THE GROUP OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES" S.A.

CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE PERIOD FROM 1 JANUARY 2016
TO 31 DECEMBER 2016

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

17 March 2017

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	ASSETS	*Note*	*As at 31.12.2016*	*As at 31.12.2015*
I	**Non-current (long-term) assets**		**138,339**	**102,971**
1	Property, plant and equipment	8.1	119,315	89,196
2	Intangible assets	8.3	298	460
3	Goodwill arising on consolidation		6,607	486
4	Investments in other entities	8.4	113	113
5	Advances	8.11	9,649	10,391
6	Deferred tax assets	8.21	2,357	2,325
II	**Current (short-term) assets**		**133,827**	**117,917**
1	Inventories	8.5	77,283	64,111
2	Biological assets		158	172
3	Trade receivables	8.6	25,763	18,118
4	Current income tax receivables			
5	Other receivables	8.7 8.8	2,317	4,237
5	Advances	8.10	1,398	1,085
6	Cash loans	12.2	182	2,806
7	Investments held for trading	8.4	2,550	2,550
8	Cash and cash equivalents	8.11	24,176	24,838
III	**Non-current assets held for sale**			
	Total assets		**272,166**	**220,888**

	EQUITY AND LIABILITIES		*As at 31.12.2016*	*As at 31.12.2015*
I	**Equity**		**129,119**	**109,854**
	Equity attributable to equity holders of the parent		***128,199***	***109,136***
1	Share capital	8.12	5,700	5,700
2	Reserve capital and other reserves	8.13	106,065	99,735
3	Revaluation reserve	8.13	(278)	(391)
4	Retained earnings/loss	8.14	(888)	(1,196)
5	Profit/loss for the year		17,600	5,288
	Non-controlling interests		***920***	***718***
II	**Non-current liabilities**		**42,696**	**23,417**
1	Loans and borrowings	8.15	22,370	7,916

2	Liabilities related to leased assets	8.16	4,677	4,246
3	Deferred tax liabilities	8.21	5,722	6,018
4	Retirement and similar benefits obligations	8.17	2,240	2,509
5	Grants	8.20	7,687	2,728
III	**Current liabilities**		**100,351**	**87,617**
1	Trade payables	8.18	11,956	7,511
2	Current income tax liabilities	9.10	3,118	869
3	Other current liabilities	8.18	5,088	2,918
4	Loans and borrowings	8.15	76,080	73,114
5	Liabilities related to leased assets	8.16	1,901	1,243
6	Retirement and similar benefits obligations	8.17	331	240
7	Provisions for other liabilities and other charges	8.20	1,877	1,722
	Total equity and liabilities		**272,166**	**220,888**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Revenue and expenses ***Profit and loss***	***Note***	***01.01.2016-31.12.2016***	***01.01.2015-31.12.2015***
I	**Sales revenue**			
1	Revenue from the sales of products	9.1	170,534	128,808
2	Revenue from services	9.2	1,014	944
3	Revenue from the sales of trade goods and materials	9.3	14,127	11,801
	Total sales revenue, including:	7.5 7.6	**185,675**	**141,553**
	- revenue from continuing operations		***185,675***	***141,553***
	- revenue from discontinued operations			
II	**Cost of sales**			
1	Cost of products sold	9.4	(121,487)	(98,391)
2	Cost of services sold	9.4	(435)	(298)
3	Costs of trade goods and materials sold		(11,737)	(10,399)
4	Profit/loss from agricultural production		(1,488)	(587)
	Total cost of sales, including:		**(135,147)**	**(109,675)**
	- cost from continuing operations		***(135,147)***	***(109,675)***
	- cost from discontinued operations			
III	**Gross profit from sales (I-II)**		**50,528**	**31,878**
1	Selling and marketing expenses	9.4	(8,920)	(7,081)
2	Administrative expenses	9.4	(19,484)	(16,703)
3	Other operating income	9.6	1,896	991
4	Other operating expenses	9.7	(436)	(478)
IV	**Operating profit (loss)**		**23,584**	**8,607**
1	Finance costs	9.8	(1,515)	(1,411)
2	Finance income	9.9	606	746
3	Share of profit of an associate			(799)
V	**Profit (loss) before tax, including:**		**22,675**	**7,143**
	- profit (loss) before tax from continuing operations		*22,675*	*7,143*
	- profit (loss) before tax from discontinued operations			
	Income tax expense	9.10	(4,777)	(1,801)
VI	**Net profit (loss)**		**17,898**	**5,342**
	Net profit (loss) attributable to equity holders of the parent		17,600	5,288
	Net profit (loss) attributable to non-controlling interests		298	54
VII	**Other comprehensive income**		**113**	**(12)**
1	Effects of the valuation of financial assets available-for-sale			

2	Revaluation of employee benefit liabilities		113	(12)
VIII	**Total comprehensive income, including:**		**18,011**	**5,330**
	Net comprehensive income attributable to equity holders of the parent		17,713	5,276
	Comprehensive income attributable to non-controlling interests		298	54
IX	**Net earnings (loss) per share, including:**	9.11	**0.19**	**0.06**
	- net earnings (loss) per share from continuing operations		***0.19***	***0.06***
	- net earnings (loss) per share from discontinued operations			

PLN 000s

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 1 January 2015	**5,700**	**52,470**	**(379)**	**43,859**	**2,217**	**103,867**	**657**	**104,524**
Changes in 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 December 2015	**5,700**	**52,255**	**(391)**	**47,480**	**4,092**	**109,136**	**718**	**109,854**
As at 1 January 2015	**5,700**	**52,255**	**(391)**	**47,480**	**4,092**	**109,136**	**718**	**109,854**
Changes in the period from 01.01.2016 to 31.12.2016						-		-
Distribution of profit (loss) for 2015		413		5,917	(6,330)	-		-
Net profit (loss) for the period					17,600	17,600	298	17,898
Other comprehensive income for the year (net)			113			113		113
Other changes in equity					1,350	1,350	(96)	1,254
As at 31 December 2016	**5,700**	**52,668**	**(278)**	**53,397**	**16,712**	**128,199**	**920**	**129,119**

PLN 000s

CONSOLIDATED STATEMENT OF CASH FLOWS

Indirect method	*01.01.2016-31.12.2016*	*01.01.2015-31.12.2015*
A. Cash flows from operating activities		
I. Profit (loss) before tax	22,675	7,143
II. Total adjustments	**(8,595)**	**86**
1. Depreciation and amortisation	7,047	6,381
2. Foreign exchange (gains) losses	(125)	(112)
3. Interest and share of profit (dividend)	1,438	815
4. (Profit) loss from investing activities	(1,135)	(105)
5. Net increase/decrease in provisions	(433)	39
6. Net increase/decrease in inventories	(8,553)	3,921
7. Net increase/decrease in biological assets	14	(46)
8. Net increase/decrease in receivables	(4,854)	(3,163)
9. Net increase/decrease in current liabilities, except for loans and borrowings	2,604	(5,918)
10. Net increase/decrease in advances	(700)	(43)
11. Income tax paid	(2,884)	(995)
12. Net increase/decrease in grants	(251)	(331)
13. Received additional payments	(795)	
14. Other adjustments	32	(357)
III. Net cash flows from operating activities (I+/-II)	**14,080**	**7,229**
B. Cash flows from investing activities		
I. Proceeds	**2,346**	**4,099**
1. Disposal of intangible assets and property, plant and equipment	2,224	3,958
2. Received dividends	122	61
3. Repayment of loans		80
II. Expenses	**12,740**	**15,961**
1. Acquisition of intangible assets and property, plant and equipment	12,555	15,961
2. Acquisition of shares and interests	10	
3. Granted loan	175	
III. Net cash flows from investing activities (I-II)	**(10,394)**	**(11,862)**
C. Cash flows from financing activities		
I. Proceeds	**73,730**	**75,009**
1. Loans and borrowings	72,935	74,446
2. Proceeds from shares issued	795	
3. Received additional payments	-	563
II. Expenses	**70,508**	**53,007**
1. Repayments of loans and borrowings	67,216	51,142
2. Interest on loans and borrowings	1,561	958
3. Lease payments	1,731	907
III. Net cash flows from financing activities (I-II)	**3,222**	**22,002**
D. Total net cash flows (A.III+/-B.III+/-C.III)	**6,908**	**17,369**
F. Cash at the beginning of period	**16,210**	**(1,201)**
F. Cash at the end of period (F+/- D)	**23,118**	**16,168**
including restricted cash		-

