OEX S.A.
(FORMERLY TELL S.A.)

SEPARATE FINANCIAL STATEMENTS FOR THE PERIOD FROM 01 JANUARY 2016 TO 31 DECEMBER 2016

POZNAŃ, 27 MARCH 2017

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all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

STATEMENT OF FINANCIAL POSITION

ASSETS	Notes	31/12/2016	31/12/2015
Non-current assets			
Goodwill	3		21,298
Intangible fixed assets	4	270	626
Tangible fixed assets	5	32	4,974
Investment properties			
Interests in related parties	2	70,854	44,975
Investments in associates			
Receivables and loans	7	88	217
Financial derivatives			
Other long-term financial assets			
Long-term prepayments	17		
Deferred income tax assets	8	271	305
Non-current assets		**71,516**	**72,397**
Current assets			
Inventories	9		11,173
Receivables from building services contracts			
Trade receivables and other receivables receivables	10	2,034	21,293
Current income tax assets			
Loans	7	8,332	6,282
Financial derivatives			
Other short-term financial assets			
Short-term prepayments	17	16	98
Cash and cash equivalents	11	49	175
Assets classified as held for trading			
Current assets		**10,432**	**39,022**
Total assets		**81,947**	**111,419**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

STATEMENT OF FINANCIAL POSITION (CONT.'D)

EQUITY AND LIABILITIES	Notes	31/12/2016	31/12/2015
Equity			
Equity - share of the shareholders of the company:			
Share capital	13	1,378	1,378
Treasury shares (-)			
- Share premium		44,960	44,960
Other reserve capitals		1,459	1,459
Retained profits:			
- retained profit		26,274	24,314
- net profit for the company's shareholders		3,221	7,126
Equity - share of the shareholders of the company		77,292	79,237
Equity		**77,292**	**79,237**
Liabilities			
Long-term liabilities			
Loans, credits, other debt instruments	7	2,250	
Finance lease			299
Financial derivatives			
Other liabilities			
Deferred tax liabilities	8	21	4,048
Employee benefit liabilities and provisions	14		50
Other long-term provisions			
Long-term prepayments			
Long-term liabilities		**2,271**	**4,397**
Short-term liabilities			
Trade liabilities and other liabilities	16	1,038	22,719
Current tax liabilities			502
Loans, credits, other debt instruments	7	1,131	2,127
Finance lease			73
Financial derivatives			
Employee benefit liabilities and provisions	14	216	2,363
Other short-term provisions	15		
Short-term prepayments			
Liabilities related to assets held for trading			
Short-term liabilities		**2,384**	**27,785**
Total provisions		**4,656**	**32,182**
Total equity and liabilities		**81,947**	**111,419**

Name of the company:	***OEX S.A.***		
Period covered by the financial statements:	***01/01/2016 – 31/12/2016***	**Reporting currency:**	***Polish zloty (PLN)***
Rounding up/down level:	***all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated***		

STATEMENT OF PROFIT OR LOSS

	Notes	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Continued activities			
Sale revenues	18	**8,961**	**99,288**
Revenue from the sale of services		8,752	60,567
Revenue from the sale of goods and materials		209	38,721
Cost of sales		**6,184**	**83,193**
Costs of services sold		5,823	44,840
Cost of goods and materials sold		361	38,353
Gross profit (loss) on sales		**2,777**	**16,095**
Selling costs		662	3,847
Administrative expenses		3,006	5,946
Other operating revenue	18	208	76
Other operating expenses	18	360	395
Operating profit (loss)		**-1,044**	**5,983**
Financial income	19	4,585	3,791
Financial costs	19	382	1,566
Profit (loss) before taxation		**3,159**	**8,208**
Income tax	20	-62	1,082
Net profit (loss) on continued activities		**3,221**	**7,126**
Discontinued Activity			
Net profit (loss) on discontinued operations			
Net profit (loss)		**3,221**	**7,126**
Net profit (loss) - share of:			
- company's shareholders		3,221	7,126
- non-controlling parties			

NET PROFIT (LOSS) PER ORDINARY SHARE (PLN)

	Notes	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
on continued operations	21		
- basic		0.47	1.12
- diluted		0.47	1.12
on continued and discontinued operations			
- basic		0.47	1.12
- diluted		0.47	1.12

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Net profit (loss)		**3,221**	**7,126**
Other comprehensive income			
Items not carried as financial profit or loss			
Revaluation of tangible assets			
Income tax referred to items not carried as financial profit or loss			
Items carried as financial profit or loss			
Available-for-sale financial assets:			
- profit (loss) recognised in the period as other comprehensive income			
- amounts carried as financial profit or loss			
Cash flow hedging instruments:			
- profit (loss) recognised in the period as other comprehensive income			
- amounts carried as financial profit or loss			
- amounts recognised in the initial value of the hedged items			
Exchange differences on the measurement of foreign operations			
Exchange differences recognised as profit or loss – sale of foreign operations			
Share in other comprehensive income of companies measured using the equity method			
Income tax referred to items carried as financial profit or loss			
Other comprehensive income after taxation			
Comprehensive income		3,221	7,126
Comprehensive income - share of:			
- shareholders of the Parent Company		3,221	7,126
- non-controlling parties			

Name of the company:	***OEX S.A.***		
Period covered by the financial statements:	***01/01/2016 – 31/12/2016***	**Reporting currency:**	***Polish zloty (PLN)***
Rounding up/down level:	***all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated***		

STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY

	Notes	Equity - share of the company shareholders						Non-controlling shares	TOTAL EQUITY
		Share capital	Treasury shares (-)	Share premium	Other capitals	Retained profits	Total		
As at 01/01/2016		1,378		44,960	1,459	31,440	79,237		79,237
Changes in accounting policies									
Adjustment of fundamental errors									
Balance after changes		1,378		44,960	1,459	31,440	79,237		79,237
Changes in equity in the period from 01/01 to 31/12/2016									
Issue of shares									
Redemption of shares									
Option measurement (share-based payment programme)									
Changes in the Company's structure - transactions with non-controlling parties									
Dividends						-5,166	-5,166		-5,166
Financial result recognised as equity									
Total transactions with shareholders						-5,166	-5,166		-5,166
Net profit for the period from 01/01 to 31/12/2016						3,221	3,221		3,221
Other comprehensive income after taxation in the period from 01/01 to 31/12/2016									
Total comprehensive income						3,221	3,221		3,221
Transfer to retained profits (sale of revalued fixed assets)									
As at 31/12/2016		1,378		44,960	1,459	29,495	77,292		77,292

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

STATEMENT OF CHANGES IN THE SHAREHOLDERS' EQUITY (CONT.'D)

	Notes	Equity - share of the company shareholders						Non-controlling shares	TOTAL EQUITY
		Share capital	Treasury shares (-)	Share premium	Other capitals	Retained profits	Total		
As at 01/01/2015		**1,022**		**24,863**	**1,459**	**28,447**	**55,792**		**55,792**
Changes in accounting policies									
Adjustment of fundamental errors									
Balance after changes		**1,022**		**24,863**	**1,459**	**28,447**	**55,792**		**55,792**
Changes in equity in the period from 01/01 to 31/12/2015									
Issue of shares		356		20,097			20,452		20,452
Redemption of shares									
Option measurement (share-based payment programme)									
Changes in the Company's structure - transactions with non-controlling parties									
Dividends						-4,133	-4,133		-4,133
Financial result recognised as equity									
Total transactions with shareholders		356		20,097		-4,133	16,319		16,319
Net profit for the period from 01/01 to 31/12/2015						7,126	7,126		7,126
Other comprehensive income after taxation in the period from 01/01 to 31/12/2015									
Total comprehensive income						7,126	7,126		7,126
Transfer to retained profits (sale of revalued fixed assets)									
As at 31/12/2015		**1,378**		**44,960**	**1,459**	**31,440**	**79,237**		**79,237**

Name of the company:	***OEX S.A.***		
Period covered by the financial statements:	***01/01/2016 – 31/12/2016***	**Reporting currency:**	***Polis***
Rounding up/down level:	***all values are expressed in thousands of Polish zlotys (kPLN), unles indicated***		

CASH FLOW STATEMENT

	Notes	from 01/01 to 31/12/2016	from
Cash flow from operating activity			
Profit (loss) before taxation		**3,159**	
Adjustments:			
Depreciation of tangible fixed assets		146	
Amortisation of intangible fixed		41	
Change in the fair value of investment properties			
Change in the fair value of financial assets (liabilities) carried as profit or loss			
Cash flow hedging instruments transferred from equity			
Impairment loss on financial assets			
Profit (loss) on the sale of non-financial fixed assets		25	
Profit (loss) on the sale of financial assets (other than derivatives)			
Exchange difference gains (losses)			
Interest expense		284	
Interest and dividend income		-4,585	
Cost of share-based payments (incentive programmes)			
Share in the profit (loss) of associate companies			
Other adjustments			
Total adjustments		-4,088	
Change in inventories		8,491	
Change in receivables		17,203	
Change in liabilities	22	-22,055	
Change in provisions and prepayments		10	
Change in building contracts			
Changes in working capital		3,648	
Inflows (outflows) from the settlement of derivatives			
Interest paid on operating activities			
Taxes paid		-507	
Net cash flow from operating activity		**2,213**	

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

CASH FLOW STATEMENT (CONT.'D)

	Notes	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Cash flow from investment activity			
Expenses to purchase intangible fixed assets		-24	-476
Expenses to purchase fixed assets		-197	-2,596
Inflows from the sale of fixed assets		236	138
Expenses to purchase investment properties			
Inflows from the sale of investment properties			
Net expenses to purchase subsidiaries		-4,250	-5
Net inflows from the sale of subsidiaries			
Received repayments of loans granted		11,685	1,160
Loans granted		-13,735	-1,160
Expenses to purchase other financial assets			
Inflows from the sale of other financial assets			
Inflows from government subsidies received			
Cash		-1,381	
Interest income	19	732	479
Dividend income	19	3,852	3,312
Net cash flow from investing activity		**-3,081**	**852**
Cash flow from financial activity			
Expenditure related to emissions			-169
Purchase of treasury shares			
Transactions with non-controlling parties, with no loss of control			
Inflows from debt securities in issue			
Redemption of debt securities			
Inflows from loans and credits contracted		6,193	
Repayment of loans and advances			-1,909
Repayment of financial lease liabilities			-15
Interest paid	19	-283	-147
Dividends paid	21	-5,166	-4,133
Net cash flow from financial activity		**743**	**-6,373**
Net change in cash and cash equivalents		**-126**	**-28**
Cash and cash equivalents at period beginning		175	203
Exchange differences			
Cash and cash equivalents at period end		**49**	**175**

SUPPLEMENTARY NOTES TO THE FINANCIAL STATEMENTS

General information

a) Information about the company

OEX S.A. was established in consequence of a transformation of Tell Sp. z o.o. on the basis of a Resolution of the Extraordinary General Meeting of Shareholders No. 1 of 15 November 2004. The Company is entered into the register of companies of the National Court Register maintained by the District Court for the capital city of Warsaw in Warsaw, XIII Commercial Division of the National Court Register, under number KRS 0000222514. The Company received the following statistical number (REGON): 630822208.

