500 thousand; a registered pledge on plant and machinery purchased with the loan along with the assignment of rights under an insurance policy; a blank promissory note.
Re: 2
The loan is secured with a general mortgage amounting to PLN 1,295 thousand; a capped mortgage up to PLN 880.6 thousand; transfer of ownership of plant and machinery amounting to PLN 1,295 thousand; an assignment of rights under an insurance policy; a blank promissory note; an authorisation to use bank accounts.
Re: 3
The loan is secured with a contractual mortgage amounting to PLN 14,734 thousand; an assignment of rights under an insurance policy; the statement on the submission to execution.

in PLN 000s

Short-term

No.	Loan type	Contractual loan/borrowing amount	Currency	Loan/borrowing amount still to be repaid	Currency	Interest rate	Repayment date
1	Bank overdraft	4,000	PLN	3,924	PLN	1M WIBOR + bank's margin	31.08.2016
2	Revolving working capital loan in a credit account	6,000	PLN	6,000	PLN	1M WIBOR + bank's margin	31.08.2016
3	Non-revolving working capital loan in a credit account	15,000	PLN	15,000	PLN	1M WIBOR + bank's margin	31.08.2016
4	Bank overdraft	500	PLN	212	PLN	1M WIBOR + bank's margin	31.08.2016
5	Revolving working capital loan in a credit account	2,000	PLN	2,000	PLN	1M WIBOR + bank's margin	31.08.2016
6	Non-revolving working capital loan in a credit account	2,500	PLN	1,620	PLN	1M WIBOR + bank's margin	31.08.2016
7	Bank overdraft	500	PLN	247	PLN	1M WIBOR + bank's margin	31.08.2016
8	Revolving working capital loan in a credit account	1,000	PLN	377	PLN	1M WIBOR + bank's margin	31.08.2016
9	Non-revolving working capital loan in a credit account	7,500	PLN	5,517	PLN	1M WIBOR + bank's margin	31.08.2016
10	Bank overdraft	4,000	PLN	3,934	PLN	1M WIBOR + bank's margin	31.08.2016
11	Revolving working capital loan in a credit account	6,000	PLN	6,000	PLN	1M WIBOR + bank's margin	31.08.2016
12	Non-revolving working capital loan in a credit account	15,000	PLN	15,000	PLN	1M WIBOR + bank's margin	31.08.2016
13	Bank overdraft	500	PLN	-	PLN	1M WIBOR + bank's margin	31.08.2016
14	Revolving working capital loan in a credit account	2,000	PLN	2,000	PLN	1M WIBOR + bank's margin	31.08.2016
15	Non-revolving working capital loan in a credit account	2,500	PLN	1,814	PLN	1M WIBOR + bank's margin	31.08.2016
16	Bank overdraft	500	PLN	352	PLN	1M WIBOR + bank's margin	31.08.2016
17	Revolving working capital loan in a credit account	1,000	PLN	891	PLN	1M WIBOR + bank's margin	31.08.2016

in PLN 000s

18	Non-revolving working capital loan in a credit account	7,500	PLN	6,005	PLN	1M WIBOR + bank's margin	31.08.2016
	TOTAL		**PLN**	**70,893***	**PLN**		

**In the statement of financial position, there is the amount of PLN 73,114; the difference pertains to the part of long-term loans that will be repaid in the period of 12 months from the balance sheet date.*

Securities

The first nine loans were taken out under a single agreement called "A Multiline Agreement."

These loans are secured with:

- a contractual joint mortgage amounting to PLN 58,500 thousand on real properties:
  - owned by PPZ Bronisław Sp. z o.o.
  - owned by ZPZ Lublin Sp. z o.o.
- an assignment of receivables under an insurance policy for the real properties:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław Sp. z o.o.
  - owned by ZPZ Lublin Sp. z o.o.
- a registered pledge on fixed assets;
- a registered pledge on inventories of trade goods amounting to 145 % of the loan amount along with the assignment of rights under an insurance policy;
- an assignment of receivables (undisclosed assignment) up to PLN 5,750 thousand;
- a blank promissory note with a promissory note agreement;
- an authorisation to use a bank account.