PLN 000s

SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

NO.	SELECTED FINANCIAL FIGURES	PLN 000s		EUR 000s	
		2016	2015	2016	2015
I	Total sales revenue	185,675	141,553	42,433	33,826
II	Net profit attributable to equity holders of the parent	17,600	5,288	4,022	1,264
III	Net comprehensive income attributable to equity holders of the parent	17,713	5,276	4,048	1,261
IV	Net cash flows from operating activities	14,080	7,229	3,218	1,727
V	Net cash flows from investing activities	(10,394)	(11,862)	(2,375)	(2,835)
VI	Net cash flows from financing activities	3,222	22,002	736	5,258
VII	Total net cash flows	6,908	17,369	1,578	4,151
VIII	Total assets	272,166	220,888	61,520	51,833
IX	Equity	128,199	109,136	28,978	25,610
X	Earnings (loss) per share	0.19	0.06	0.042	0.013
XI	Comprehensive income per share	0.18	0.06	0.042	0.013
XII	Book value per share	1.35	1.15	0.31	0.27

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 31.12.2016 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.4240;
- selected items of the statement of financial position as at 31.12.2015 – at the average exchange rate as at the balance sheet date: EUR 1 = PLN 4.2615;
- selected items of the statement of comprehensive income and of the statement of cash flows for the period from 01.01.2016 to 31.12.2016 – 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 2016: EUR 1 = PLN 4.3757;
- 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 2016: EUR 1 = PLN 4.1848.

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

Identifier REGON [Company Stat. ID No.]: 450096365

NIP [Tax ID No.] 7181005512

Registration authority ....District Court in Białystok, XII Commercial 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 31.12.2016:

Mr Wojciech Faszczewski – President of the Board of Directors
Mr Tomasz Rogala – Member of the Board of Directors

The composition of the Supervisory Board as at 31.12.2016:

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

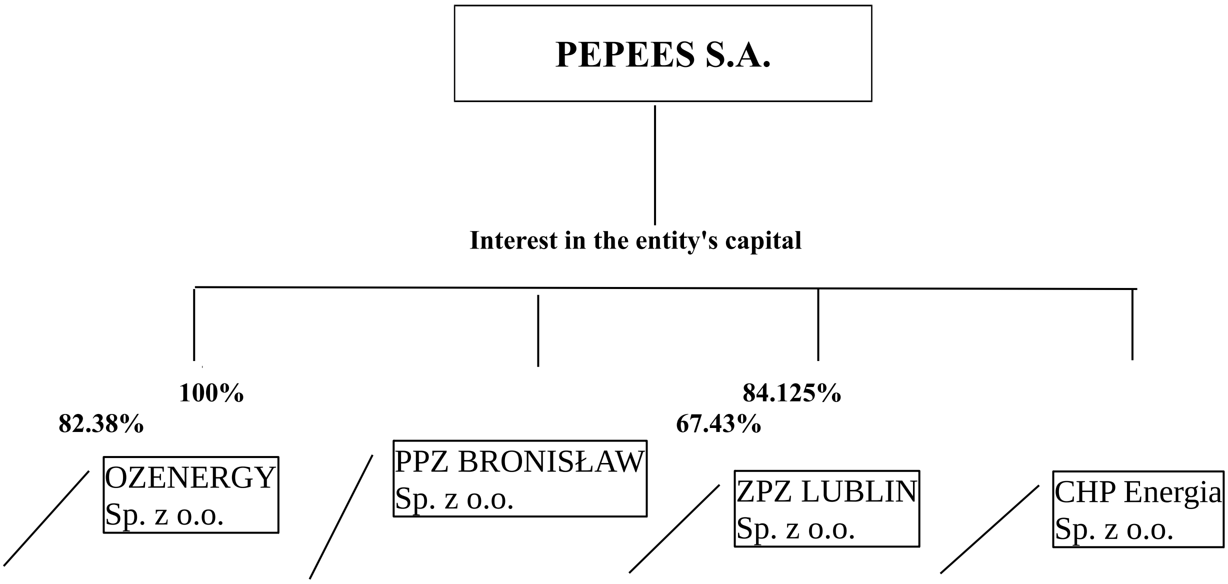
2. Reporting periods

These consolidated financial statements cover the period from 1 January 2016 to 31 December 2016, and comparative financial information and explanatory notes cover the period from 1 January 2015 to 31 December 2015.
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.

PLN 000s

3. The Group structure

3.1 The structure of the Group as at 31 December 2016



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.	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)	67.43	67.43

All subsidiaries were consolidated with the full method.

3.2 Changes in the Group

On 24 October 2016, the Extraordinary General Meeting of Shareholders of CHP Energia sp. z o.o. ('CHP Energia') decided to increase the share capital of this company by issuing 6,000 new shares which were subscribed for by the Issuer. The said shares were subscribed for at PLN 850 per share, i.e. for the total amount of PLN 5.1 million. As a result of the shares subscription, the Issuer's share in the share capital of/total number of votes in CHP Energia has increased from the present 24.91% to 67.43% and, hence, CHP Energia will become the Issuer's subsidiary. The biogas plant run by CHP Energia uses agricultural raw materials in its production and, as a result, owing to the inclusion of this asset in the Issuer's Group, the production process for basic products in the Group's offer will be expanded with another link of the production chain. This is related to a need to dispose of by-products (potato pulp) created in the aforementioned production process. Notwithstanding the foregoing, the increased interest in CHP Energia is also associated with the expected development of this entity's main revenue-generating activities related to the production of electricity and heat.

4. Significant accounting policies

4.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with IAS, IFRS and related interpretations published in the form of regulations of the European Commission, and with the accounting policies adopted by the Company.
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 2016.
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 intra-group receivables and liabilities, revenue and expenses related to transactions between consolidated entities, profit and losses from intra-group 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 currency translation

The Polish złoty is 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

CO_2 emission allowances are recognised as intangible assets that are not subject to amortisation, but are subject to impairment analysis.
Purchased units of emission allowances are recognised at cost and those obtained free of charge at nominal value, i.e. the null value.
For estimated CO_2 emissions in the reporting period, a provision is recognised in the costs of the main revenue-generating activities.
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. The sale of allowances is recognised using the first-in, first-out (FIFO) method.

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" were classified as investments held for trading and measured at cost.

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, grass, 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 the amounts due. When the measurement at amortised cost differs significantly from the measurement at the amount due then trade payables are measured at amortised cost.