'OEX S.A.' is a new business name of a company previously trading as 'TELL S.A.', changed by virtue of resolution of the Extraordinary General Meeting of Shareholders dated 30 September 2015. The change was registered by the District Court for Poznań — Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register on 30 December 2015.

The shares of the company are listed at the Warsaw Stock Exchange.

The Company is a holding company and together with its subsidiaries it makes up the OEX Group. The Company prepares consolidated financial statements.

The principal place of business of the Company is at ul. Franciszka Klimczaka 1, Warszawa (Warsaw). The seat of the company is also the principal place of business of the Company.

b) Composition of the Management Board and the Supervisory Board of the Company

The composition of the Management Board of the company as at the day of approval of the financial statements for publication, 27 March 2017, was the following:

- Jerzy Motz - President of the Management Board,
- Rafał Stempniewicz – Member of the Management Board
- Robert Krasowski – Member of the Management Board
- Artur Wojtaszek – Member of the Management Board
- Tomasz Kwiecień – Member of the Management Board

The Supervisory Board of the Company in its resolution dated 10 May 2016 appointed Mr Jerzy Motz a member of the Management Board of the Issuer and entrusted him the function of the President of the Management Board as of 11 May 2016. At the same time, the Supervisory Board of the Company in its resolution dated 10 May 2016 resolved to change the function of Mr Rafał Stempniewicz, incumbent President of the Management Board, and appointed him a Member of the Management Board effective as of 11 May 2016.

On 14 March 2017, the Supervisory Board of the Issuer appointed Mr Tomasz Kwiecień a Member of the Management Board of the Company of the third term of office. The Resolution of the Supervisory Board of the Company become effective upon adoption.

The Supervisory Board of the Parent Company as at 27 March 2017 was as follows:

- Piotr Beaupre – Chairman of the Supervisory Board,
- Tomasz Słowiński – Secretary of the Supervisory Board
- Michał Szramowski – Member of the Supervisory Board,
- Tomasz Mazurczak – Member of the Supervisory Board,
- Piotr Cholewa – Member of the Supervisory Board.

On 10 May 2016, the Ordinary General Meeting of Shareholders appointed Mr Piotr Beaupre and Mr Michał Szramowski to be members of the Supervisory Board of the Company of the current term of office. Mr Piotr Beaupre was appointed the Chairman of the Supervisory Board.
Mr Jerzy Motz and Mr Paweł Turno resigned from their functions as Members of the Supervisory Board effective as of 10 May 2016. The resignation of Mr Jerzy Motz was related with his intention to be appointed the President of the Management Board of OEX.

c) Business of the Company

Until 31 January 2016, OEX S.A. was the Authorised Polish-wide Representative of Orange Polska S.A., and its basic business was the retail sale of mobile phone services.
Since 1 February 2016, OEX S.A. has not carried out this business in consequence of the transfer of an organised part of business comprising the management of a sale network for Orange Polska S.A. to its subsidiary Tell Sp. z o.o., where the Issuer holds 100% of shares.

Since 1 February 2016, OEX S.A. has only carried out holding activity for the benefit of companies from its Group, providing such services as, without limitation, HR and payroll, legal and compliance support, strategic consulting, controlling, finance, HR management and public relations.

d) Approval for publication

The financial statements made for the year ended on 31 December 2016 (including comparable data) have been approved for publication by the Company's Management Board on 27 March 2017.

e) **Declaration of the Management Board of the Company**

Pursuant to the regulation of the Minister of Finance of 19 February 2009 on ongoing and periodical information to be given by issuers of securities, the Management Board of the Company hereby states and declares that, to the best of its knowledge, these financial statements and comparable data have been prepared in accordance with the accounting policies binding on the Company and they present the economic and financial situation of the Company as well as its financial result in a true, reliable and fair manner and that the report on the activities of the issuer present a true picture of the development, achievement and situation of the issuer, including a description of basic risks and threats.

The Management Board hereby declares that the entity authorised to audit the financial statements that audited the separate financial statements has been appointed in accordance with the legal regulations and that this entity as well as the chartered auditors in charge of the audit, meet the requirements allowing them to issue an impartial and independent opinion on the audit as per the applicable laws and professional standards.

In accordance with the corporate governance riles adopted by the Management Board, the chartered auditor was appointed by the Supervisory Board by virtue of the resolution of 08 March 2016 on the appointment of a chartered auditor. PKF Consult Sp. z o.o. Sp. k. with registered office in Warsaw entered into the list of entities authorised to audit financial statements under number 477 was selected to be the auditor.
The Supervisory Board made the above appointment so as to guarantee full independence and objectivity of the appointment process as well as the performance of his duties by the chartered auditor..

Drawing up basis and accounting rules

a) Basis for the Preparation of the Financial Statements

These financial statements were prepared in accordance in accordance with the International Financial Reporting Standards and the interpretations issued by the International Accounting Standards Board as approved by the European Union on the basis of the IFRS Regulation (European Commission 1606/2002), hereinafter referred to as the ‘EU IFRS’.

The reporting currency of the Company and the presentation currency of these financial statements is Polish zloty (PLN) and all the amounts are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated.

The separate financial statements were prepared in accordance with the going concern principle. As at the date of the approval of these separate financial statements for publication there are no circumstances which may pose a risk to the going concern assumption.

These separate financial statements should be analysed together with the consolidated financial statements approved for publication by the Management Board and published on the same date as the separate financial statements. This will ensure comprehensive information about the economic and financial position of the Company as at 31 December 2016 as well as the financial result for the period from 1 January to 31 December 2016 in accordance with the International Financial Reporting Standards as endorsed by the European Union.

EU IFRSs comprise standards and interpretations accepted by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

When preparing the 2016 financial statements, the company follows the same accounting rules (policies) as the ones applied when preparing the financial statements for 2015, with the exception of amendments to standards as well as new standards and interpretations approved by the European Union that are effective for reporting periods beginning on or after 01 January 2016:

a) Amendment to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture Bearer Plants*

The amendment stipulates that bearer plants, currently covered by the scope of IAS 41 Agriculture, should be recognised on the basis of the provisions of IAS 16 *Property, Plant and Equipment*, i.e. with the application of the cost model or revaluation model. Pursuant to IAS 41 all biological assets used in the agricultural activities are determined at fair value less estimated point-of-sale costs.

b) Amendment to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets: Clarifications concerning the acceptable depreciation and amortisation methods (tangible and intangible fixed assets)*

With regard to the depreciation and amortisation of fixed assets, it was reminded that the depreciation/amortization method should reflect the way of consumption by the entity of economic benefits from the assets. The amendment to IAS 16 adds, however, that the revenue-based depreciation method (depreciation charges made in proportion to the revenues generated by the entity from activities in which the given fixed assets are used) is not appropriate. The IASB indicated that the revenues are influenced by a number of other factors, e.g. the inflation that has absolutely nothing to do with the way of consumption of the economic benefits from the fixed assets.

As regards the intangible fixed assets (i.e. amendment to IAS 38) it was determined that in certain circumstances the application of the revenue-based amortisation method may be appropriate. This situation occurs when the entity has demonstrated that there is a close relation between the revenues and the consumption of economic benefits from an intangible fixed asset and the given intangible fixed asset is expressed as the right to obtain a defined amount of revenues (when the entity has obtained a defined amount of revenues, the given intangible fixed asset expires) – the example here may be the right to mine gold from a deposit until a defined revenue has been generated.

c) Amendment to IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*

The amendment introduces additional guidelines for the transaction of acquisition (take-over) of interests in joint operations when the operation constitutes a business as per the definition given in IFRS 3.

IFRS 11 clarifies currently that in such a situation the entity is required to apply all of the principles on business combinations accounting in IFRS 3 (and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11) and disclose information required relevant for business combinations, Part B of the standard presents more detailed guidance on the recognition of, e.g. the goodwill, impairment test.

d) Amendments IAS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments aim at encouraging the entities to exercise their professional judgement in the determination of what information should be presented in the financial statements of the entity as well as where and in what order the disclosures should be presented in the financial statements.

e) Amendments to IAS 27 *Separate Financial Statements Equity Method in Separate Financial Statements*

The amendments concern the application of the equity method in separate financial statements. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

f) Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures*: *Investment Entities - Applying the Consolidation Exception*

The amendments concern investment entities : applying the consolidation exception. They also provide clarifications concerning the recognition of investment entities.

g) Improvements to IFRS (2012-2014) - improvements in the framework of annual IFRS improvement process

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* - changes in methods of disposal,

  Provision of special guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued, This type of reclassification will not constitute a change to the sale or distribution plan, whereby the existing requirements concerning the classification, presentation and measurement will not be changed. Assets which no longer meet the criteria of held for distribution (and do not meet the criteria of held for sale) should be treated similarly as assets that ceased to qualify as held for sale. It is proposed that the improvements were applied prospectively

- IFRS 7 *Financial Instruments: Disclosures – servicing contracts*; applicability of the amendments to IFRS 7 to condensed interim financial statements, Provision of guidelines clarifying whether or not the given service contract constitutes a continuation of engagement in the asset transferred for the purposes of disclosures required with reference to the assets transferred. Paragraph 42C(c) of IFRS 7 stipulates that the transfer of contracts in accordance with a service contract does not mean *per se* the continuity of engagement related to the obligation to disclose the information about the transfer. In practice, most service contracts contain additional clauses resulting in the maintenance of continuity of engagement in the given asset, e.g. if the amount and/or the date of payment of fees for services depends on the amount and/or the date of reception of monetary inflows. The proposed improvements would contribute to the clarification of this matter.

The proposed improvements to IFRS eliminate the doubts concerning the requirements to disclosure the financial asset and financial liability offsetting in the condensed interim financial statements. It is proposed to clarify that the disclosures concerning offsetting are not required in all interim periods.

- IAS 19 *Employee Benefits* – discount rate: regional market issue,

  It has been clarified that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. The proposed amendments will allow the assessment of the size of the market for such bonds at the level of currency. The proposals would be effective retrospectively.

- IAS 34 *Interim Financial Reporting* – Disclosure of information 'elsewhere in the interim financial report'.

  It is proposed to clarify whether or not the information required in IAS 34 are presented as part of the interim financial report but outside the interim financial statements. In accordance with the proposal, such information should be included in the interim report by a reference to another part of the interim financial report available to the users upon the same conditions and at the same time as the interim financial statements.

The adoption of the above-mentioned amendments to standards did not result in any changes in the accounting policy of the Company nor in the presentation of data in the financial statements.

The Company did not take advantage of the possibility of an earlier application of standards and amendments to standards approved by the European Union which are effective for reporting periods beginning on or after 01 January 2017:

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

   The new standard replaces the guidance given in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The standard eliminates the IAS categories of held-to-maturity, available-for-sale and loans and receivables. Upon the initial recognition the financial assets will be classified to one of the following two categories:

   - financial assets carried at amortised cost; or

   - financial assets carried at fair value.

   A financial asset is carried at amortised cost when the following two conditions are fulfilled: assets are held in a business model whose objective is to hold assets in order to collect contractual cash flows and its contractual conditions result in the generation in defined moments of cash flows constituting only the repayment of the principal amount and the interest on the outstanding principal amount.