The next 9 loans were granted under the so-called "Multi-purpose Line of Credit", which is secured with:

- a contractual joint mortgage amounting to PLN 58,500 thousand on real properties:
  - owned by PPZ Bronisław Sp. z o.o.
  - owned by ZPZ Lublin Sp. z o.o.
- an assignment of receivables under an insurance policy for the real properties:
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław Sp. z o.o.
  - owned by ZPZ Lublin Sp. z o.o.
- a registered pledge on fixed assets;
- a registered pledge on inventories amounting to PLN 28,561 thousand along with the assignment of rights under an insurance policy;
- a general assignment of 40 % of receivables of the aforementioned companies;
- a blank promissory note with a promissory note agreement;
- an authorisation to use a bank account.

in PLN 000s

8.17 Finance lease payables

FINANCE LEASE PAYABLES	As at 31.12.2015	As at 31.12.2014
a) long-term (over 1 year to 5 years)	4,246	670
b) short-term (up to 1 year)	1,243	476
Total	**5,489**	**1,146**

This payable results from agreements concluded to finance passenger cars, and plant and machinery. Payments are made in monthly instalments according to the repayment schedule; the last payment will be in made in 2022. The payable bears interest at a variable interest rate of 1M WIBOR plus margin. Under the agreements, the Lessee assumes all the rights related to the statutory warranty and the manufacturer's guarantee. The possibility of withdrawing from a sales contract is an exception; only the Lessor has this right. The Lessee's obligations comprise timely payments of lease payments in accordance with the schedule approved by him. In the event of late or no payments, the Lessor has the right to terminate the lease and demand the return of the leased asset. Upon the end of the lease, the ownership of the leased asset is transferred by the Lessor to the Lessee.

FINANCE LEASE PAYABLES	2016	2017-2022	Total
Nominal value of lease payments	1,544	4,712	6,256
Future finance costs	(301)	(466)	(767)
Present value of minimum lease payments	**1,243**	**4,246**	**5,489**

8.18 Retirement and similar benefits obligations

RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	As at 31.12.2015	As at 31.12.2014
a) non-current, including:	**2,509**	**2,558**
- retirement benefits	319	306
- jubilee benefits	2,190	2,252
b) current, including:	**240**	**263**
- retirement benefits	21	19
- jubilee benefits	219	244
Total	**2,749**	**2,821**

in PLN 000s

MOVEMENTS ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	2015	2014
a) balance at the beginning of period	**2,821**	**2,361**
- retirement benefits	325	287
- jubilee benefits	2,496	2,074
b) increases (due to)	**239**	**681**
- retirement benefits	42	57
- jubilee benefits	197	624
c) utilisation (due to)	**269**	**188**
- retirement benefits	10	11
- jubilee benefits	259	177
d) reversal (due to)	**42**	**33**
- retirement benefits	17	8
- jubilee benefits	25	25
e) balance at the end of period	**2,749**	**2,821**
- retirement benefits	340	325
- jubilee benefits	2,409	2,496

In PEPEES S.A., jubilee benefits are paid to employees who worked for at least 20 years in total, every 5 years. The period of employment entitling an employee to qualify for a jubilee benefit comprises the periods of employment in PEPEES S.A. and in companies separated from PEPEES S.A. subject to the transfer of that employee from PEPEES S.A. to these companies pursuant to Article 23^1 of the Polish Labour Code, and the period of employment in all entities who are employers within the meaning of the Polish Labour Code, and the periods of working as a farmer in case of the acquisition of a farm by the employee.

To qualify for the jubilee benefit, an employee must work for at least 5 years in PEPEES S.A. and in subsidiaries separated from PEPEES S.A., subject to the transfer of that employee from PEPEES S.A. to these companies pursuant to Article 23^1 of the Polish Labour Code.

The basis for the benefit equals 150 % of the gross minimum remuneration determined on the basis of generally applicable laws.

The amount of the jubilee benefit will be calculated only for the period of employment in PEPEES S.A. and in companies separated from PEPEES S.A., subject to the transfer of that employee from PEPEES S.A. to these companies pursuant to Article 23^1 of the Polish Labour Code.

The benefit, depending on total employment duration, is determined as the following percentage of the basis:

- after 20 years of employment 200 %;
- after 25 years of employment 250 %;
- after 30 years of employment 300 %;
- after 35 years of employment 350 %;
- after 40 years of employment and all subsequent 5-year periods of employment 400 %.

For part-time employees, the amount of the jubilee benefit is calculated in proportion to the working hours specified in their contracts of employment.

in PLN 000s

Retirement and disability benefits are paid by the Company in accordance with Article 92[1] of the Polish Labour Code.