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 for the main revenue-generating activities 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 2016, 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;
- received dividends;
- 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

Until October 2016, the Group had been operating in a single, main reporting segment covering the processing of potatoes to obtain starch, dried potato-based products and starch hydrolysates. It had identified a single segment in its daily records and internal reports.
An increased interest in CHP Energia, whose main revenue-generating activities comprise the generation of electricity from agricultural biogas, has resulted in the separation of an additional segment. Currently, the Group presents two operating segments which are subject to a detailed assessment by the management authorities, i.e. “processing of potatoes” and “power generation”.

4.41 New accounting standards and interpretations applied for the first time

The application of new interpretations and amendments to standards in 2016 had no impact on the Company’s financial position.

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* effective for 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, effective for annual periods beginning on or after 1 January 2016 (not adopted by the European Commission).

c) IFRS 15 *Revenue from Contracts with Customers* – effective for annual periods beginning on or after 1 January 2018. 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* – effective for annual periods beginning on or after 1 January 2019. This standard eliminates differences between finance and operating lease.

e) Amendments to IAS 7 effective for periods beginning on or after 1 January 2017. The amendments provide for disclosures that will make it possible to evaluate changes in liabilities arising from financing activities, resulting both from cash flows and non-cash changes.

f) Amendments to IAS 12 effective for periods beginning on or after 1 January 2017. The amendments clarify e.g. unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes.

g) Amendments to IFRS 10 and IAS 28, for which the effective date has been deferred indefinitely. 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.

h) Amendments to IFRS 2, effective for annual periods beginning on or after 1 January 2018. The amendments clarify existing provisions concerning the recognition of specific types of share-based payment transactions and clarify issues notified to the International Financial Reporting Interpretations Committee (IFRIC).

i) Amendments to IFRS 4, effective for annual periods beginning on or after 1 January 2018. The amendments to IFRS 4 provide for two acceptable approaches, i.e. the overlay approach and the deferral approach. The amended standard permits entities which conclude insurance contracts to recognise in other comprehensive income, and not in profit or loss, the impact of the differences which may arise due to the application of IFRS 9, before the new standard concerning insurance business is issued. And, in the case of entities whose activities are related mainly to insurance, the amended standard provides for a temporary exemption from the application of IFRS 9 until 2021. The entities deferring the application of IFRS 9 will apply the current IAS 39.

j) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*, effective for annual periods beginning on or after 1 January 2018. The interpretation clarifies the exchange rate to be applied for transactions in foreign currencies that are related to the receipt of advance consideration accounted for before the entity recognises the related asset, expense or income.

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 2016, the Group did not change accounting policies and did not correct errors from previous years.

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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 31.12.2016**	**As at 31.12.2015**
At fair value through profit or loss		
Held for trading	2,550	2,550
Derivatives		
Held-to-maturity investments		
Loans and receivables (including cash)	52,256	47,193
Available-for-sale financial assets	113	113
Total financial assets	**54,919**	**49,856**

Financial assets recognised in the financial statements as:	**As at 31.12.2016**	**As at 31.12.2015**
Equity-accounted investments		
Investments in other entities	113	113
Investments held for trading	2,550	2,550
Trade receivables	25,763	18,118
Other receivables	2,317	4,237
Cash and cash equivalents	24,176	24,838
Total financial assets	**54,919**	**49,856**

Financial liabilities	**As at 31.12.2016**	**As at 31.12.2015**
At fair value through profit or loss		
Held for trading		
Derivatives		
Amortised cost	105,028	86,519
Other liabilities	17,044	10,429
Total financial liabilities	**122,072**	**96,948**

Financial liabilities recognised in the financial statements as:	**As at 31.12.2016**	**As at 31.12.2015**
Long-term loans and borrowings	22,370	7,916
Liabilities related to leased assets	6,578	5,489
Trade payables	11,956	7,511
Short-term loans and borrowings	76,080	73,114
Other current liabilities	5,088	2,918
Total financial liabilities	**122,072**	**96,948**

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7. Segment reporting

7.1 Products and services

Within the segment: "the processing of potatoes", the Company 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.

In the "power generation" segment, the Company produces:

- electricity from agricultural biogas;
- heat for its own needs used e.g. to dry animal feeds.

In 2016, there has been a change in the composition of reporting segments due to the involvement in CHP Energia.

7.2 Segment revenue and results

Segment	**Revenue**		**Segment profit**	
	For 2016	**For 2015**	**For 2016**	**For 2015**
Processing of potatoes	184,402	141,553	22,298	8,094
- including inter-segmental	185			
Power generation	1,273		(174)	
Other operating income			1,896	991
Other operating expenses			(436)	(478)
Finance income			606	746
Finance costs			(1,515)	(1,411)
Share of profit (loss) of an associate				(799)
Profit (loss) before tax			**22,675**	**7,143**

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7.3 Segment assets and liabilities

Segment assets	As at 31.12.2016	As at 31.12.2015
Processing of potatoes	243,806	220,888
Power generation	28,360	
Total segment assets	**272,166**	**220,888**

Segment liabilities	As at 31.12.2016	As at 31.12.2015
Processing of potatoes	114,217	111,034
Power generation	28,830	
Total segment liabilities	**143,047**	**111,034**

All assets and liabilities of CHP Energia are allocated to the “power generation” segment, and all other assets and liabilities disclosed in the consolidated financial statements are allocated to the “processing of potatoes” segment.

7.4 Other segment information

Segment	Depreciation and amortisation		Increase in non-current assets	
	For 2016	For 2015	For 2016	For 2015
Processing of potatoes	6,854	6,182	13,444	16,138
Power generation	193		44	
Total for continuing operations	**7,047**	**6,182**	**13,488**	**16,138**

7.5 Revenue by products

Product or service	Sales revenue	
	2016	2015
Starch	109,128	82,634
Glucose	8,500	6,791
Maltodextrin	15,245	13,358
Potato flakes	7,351	3,232
Protein	11,246	7,258
Starch syrups	5,491	5,404
Hydrol	336	139
Dried potato-based products (grits, cubes, dumplings)	8,642	6,455
Heat	3,429	3,537
Electricity	145	
Animal feedingstuff	112	
Property rights (electricity and heat)	909	
Trade goods and materials	14,127	11,801
Services	1,014	944
Total	**185,675**	**141,553**

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7.6 Sales revenue by territories:

Specification	2016	2015
Poland, including	**121,325**	**107,357**
Starch	54,752	53,555
Glucose	8,236	6,762
Maltodextrin	13,754	12,341
Potato flakes	6,543	3,193
Protein	6,054	4,466
Starch syrups	5,491	5,404
Hydrol	336	139
Dried potato-based products (grits, cubes, dumplings)	8,642	6,455
Heat	3,429	3,537
Electricity	145	
Animal feedingstuff	112	
Property rights (electricity and heat)	909	
Trade goods	11,908	10,561
Services	1,014	944
EU countries - intra-Community supplies, including:	**15,542**	**11,166**
Starch	10,544	8,957
Maltodextrin	1,485	1,007
Glucose	60	15
Potato flakes	549	
Protein	1,574	1,124
Dried potato-based products (grits, cubes, dumplings)	0	39
Trade goods	1,330	24
Other countries – export, including:	**48,808**	**23,030**
Starch	43,831	20,122
Glucose	204	14
Maltodextrin	6	10
Protein	3,618	1,668
Flakes	260	
Trade goods	889	1,216
Total	**185,675**	**141,553**

7.7 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:

- more than 10% of protein was sold to each of two foreign and each of two Polish customers;
- more than 10% of maltodextrin was sold to each of the three Polish customers;
- about 15% of glucose - to one Polish customer.