   The gains and losses on the measurement of financial assets carried at fair value are recognised as profit or loss of the current period with the exception of a situation when the investment in the financial instrument is not held for trading. IFRS 9 provides an option of decision as to the measurement of financial instrument upon their initial recognition in fair value in other comprehensive income. Such a decision would be irreversible. The selection may be made for each instrument separately. The values recognised in other comprehensive income may not be later reclassified as profit or loss.

   IFRS 9 introduces a new model of determining the impairment loss charges – expected credit loss model. Of importance is also the obligation introduced by IFRS 9 to present in other comprehensive income the effects of changes of own credit risk due to financial liabilities carried at fair value through profit or loss.

b) IFRS 15 *Revenue from Contracts with Customers* – effective for reporting periods beginning on or after 01 January 2018
IFRS 15 specifies how and when an IFRS reporter should recognise revenue as well as requires such entities to provide more informative, relevant disclosures. The standards a consolidated model of five topics to be applied to all contracts with customers when recognising revenue.

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

a) IFRS 16 *Leases* – effective for reporting periods beginning on or after 01 January 2019

IFRS 16 replaces the existing solutions concerning lease in IAS 17, IFRIC 4, SIC 15 and SIC 27. This IFRS introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value, The approach to lessor remains substantially unchanged from IAS 17 - the lessors still are required to classify leases as operating or finance.

b) IFRS 14: *Regulatory Deferral Accounts* – effective for reporting periods beginning on or after 01 January 2016. The standard was published within the framework of a larger project Rate-regulated activities concerning the comparability of financial statements of entities operating in areas where the rates are regulated by rate-regulators or supervisory authorities (depending on jurisdictions, such areas may include distribution of electricity and heat, sale of energy and gas, telecommunications services, etc.).

IFRS 14 does not apply in the wide sense to the principles of accounting for rate-regulated activities but only determines the principles of disclosure of items constituting revenue or costs that qualify for recognition in result of the rate regulations and which, in the light of other IFRSs do not meet the conditions of recognition as assets or liabilities.

The application of IFRS 14 is allowed when the entity carries out rate-regulated activities and in the financial statements prepared in accordance with the previously applied accounting rules (policies) recognised the classifying amounts as “deferral account balances’.

In accordance with the published IFRS 14 such positions should be presented separately in the statement of financial position (balance sheet) as, respectively, assets of liabilities. Such accounts are not divided into current and non-current and are not described as assets or liabilities. Therefore, the ‘deferral accounts’ disclosed in the assets are described as ‘deferral account debit balances’ and those disclosed in the equity and liabilities - ‘deferral account credit balances’.

In the statement of profit or loss and other comprehensive income the entities should disclose net changes in ‘deferral accounts’, respectively, in the other comprehensive income section or in the profit or loss section (or in the separate statement of profit or loss).

This standard, as a transitional standard in accordance with the decision of the European Commission, will not be subject to an adoption process.

c) Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* – application deferred indefinitely
The amendments concern the sale or contribution of assets between and investor and its associate or joint venture and clarifies that the recognition of a gain or a loss resulting from the sale or contribution to an associate or a joint venture of assets depends on whether or not the assets sold or transferred constitute a business.

d) Amendments to IAS 12 Income Taxes: *Recognition of Deferred Tax Assets for Unrealised Losses* – effective for reporting periods beginning on or after 01 January 2017,
The purpose of the proposed amendments is to clarify that the unrealised losses on debt instruments measures at fair value and - for tax purposes - at cost may result in deductible temporary differences.
The proposed amendments will also stipulate that the carrying amount of the given asset does not limit the estimates of the value of future taxable income. Additionally, in case of comparisons of the deductible temporary differences and the future taxable incomes, the future taxable incomes will not comprise tax deductibles resulting from the reversal of such deductible temporary differences.

e) Amendments to IAS 7 *Statement of Cash Flows*: *Disclosure Initiative* – effective for reporting periods beginning on or after 01 January 2017, The amendment is intended to improve information provided to users of financial statements about an entity's financing activities and liquidity. A requirement is introduced to:

(i) reconcile the opening and closing balances in the statement of financial position for all items generating cash flows which qualify as financial activity, with the exception of the equity items;

(ii) disclose information concerning the questions facilitating the entity's liquidity analysis, such as the restrictions applied when taking a decision to use the cash and cash equivalents.

f) Clarifications concerning IFRS 15 *Revenue from Contracts with Customers* - effective for reporting periods beginning on or after 01 January 2018,
The amendments clarify the following:
   (i) identification of performance obligations,
   (ii) principal versus agent considerations in a contract,
   (iii) licensing (at a point in time or over time)
These amendments introduce 2 additional transitional reliefs aimed at cost lowering and simplification of complexities when adopting the standard.

g) Amendments to IFRS 2 *Share-based Payments* - effective for reporting periods beginning on or after 01 January 2018,
The amendments clarify the way of recognition of certain payments made in the form of shares. The amendments introduce requirements concerning the accounting for:
   (i) cash-settled share-based payment transactions that include a performance condition,
   (ii) share-based payment transactions with net settlement features,
   (iii) modifications of share-based payment transactions from cash-settled to equity-settled.

h) Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* - effective for reporting periods beginning on or after 01 January 2018.
The amendments aim at the elimination of cases of accounting mismatches from the income statements of entities that issue insurance contracts. In accordance with these amendments, the following solutions are admissible:
- application of IFRS 9 *Financial Instruments* with the recognition in comprehensive income and not the income statement of changes resulting from the application of IFRS 9 *Financial Instruments* instead of IAS 39 *Financial Instruments* for all entities that issue insurance contracts (the so-called ‘overlay approach’),
- temporary (until 2021) exclusion of the application of IFRS 9 *Financial Instruments* for those entities whose business is related mainly with insurance and the application in that period of IAS 39 *Financial Instruments* (the so-called ‘deferral approach’).

j) IFRIC 22 *Foreign Currency Transactions* – effective for reporting periods beginning on or after 01 January 2018
The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income.

k) Amendments to IAS 40 *Investment Property* - effective for reporting periods beginning on or after 01 January 2018
The changes aim at providing guidance on the principles of transfers of assets to, or from, investment properties. The change concerns paragraph 57 which states that a transfer of assets to, or from, investment property takes place when, and only when, there is evidence of a change in use. The list of situations contained in paragraphs 57(a)-(d) was designated as non-exhaustive list of examples while the current list is an exhaustive list of examples.

l) Improvements to IFRS (2014-2016) – improvements in the framework of annual IFRS improvement process – effective for reporting periods beginning on or after 01 January 2017/ 01 January 2018
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*
  The amendment concerns a deletion short-term exemptions in paragraphs E3–E7 of IFRS 1, because they concerned past reporting periods and have now served their intended purpose. The exemptions allowed first time IFRS adopters to use the same disclosures as those who have applied IFRSs for a long time with reference to:
  i. Disclosures of certain comparable data concerning financial instruments required in effect of the introduction of amendments to IFRS 7
  ii. The presentation of data comparable to the disclosures required in IAS 19, concerning the sensitivity of liabilities under defined benefits to actuarial assumptions
  iii. Retrospect application of requirements concerning investment units contained in IFRS 10, IFRS 12 and IAS 27.

- Amendment to IFRS 12 *Disclosure of Interests in Other Entities*
  The amendment clarifies the scope of IFRS 12 by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5. The amendment arose in relation with ambiguities related to the mutual impact of the requirements to disclose information contained in IFRS 5 and IFRS 12.

- Amendments to IAS 28 *Investments in Associates and Joint Ventures*
  The amendment clarifies that a decision concerning the measurement at fair value through profit or loss (and not by the equity method) of an investment in an associate or a joint venture, which may be taken by an entity that is a venture capital organisation, or other qualifying entity (e.g. a mutual fund, a trust fund), is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. The amendment also concerns the possibility of electing the method for the measurement of an investment entity, which is an associate or a joint venture of an entity that is not an investment entity – it may maintain the measurement at fair value used by that entity, applying, at the same time the equity method.

In the Company's opinion, the above-mentioned standards, interpretations and amendments to standards will not have a significant impact on the Group's financial statements.

b) Accounting policies

These financial statements were prepared in accordance with the historical cost method.

In the period from 01 January to 31 December 2016, the accounting principles did not change when it comes to the valuation of assets and liabilities and the measurement of the financial result.

<u>Presentation of Financial Statements</u>
The presented financial statements are compliant with IAS 1. The Company presents a separate 'Statement of profit or loss' that directly follows the 'Statement of profit or loss and other comprehensive income'.
The 'Statement of Profit or Loss' is presented in the functional classification, and the 'Cash Flow Statement' has been prepared using the indirect method.
In case of a retrospective introduction of amendments to the accounting policies or adjustment of errors, the Company additionally presents a statement of financial position made as at the beginning of the comparative period.

<u>Operating segments</u>
The Company does not identify operating segments.

<u>Business Combinations</u>
Business combination transactions covered by IFRS 3 are settled using the acquisition method.
As at the day of taking control, the acquiree's assets and liabilities are substantially carried at fair value and in accordance with IFRS 3 the assets and liabilities are identified, irrespective of the fact whether or not they have been disclosed in the financial statements of the entity prior to the acquisition.
The payment made in exchange for the control comprises the acquired assets, liabilities incurred as well as equity instruments issued - carried at fair value as at the acquisition day. The payment element is also a conditional payment measured at fair value as at the acquisition day. Costs related to the acquisition (advisory, appraisal etc.) do not constitute a payment for the acquisition but are recognised as cost on the day they have been incurred.

The goodwill (profit) is calculated as a difference between two values:
- the total payment made in exchange for the control, non-controlling shares and the fair value of shares held in the acquiree before the acquisition date, and
- the fair value of identifiable acquired net assets of the entity.

The surplus of the total calculated in the above-mentioned manner over the fair value of the identifiable acquired net assets of the entity is recognised in the assets of the balance sheet as goodwill. The goodwill corresponds to the payment made by the acquirer in expectation of future economic benefits from the assets that cannot be identified individually or recognised separately. After the initial recognition, the goodwill is carried at cost less accumulated impairment loss.

In case the above-mentioned total is lower than the fair value of identifiable acquired net assets of the entity, the difference is immediately recognised as profit or loss. The Company recognises the profit on acquisition in other operating income.

By 1 January 2010, with regard to business combinations the Company applied the acquisition method in the manner as defined in the IFRS 3 version (2004).

Investments in associates
Associates are entities not controlled by the Company but over which it does have a significant influence, participating in the determination of the financial and operating policies.
Investments in associates are initially recognised at cost, and thereafter measured using the equity method. Upon the moment of arising a significant inflow, the goodwill is determined as a difference between the investment's cost and the fair value of net assets attributable to the investor. The goodwill is recognised in the carrying amount of the investment in associates.
The carrying amount of the investment in associates is increased or decreased by:

- the share of the Company in the profits or losses in the associate,
- share of the Company in other comprehensive income of the associate resulting from, without limitation, the revaluation of tangible fixed assets and exchange differences on the conversion of foreign operations. These amounts are disclosed in correspondence with the appropriate item of the "comprehensive statement of comprehensive income",
- profits and losses on transactions between the Company and the associate, which are subject to exclusion up to the level of the share held,
- received payments from profits generated by the associate, which lower the investment's carrying amount.