An employee entitled to an invalidity or retirement pension, whose employment was terminated due to becoming retired or disabled, is entitled to a severance pay equal to one-month remuneration.
Re-employed retirees and pensioners do not re-acquire the right to the severance pay.

The amounts of liabilities in **ZPZ Lublin** in particular periods were calculated by an independent actuary. The basis for the benefits is the basic remuneration on the day of becoming qualified for the benefit. The amount of the benefit depends on the employment duration and amounts, for each 5 years of employment, to 100 % of the basic remuneration.

Periods of employment entitling to the severance pay are set out in the Corporate Collective Bargaining Agreement. After working 20 or more years, the amount of the severance pay is 200 % of the basic remuneration.
An employee who was paid the severance pay, may not receive it again.

Basic actuarial assumptions	**Balance sheet date**	**Balance sheet date**
	31.12.2015	**31.12.2014**
Annual wages growth rate	3.50 %	3.50 %
Discount rate	3.0 %	4.20 %

8.19 Trade and other payables

CURRENT PAYABLES	**As at 31.12.2015**	**As at 31.12.2014**
- trade payables, falling due:	7,511	13,553
- up to 12 months	7,511	13,553
- social security, taxes, customs and other	1,520	1,412
- remunerations	805	849
- advances for supplies	462	379
- other	131	154
Total trade and other payables	**10,429**	**16,347**

8.20 Financial derivatives

As at the balance sheet date, i.e. 31.12.2015, PEPEES Group had no unsettled forwards or futures.

in PLN 000s

8.21 Provisions and accruals

PROVISIONS, ACCRUALS, DEFERRED INCOME (BY TITLES)	As at 31.12.2015	As at 31.12.2014
a) long-term, including:	**2,728**	**3,059**
- grants related to property, plant and equipment	2,694	2,963
- grants related to loans	34	96
b) short-term, including:	**1,722**	**1,611**
- grants related to property, plant and equipment	263	313
- grants related to loans	62	98
- environmental protection costs	126	110
- provisions for compensations for annual leaves	363	268
- provision for severance pays		
- not-invoiced services	37	32
- utilised greenhouse gas emission allowance	676	685
- provision for bonuses for the Board of Directors and employees	195	70
- provisions for liabilities related to bonuses for suppliers		35
- other		
Total	**4,450**	**4,670**

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	2015	2014
a) balance at the beginning of period	**1,611**	**1,017**
- grants related to property, plant and equipment	313	313
- provisions for services performed by contractors	32	32
- bonuses for potatoes suppliers	35	53
- grants related to loans	98	135
- severance pays		147
- fee for the use of the environment	110	103
- provisions for compensations for annual leaves	268	234
- greenhouse gas emission allowance	685	
- bonus for the Board of Directors	70	
b) increases (due to)	**1,388**	**1,184**
- recognition of a provision for used CO_2 emission allowances	676	685
- fee for the use of the environment	129	110
- provisions for compensations for annual leaves	343	257
- provisions for severance pays		
- provisions for services performed by contractors	45	27
- bonuses for the Board of Directors and employees	195	70
- bonuses for suppliers		35
c) utilisation (due to)	**1,278**	**590**
- fee for the use of the environment	113	103
- provisions for compensations for annual leaves	252	223

in PLN 000s

- provision for services performed by contractors	37	27
- provision for damages due to non-competition agreements		147
- grants related to property, plant and equipment	50	37
- grants related to loans	36	
- provisions for bonuses for potatoes suppliers	35	53
- provisions for bonuses for the Board of Directors and employees	70	
- CO_2 emission allowance	685	
e) balance at the end of period	**1,722**	**1611**
- grants related to property, plant and equipment	262	313
- grants related to loans	62	98
- provisions for bonuses for suppliers		53
- fee for the use of the environment	126	110
- provisions for compensations for annual leaves	363	268
- greenhouse gas emission allowance	676	685
- provision for severance pays		
- provision for bonuses for the Board of Directors and employees	195	70
- provisions for services performed by contractors	38	32

8.22 Deferred income tax

Deferred tax liabilities

DEFERRED TAX LIABILITIES	As at 31.12.2015	As at 31.12.2014
The difference between the carrying amount and the tax value of property, plant and equipment	5,881	5,415
Interest due but not received	130	46
Other	7	12
Total deferred tax liabilities	**6,018**	**5,473**