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8. Explanatory notes to the consolidated statement of financial position

8.1 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT	As at 31.12.2016	As at 31.12.2015
a) fixed assets, including:	110,611	80,944
- land	3,401	1,117
- buildings and civil engineering works	74,161	55,668
- plant and machinery	26,719	22,090
- means of transport	3,334	1,712
- other fixed assets	2,996	357
b) assets under construction	8,704	8,252
Total property, plant and equipment	**119,315**	**89,196**

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 2015						
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 (due to)		7,703	7,576	803	56	16,138
- 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
- sale			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		**28,650**	**40,385**	**1,690**	**815**	**71,540**
Net book value	**1,117**	**55,668**	**22,090**	**1,712**	**357**	**80,944**
2016						
Gross value at the beginning of period	1,117	84,318	62,475	3,402	1,172	152,484

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Increases (due to)	2,284	23,185	8,164	2,201	2,893	38,727
- consolidation of a new entity	1,100	17,922	3,141	396	2,680	25,239
- investments		5,263	3,127			8,390
- purchases	1,184		467	1,225	213	3,089
- lease			1,429	580		2,009
Decreases (due to)			583	450	6	1,039
- sale				396		396
- retirement			583	54	6	643
Derecognition of the accumulated depreciation of sold and retired fixed assets			(583)	(364)	(1)	(948)
Increase in accumulated depreciation due to the acquisition of a new entity		674	202	55	77	1,008
Depreciation		4,018	3,333	438	172	7,961
Net book value at the end of period	3,401	74,161	26,719	3,334	2,996	110,611
As at 31.12.2016						
Gross value	**3,401**	**107,503**	**70,056**	**5,153**	**4,059**	**190,172**
Accumulated depreciation	**0**	**33,342**	**43,337**	**1,819**	**1,063**	**79,561**
Net book value	**3,401**	**74,161**	**26,719**	**3,334**	**2,996**	**110,611**

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 82,984 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;
- contractual mortgage amounting to PLN 8,288 thousand for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo;
- contractual mortgage amounting to PLN 6,761 thousand for the benefit of Bank Spółdzielczy in Brańsk;
- contractual mortgage amounting to PLN 6,761 thousand for the benefit of Bank Spółdzielczy Branch in Andrzejów;
- a registered pledge on fixed assets amounting to PLN 15,227 thousand for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo;
- contractual mortgage amounting to PLN 1,360 thousand for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo;
- contractual mortgage amounting to PLN 5,100 thousand for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo;
- contractual mortgage amounting to PLN 1,700 thousand for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo;

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- a registered pledge on plant and machinery amounting to PLN 15,631 thousand for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo;
- 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 22,370 thousand (31.12.2015: PLN 10,124 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 50 thousand (2015: PLN 5 thousand).

8.2 Investment properties

In the reporting period, the Group did not hold any investment properties.

8.3 Intangible assets

INTANGIBLE ASSETS	As at 31.12.2016	As at 31.12.2015
a) acquired concessions, patents, licenses and similar assets,	104	133
- computer software	24	53
b) greenhouse gas emission allowance	194	327
Total intangible assets	**298**	**460**

NET INCREASE/DECREASE IN INTANGIBLE ASSETS	acquired concessions, patents, licenses and similar assets, including: computer software	greenhouse gas emission allowance	other intangible assets	Total
As at 1 January 2015				
Gross value	**691**			**691**
Accumulated amortisation	**601**			**601**
Net book value	**90**			**90**
2015				0
Gross value at the beginning of period	691			691
Increases (due to)	81	975	0	1056
- purchases	81	975		1056
Decreases (due to)	0	648	0	648
- sale		307		307
- utilisation		341		341
Amortisation	38			38
Net book value at the end of period	133	327		460
As at 31 December 2015				0
Gross value	**772**	**327**	**0**	**1099**
Accumulated amortisation	**639**	**0**	**0**	**639**
Net book value	**133**	**327**	**0**	**460**

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2016				0
Gross value at the beginning of period	772	327	0	1099
Increases (due to)	19	513		532
- acquisition of a new entity - consolidation	19			
- purchases		513		513
Decreases (due to)	207	646	0	853
- utilisation	207	646		853
Amortisation	48			48
Net book value at the end of period	104	194		298
As at 31 December 2016				0
Gross value	**584**	**194**	**0**	**778**
Accumulated amortisation	480	0		**480**
Net book value	**104**	**194**	**0**	**298**

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

8.4 Investments in other entities

MOVEMENT ON INVESTMENTS IN OTHER ENTITIES	2016	2015
a) balance at the beginning of period	113	113
- shares or interests	113	113
b) increases (due to)		
- purchases		
c) decreases (due to)		
- sale		
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.

8.5 Inventories

INVENTORIES	As at 31.12.2016	As at 31.12.2015
a) materials	6,379	2,885
b) semi-finished products and work in progress	4,310	1,491
c) finished products	63,410	55,221
d) trade goods	3,184	4,514

PLN 000s

Total inventories	**77,283**	**64,111**

Inventories recognised as an expense in the reporting period amounted to PLN 128,724 thousand (106,287).
Write-downs recognised as expenses in the period amounted to PLN 147 thousand and PLN 61 thousand in 2015.
The reversal of write-downs of inventories in 2016 amounted to PLN 58 thousand (2015: PLN 3 thousand).
Write-downs as at 31.12.2016 amount to PLN 182 thousand (31.12.2015: PLN 93 thousand).

The carrying amount of inventories securing the repayment of bank loans amounts to PLN 65,753 thousand (31.12.2015: PLN 60,660 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 31.12.2016 amounts to PLN 24,283 thousand;
- a registered pledge on inventories for the benefit of BGŻ BNP PARIBAS, securing loans for which the debt as at 31.12.2016 amounts to PLN 21,064 thousand.

8.6 Trade receivables

TRADE RECEIVABLES BY CURRENCIES	**As at 31.12.2016**	**As at 31.12.2015**
a) in the Polish currency	25,048	14,793
b) in foreign currencies (by currencies and after translation into PLN)	715	3,325
b1. unit/currency 000s/USD	59	45
PLN 000s	381	170
b2. unit/currency 000s/EUR	79	767
PLN 000s	334	3155
Total current receivables	**25,763**	**18,118**

(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:	**As at 31.12.2016**	**As at 31.12.2015**
a) up to 1 month	18,623	8,316
b) over 1 month up to 3 months	4,029	7,281
c) over 3 months up to 6 months		1,465
d) over 6 months up to 1 year	1,020	36
e) over 1 year		-
f) past due receivables	3,080	2,571
Total (gross) trade receivables	26,752	19,669
- write-downs of trade receivables	(989)	(1,551)
Total (net) trade receivables	**25,763**	**18,118**

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.