Transactions in Foreign Currencies
The financial statements are presented in Polish zloty (PLN), which is also the functional currency of the Company.

Borrowing costs
The borrowing costs that can be directly allocated to the acquisition, construction or generation of an adjusted asset, are activated as part of the cost of such an asset. The borrowing costs comprise interest and exchange difference gains or losses up to the amount corresponding to the adjusted interest expense.
The above principles are applied by the Company prospectively, starting from 1 January 2009.

Goodwill
The goodwill is initially recognized in accordance with IFRS 3 (cf. the above item concerning business combinations). The goodwill is not subject to amortisation, however it is annually tested for impairment as per IAS 36 (cf. the item concerning the impairment of non-financial fixed assets).

Intangible fixed assets

The intangible fixed assets comprise licences, software as well as other intangible assets that meet the recognition criteria defined in IAS 38. This item also contains intangible assets which have not been put to use yet (intangible fixed assets in production).

The intangible fixed assets as at the balance sheet day are recognised at cost less accumulated depreciation and accumulated impairment charge. The intangible fixed assets with a determined useful life are amortized in accordance with the straight-line method over their entire useful economic life. The useful lives of particular intangible assets are subject to annual verification and, if need be, are adjusted as of the beginning of the next financial year.
The estimated useful lives for particular groups of intangible assets are as follows:

	Period
Licences	5 years
Software	5 years
Other intangible assets	5 years

The costs related to the maintenance of software incurred in later periods are recognised as cost of the period in which they are incurred.

Gains or losses on the disposal of intangible fixed assets are determined as a difference between the revenue from the sale and the net value of such intangible assets and are recognised as profit or loss in the item other operating revenue or costs.

Tangible fixed assets
The tangible fixed assets are initially recognised at cost. The acquisition price is increased by all costs directly related to the purchase and adjustment of the asset to its use.

After initial recognition, the tangible fixed assets, with the exception of lands, are recognised at cost less accumulated depreciation and accumulated impairment charge. The tangible fixed assets in construction are not depreciated before the end of the construction or assembly and before being put to use.
The depreciation is made in accordance with the straight-line method over the estimated useful life of the given asset. Such lives for particular groups of assets are the following:

	Period
Machinery and equipment	2-5 years
Vehicles	2 - 5 years
Other fixed assets	2-10 years

The depreciation starts in the month in which the given fixed asset is available for use. The useful economic lives and the depreciation methods are verified annually, leading to depreciation charge adjustments, if any, in subsequent years.

The tangible fixed assets are divided into component parts constituting items of material value, to which separate useful economic lives can be assigned. Component parts are also the costs of general overhauls as well as significant spare parts and accessories, if they will be used for a period of time longer than one year. The current maintenance costs incurred after the date an asset has been put to use, such as repair and maintenance costs, are charged as profit or loss upon their incurring.

A given tangible fixed asset may be derecognised when disposed of or when no future economic benefits from further use of the given asset are expected. Gains or losses on the sale/liquidation or discontinuance of the use of fixed assets are determined as a difference between the revenue from the sale and the net value of such assets and are recognised as profit or loss, in other cases - as operating income or costs.

Leased assets
Lease contracts on the basis of which the lessee substantially retains all the risks and rewards incidental to ownership are operating lease contracts. The lease payments under operating lease are recognised in profit or loss on the straight-line basis over the lease term.

Impairment of non-financial fixed assets
The following assets are subject to the annual test for impairment:

- goodwill, whereby the first test for impairment is made at the end of the period during which the combination took place,

The remaining intangible assets and tangible assets are tested for indications of impairment. In case any events or circumstances may indicate difficulties in recovering the carrying amount of the given asset, it is tested for impairment.
For the purposes of the impairment test, the assets are grouped at the lowest level at they generate cash flows independent of other cash flows by other assets or groups of assets (so-called cash-generating units). The assets that independently generate cash flows are tested independently.
The goodwill is allocated to those cash generating unit from which the benefits of synergy resulting of business combination are expected, whereby the cash-generating units are at least operating segments.

If the carrying amount exceeds the estimated recoverable amount of assets of cash generating units to which the assets belong, the carrying amount is lowered to the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. In measuring the value in use, the estimated future cash flows are discounted to the present value using the discount rate reflecting the actual market assessment of the time value of money and risk related to the given asset.

The impairment loss is first allocated to goodwill. The remaining charge proportionally lowers the carrying amount of assets comprised in the cash generating unit.
The impairment loss is recognised as profit or loss in the “Other operating costs” item.
The goodwill impairment is not reversed in subsequent periods. In case of other assets, the evidence indicating the possibility of reversing the impairment charge is reviewed at subsequent balance sheet dates. The charge reversal is recognised as profit or loss in the "Other operating income" item.
Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset or a financial liability is disclosed in the balance sheet when the Company becomes a party to this instrument. Standard financial asset and liability buying and selling transactions are recognised at the transaction date.

A financial asset is derecognised in case when the contractual rights to economic benefits and resulting risks have been realized, expired of the Company waived them.
The Company derecognises a financial liability when it is extinguished – i.e. the obligation specified in the contract is discharged or cancelled or expired.

The Company measures the financial assets and liabilities at fair value as at the acquisition date, i.e. most often in accordance with the fair value of the consideration paid in case of an asset or received in case of a liability. The transaction costs are included by the Company in the initial measurement of all financial assets and liabilities, except for the category of assets and liabilities carried at fair value through profit or loss.

As at the balance sheet date, the financial assets and liabilities are measured in accordance with the principles presented below.

Financial assets
For the purpose of the measurement after the initial recognition, the financial assets other than the hedging derivatives are classified by the Company as follows:

- loans and receivables,
- financial instruments at fair value through profit or loss,
- held-to-maturity investments.

These categories determine the measurement principles as at the balance sheet date and the recognition of measurement gains or losses in the financial income or in other comprehensive income. The profits or losses recognized in the financial result are presented as financial income or expense, except for the trade receivables impairment charges that are presented as other operating expenses.

All financial assets except those carried at fair value through profit or loss are tested for indications of impairment at each balance sheet date. A financial asset is subject to a write-down when there is any objective evidence of its impairment. The impairment indications are analysed separately for each category of financial assets as presented below.

Loans and receivables are financial assets, not classified as derivatives, which have determined or determinable payments and which are not quoted on an active market. Loans and receivables are measured at amortised cost using the effective interest method. The short-term receivables are measured at required payment amount due to the insignificant discount effects.
Financial assets qualified to the loans and receivables category are disclosed in the balance sheet as:

- long-term assets in the item "Receivables and loans” and
- short-term assets in the items "Loans”, "Trade receivables and other receivables” and "Cash and cash equivalents”.

The provisions for bad receivables are set up when the recovery of a full amount is no longer probable. Significant receivables balances are subject to individual review in case of defaulting debtors or when there is objective evidence that the debtor may not be able to discharge his obligations (e.g. difficult financial position of the debtor, court case pending against the debtor, changes in the economic environment that are unfavourable to the debtor). In case of receivables not subject to individual review, the indications of impairment are analysed in groups of assets determined on the basis of credit risk (resulting from, for example: the sector, region or structure of clients). The impairment rate for particular groups is based on trends in repayment difficulties experienced by debtors and observed in recent past.

Financial liabilities
Financial liabilities other than hedging derivatives are disclosed in the following balance sheet items:

- loans, credits, other loan instruments,
- trade liabilities and other liabilities.

After the initial recognition the financial liabilities are measured at amortised cost using the effective interest method, with the exception of financial liabilities for trading or designated at fair value through profit or loss. The category of financial liabilities carried at fair value through profit or loss includes derivatives other than hedging instruments. Short-term trade liabilities are measured at required payment amount due to the insignificant discount effects.
The gains and losses on financial liability measurement are recognised as profit or loss from financial activities.

Inventories
The inventories are measured at the lower of the cost or net realisable price. The cost comprise the acquisition costs and other costs incurred in order to ensure that the inventories are at their present location and in their present state.
The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Cash and cash equivalents
Cash and cash equivalents are cash on hand and cash in bank, demand deposits as well as short-term, highly liquid investments (up to 3 months) readily convertible to cash, which are subject to an insignificant risk of changes in value.

Equity
The share capital is recognised in the nominal value of shares issued, in accordance with the Articles of Association of the Company and the entry in the National Court Register.

The Company's treasury shares purchased and retained by the Company decrease the equity. The treasury shares are measured at cost.

The share premium arises from the surplus of the issue price over the nominal value of shares less the costs of issue.

Retained profits contain the results from previous years (also those transferred to the capital on the basis of shareholders' resolutions) as well as the financial result of the current year.

All transactions with the shareholders of the Company are presented separately in the "Statement of Changes in Equity".

Short-term employee benefits
The value of short-term employee benefits is determined without discount and disclosed in the balance sheet in their due amount.

Provisions for accrued holidays
The Company sets up a provision for the costs of accumulated payable holidays which it will have to pay in result of the employee's failure to use their entitlement accrued as at the balance sheet day. The provision for accrued holidays is a short-term provision and is not subject to discounting.

Retirement benefits and jubilee bonuses
In accordance with the pay systems in force in the Company, the employees of the Company are entitled to retirement benefits. Retirement benefits are paid on a one-off basis upon the employee's retirement. The retirement benefit amount depends on the length of service and the average remuneration of the employee.
The Company creates a provision for future retirement benefit liabilities in order to allocate the costs to the employees' entitlement acquisition periods.

Provisions, contingent liabilities and assets
The Company recognises a provision on its balance sheet when it has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The date of incurring and the amount to be settled may be uncertain.

Provisions are created for the following purposes, without limitation:
- court proceedings in course and matters in dispute.

No provisions are set up for future operating losses.

Provisions are recognised in the amounts of estimated expenditures necessary to fulfil the present obligation on the basis of the most reliable evidence available as at the date of the financial statements, including those concerning the risk and degree of uncertainty. When the time value of money is material, the provision is measured by discounting the estimated future cash flows to the present value by applying the discount rate reflecting the actual assessment of the time value of money and the possible risk related to the given liability. When a discounting method has been applied, the provision increase with the passage of time is recognised as financial expense.
When the Company expects that the provision-covered costs will be returned, e.g. on the basis of insurance contract, the return is recognised as a separate asset, but only when it is practically sure that the return will effectively take place. However, the value of this asset may not exceed the amount of provision.

In case the outflow of resources to settle the present obligation is not probable, the contingent liability is not recognised, with the exception of contingent liabilities identifiable in the process of business combinations as per IFRS 3.
Information about contingent liabilities is disclosed in the descriptive part of the financial statements in Note No. 24. The Company also presents information about contingent liabilities from payments under operating lease contracts (Note No. 6).

The possible inflows of resources embodying economic benefits for the Company, which do not meet yet the recognition criteria as assets, constitute contingent assets, which are not recognised in the balance sheet. The information about contingent assets is disclosed in the supplementary notes.

Accruals
The Company discloses prepaid costs concerning future reporting periods, mainly lease rents and property insurance costs in the "Prepayments" item.

Sale revenues
The revenue from sale are recognized in the fair value of the consideration received or receivable for goods and services delivered or rendered in the course of ordinary economic activities less discounts, value added tax and other sale-related taxes (excise tax). The revenue is recognised in an amount it is probable that the Company will obtain economic benefits associated with a given transaction and the given amount of revenue can be measured reliably.