Deferred tax assets

DEFERRED TAX ASSETS	As at 31.12.2015	As at 31.12.2014
The difference between the carrying amount and the tax value of property, plant and equipment	463	477
Outstanding remunerations	91	113
Outstanding obligations		447
Provision for bonuses for suppliers		7
Provision for bonuses for the Board of Directors and employees	37	13
Provision for unused annual leaves	68	50
Retirement and jubilee benefits	523	536

in PLN 000s

Unrealised foreign exchange differences	36	16
Write-downs of receivables	9	9
Write-downs of inventories	18	7
Lease payables	657	79
Consolidation adjustments – retained earnings	93	42
Provision for the used CO_2 emission allowance	129	130
Provision for benefits	5	4
Tax loss	196	169
Total deferred tax assets	**2,325**	**2,099**

9. Explanatory notes to the consolidated statement of comprehensive income

9.1 Revenue from the sale of products

NET REVENUE FROM THE SALE OF PRODUCTS (ITEM-BY-ITEM STRUCTURE - TYPES OF ACTIVITIES)	2015	2014
• *from continuing operations*	***128,808***	***106,758***
- potato products	125,271	103,112
- heat	3,537	3,646
• *from discontinued operations*		
Total net revenue from the sale of products	**128,808**	**106,758**

9.2 Revenue from the sale of services

NET REVENUE FROM THE SALE OF SERVICES (ITEM-BY-ITEM STRUCTURE - TYPES OF ACTIVITIES)	2015	2014
- revenue from real property lease	360	330
- transmission of electricity	61	93
- water supply and wastewater collection	3	1
- devices and car rental	46	42
- services for farmers	266	44
- other services	208	174
Total net revenue from the sale of services, including:	**944**	**684**
• *from continuing operations*	*944*	*684*

in PLN 000s

9.3 Revenue from the sale of trade goods and materials

NET REVENUE FROM THE SALE OF TRADE GOODS AND MATERIALS (ITEM-BY-ITEM STRUCTURE - TYPES OF ACTIVITIES)	2015	2014
- potatoes	8,119	5,428
- potato products	118	1,291
- pesticides	3,330	2,145
- materials and waste (scrap, waste paper)	234	190
Total net revenue from the sale of trade goods and materials	**11,801**	**9,054**
• *from continuing operations*	*11,801*	*9,054*

9.4 Expenses by nature

EXPENSES BY NATURE	2015	2014
a) depreciation/amortisation	6,375	6,092
b) materials and energy	72,299	96,120
c) third-party services	12,649	9,787
d) taxes and charges	3,624	3,548
e) remunerations	15,982	15,555
f) social security contributions and other	3,604	3,202
g) other expenses by nature (due to)	994	1,388
- entertainment and advertising expenses	202	379
- business trips	172	114
- non-life insurance expenses	296	254
- costs of analyses, tests and scientific expert opinions	137	170
- other expenses	187	471
Total expenses by nature	**115,527**	**135,692**
Net increase/decrease in inventories, products and prepaid expenses/accruals	7,061	(32,522)
Cost of manufacturing products for the entity's own needs	(115)	-
Costs of sales (negative value)	(7,081)	(5,273)
Administrative expenses (negative value)	(16,703)	(16,174)
Cost of products and services sold	**98,689**	**81,723**

in PLN 000s

9.5 Employee benefits expense

EMPLOYEE BENEFITS EXPENSE	2015	2014
e) remunerations, including:	**15,982**	**15,555**
- remunerations under contracts of employment	14,003	13,358
- remunerations under managerial contracts	1,051	1,084
- remunerations under mandate and similar contracts	12	171
- remunerations of the members of the Supervisory Board	571	584
- damages related to non-competition agreements		147
- provisions for compensations for unused annual leaves	104	33
- provisions for retirement severance pays and jubilee benefits	116	108
- provision for bonuses for the Board of Directors and employees	125	70
f) social security contributions and other, including:	**3,604**	**3,202**
- social security	2,502	2,409
- charges to the Labour Fund	257	265
- charges to the Corporate Social Benefits Fund	500	261
- employee training expenses	82	38
- medical examinations and H&S expenses	146	138
- other benefits	117	91
Total employee benefits expense	**19,586**	**18,758**