PLN 000s

8.7 Other receivables

OTHER RECEIVABLES	As at 31.12.2016	As at 31.12.2015
- taxes, grants, customs, social security and health insurance and other	2,297	3,940
- advances for supplies		207
- other	20	90
Total net other current receivables	**2,317**	**4,237**
Write-downs of other receivables		
Total gross other current receivables	**2,317**	**4,237**

8.8 Receivables in litigation

RECEIVABLES IN LITIGATION	As at 31.12.2016	As at 31.12.2015
Gross receivables in litigation	7	7
Write-downs of receivables	(7)	(7)
Total net other current receivables	**0**	**0**

8.9 Write-downs of receivables

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	2016	2015
At the period beginning	1,558	963
a) increases (due to)	174	692
- recognition for doubtful trade receivables	64	2
- recognition for interest receivable	49	690
- recognition for receivables in litigation	61	-
b) decreases (due to)	736	97
- reversal of provisions due to payment	78	92
- utilisation due to the writing-off and sale of receivables		78
- cancellations	658	3
Write-downs of current receivables at the end of period	**996**	**1,558**

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

8.10 Advances

ADVANCES	As at 31.12.2016	As at 31.12.2015
a) long-term, including:	9,649	10,391
- rent for the lease of an agricultural holding	9,649	10,391
b) short-term	1,398	1,085
- rent for the lease of an agricultural holding	742	742

PLN 000s

- departmental costs of seasonal production	141	151
- property insurance	172	146
- rents and subscriptions payable in advance	20	16
- advances for supplies	259	
- other	64	30
Total	**11,047**	**11,476**

8.11 Cash and cash equivalents

CASH AND CASH EQUIVALENTS	As at 31.12.2016	As at 31.12.2015
Cash at bank and in hand	3,315	2,614
Cash in transit	11	-
Short-term deposits	20,850	22,224
Total cash and cash equivalents	**24,176**	**24,838**
- 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 31.12.2016	As at 31.12.2015
a) in the Polish currency	23,461	23,625
b) in foreign currencies (by currencies and after translation into PLN)	715	1,213
b1. unit/currency USD/000s	59	3
PLN 000s	381	10
b2. unit/currency EUR/000s	79	292
PLN 000s	334	1,203
Total cash and cash equivalents	**24,176**	**24,838**

8.12 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					5,700	

PLN 000s

capital			
Nominal value per share = PLN 0.06			

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

- Mr Maksymilian Maciej Skotnicki - the number of votes: 19,634,843; the share in the total number of votes at GMS – 20.67%
- Mr Michał Skotnicki - the number of votes: 10,700,011; the share in the total number of votes at GMS – 11.26%
- Mr Newth Jonathan Reginald - the number of votes: 7,995,200; the share in the total number of votes 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 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 at GMS – 5.68%
- Mr 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 at GMS – 8.34%
- Richie Holding Ltd - the number of votes: 6,133,100; the share in the total number of votes at GMS – 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.

PLN 000s

8.13 Reserve capital and other reserves

RESERVE CAPITAL	As at 31.12.2016	As at 31.12.2015
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	12,324	11,911
Total reserve capital	**52,668**	**52,255**

OTHER RESERVES (BY PURPOSE)	As at 31.12.2016	As at 31.12.2015
- investments fund	53,397	47,480
Total other reserves	**53,397**	**47,480**

The investments fund was created from retained earnings.

REVALUATION RESERVE	As at 31.12.2016	As at 31.12.2015
- revaluation of employee benefit liabilities	(304)	(482)
- deferred tax on revaluation effects	26	91
Total other reserves	**(278)**	**(391)**

8.14 Retained earnings/loss

RETAINED EARNINGS/LOSS	As at 31.12.2016	As at 31.12.2015
- retained earnings (loss) brought forward	(888)	(1,196)
- net profit/loss for the period	17,600	5,288
Total retained earnings/loss	**16,712**	**4,092**

PLN 000s

8.15 Loans and borrowings

Long-term

NON-CURRENT LIABILITIES WITH THE PAYMENT PERIOD REMAINING AFTER THE BALANCE SHEET DATE OF:	As at 31.12.2016	As at 31.12.2015
a) over 1 year to 3 years	8,656	3,530
b) over 3 years to 5 years	5,227	2,770
c) over 5 years	8,487	1,616
Total long-term liabilities	**22,370**	**7,916**

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	330 (carrying amount 325)	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	471 (carrying amount 434)		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	9,822	PLN	7,157	PLN	The interest rate is based on WIBOR for 3-month deposits plus the Bank's margin.	25.02.2022

PLN 000s

4	Investment loan to upgrade the dust removal system for boilers	1,200	PLN	826	PLN	The interest rate is based on WIBOR for 3-month deposits plus the Bank’s margin.	31.12.2020
5	Syndicated investment loan to implement the investment project “The Construction of a Biogas in Szepietowo District”.	12,830	PLN	12,464	PLN	The interest rate is based on WIBOR for 3-month deposits plus the Bank's margin.	31.12.2023
6	Working capital loan associated with business activities	800	PLN	755	PLN	Base rate of SBR Bank plus the Bank’s margin	31.12.2019
7	Working capital loan to finance current liabilities associated with business activities	3,000	PLN	2,890	PLN	The interest rate is based on WIBOR for 3-month deposits plus the Bank's margin.	31.05.2022
8	Investment loan to finance/refinance the purchase of a real property by PPZ Bronisław	800	PLN	796	PLN	The interest rate is based on WIBOR for 3-month deposits plus the Bank's margin.	30.11.2021
9	Cash loan	533	PLN	533	PLN	0%	13.06.2018

The amount of PLN 3,810 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.

Re: 4

The loan is secured with a general mortgage up to PLN 1,800 thousand, a blank promissory note and an authorisation to use bank accounts.

Re: 5

The syndicated loan is secured with the following contractual mortgages for the benefit of three creditors:

PLN 000s

- amounting to PLN 8,288 thousand for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo;
- amounting to PLN 6,761 thousand for the benefit of Bank Spółdzielczy in Brańsk;
- amounting to PLN 6,761 thousand for the benefit of Bank Spółdzielczy Branch in Andrzejów;

In addition, the syndicated loan is secured with: blank promissory notes with promissory note agreements; endorsements on bills of exchange; the statement on the submission to bank execution; the authorisation to use a current account; the assignment of receivables under an insurance policy; a registered pledge amounting to PLN 15,227 thousand on fixed assets for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo.

Re: 6

The loan is secured with a contractual mortgage amounting to PLN 1,360 thousand; for the benefit of Spółdzielczy Bank Rozwoju Branch in Szepietowo; a blank promissory note with a promissory note agreement; the statement on the submission to bank execution; the assignment of receivables under an insurance policy; the authorisation to use a current account.

Re: 7

The loan is secured with a contractual mortgage amounting to PLN 5,100 thousand with Spółdzielczy Bank Rozwoju Branch in Szepietowo as the creditor; a blank promissory note with a promissory note agreement; the statement on the submission to bank execution; the authorisation to use a current account; the assignment of receivables under a contract of insurance for construction risks and under a contract of insurance for buildings and structures.

Re: 8

The loan is secured with a contractual mortgage amounting to PLN 1,200 thousand, with Bank Zachodni WBK with its registered office in Wrocław as the creditor, and the endorsement on a bill of exchange with the bill of exchange agreement.

Re: 9 The cash loan is secured with a registered pledge on a fixed asset which is the subject of the loan.