Sale of goods
The revenues from the sale of goods are recognised if the following conditions have been met:

- the Company has transferred onto the buyer the significant risks and rewards of ownership of the goods. The condition is considered met upon the undisputed delivery of goods or products to the consignee.
- the amount of revenue can be measured reliably.
- it is probable that the Company will obtain economic benefits associated with the given transaction, and
- the costs incurred and to be incurred in connection with transaction can be measured reliably.

Rendering of Services
Services provided by the Company comprise mainly the services for the subsidiaries.

Interest and dividends
Interest income is recognized gradually upon accrual using the effective interest method. The dividends are recognised when the shareholder's right to receive payment is established.

Operating expenses
The operating costs are recognised in the income statement in accordance with the principle of matching of costs with revenues. The Company presents the costs in the financial statements as per the places they were generated.

Income tax (including the deferred tax)
The taxation on the financial result comprises the current income tax as well as the deferred income tax that has not been recognised in other comprehensive income or directly in equity.

The current tax is calculated on the basis of the tax result (taxation basis) of the given financial year. The tax profit (loss) is different from the gross book profit (loss) in relation with the temporary shift of taxable income and tax deductible costs of subsequent periods as well as exclusion of non-taxable costs and revenue. The taxes are calculated on the basis of tax rates in force in the given financial year.

The deferred tax is measured for all taxable temporary differences as at the balance sheet date between the carrying value of assets and liabilities and their taxable value.
The deferred tax liability is recognised for all taxable temporary differences and the deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the recognized deductible temporary differences can be utilised. No assets or liabilities are recognised when the temporary difference results from the initial recognition of the asset or liability in a transaction that is not a business combination and that, when occurred, does not have any influence on the tax result or the book result. No deferred tax liability is recognised on the goodwill, which is not amortisable in accordance with the tax regulations.
The deferred tax is measured using the tax rates that are expected to apply to the period when the asset is realized or a liability is settled based on the tax rates (and tax laws) that have been enacted at the balance sheet date.

The deferred tax asset is analysed as at each balance sheet date and when the expected future taxable profit will not be sufficient to realize an asset or its part, it is impaired.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Subjective Assessments of the Management Board and Uncertainty of Estimates
When preparing these financial statements, the Company's Management Board uses its best judgement to make the estimates and assumptions that influence the accounting policies (rules) applied and the presented values of assets, liabilities, revenue and costs. The actually realised values may differ from the estimates made by the Management Board. Information about the estimates and assumptions made that are significant for the financial statements is presented below.

Useful economic lives of fixed assets
The Management Board of the Company annually verifies the useful economic lives of fixed assets subject to depreciation/amortisation. As at 31/12/2016, the Management Board confirmed that the useful lives of assets as assumed by the Company for depreciation/amortisation purposes reflect the expected time distribution of economic benefits from these assets in the future. However, the actual time distribution of economic benefits from these assets may be different from the assumptions, also because of their technical ageing. The carrying amount of fixed assets subject to depreciation/amortisation is presented in Notes No. 4 and 5.

Provisions
Provisions for employee benefits comprise retirement benefits and provisions for retirement benefits.

Deferred tax assets
The probability of settling a deferred tax asset by future tax profits is based on the budget of Company as approved by the Management Board of the Company. If the anticipated financial results suggest that the Company will generate taxable income, the deferred tax assets are recognised in full.

Impairment of Non-financial Assets
In order to determine the value in use, the Management Board estimates the forecast cash flows as well as the rate by which the flows are discounted to their present value (cf. item concerning the impairment of non-financial assets). During the measurement of the present value of future flows, assumptions concerning the forecast financial results are made. These assumptions concern future events and circumstances. The actually realised values may differ from the estimates, which may lead, in subsequent reporting periods, to significant adjustments of the value of Company's assets.

1. Operating segments

The Company does not identify operating segments.

2. Interests in related parties

The value of investments in related parties is subject to a test for impairment made annually or more often, if there are indications of such impairment. In case of indications of impairment, the Company determines the investment's recoverable amount. This amount is the value in use estimated on the basis of discounted future cash flows. In 2016, the Company did not make any impairment charges with regard to the above-mentioned investments.

List of companies controlled by OEX S.A.

		% of shares/participations held
Name of the Company	**Registered office**	**directly controlled**
TELL Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100
Europhone Sp. z o.o.	ul. Forteczna 19A, 61-362 Poznań	100
PTI Sp. z o. o.	ul. Forteczna 19A, 61-362 Poznań	100
Cursor S.A.	ul. Równoległa 4A, 02-235 Warszawa	100
Divante Sp. z o.o.	ul. Dmowskiego 17, 50-203 Wrocław	51.03
Mer Service Sp. z o.o.	ul. Klimczaka 1, 02-797 Warszawa	100
Pro People Sp. z o.o.	ul. Równoległa 4A, 02-235 Warszawa	100
Toys4Boys pl. Sp. z o. o.	ul. Nowy Świat 11B, 80-299 Gdańsk	30
Connex Sp. z o. o.	ul. Forteczna 19A, 61-362 Poznań	100

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

TELL (OTI Sp. z o.o.) Spółka z ograniczoną odpowiedzialnością (*Polish limited liability company)* was established on 18 September 2015 by virtue of a Resolution of the General Meeting of Shareholders of OEX S.A. on separating from OEX S.A. of the operating activities consisting in the provision of services on the basis of an agreement made with Orange Polska S.A.
TELL Sp. z o.o. was registered by the District Court for Poznań Nowe- Miasto i Wilda in Poznań on 04 November 2015. The Company started its activities on 1 February 2016.

TELL Sp. z o.o. entered into an agreement on 29 January 2016 with its only shareholder, OEX S.A, concerning the contribution of an organised part of business of OEX as an in-kind contribution in exchange for newly established shares in increased share capital of TELL Sp. z o.o. The organised part of business the agreement concerns is a complex of tangible and intangible assets that is separate in terms of organisation and function and financially organised as laid down in art. 55^1 of the Civil Code, that is earmarked to carry out the so-called operating activity, i.e. activity for Orange Polska S.A. with registered office in Warsaw as well as other entities indicated or accepted by that operator, consisting in particular in the distribution of telecommunication services, sale of phones and other telecommunication equipment as well as phone accessories. The organised part of business comprises in particular the tangible and intangible assets constituting the Orange Sale Outlets run by the issuer (directly or via sub-agents) and the sale structure as part of the B2B Indirect Sale Channel (own and sub-agent) within the meaning of the agency agreement executed by and between the issuer and Orange Polska S.A. Pursuant to the arrangements made by the parties, together with the organised part of business, also the debts related to that organised part of business shall be transferred onto TELL Sp. z o.o.
In exchange for the above-mentioned contribution in kind, OEX S.A. subscribed 340,000 new shares in the share capital of TELL Sp. z o.o., with the nominal value of PLN 50.00 each, as issued on the basis of a resolution of the General Meeting of Shareholders of OTI Sp. z o.o. (TELL Sp. z o.o. after the change of the Company's business name) concerning the increase of the share capital by the amount of PLN 17,000,000.00., i.e. from the amount of PLN 5,000.00 to PLN 17,005,000.00. The value of the contribution in kind is PLN 21.328.849,51. Pursuant to the arrangements made by the parties, the organised part of business shall be transferred from the OEX S.A. onto TELL Sp. z o.o. on 31 January 2016. The capital increase was registered by the District Court on 7 March 2016.

On 6 May 2016, OEX S.A. acquired from its subsidiary Cursor S.A. 100% of shares in Pro People Sp. z o.o. (formerly TRS Services Sp. z o.o.) with registered office in Warsaw for the price of PLN 50,000.00. The object of the business of TRS Services Sp. z o.o. is the management of human resources, recruitment activities and employee lease. Since 2017, the Company will have a status of a temporary employment agency. Currently, the Company is in the process of take-over of recruitment processes from the remaining Group Companies.

On 31 August 2016, OEX S.A. entered into an agreement concerning the acquisition of 100% shares in Mer Service Sp. z o.o. with registered office in Warsaw. The company provides services in the segment defined by the Issuer as the Sale Support Segment. the acquisition price was PLN 4,500,000.00. The title to all shares was transferred onto OEX S.A. upon the payment of a part of the price, i.e. PLN 4,200.00 - on 6 September 2016. The purpose of the acquisition is to reinforce the market position of the Group by increasing the scale of business which would allow the performance of new projects and increase the margin owing to cost synergies, joint expertise and team optimisation.

Components of the organised part of business sold by OEX S.A.:

Assets

Intangible fixed assets	21,637
Tangible fixed assets	4,733
Deferred tax assets	121
Inventories	2,682
Receivables and loans	2,005
Accruals and prepayments	112
Cash	1,381
Total assets	32,671

Liabilities

Deferred tax liabilities	4,048
Loans, credits, leases	4,940
Trade liabilities	1,717
Other liabilities	638

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Total provisions	11,342
Net assets	**21,329**
Value of shares subscribed	**21,329**

The table below presents a list of investments in subsidiaries subject to consolidation

	Seat of subsidiary	% of share capital	**31/12/2016**		31/12/2015	
			Acquisition price	Accumulated impairment	Acquisition price	Accumulated impairment
TELL Sp. z o.o.	Piaseczno	100%	21,334		5	
Europhone Sp. z o.o.	Poznań	100%	11,025		11,025	
PTI Sp. z o. o.	Poznań	100%	13,324		13,324	
Cursor S.A.	Warsaw	100%	17,405		17,405	
Divante Sp. z o.o.	Wrocław	51.03%	3,216		3,216	
Mer Service Sp. z o.o.	Warsaw	100%	4,500			
Pro People Sp. z o.o.	Warsaw	100%	50			
Total			70,854		44,975	0
Carrying amount of the investment				**70,854**		**44,975**

The table below presents a list of investments in subsidiaries not subject to consolidation.