9.6 Other operating income

OTHER OPERATING INCOME	2015	2014
a) profit from disposal of non-financial non-current assets	279	277
b) reversed provisions (due to)	185	149
- liabilities	35	
- receivables payment	18	149
- retirement of CO_2 emission allowances	132	
c) government grants, including:	416	453
- grants related to property, plant and equipment	318	318
- grants related to investment loans	98	135
d) other, including:	111	85
- indemnities, damages, penalties and fines received	37	20
- surplus assets	7	13
- other expenses	67	52
Other operating income	**991**	**964**

in PLN 000s

9.7 Other operating expenses

OTHER OPERATING EXPENSES	2015	2014
a) loss on disposal of assets		**3**
b) revaluation of non-financial assets	**56**	**32**
c) other, including:	**422**	**391**
- discontinued investments	144	
- donations	16	2
- cost of the retirement of non-financial non-current assets	1	6
- court fees and litigation expenses	70	87
- write-down of receivables	9	34
- unplanned depreciation/amortisation charges	6	85
- indemnities, damages, penalties and fines paid	152	75
- shortages	11	99
- other	13	2
Total other operating expenses, including:	**478**	**425**
- from discontinued operations		

9.8 Finance costs

FINANCE COSTS	2015	2014
a) interest on loans and borrowings	930	904
b) other interest	5	1
c) negative foreign exchange differences	204	
- realised	89	
- unrealised	115	
d) other finance costs	272	276
- fees and commissions on loans	58	64
- lease payments	66	24
- loan revaluation	112	149
- discount on the purchase of receivables	20	30
- write-downs of interest receivables	16	19
Total finance costs	**1,411**	**1191**

9.9 Finance income

FINANCE INCOME	2015	2014
a) dividends	61	134
b) interest on loans	537	348
c) interest on deposits	15	109
d) interest on receivables	133	91
e) positive foreign exchange differences		8

in PLN 000s

- realised		80
- unrealised		(72)
Total finance income	**746**	**690**

9.10 Income tax expense

INCOME TAX EXPENSE	2015	2014
Current income tax	(1,480)	(1,973)
Deferred income tax	(321)	868
Total income tax expense	**(1,801)**	**(1,105)**
- from discontinued operations	-	-

The reconciliation of the income tax on gross profit/loss before tax at the statutory tax rate with the income tax calculated at the effective tax rate is as follows:

Specification	2015	2014
Gross profit/loss before tax	7,143	4,477
Consolidation eliminations	969	62
Gross profit/loss net of consolidation eliminations	8,112	4,539
Income tax at the statutory rate of 19 %	(1,541)	(862)
Tax on permanent differences between the gross profit and the tax base	(260)	(243)
Income tax expense at the effective tax rate of 25.2 % and 24.7 % in 2014	**(1,801)**	**(1,105)**

The Group is not a group for tax purposes according to the Polish Corporate Income Tax Act. Each company accounts for its own income taxes independently.
In 2015, income tax paid amounted to PLN 995 thousand, including income tax of PLN 384 thousand for 2014, and PLN 611 thousand for the present year. Tax payable on the taxable income amounts to PLN 1,480 thousand. Current tax payables amount to PLN 869 thousand.

9.11 Earnings and comprehensive income per share

Earnings per share were calculated by dividing profit attributable to the parent's shares for the period by the weighted average number of shares. All shares are ordinary bearer shares.

Weighted average number of shares				
period beginning	period end	number of days (A)	number of shares in the period (B)	(A) x (B) / 365
01.01.2015	31.12.2015	365	95,000,000	95,000,000
total:		365	**weighted average:**	**95,000,000**

in PLN 000s

EARNINGS PER SHARE	2015	2014
Net earnings (loss)	5,288	3,373
Weighted average number of shares	95,000,000	92,133,133
Basic earnings per share (in PLN per share)	0.056	0.037
Net profit used to calculate diluted earnings per share	5,288	3,373
Weighted average number of ordinary shares for diluted earnings per share	95,000,000	92,133,133
Diluted earnings per share (PLN)	0.056	0.037

COMPREHENSIVE INCOME (LOSS) PER SHARE	2015	2014
Net comprehensive income (loss) in PLN 000s	5,276	2,994
Number of shares	95,000,000	92,133,133
Comprehensive income (loss) per share in PLN	**0.056**	**0.032**

10. Explanatory notes to the statement of cash flows

10.1 Reconciliation of amounts recognised in the interim consolidated statement of cash flows with the balance of cash and cash equivalents in the balance sheet

Specification	2015	2014
Cash and equivalents in the statement of financial position	24,838	2,434
Bank overdrafts	(8,669)	(3,621)
Foreign exchange differences from the valuation of cash	(1)	(14)
Cash in the statement of cash flows	**16,168**	**(1,201)**

10.2 Non-monetary transactions

Specification	2015	2014
Acquisition of assets under finance lease	(1,185)	(1,072)
Loan valuation at amortised cost (change)	112	139
Interest on a cash loan accrued but not yet paid	(442)	(80)

10.3 Undrawn overdraft facilities

As at 31.12.2015, the Group had undrawn overdraft facilities in the current account amounting to PLN 1,331 thousand (31.12.2014: PLN 6,379 thousand).

in PLN 000s

11. Contingencies

a) contingent liabilities

PEPEES granted its surety for the loan granted by SBR Bank to the associate CHP Energia up to PLN 6 million.