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	0	PLN	1M WIBOR + bank's margin	31.08.2017
2	Revolving working capital loan in a credit account	10,000	PLN	6,338	PLN	1M WIBOR + bank's margin	31.08.2017
3	Non-revolving working capital loan in a credit account	15,000	PLN	15,000	PLN	1M WIBOR + bank's margin	31.08.2017
4	Bank overdraft	500	PLN	0	PLN	1M WIBOR + bank's margin	31.08.2017
5	Revolving working capital loan in a credit account	3,000	PLN	1,935	PLN	1M WIBOR + bank's margin	31.08.2017
6	Non-revolving	1,500	PLN	1,500	PLN	1M WIBOR +	31.08.2017

PLN 000s

	working capital loan in a credit account					bank's margin	
7	Bank overdraft	500	PLN	0	PLN	1M WIBOR + bank's margin	31.08.2017
8	Revolving working capital loan in a credit account	3,000	PLN	3,000	PLN	1M WIBOR + bank's margin	31.08.2017
9	Non-revolving working capital loan in a credit account	8,000	PLN	7,783	PLN	1M WIBOR + bank's margin	31.08.2017
10	Bank overdraft	4,000	PLN	0	PLN	1M WIBOR + bank's margin	31.08.2017
11	Revolving working capital loan in a credit account	10,000	PLN	10,000	PLN	1M WIBOR + bank's margin	31.08.2017
12	Non-revolving working capital loan in a credit account	15,000	PLN	15,000	PLN	1M WIBOR + bank's margin	31.08.2017
13	Bank overdraft	500	PLN	0	PLN	1M WIBOR + bank's margin	31.08.2017
14	Revolving working capital loan in a credit account	3,000	PLN	1,887	PLN	1M WIBOR + bank's margin	31.08.2017
15	Non-revolving working capital loan in a credit account	1,500	PLN	1,500	PLN	1M WIBOR + bank's margin	31.08.2017
16	Bank overdraft	500	PLN	75	PLN	1M WIBOR + bank's margin	31.08.2017
17	Revolving working capital loan in a credit account	3,000	PLN	1,721	PLN	1M WIBOR + bank's margin	31.08.2017
18	Non-revolving working capital loan in a credit account	8,000	PLN	4,564	PLN	1M WIBOR + bank's margin	31.08.2017
19	The overdraft facility to cover payment obligations related to the business activities.	1,000	PLN	987	PLN	The interest rate is based on WIBOR for 1-month deposits plus the Bank's margin.	23.02.2017
20	A cash loan from a counterparty	1,500	PLN	980	PLN	The interest rate is based on WIBOR for 1-month deposits plus the margin	31.03.2017
	TOTAL	**92,000**	**PLN**	**72,270***	**PLN**		

**In the statement of financial position, there is the amount of PLN 76,080; 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 rights under an insurance policy for the real properties:
  - owned by PPZ Bronisław Sp. z o.o.
  - owned by ZPZ Lublin Sp. z o.o.
- a registered pledge on assets belonging to PEPEES S.A.
  - owned by PPZ Bronisław Sp. z o.o.
  - owned by ZPZ Lublin Sp. z o.o.
- an assignment of rights under an insurance policy for fixed assets:
- a registered pledge on inventories with the value not less than 145% of the balance of the working capital loan with the assignment of the insurance policy for inventories
- an assignment of rights under an insurance policy for inventories
- transfer of receivables arising from the operations of PEPEES S.A., PPZ Bronisław Sp. z o.o, ZPZ Lublin Sp. z o.o.
- a blank promissory note with a promissory note agreement.

The next 9 loans were granted under the so-called “Multi-purpose Line of Credit”, which is secured with:
- a contractual mortgage up to PLN 68,250 thousand on real properties:
  - owned by PPZ Bronisław Sp. z o.o.
  - owned by ZPZ Lublin Sp. z o.o.
- an assignment of rights under an insurance policy for the real properties:
  - owned by PPZ Bronisław Sp. z o.o.
  - owned by ZPZ Lublin Sp. z o.o.
- a registered pledge on fixed assets
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław Sp. z o.o.
  - owned by ZPZ Lublin Sp. z o.o.
- an assignment of rights under an insurance policy for fixed assets
- a registered pledge on inventories
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław Sp. z o.o.
  - owned by ZPZ Lublin Sp. z o.o.
- an assignment of rights under an insurance policy for inventories
- general assignment of 40% of receivables
  - owned by PEPEES S.A.
  - owned by PPZ Bronisław Sp. z o.o.
  - owned by ZPZ Lublin Sp. z o.o.

Re: 19
The loan is secured with a contractual mortgage amounting to PLN 1,700 thousand with Spółdzielczy Bank Rozwoju Branch in Szepietowo as the creditor; a blank promissory note with a promissory note agreement; the authorisation to use a current account; the assignment of receivables under a contract of insurance for construction risks and under a contract of insurance for buildings and structures.

PLN 000s

Re: 20
The loan is secured with a blank promissory note.

8.16 Finance lease payables

FINANCE LEASE PAYABLES	As at 31.12.2016	As at 31.12.2015
a) long-term (over 1 year to 5 years)	4,677	4,246
b) short-term (up to 1 year)	1,901	1,243
Total	**6,578**	**5,489**

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	2017	2018-2022	Total
Nominal value of lease payments	2,113	4,932	7,045
Future finance costs	(212)	(255)	(467)
Present value of minimum lease payments	**1,901**	**4,677**	**6,578**

8.17 Retirement and similar benefits obligations

RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	As at 31.12.2016	As at 31.12.2015
a) long-term, including:	**2,240**	**2,509**
- retirement benefits	390	319
- jubilee benefits	1,850	2,190
b) short-term, including:	**331**	**240**
- retirement benefits	39	21
- jubilee benefits	292	219
Total	**2,571**	**2,749**

MOVEMENT ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	2016	2015
a) balance at the beginning of period	**2,749**	**2,821**
- retirement benefits	340	325
- jubilee benefits	2,409	2,496
b) increases (due to)	**118**	**239**

PLN 000s

- retirement benefits	107	42
- jubilee benefits	11	197
c) utilisation (due to)	**211**	**269**
- retirement benefits	13	10
- jubilee benefits	198	259
d) reversal (due to)	**85**	**42**
- retirement benefits	5	17
- jubilee benefits	80	25
e) balance at the end of period	**2,571**	**2,749**
- retirement benefits	429	340
- jubilee benefits	2,142	2,409

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.

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.

PLN 000s

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 31.12.2016	Balance sheet date 31.12.2015
Annual wages growth rate	3.50%	3.50%
Discount rate	3.40%	3.0%

8.18 Trade and other payables

CURRENT PAYABLES	As at 31.12.2016	As at 31.12.2015
- trade payables, falling due:	11,956	7,511
- up to 12 months	11,956	7,511
- social security, taxes, customs and other	2,753	1,520
- remunerations	1,276	805
- advances for supplies	662	462
- other	397	131
Total trade and other payables	**17,044**	**10,429**

8.19 Financial derivatives

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

8.20 Provisions and accruals

PROVISIONS, ACCRUALS, DEFERRED INCOME (BY TITLES)	As at 31.12.2016	As at 31.12.2015
a) long-term, including:	**7,687**	**2,728**
- grants related to property, plant and equipment	7,679	2,694
- grants related to loans	8	34
b) short-term, including:	**1,877**	**1,722**
- grants related to property, plant and equipment	491	263
- grants related to loans	22	62
- environmental protection costs	165	126
- provisions for remunerations	498	363
- not-invoiced services	71	37
- utilised greenhouse gas emission allowance	337	676
- provision for bonuses for the Board of Directors and employees	284	195
- other	9	
Total	**9,564**	**1,722**