	Seat of subsidiary	% of share capital	**31/12/2016**		31/12/2015	
			Acquisition price	Accumulated impairment	Acquisition price	Accumulated impairment
Toys4Boys.pl Sp. z o.o.	Gdańsk	30%	1,287	1,287	1,287	1,287
Connex Sp. z o.o. in liquidation	Poznań	100%	150	150	150	150
Total			1,437	1,437	1,437	1,437
Carrying amount of the investment				**0**		**0**

3. Goodwill

Changes in the carrying amount of goodwill in periods covered by the financial statements are presented in the table below:

	31/12/2016	31/12/2015
Gross value		
As at period beginning	**21,298**	**21,298**
Business combination		
Sale of subsidiaries (-)		
Net exchange differences on conversion		
Other adjustments – issue as part of the organised part of business	**-21,298**	
Gross value at period end	0	21,298
Impairment loss		
As at period beginning		
Loss expensed as cost in the period		
Net exchange differences on conversion		
Other changes		
Impairment loss at period end		
Goodwill - carrying amount at period end		**21,298**

4. Intangible fixed assets

The intangible fixed assets used by the Company comprise licences, computer software as well as other intangible assets.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	Licences software	Other intangible assets	Trade marks	Total
As at 31/12/2016				
Gross carrying amount	132		315	447
Accumulated depreciation/amortisation and impairment charges	-111		-65	-176
Net carrying amount	**20**		**250**	**270**
As at 31/12/2015				
Gross carrying amount	1,041	655	315	2,011
Accumulated depreciation/amortisation and impairment charges	-873	-475	-38	-1,385
Net carrying amount	**168**	**180**	**278**	**626**

	Licences software	Other intangible assets	Trade marks	Total
for the period from 01/01 to 31/12/2016				
Net carrying amount as at 01/01/2016	168	180	278	626
Increase (acquisition, production, lease)	24			24
Decrease (disposal, liquidation) (-)				
Issue as part of the organised part of business	-165	-173		-338
Other changes (reclassification, transfers, etc.)				
Revaluation to fair value (+/-)				
Depreciation and amortisation (-)	-7	-7	-28	-41
Impairment loss (-)				
Reversal of impairment charges				
Net carrying amount as at 31/12/2016	**20**		**250**	**270**
for the period from 01/01 to 31/12/2015				
Net carrying amount as at 01/01/2015	50	294		343
Increase (acquisition, production, lease)	161	150	300	476
Decrease (disposal, liquidation) (-)				
Other changes (reclassification, transfers, etc.)				
Revaluation to fair value (+/-)				
Depreciation and amortisation (-)	-43	-128	-23	-194
Impairment loss (-)				
Reversal of impairment charges				
Net carrying amount as at 31/12/2015	**168**	**180**	**278**	**626**

5. Tangible fixed assets

	Machinery and equipment	Vehicles	Other fixed assets	Tangible fixed assets in production	Total
As at 31/12/2016					
Gross carrying amount	113	114	16		243
Accumulated depreciation/amortisation and impairment charges	-90	-114	-7		-211
Net carrying amount	**23**	**0**	**9**		**32**
As at 31/12/2015					
Gross carrying amount	2,994	1,525	6,368	8	10,894
Accumulated depreciation/amortisation and impairment charges	-2,053	-621	-3,246		-5,920
Net carrying amount	**941**	**904**	**3,122**	**8**	**4,974**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	Machinery and equipment	Vehicles	Other fixed assets	Tangible fixed assets in production	Total
for the period from 01/01 to 31/12/2016					
Net carrying amount as at 01/01/2016	941	904	3,122	8	4,974
Increase (acquisition, production, lease)	30	158	72		259
Decrease (disposal, liquidation) (-)		-212	-97		-309
Issue as part of the organised part of business	-903	-788	-3,034	-8	-4,733
Other changes (reclassification, transfers, etc.)					
Revaluation to fair value (+/-)					
Depreciation and amortisation (-)	-45	-62	-54		-160
Impairment loss (-)					
Reversal of impairment charges					
Net carrying amount as at 31/12/2016	**23**		**9**		**32**
for the period from 01/01 to 31/12/2015					
Net carrying amount as at 01/01/2015	809	831	2,003	29	3,672
Increase (acquisition, production, lease)	532	422	1,663	1,544	4,160
Decrease (disposal, liquidation) (-)	-10	-69	-77	-1,565	-1,720
Other changes (reclassification, transfers, etc.)					
Revaluation to fair value (+/-)					
Depreciation and amortisation (-)	-390	-279	-468		-1,137
Impairment loss (-)					
Reversal of impairment charges					
Net carrying amount as at 31/12/2015	**941**	**904**	**3,122**	**8**	**4,974**

As at the end of 2016, the Company did not have fixed assets used on the basis of an operating lease:

	31/12/2016	31/12/2015
Buildings and structures		
Plants and machinery		
Vehicles		373
Other fixed assets		
	0	373

6. Leased assets

6.1. Operating Lease

As at the end of 2016, the Company did not have fixed assets used on the basis of an operating lease:

	31/12/2016	31/12/2015
Future minimum lease payments under irrevocable operating lease agreements:		
Payable within 1 year	0	6,215
Payable within the period from 1 year to 5 years	0	24,860
Total	**0**	**31,075**

7. Financial Assets and Liabilities

7.1. Categories of financial assets and liabilities

The value of financial assets presented in the balance sheet relates to the following categories of financial instruments determined in IAS 39:

1 – loans and receivables (L&R)	5 - available-for-sale financial assets (AFS)
2 - financial assets carried at fair value through profit or loss - held for trading (FVA-T)	6 - hedging derivatives (HD)
3 - financial assets carried at fair value through profit or loss - allocated to measurement at fair value at initial recognition (FVA-M)	7 - assets outside the scope of IAS 39 (Non IAS 39)
4 - held-to maturity investments (HMI)	

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	Note	*Categories of financial instruments as per IAS 39							Total
		L&R	FVA-T	FVA-M	HMI	AFS	HD	Non IAS 39	
As at 31/12/2016									
Fixed assets:									
Receivables and loans	7.2	88							88
Other long-term financial assets	2							70,854	70,854
Current assets:									
Trade receivables and other receivables receivables	10	2,034							2,034
Loans	7.2	8,332							8,332
Cash and cash equivalents	11	49							49
Total financial assets		10,455						70,854	81,309
As at 31/12/2015									
Fixed assets:									
Receivables and loans	7.2	217							217
Other long-term financial assets	2							44,975	44,975
Current assets:									
Trade receivables and other receivables receivables	10	21,179							21,179
Loans	7.2	6,282							6,282
Cash and cash equivalents	11	175							175
Total financial assets		27,853						44,975	72,828

The value of financial liabilities presented in the balance sheet relates to the following categories of financial instruments determined in IAS 39:

1 - financial liabilities carried at fair value through profit or loss - held for trading (FVL-T)	4 - hedging derivatives (HD)
2 - financial liabilities carried at fair value through profit or loss - allocated to measurement at fair value at initial recognition (FVL-M)	5 - liabilities outside the scope of IAS 39 (Non IAS 39)
3 - financial liabilities measured at amortised cost (ACL)	

	Note	*Categories of financial instruments as per IAS 39					Total
		FVL-T	FVL-M	ACL	HD	Non IAS 39	
As at 31/12/2016							
Long-term liabilities:							
Loans, credits, other debt instruments	7.3.			2,250			2,250
Other liabilities							
Short-term liabilities:				621			621
Trade liabilities and other liabilities	16						
Loans, credits, other debt instruments	7.3			1,131			1,131
Total financial liabilities				4,001			4,001
As at 31/12/2015							
Long-term liabilities:							
Loans, credits, other debt instruments	7.3						
Other liabilities				299			299
Short-term liabilities:							
Trade liabilities and other liabilities	16			20,932			20,932
Loans, credits, other debt instruments	7.3			2,127			2,127
Total financial liabilities				23,358			23,358

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

7.2. Receivables and loans

For the purposes of presentation, in its balance sheet the Company separated the class of receivables and loans (IFRS 7.6). In the long-term part, the receivables and loans are presented in the balance sheet in a single heading. In the short-term part, the Company - in compliance with the requirements of IAS 1 - presents the trade receivables and other receivables separately. The balance sheet items concerning the class of receivables and loans are presented in the table below. Disclosures concerning the receivables are made in Note No. 10.

	31/12/2016	31/12/2015
Fixed assets:		
Receivables	**88**	217
Loans		
Long-term receivables and loans	**88**	217
Current assets:		
Trade receivables and other receivables	2,034	21,293
Loans	8,332	6,282
Short-term receivables and loans	**10,367**	27,576
Receivables and loans, including:	**10,455**	27,793
Receivables (Note No. 10)	**2,122**	21,511
Loans (Note No. 7.2)	**8,332**	6,282

Loans granted are measured at amortised cost using the effective interest method. The carrying amount of loans is deemed a reasonable approximation of the fair value. (cf. Note No. 7.5. concerning the fair value).
As at 31/12/2016, the PLN loans in the carrying amount of kPLN 8,332 (2015: kPLN 6,282) had variable interest rates determined on the basis of 1M WIBOR plus a margin of 3.50 p.p. The loans mature in 2017.
The interest rate changes with each first day of a calendar month of the contract validity pro rata to the reference rate calculated and rounded up/down to the second digit on the basis of the arithmetical average of 1M WIBOR for deposits over the last 10 working days of the previous calendar month.

The change in the carrying amount of loans, including impairment charges, is as follows:

	31/12/2016	31/12/2015
Gross value		
As at period beginning	**6,282**	6,282
Amount of loans granted in the period	**13,735**	1,160
Interest calculated using the effective interest rate method	**407**	337
Repayment of loans with interest (-)	**-12,092**	-1,497
Gross value at period end	**8,332**	6,282
Impairment loss		
As at period beginning		
Loss expensed as cost in the period		
Reversal of impairments carried as revenue in the period (-)		
Provisions used (-)		
Other changes (net exchange differences on conversion)		
Impairment loss at period end		
Carrying amount at period end	**8,332**	6,282

7.3. Loans, credits, other debt instruments

The value of loans, credits and other debt instruments recognised in the financial statements is presented in the table below:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	Short-term liabilities		Long-term liabilities	
	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
Financial Liabilities carried at amortised cost:				
Loan facilities	844		2,250	
Overdraft facilities	287	2,127		
Loans				
Debt securities				
Financial Liabilities carried at amortised cost	**1,131**	2,127	2,250	
Loans, credits, other debt instruments, total	**1,131**	2,127	2,250	

Financial Liabilities Measured at Amortised Cost

The Company does not include any instruments from the loan and credit class to financial liabilities carried at fair value through profit or loss. All loans, credits and other debt instruments are measured at amortised cost using the effective interest method. The fair value of loans, credits and other debt instruments is presented in Note No. 7.5.

OEX S.A. is a party to a credit line agreement executed with Credit Agricole Bank Polska S.A. The loan has variable interest rates based on the reference rate of WIBOR 1M, which as at 31/12/2016 amounted to 1.6%, plus the bank's margin. The loan granted amounts to PLN 23.5 million, and the amount up to which a guarantee issue orders can be made is PLN 6.5 million.

This Agreement was concluded for a definite period of time until 06 August 2018.

OEX S.A. is a party to an investment loan agreement with mBank S.A. The loan has variable interest rates based on the reference rate of WIBOR 1M, which as at 31/12/2016 amounted to 1.6%, plus the bank's margin. The loan will be repaid in 48 instalments. The loan amount is PLN 3.4 million. The loan was extended to refinance the purchase of 100% of shares in Mer Service Sp. z o.o. This Agreement was concluded for a definite period of time until 31 August 2020.

7.4. Liability payment guarantee

The loan liabilities of the Company are covered by the following collaterals (as at the balance sheet day):

- registered pledge and financial pledge on 340,000 shares in TELL Sp. z o.o. up to the amount of PLN 39 million,
- registered pledge and financial pledge on 9,500 shares in PTI Sp. z o.o. up to the amount of PLN 39 million,
- registered pledge and financial pledge on 51,000 shares in Europhone Sp. z o.o. up to the amount of PLN 39 million,
- blank promissory note issued by OEX S.A. guaranteed by Mer Service Sp. z o.o.,
- power of attorney to collect the amounts of outstanding loan plus costs from the guarantor's account,
- registered pledge on 100% of shares in Mer Service Sp. z o.o.