PEPEES receives loan interest subsidies. The value of the subsidies received as at 31.12.2015 is PLN 919 thousand. In the case of the failure to satisfy the terms of loan agreements, e.g.
- the failure to pay repayment instalments and interest by the dates set in agreements;
- the failure to complete investment projects as planned;
- using the loan contrary to its intended purpose;

the subsidies must be returned. The Company will meet the aforementioned conditions, as the investment projects have already been completed as planned; the loans have been used for their intended purpose; and the instalments and interest are paid by the Company as scheduled.

There may be payables arising from non-competition agreements after termination of employment. Such agreements are concluded with several persons in the Issuer's company. In the case of the termination of their employment, the Company must pay damages of ca. PLN 1,061 thousand.
The following disputes remain unresolved as at the balance sheet date:
- Lawsuit brought by PPZ BRONISŁAW against Przedsiębiorstwo Rolno-Produkcyjne Sp. z o.o. w Rzadkwinie to reconcile the content of the land and mortgage register with the actual legal status.

b) contingent assets

The Group uses, pursuant to the right of perpetual usufruct, 680,849 m^2 of land; its value as at 31.12.2015 resulting from the decision on the annual fee amounts to PLN 13,603 thousand (31.12.2014: PLN 13,603 thousand). The market value approximates the value from the decision. The Group's companies pay the annual fee of 3 % of the value. The fee in 2015 and in the previous year amounts to PLN 415 thousand.

12. Related party transactions

12.1 The issuer's transactions with its subsidiaries

a) Revenue from the sale of products and trade goods

Types of revenue	2015	2014
Revenue from the sale of products to subsidiaries	189	66
Revenue from the sale of trade goods to subsidiaries	82	
Revenue from the sale of raw materials to subsidiaries		485
Revenue from the sale of production raw materials	1,422	
Total revenue from related parties	**1,693**	**551**

The selling price is determined using the cost-plus pricing method or on the basis of price lists used in transactions with unrelated parties.

in PLN 000s

b) Purchases of trade goods and services

Types of purchases	2015	2014
Purchases of products from subsidiaries	6,835	4,407
Purchases of services from subsidiaries	86	82
Purchases of trade goods from subsidiaries	1,440	2,424
Purchases of property, plant and equipment from subsidiaries		5
Total purchases from related parties	**8,361**	**6,918**

c) Other transactions

Types	2015	2014
Interest on granted loans	638	641
Total	**638**	**641**

d) Balances as of the balance sheet date arising from sale/purchase of trade goods/services

Settlements with subsidiaries	2015	2014
Receivables - ZPZ Lublin	29	
Receivables - OZENERGY	5	4
Liabilities - ZPZ Lublin		270
Liabilities – PPZ Bronisław	902	80
Balance of settlements with related parties	**868**	**354**

e) Balance of settlements of cash loans

Subsidiary	Contractual cash loan amount	Debt as at	
		31.12.2015	31.12.2014
ZPZ Lublin	3,000	3,000	3,000
PPZ BRONISŁAW	6,500	5,800	5,800
Total receivables from related parties	**9,500**	**8,800**	**8,800**

12.2 The issuer's transactions with its associate

a) Balance of settlements of cash loans

Cash loans granted by PEPEES	2015	2014
CHP Energia Sp. z.o.o.	3,347	2,905
Balance of settlements with the associate	**3,347**	**2,905**

in PLN 000s

b) Interest on granted loans

Types	2015	2014
Interest on granted loans	523	341
Total	**523**	**341**

All related party transactions are an arm's length transactions.

12.3 The issuer's transactions with the key management and supervisory personnel

a) benefits for the key management personnel (members of the Board of Directors) and members of the Supervisory Board (PLN 000s)

Board of Directors in PLN 000s	**2015**	**2014**
Short-term benefits	**1,091**	**1,084**
Post-employment benefits	0	0
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments	0	0
Supervisory Board in PLN 000s		
Short-term benefits	**317**	**336**
Post-employment benefits	0	0
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments	0	0

b) transactions with key employees and members of their families

In the reporting period, the Company did not enter into any transactions with key employees and members of their families.