PLN 000s

MOVEMENT ON SHORT-TERM PROVISIONS (BY TITLES)	2016	2015
a) balance at the beginning of period	**1,722**	**1,611**
- grants related to property, plant and equipment	262	313
- provisions for services performed by contractors	38	32
- bonuses for potatoes suppliers		35
- grants related to loans	62	98
- severance pays		
- fee for the use of the environment	126	110
- provisions for remunerations	363	268
- greenhouse gas emission allowance	676	685
- bonus for the Board of Directors	195	70
b) increases (due to)	**1,716**	**1,388**
- grants (new entity)	385	
- recognition of a provision for used CO_2 emission allowances	337	676
- fee for the use of the environment	164	129
- provisions for remunerations	478	343
- provisions for services performed by contractors	59	45
- bonuses for the Board of Directors and employees	284	195
- other	9	
c) utilisation (due to)	**1,561**	**1,278**
- fee for the use of the environment	125	113
- provisions for compensations for annual leaves	343	252
- provision for services performed by contractors	26	37
- provision for damages due to non-competition agreements		
- grants related to property, plant and equipment	156	50
- grants related to loans	40	36
- provisions for bonuses for potatoes suppliers		35
- provisions for bonuses for the Board of Directors and employees	195	70
- CO_2 emission allowance	676	685
e) balance at the end of period	**1877**	**1722**
- grants related to property, plant and equipment	491	262
- grants related to loans	22	62
- provisions for bonuses for suppliers		
- fee for the use of the environment	165	126
- provisions for compensations for annual leaves	498	363
- greenhouse gas emission allowance	337	676
- provision for severance pays		
- provision for bonuses for the Board of Directors and employees	284	195
- provisions for services performed by contractors	71	38

8.21 Deferred income tax

Deferred tax liabilities

PLN 000s

DEFERRED TAX LIABILITIES	As at 31.12.2016	As at 31.12.2015
The difference between the carrying amount and the tax value of property, plant and equipment	5,713	5,881
Interest due but not received	5	130
Other	4	7
Total deferred tax liabilities	**5,722**	**6,018**

Deferred tax assets

DEFERRED TAX ASSETS	As at 31.12.2016	As at 31.12.2015
The difference between the carrying amount and the tax value of property, plant and equipment	422	463
Outstanding remunerations	139	91
Provision for bonuses for the Board of Directors and employees	54	37
Provision for unused annual leaves	79	68
Retirement and jubilee benefits	488	523
Unrealised foreign exchange differences	58	36
Write-downs of receivables	1	9
Write-downs of inventories	35	18
Lease payables	700	657
Consolidation adjustments – retained earnings	116	93
Provision for the used CO_2 emission allowance	64	129
Provision for benefits	4	5
Tax loss	197	196
Total deferred tax assets	**2,357**	**2,325**

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)	2016	2015
• *from continuing operations*	***170,534***	***128,808***
- potato-based products	165,939	125,271
- heat	3,429	3,537
- electricity	1054	
- other products (flakes)	112	
• *from discontinued operations*		
Total net revenue from the sale of products	**170,534**	**128,808**

PLN 000s

9.2 Revenue from the sale of services

NET REVENUE FROM THE SALE OF SERVICES (ITEM-BY-ITEM STRUCTURE - TYPES OF ACTIVITIES)	2016	2015
- revenue from real property lease	384	360
- transmission of electricity	55	61
- water supply and wastewater collection		3
- devices and car rental	5	46
- services for farmers	355	266
- other services	215	208
Total net revenue from the sale of services, including:	**1,014**	**944**
• *from continuing operations*	*1,014*	*944*

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)	2016	2015
- potatoes	8,470	8,119
- potato-based products	1,318	118
- pesticides	3,531	3,330
- materials and waste (scrap, waste paper)	808	234
Total net revenue from the sale of trade goods and materials	**14,127**	**11,801**
• *from continuing operations*	*14,127*	*11801*

9.4 Expenses by nature

EXPENSES BY NATURE	2016	2015
a) depreciation/amortisation	7,047	6,375
b) materials and energy	107,310	72,299
c) third-party services	16,490	12,649
d) taxes and charges	3,854	3,624
e) remunerations	20,222	15,982
f) social security contributions and other	4,643	3,604
g) other expenses by nature (due to)	1,373	994
- entertainment and advertising expenses	190	202
- business trips	155	172
- non-life insurance expenses	362	296
- costs of analyses, tests and scientific expert opinions	259	137
- other expenses	397	187
Total expenses by nature	**160,939**	**115,527**
Net increase/decrease in inventories, products and prepaid expenses/accruals	(9,031)	7,061
Cost of manufacturing products for the entity's own needs	(1,582)	(115)
Costs of sales (negative value)	(8,920)	(7,081)
Administrative expenses (negative value)	(19,484)	(16,703)
Cost of products and services sold	**121,922**	**98,689**

PLN 000s

9.5 Employee benefits expense

EMPLOYEE BENEFITS EXPENSE	2016	2015
e) remunerations, including:	20,222	**15,982**
- remunerations under contracts of employment	17,772	14,003
- remunerations under managerial contracts	1,523	1,051
- remunerations under mandate and similar contracts	622	12
- remunerations of the members of the Supervisory Board	206	571
- damages related to non-competition agreements	46	
- provisions for compensations for unused annual leaves	(36)	104
- provisions for retirement severance pays and jubilee benefits	89	116
- provision for bonuses for the Board of Directors and employees	4,643	125
f) social security contributions and other, including:		3,306
- social security costs	342	2,502
- contributions to the Labour Fund	489	257
- contributions to the Corporate Social Benefits Fund	87	500
- employee training expenses	206	82
- medical examinations and H&S expenses	108	
- other benefits	105	117
Total employee benefits expense	**24,865**	**19,586**

9.6 Other operating income

OTHER OPERATING INCOME	2016	2015
a) profit from disposal of non-financial non-current assets	1,155	279
b) reversed provisions (due to)	11	185
- liabilities		35
- receivables payment	11	18
- retirement of CO_2 emission allowances		132
c) government grants, including:	420	416
- grants related to property, plant and equipment	346	318
- grants related to investment loans	62	98
d) other, including:	310	111
- indemnities, damages, penalties and fines received	216	37
- surplus assets	46	7
- other expenses	48	67
Other operating income	**1,896**	**991**

PLN 000s

9.7 Other operating expenses

OTHER OPERATING EXPENSES	2016	2015
a) revaluation of non-financial assets		**56**
b) other, including:	**436**	**422**
- discontinued investments		144
- donations	26	16
- cost of the retirement of non-financial non-current assets	54	1
- court fees and litigation expenses	4	70
- write-down of receivables	76	9
- unplanned depreciation/amortisation charges	1	6
- indemnities, damages, penalties and fines paid	79	152
- written-off receivables	39	
- abnormal natural losses	42	
- shortages		11
- costs of failure removal	29	
- membership fees	2	
- bailiff costs	26	
- reclassification of products	55	
- other	3	13
Total other operating expenses, including:	**436**	**478**
from discontinued operations		

9.8 Finance costs

FINANCE COSTS	2016	2015
a) interest on loans and borrowings	1,011	930
b) other interest	5	5
c) foreign exchange losses	38	204
- realised	38	89
- unrealised		115
d) other finance costs	461	272
- commissions on loans and refunded Bank Guarantee Fund charges	220	58
- lease payments	137	66
- loan revaluation	72	112
- discount on the purchase of receivables	18	20
- write-downs of interest receivables		16
- provisions for finance costs	10	
- other interest	4	
Total finance costs	**1,515**	**1,411**

PLN 000s

9.9 Finance income

FINANCE INCOME	2016	2015
a) dividends	122	61
b) interest on loans	288	537
c) interest on deposits	110	15
d) interest on receivables	86	133
Total finance income	**606**	**746**