As at 31/12/2016, the following assets of the Company (in their carrying amounts) constituted collaterals and guarantees for the repayment of liabilities:

	31/12/2016	31/12/2015
Intangible fixed assets		
Tangible fixed assets, including leased assets		
Financial assets (other than receivables) - shares	50,183	11,025
Inventories		8,696
Trade receivables and other		
Cash		
Total carrying amount of assets constituting a liability collateral	**50,183**	19,721

7.5. Other information on financial instruments

7.5.1. Information on the fair value of financial instruments

The comparison of the carrying amount of financial assets and liabilities with their fair value is as follows:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Class of financial instrument	Note No.	**31/12/2016**		31/12/2015	
		Fair value	**Carrying amount**	Fair value	Carrying amount
Assets:					
Loans	7.2	**8,332**	**8,332**	6,282	6,282
Trade receivables and other receivables	10	**2,122**	**2,122**	21,396	23,396
Non-listed shares*					
Cash and cash equivalents	11				
Liabilities:					
Loan facilities	7.3	**3,134**	**3,134**		
Overdraft facilities	7.3	**287**	**287**	2,127	2,127
Loans	7.3				
Debt securities	7.3				
Trade liabilities and other	16	**621**	**621**	21,231	21,231

*This item does not comprise shares and participations carried at cost because there is no reliable method to determine their fair value

The Company resigned from the determination of fair value of shares of non-listed companies in relation with the fact that it is difficult to measure such fair value in a reliable way.

The fair value is defined as an amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. In case of financial instruments, for which there is an active market, their fair value is determined on the basis of parameters from such an active market (selling and buying prices). In case of financial instruments for which there is no active market, the fair value is determined on the basis of valuation techniques, whereby the model's input data use, in the maximum extent possible, variables from active markets (exchange rates, interest rates, etc.).

The Company did not measure the fair value of trade receivables and liabilities - their carrying amount has been deemed by the Company to be the reasonable approximation of the fair value.

8. Deferred tax assets and liabilities

The deferred tax assets and liabilities have the following influence on the financial statements:

	Note	**31/12/2016**	31/12/2015
As at period beginning:			
Deferred income tax assets		305	314
Deferred tax liabilities		-4,048	-4,047
Deferred tax at period beginning		-3,743	-3,733
Change in the period influencing:			
Statement of profit or loss (+/-)	20	-66	10
Other comprehensive income (+/-)			
Change in deferred tax assets in result of the transfer of the organised part of business		4,048	
Change in deferred tax liabilities in result of the transfer of the organised part of business		-121	
Deferred tax at period end, including:		250	-3,743
Deferred income tax assets		271	305
Deferred tax liabilities		-21	-4,048

Deferred income tax assets:

Temporary differences	As at period beginning	Change:			At period end
		statement of profit or loss	other comprehensive income	transfer of the organised part of business	

As at 31/12/2016					
Assets:					
Inventories	62	15			77
Trade receivables					
Liabilities:					
Employee benefits liabilities	117	-57			60
Provisions for employee benefits	121	7		-121	7
Trade liabilities		32			32
Other liabilities	5	-5			
Unsettled tax losses		93			93
Total	305	87		-121	271
As at 31/12/2015					
Assets:					
Inventories	62				62
Trade receivables					
Liabilities:					
Employee benefits liabilities	92	25			117
Provisions for employee benefits	121				121
Other liabilities	38	-34			5
Total	314	-9			305

Deferred tax liabilities:

Temporary differences	As at period beginning	Change:			At period end
		statement of profit or loss	other comprehensive income	transfer of the organised part of business	
As at 31/12/2016					
Assets:					
Intangible fixed assets	4,047			-4,047	
Tangible fixed assets	1			-1	
Other assets		21			21
Loans					
Total	4,048	21		-4,048	21
As at 31/12/2015					
Assets:					
Intangible fixed assets	4,047				4,047
Tangible fixed assets		1			1
Other assets					
Total	4,047	1			4,048

9. Inventories

The financial statements of the Company comprise the following inventories:

	31/12/2016	31/12/2015
Materials		
Semi-products and work in progress		
Finished goods		
Goods	407	11,500
Impairment of inventories (-)	-407	-327
Total carrying amount of the inventories	**0**	11,173

10. Trade Receivables and Other Receivables

The trade receivables and other receivables recognised by the Company as part of the class of receivables and loans(cf. Note No. 7.2) are as follows:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Long-term receivables:

	31/12/2016	31/12/2015
Retained amounts (deposits) under building services contracts		
Deposits received under other titles	**88**	217
Other receivables		
Impairment of receivables (-)		
Long term receivables	**88**	217

Short-term receivables:

	31/12/2016	31/12/2015
Financial assets (IAS 39):		
Trade receivables	**3,282**	22,595
Impairment of trade receivables (-)	**-1,250**	-1,416
Net trade receivables	**2,032**	21,179
Receivables from the sale of fixed assets		
Retained amounts (deposits) under building services contracts		
Deposits received under other titles		
Other receivables		
Impairment of other financial receivables (-)		
Net other financial receivables		
Financial receivables	**2,032**	21,179
Non-financial assets (outside IAS 39):		
Other tax and other benefit receivables		
Income tax receivables		
Advances and prepayments		
Other non-financial receivables	**110**	223
Impairment of non-financial receivables (-)	**-108**	-108
Non-financial receivables	**2**	115
Total short-term receivables	**2,034**	21,293

The carrying amount of trade receivables is recognised by the Company as the reasonable approximation of their fair value (cf. Note No. 7.5).

The Company tested the receivables for impairment in accordance with its accounting principles (cf. item c) in the item "Drawing up basis and accounting rules”).
Changes in the impaired receivables in the period covered by these financial statements are presented in the table below:

The financial receivables impairment charges (i.e. trade receivables and other financial receivables):

	from 01/01 to 31/12/2016	from 01/01 to 31/12/2015
State as at period beginning	**1,524**	4,089
Loss expensed as cost in the period		139
Reversal of impairments carried as revenue in the period (-)		
Provisions used (-)		-2,704
Settlement of the transfer of the organised part of business	**-166**	
State as at period end	**1,358**	1,524

11. Cash and cash equivalents

	31/12/2016	31/12/2015
Cash at bank in PLN	**48**	**32**
Cash at bank in foreign currency		
Cash in hand	**1**	**143**
Short-term deposits		
Other		
Total cash and cash equivalents	**49**	**175**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

For the purposes of this cash flow statement, the Company classifies cash in the manner as applied for the balance sheet presentation.

12. Non-current Assets Held for Sale and Discontinued Operations

There are no non-current assets held for sale and discontinued operations.

13. Equity

13.1. Share capital

As at 31/12/2016, the share capital of the Company amounted to kPLN 1,378 . (2015: kPLN 1,378) and was divided into 6,888,539 shares (2015: 6,888,539) of the nominal value of PLN 0.20 each. All shares have been fully paid up.
All shares equally participate in the dividend distribution. The shares are divided into ordinary bearer shares, which entitle to one vote at the General Meeting of Shareholders, and preferential shares, where 1 preferential share entitle to two votes.
The change in the number of shares in the period covered by the financial statements results from the following transactions with the shareholders:

Shares issued and fully paid up for:	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Number of shares at the period beginning	**6,888,539**	5,110,847
Issue of shares in relation with the option exercise (share-based payment programme)		
Issue of shares		**1,777 692**
Redemption of shares (-)		
Number of shares at the period end	**6,888,539**	6,888,539

As at the balance sheet date, no shares in the Company were held by the Parent Company itself or any of its subsidiary or associated companies.

13.2. Other equity

	31/12/2016	31/12/2015
Share premium	44,960	44,960
Other Capitals	1,459	1,459
Retained profits	29,495	31,440
State as at period end	**75,914**	79,237

14. Employee benefits

14.1. Costs of Employee Benefits

	from 01/01 to 31/12/2016	from 01/01 to 31/12/2015
Payroll costs	**3,440**	16,837
Social insurance costs	**449**	3,026
Costs of provisions for accrued holidays	**39**	
Total costs of employee benefits	**3,928**	19,864

14.2. Employee benefit liabilities

The employee benefit liabilities recognised in the balance sheet comprise:

	Short-term liabilities and provisions		Long-term liabilities and provisions	
	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
Short-term employee benefits:				
Payroll liabilities	**134**	1,039		
Social insurance liabilities	**43**	736		
Provisions for accrued holidays	**39**	588		

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	Short-term liabilities and provisions		Long-term liabilities and provisions	
	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
Short-term employee benefits	**216**	2,363		
Other long-term employee benefits:				
Provisions for jubilee bonuses				
Provisions for retirement benefits				50
Other provisions				
Other long-term employee benefits				
Total employee benefit liabilities and provisions	**216**	2,363		50

The following items influenced changes in long-term employee benefits:

	Provisions for other long-term employee benefits			
	jubilee bonuses	retirement benefits	other	total
for the period from 01/01 to 31/12/2016				
State as at period beginning		50		**50**
Changes recognised in the statement of profit or loss:				
Current and past service costs				
Interest expense				
Actuarial profits (-) or losses (+)				
Changes without impact on the statement of profit or loss:				
Benefits paid out (-)				
Settled as part of the transfer of the organised part of business		-50		**-50**
Present value of provisions as at 31/12/2016		0		**0**
for the period from 01/01 to 31/12/2015				
State as at period beginning		50		50
Changes recognised in the statement of profit or loss:				
Current and past service costs				
Interest expense				
Actuarial profits (-) or losses (+)				
Changes without impact on the statement of profit or loss:				
Benefits paid out (-)				
Present value of provisions as at 31/12/2015		50		50

15. Other provisions

The Company did not set up provisions other than for employee benefits.

16. Trade liabilities and other liabilities

The trade liabilities and other liabilities (cf. also Note No. 7) are as follows:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Short-term liabilities:

	31/12/2016	31/12/2015
Financial liabilities (IAS 39):		
Trade liabilities	621	20,858
Liabilities under the purchase of fixed assets		
Other financial liabilities		73
Financial liabilities	**621**	20,932
Non-financial liabilities (outside IAS 39):		
Other tax and other benefit liabilities	141	4,172
Income tax liabilities		502
Advances and prepayments received for deliveries		
Liabilities under building services contracts		
Advances received for building services		
Other non-financial liabilities	492	52
Non-financial liabilities	633	4,726
Total short-term liabilities	**1,254**	25,658

The carrying amount of trade liabilities is recognised by the Company as the reasonable approximation of their fair value (cf. Note No. 7.5).

17. Accruals

	Short-term accruals and prepayments		Long-term accruals and prepayments	
	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
Assets - accruals and prepayments:				
Lease rents				
Other prepaid expenses	**16**	98		
Assets - total prepayments	**16**	98		

18. Operating revenue and costs

In relation with the change in the character of the Company's business objectives after the transfer of the organised part of business (see item 2 herein), it is not possible to compare the data on a year-to-year basis.