13. Financial risk management

The main types of risks associated with the Group's financial instruments include the interest rate risk, the liquidity risk, the currency risk and the credit risk. The Boards of Directors of the companies verify and agree on the principles of the management of each of the aforementioned risks and these principles are briefly discussed below. The Group also monitors the risk of market prices related to all financial instruments held by it.

Interest rate risk

The Group's exposure to the interest rate risk pertains primarily to loans whose interest rates are based on the rediscount rate on bills of exchange and WIBOR rate. As all long-term loans bear low interest rates, the interest rate risk is not high and the Group have not concluded interest rate swaps.

The table below shows the sensitivity of the gross profit/loss on an annual basis to reasonably possible changes in interest rates, all other things being equal (due to commitments with a variable interest rate).

in PLN 000s

Increase/decrease by percentage points	Impact on profit/loss	
	2015	2014
Increase in interest rates of loans by 1 %	(376)	(260)
Decrease in interest rates of loans by 1 %	376	260

Currency risk

- The Group is exposed to risks associated primarily with the euro in relation to concluded transactions. Such risk arises as a result of export sales and the sales to the European Union countries. The Group did not hedge its currency risk using any financial instruments (e.g. currency options or other derivatives). Due to the specific nature of the Group's business, apart from proceeds in foreign currencies from the sales of trade goods, the Group also makes substantial purchases in the euro. These items are in balance to a great extent and, on the whole, reduce the currency risk impact on the business and financial results.

The table below shows the sensitivity of the gross profit/loss to changes in the value of revenue and expenses in the case of the fluctuations of the USD and EUR exchange rates by 0.1 for PLN/EUR/USD.

Increase/decrease in exchange rates	Impact on profit/loss	
	2015	2014
Increase in PLN/USD exchange rate by 0.1	11	12
Increase in PLN/EUR exchange rate by 0.1	874	510
Decrease in PLN/USD exchange rate by 0.1	(11)	(12)
Decrease in PLN/EUR exchange rate by 0.1	(874)	(510)
Total impact on profit/loss	**+/-885**	**+/-522**

In addition, the Group holds cash in the bank account and receivables denominated in the euro and in the US dollar.
The effects of changes in the exchange rates as at the balance sheet date for USD and EUR by 0.1 for PLN/EUR/USD are presented in the table below.

Increase/decrease in exchange rates	Impact on profit/loss	
	2015	2014
Increase in PLN/USD exchange rate by 0.1	1	1
Increase in PLN/EUR exchange rate by 0.1	29	58
Decrease in PLN/USD exchange rate by 0.1	(1)	(1)
Decrease in PLN/EUR exchange rate by 0.1	(29)	(58)
Total impact on profit/loss	**+/-30**	**+/-59**

in PLN 000s

The effects of changes in the exchange rates for the balance of settlements as at the balance sheet date in USD and EUR by 0.1 for PLN/EUR/USD are presented in the table below.

Increase/decrease in exchange rates	**Impact on profit/loss**	
	2015	**2014**
Increase in PLN/USD exchange rate by 0.1	(5)	(1)
Increase in PLN/EUR exchange rate by 0.1	(77)	(41)
Decrease in PLN/USD exchange rate by 0.1	5	1
Decrease in PLN/EUR exchange rate by 0.1	77	41
Total impact on profit/loss	**+/-82**	**+/-42**

Commodities risk

The price risk in the “processing of potatoes” segment is material, as the prices depend on such factors as weather. There are substantial price fluctuations during the year; however, the Group has not yet applied any hedging for them.

Credit risk

Financial assets which might potentially expose the Group to the concentration of credit risk, comprise mainly investments, trade receivables and other receivables. Cash and restricted cash are deposited in financial institutions which, in the opinion of the Company's Board of Directors, are reliable and trustworthy.

The Group is exposed, to a great extent, to the credit risk related primarily to trade receivables. In the course of its commercial activities, the Company sells products and services to economic operators on deferred settlement terms; as a result, there may arise the risk of not receiving payments from counterparties for supplied products and rendered services. The Company, to mitigate the credit risk and to maintain the lowest possible working capital, manages the risk using the procedure of granting trade credit limit to counterparties and determining the security for it. KUKE S.A. evaluates counterparties and insures receivables. The assumed payment period for receivables for normal sales is 14-60 days. A counterparty making purchases on deferred settlement terms is evaluated individually in terms of credit risk. Counterparty receivables are monitored on a regular basis by the Financial Department. In the case of past due receivables, the procedure is to suspend sales and launch the debt collection process.