9.10 Income tax expense

INCOME TAX EXPENSE	2016	2015
Current income tax	(5,133)	(1,480)
Deferred income tax	356	(321)
Total income tax expense	**(4,777)**	**(1,801)**
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	2016	2015
Gross profit/loss before tax	22,675	7,143
Consolidation eliminations	2,368	969
Gross profit/loss net of consolidation eliminations	20,307	8,112
Income tax at the statutory rate of 19%	(4,758)	(1,541)
Tax on permanent differences between the gross profit and the tax base	(19)	(260)
Income tax expense at the effective tax rate of 21.06% in 2016 and 25.2% in 2015	**(4,777)**	**(1,801)**

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 2016, income tax paid amounted to PLN 2,884 thousand, including income tax of PLN 869 thousand for 2015, and PLN 2,015 thousand for the present year. Tax payable on the taxable income amounts to PLN 5,133 thousand. Current tax payables amount to PLN 3,118 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
2016-01-01	2016-12-31	365	95,000,000	95,000,000
total:		365	**weighted average:**	**95,000,000**

EARNINGS PER SHARE	2016	2015
Net profit (loss)	17,600	5,288
Weighted average number of shares	95,000,000	95,000,000
Basic earnings per share (in PLN per share)	0.185	0.056
Net earnings used to calculate diluted earnings per share	17,600	5,288
Weighted average number of ordinary shares for diluted earnings per share	95,000,000	95,000,000
Diluted earnings per share (PLN)	0.185	0.056

COMPREHENSIVE INCOME (LOSS) PER SHARE	2016	2015
Net comprehensive income (loss) in PLN 000s	17,713	5,276
Number of shares	95,000,000	95,000000
Comprehensive income (loss) per share in PLN	**0.186**	**0.056**

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	2016	2015
Cash and equivalents in the statement of financial position	24,176	24,838
Bank overdrafts	(1,062)	(8,669)
Foreign exchange differences from the valuation of cash	4	(1)
Cash in the statement of cash flows	**23,118**	**16,168**

PLN 000s

10.2 Non-monetary transactions

Specification	2016	2015
Acquisition of assets under finance lease	(2,009)	(1,185)
Loan valuation at amortised cost (change)	73	112
Interest on a cash loan accrued but not yet paid		(442)

10.3 Undrawn overdraft facilities

As at 31.12.2016, the Group had undrawn overdraft facilities in the current account amounting to PLN 8,938 thousand (31.12.2015: PLN 1,331 thousand).

11. Contingencies

a) contingent liabilities

The assets of the Group's companies are encumbered with mortgages and pledges as well as transfers of receivables from property insurance contracts, as securities for loans.

PEPEES receives loan interest subsidies. The value of the subsidies received as at 31.12.2016 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 818 thousand.
The following litigations remain unresolved as at the balance sheet date:
- mutual claims between the subsidiary PPZ Bronisław and Przedsiębiorstwo Rolno-Produkcyjne in Rzadkwin;
- a lawsuit filed by PPZ Bronisław against the Director of the Water Management Authority in Poznań to revoke the decision concerning the reopening of the procedure to grant a permit required under the Water Law.

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 (31.12.2015: 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 2016 and in the previous year amounts to PLN 415 thousand.

PLN 000s

12. Related party transactions

12.1 The issuer's transactions with its subsidiaries

As presented in note 3.2, on 24 October 2016, the Parent Company acquired shares in CHP Energia sp. z o.o. In the previous reporting period, CHP Energia was an associate; therefore, the data in the following note for 2015 have been restated to ensure comparability.

a) Revenue from the sale of products and trade goods

Types of revenue	2016	2015
Revenue from the sales of products to subsidiaries	456	189
Revenue from the sale of trade goods to subsidiaries	239	82
Revenue from the sale of raw materials to subsidiaries		
Revenue from the sale of production raw materials	2,004	1,422
Total revenue from related parties	**2,699**	**1,693**

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

b) Purchases of trade goods and services

Types of purchases	2016	2015
Purchases of products from subsidiaries	6,546	6,835
Purchases of services from subsidiaries	85	86
Purchases of trade goods from subsidiaries	699	1,440
Total purchases from related parties	**7,330**	**8,361**

c) interest on granted loans

Types	2016	2015
ZPZ Lublin	128	218
PPZ BRONISŁAW	224	420
CHP Energia	282	523
Total	**634**	**1,161**

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

Settlements with subsidiaries	2016	2015
Receivables – ZPZ Lublin		29
Receivables – OZENERGY	6	5
Receivables – CHP Energia	199	
Advances – CHP Energia	1,250	
Liabilities – ZPZ Lublin	129	
Liabilities – PPZ Bronisław	58	902
Balance of settlements with related parties	**1,268**	**868**

e) Balance of settlements of cash loans

Subsidiary	Contractual cash loan amount	Debt as at	
		31.12.2016	31.12.2015
ZPZ Lublin	3,000	3,011	3,000
PPZ BRONISŁAW	6,500	4,673	5,800
CHP Energia	700	710	3,347
Total receivables from related parties	**10,200**	**8,394**	**12,147**

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	2016	2015
Short-term benefits	**1,136**	**1,091**
Post-employment benefits	180	0
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments	0	0
Supervisory Board in PLN 000s		
Short-term benefits	**338**	**317**
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 are subsidised and bear low interest rates, the interest rate risk is not high and the Company have not concluded interest rate swaps.

PLN 000s

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).

Increase/decrease by percentage points	Impact on profit/loss	
	2016	2015
Increase in interest rates of loans by 1%	(529)	(376)
Decrease in interest rates of loans by 1%	529	376

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	
	2016	2015
Increase in PLN/USD exchange rate by 0.1	282	11
Increase in PLN/EUR exchange rate by 0.1	1,221	874
Decrease in PLN/USD exchange rate by 0.1	(282)	(11)
Decrease in PLN/EUR exchange rate by 0.1	(1,221)	(874)
Total impact on profit/loss	**+/-1,503**	**+/-885**

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	
	2016	2015
Increase in PLN/USD exchange rate by 0.1	42	4
Increase in PLN/EUR exchange rate by 0.1	133	128
Decrease in PLN/USD exchange rate by 0.1	(42)	(4)
Decrease in PLN/EUR exchange rate by 0.1	(133)	(128)
Total impact on profit/loss	**+/-175**	**+/-132**

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

	31.12.2016	**31.12.2015**
Loans, borrowings, finance lease payables	105,028	86,519
Trade and other payables	17,044	10,429
Cash and cash equivalents (-)	(24,176)	(24,838)
Net debt	97,896	72,110
Equity	128,199	109,136
Equity and net debt	226,095	181,246
Gearing ratio	**43.30**	**39.79**

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

In 2016, the gearing ratio deteriorated slightly due to the increase in loan debt, due to the consolidation of a new entity.

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 2016.

16. Average employment in the Group

Specification	Average number of employees in 2016	Average number of employees in 2015
Administrative employees	129	117
Workers	290	274
Employees on parental leaves and unpaid leaves	4	4
Total	**423**	**395**

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 55 thousand plus VAT.
The registered auditor did not render any other services to PEPEES Group.

18. Events after the reporting period

After the balance sheet date, there were no events with material impact on these consolidated financial statements.

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 2017.

SIGNATURES OF THE MEMBERS OF THE BOARD OF DIRECTORS
OF THE PARENT COMPANY

17.03.2017	Wojciech Faszczewski	President of the Board of Directors	
17.03.2017	Tomasz Rogala	Member of the Board of Directors	

SIGNATURE OF THE PERSON PREPARING THE FINANCIAL STATEMENTS

17.03.2017	Wiesława Załuska	Chief Accountant	