Liquidity risk

The Group aims to maintain the balance between the continuity and flexibility of financing, using various sources of finance such as bank overdrafts, long- and short-term bank loans, and leases.

14. Capital management

The primary objective of the Group's capital management is to ensure the ability to continue as a going concern, having regard for the completion of planned investments, and, at the same time, to maximize the Group's shareholder value.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's net debt comprises loans, borrowings, finance lease payables, trade and other payables, less cash and cash equivalents. Equity comprises equity attributable to the equity holders of the parent.

Amounts in PLN 000s

	31.12.2015	**31.12.2014**
Loans, borrowings, finance lease payables	86,519	53,713
Trade and other payables	10,429	16,347
Cash and cash equivalents (-)	(24,838)	(2,434)
Net debt	72,110	67,626
Equity	109,136	103,867
Equity and net debt	181,246	171,493
Gearing ratio	**39.79 %**	**39.43 %**

The financing structure is monitored to ensure the necessary funds for investments provided for in the Strategy of PEPEES Group for 2013-2018.

In 2015, the gearing ratio deteriorated slightly due to the increase in loan debt.

15. Dividend

The companies of the Group did not pay any dividend in the reporting period and in the comparative period. Boards of Directors of the companies did not declare or propose dividend from the distribution of profit for 2015.

16. Average employment in the Group

Specification	**Average number of employees in 2015**	**Average number of employees in 2014**
Administrative employees	117	117
Workers	274	231
Employees on parental leaves and unpaid leaves	4	2
Total	**395**	**350**

in PLN 000s

17. The auditor's remuneration

The registered auditor's remuneration for the review and audit of financial statements of the Group's companies and of the consolidated financial statements amounts to PLN 64 thousand plus VAT.
The registered auditor did not render any other services to PEPEES Group.

18. Events after the reporting period

- The Board of Directors of PEPEES made a declaration on the termination of the agreement concluded on 1 August 2014 with GEA Process Engineering Sp. z o.o. with the value of PLN 6,415 thousand. The subject of the agreement was the assembly of a pneumatic drying room for potato starch with the capacity of 180 tons/day with the humidity level of 20 %. The Board of Directors terminated the agreement, as the drying room did not meet the pre-determined technical parameters.
- The Group signed annexes with related parties to extent cash loan repayment periods and change the interest rate.
- On 9 March 2016, TRADO S.A. sold all shares of PEPEES held by it, i.e. 8,600,000 shares, to Mr Michał Skotnicki. Following this transaction, Mr Michał Skotnicki and Mr Maksymilian Skotnicki (family members) hold jointly 28,132,088 shares, which account for 29.613 % of the share capital and give them the right to 28,132,088 votes at the General Meeting of the Shareholders, which account for 29.613 % of the total number of votes at the General Meeting of the Shareholders.

19. Authorising financial statements for issue

These consolidated financial statements were authorised for issue by the Board of Directors of the Parent Company on 17 March 2016.

1.1. SIGNATURES OF ALLMEMBERS OF THE BOARD OF DIRECTORS OF THE PARENT COMPANY

Date	Name	Title/Function	Signature
17.03.2016	Wojciech Faszczewski	President of the Board of Directors	
17.03.2016	Krzysztof Homenda	Member of the Board of Directors / Chief Financial Officer	

SIGNATURE OF THE PERSON WHO PREPARED THE REPORT

Date	Name	Title/Function	Signature
17.03.2016	Wiesława Załuska	Chief Accountant	

in PLN 000s

PODPISY CZŁONKÓW ZARZĄDU JEDNOSTKI DOMINUJĄCEJ

Data	Imię i Nazwisko	Stanowisko/Funkcja	Podpis
17.03.2016	Wojciech Faszczewski	Prezes Zarządu	Wojciech Faszczewski
17.03.2016	Krzysztof Homenda	Członek Zarządu/ Dyrektor Finansowy	

PODPIS OSOBY, KTÓRA SPORZĄDZIŁA SPRAWOZDANIE

Data	Imię i Nazwisko	Stanowisko/Funkcja	Podpis
17.03.2016	Wiesława Załuska	Główna księgowa	