18.1. Revenue from the sale of goods and services

	Note	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Revenue from the sale of services		8,752	60,567
Revenue from the sale of goods		209	38,721
Total revenue from the sale of goods and services		8,961	99,288

18.2. Costs per type

	Note	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Depreciation and amortisation	4.5	187	1,331
Employee benefits	14	3,917	20,802
Consumption of materials and energy		280	1,624
Contracted services		4,801	29,505
Taxes and fees		19	95
Other costs by type		323	1,116

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Total costs per type		**9,528**	**54,473**
Value of goods and materials sold		361	38,353
Change in products and work in progress (+/-)		36	-160
Cost of own work capitalised (-)			
Own cost of the sale, selling costs and administration costs		**9,492**	**54,633**

18.3. Other operating revenue

	Note	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Profit from the sale of non-financial fixed assets			
Measurement of investment properties at fair value			
Reversal of impairment of tangible fixed assets and intangible fixed assets			
Reversal of impairment of financial receivables			
Reversal of impairment of non-financial receivables			
Reversal of impairment of inventories			
Write-back of unused provisions		18	42
Penalties and indemnities received			
Subsidies received			
Other revenue -reinvoices		190	34
Total other operating revenue		**208**	76

18.4. Other operating expenses

	Note	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Loss on the sale of non-financial fixed assets		25	**18**
Measurement of investment properties at fair value			
Goodwill impairment			
Impairment of tangible fixed assets and intangible fixed assets			
Impairment of financial receivables	10		139
Impairment of non-financial receivables			
Impairment of inventories	9	81	
Reversal of impairment of inventories (-)			
Set-up of provisions	14.15	39	118
Penalties and indemnities paid		71	59
Other costs - reinvoiced		144	61
Total other operating costs		**360**	**395**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

19. Financial income and expenses

19.1. Financial income

	Note	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Income from the interest on financial instruments not carried at fair value through profit or loss:			
Cash and cash equivalents (deposits)	11		2
Loans and receivables	7.2, 10	732	477
Held-to-maturity debt securities			
Interest income concerning financial instruments not carried at fair value through profit or loss		**732**	479
Gains on revaluation and realization of financial instruments carried at fair value through profit or loss:			
Trading derivatives			
Hedging derivatives			
Listed shares			
Debt securities			
Investment fund units			
Gains on revaluation and realization of financial instruments carried at fair value through profit or loss			
Exchange difference gains/losses (+/-):			
Cash and cash equivalents			
Loans and receivables			
Financial liabilities measured at amortised cost			
Exchange difference gains/losses (+/-)			
Gains on available-for-sale assets transferred from equity			
Dividends		3,852	3,312
Reversal of impairment of receivables and loans			
Reversal of impairment of investments held to maturity			
Interest on impaired financial assets			
Other financial income			
Total financial income		**4,585**	3,791

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

19.2. Financial costs

	Note	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Interest costs concerning financial instruments not carried at fair value through profit or loss:			
Financial lease liabilities			
Credit facilities in the credit account and overdraft facilities	7.3	284	147
Loans			
Debt securities			
Trade liabilities and other liabilities			
Interest costs concerning financial instrument not carried at at fair value through profit or loss		**284**	147
Losses on revaluation and realization of financial instruments carried at fair value through profit or loss:			
Trading derivatives			
Hedging derivatives			
Listed shares			
Debt securities			
Investment fund units			
Losses on revaluation and realization of financial instruments carried at fair value through profit or loss			
Exchange difference (gains) losses (+/-):			
Cash and cash equivalents			
Loans and receivables			
Financial liabilities measured at amortised cost			
Exchange difference (gains) losses (+/-)			
Losses on available-for-sale assets transferred from equity			
Impairment of investments in associates			
Impairment of held-to-maturity investments			
Impairment of available-for-sale financial assets			
Other financial costs		98	1,418
Total financial costs		**382**	**1,566**

Impairment of receivables concerning the operating activity recognised by the Company as other operating expenses (cf. Note No. 18).

20. Income tax

	Note	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Current tax:			
Settlement of tax for the reporting period			1,086
Adjustment of tax for previous periods		4	-13
Current tax		4	1,073
Deferred income tax:			
Temporary difference occurrence and reversal	8	-66	10
Settlement of unrealised tax losses	8		
Deferred income tax		-66	10
Total income tax		**-62**	**1,082**

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Reconciliation of the income tax calculated in accordance with the 19 % rate on the result before tax as disclosed in the income statement is as follows:

	Note	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Result before tax		3,159	8,208
Tax rate applied by the Company		19%	19%
Income tax as per the domestic tax rate in the country f the Company		600	1,560
Reconciliation of the income tax due to:			
Non-taxable revenues (-)		-762	-637
Permanently non-tax deductible costs (+)		49	135
Utilisation of previously non-recognised tax losses (-)		-102	-92
Unrecognised deferred tax asset concerning deductible temporary differences (+)		114	121
Unrecognised deferred tax asset concerning tax losses (+)		93	
Adjustment of tax for previous periods (+/-)		12	-13
Income tax		4	1,073
Average tax rate applied		0.13%	13%

21. Earnings per share and dividends paid

21.1. Earnings per share

The earnings per share are calculated in accordance with the formula: net profit attributable to the Company's shareholders divided by average weighted number of ordinary shares in the given period.

In order to calculate both the basic and the diluted earnings (losses) per share, the Company uses in the numerator the net profit (loss) attributable to the shareholders of the company, i.e. there is no diluting effect that would influence the amount of profit (loss).

The calculation of the basic and diluted earnings (losses) per share together with the reconciliation of the average weighted diluted number of shares is presented below.

	from 01/01 to 31/12/2016	from 01/01 to 31/12/2015
Number of shares inserted in the denominator of the formula		
Average weighted number of ordinary shares (items)	6,888,539	6,343,055
Dilution effect of options convertible into shares		
Average weighted diluted number of ordinary shares (items)	6,888,539	6,343,055
Continued activities		
Net profit on continued activities in PLN	3,221,129.35	7,126,033.35
Basic profit (loss) per share (PLN)	0.47	1.12
Diluted profit (loss) per share (PLN)	0.47	1.12
Discontinued Activity		
Net profit (loss) on discontinued operations		
Basic profit (loss) per share (PLN)		
Diluted profit (loss) per share (PLN)		
Continued and discontinued operations		
Net profit in PLN	3,221,129.35	7,126,033.35
Basic profit (loss) per share (PLN)	0.47	1.12
Diluted profit (loss) per share (PLN)	0.47	1.12

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

21.2. Dividends

The General Meeting of Shareholders held on 10 May 2016 adopted a resolution concerning the payment of the dividend. Pursuant to the resolution - the value of dividend per share is PLN 0.75, the dividend day was determined as 10 August 2016 and the dividend payment day - 1 September 2016. The number of shares entitling to the dividend is 6,888,539 and the dividend amount is PLN 5,166,404.25. The dividend was paid on 01 September 2016.

22. Cash flows

In order to determine the cash flow from operating activities, the following adjustments of the pre-tax profit (loss) were made:

	from 01/01 to 31/12/2016	from 01/01 to 31/12/2015
Adjustments:		
Depreciation of tangible fixed assets	146	1,137
Amortisation of intangible fixed	41	194
Change in the fair value of investment properties		
Profit (loss) on financial assets (liabilities) carried at fair value through profit or loss		
Cash flow hedging instruments transferred from equity		
Impairment loss on financial assets		
Profit (loss) on the sale of non-financial fixed assets	25	18
Profit (loss) on the sale of financial assets (other than derivatives)		
Exchange difference gains (losses)		
Interest expense	284	147
Interest and dividend income	-4,585	-3,791
Cost of share-based payments (incentive programmes)		
Share in the profit (loss) of associate companies		
Other adjustments		
Total adjustments	-4,088	-2,295
Change in inventories	8,491	-1,086
Change in receivables	17,203	4,118
Change in liabilities	-22,055	-2,454
Change in provisions and prepayments	10	149
Change in building contracts		
Changes in working capital	3,648	728

For the purposes of this cash flow statement, the Company classifies cash in the manner as applied for the balance sheet presentation (cf. Note No. 11).

23. Transactions with related parties

Parties related to the Company comprise the key management personnel and subsidiaries.

Unsettled balances of receivables and liabilities are usually settled in cash.
Information on contingent liabilities concerning related parties is presented in Note No. 24.

23.1. Transactions with key management personnel

The Company includes the members of its Management Board to the category of key management personnel. The remuneration of key personnel in the period covered by the financial statements amounted to:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Benefits for the management personnel	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
Short-term employee benefits	319	1,316
Remuneration for the function of the Management Board member	819	72
Work termination benefits		
Share–based payments		
Other benefits	14	19
Total benefits	**1,152**	**1,407**

Detailed information about the remuneration of the Management Board of the Company is presented in Note No. 28.

The Company did not grant any loans to the key management personnel in the period covered by these financial statements.

23.2. Transactions with subsidiary companies and other related parties

The list of investments in subsidiary companies not subject to consolidation as well as investments in associated companies, together with basic information about such companies are presented in Note No. 2.
In the period covered by these financial statements, the following revenue from the sales and receivables from subsidiaries and other parties were recognised:

	Subsidiaries	Associates	Other related entities	Total
01/01 to 31/12/2016				
Revenue from sales	4,422			4,422
Financial income - interest	732			732
Dividend income	3,852			3,852
Purchases of goods and services	253			253
Financial costs				
31/12/2016				
Trade receivables	1,750			1,750
Loans granted	8,332			8,332
Liabilities				

01/01 to 31/12/2015				
Revenue from sales	687			687
Financial income - interest	477			477
Dividend income	3,312			3,312
Purchases of goods and services	380			380
Financial costs				
31/12/2015				
Trade receivables	166			166
Loans granted	6,282			6,282
Liabilities				

There were no impairment charges on receivables from related parties, therefore no costs on this account were recognised in the statement of profit or loss.

In 2016, the Company granted to its subsidiaries loans in the amount of kPLN 13.735 PLN (2015: kPLN 1.160). The balance of loans granted to these subsidiary companies as at 31/12/2016 amounted to kPLN 8,332 (31/12/2015: kPLN 6.282). The loans are short-term and will be repaid by 30 June 2017.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

24. Contingent assets and liabilities

The value of contingent liabilities as at the end of particular periods (including provisions concerning related parties) is as follows:

	31/12/2016	31/12/2015
To associated parties:		
Liability repayment guarantee		
Guarantees originated		
Guarantees originated in relation with the building services contracts		
Disputed cases and cases in court		
Other Contingent Liabilities		
Total associates		
To subsidiary companies not subject to consolidation and other related parties:		
Liability repayment guarantee		
Guarantees originated		
Guarantees originated in relation with the building services contracts		
Disputed cases and cases in court		
Other Contingent Liabilities		
Total subsidiary companies excluded from consolidation and other related parties		
To other parties:		
Liability repayment guarantee	10,265	27,670
Guarantees originated	102	1,000
Guarantees originated in relation with the building services contracts		
Disputed cases and cases in court		
Disputed cases and cases in court related to the IRS		
Other Contingent Liabilities		373
Total other parties	10,367	29,043
Total contingent liabilities	**10,367**	**29,043**

25. Risk relating to the financial instruments

The Company is exposed to numerous risks related to the financial instruments. Risk to which the Company is exposed include:
- market risk, comprising the currency risk and the interest rate risk,
- credit risk and
- liquidity risk.

The financial risk management is coordinated by the Company. In the risk management process, the following objectives are of the highest importance:
- hedging of short-term and mid-term cash flows,
- stabilisation of the Company's financial result fluctuations,
- performance of the financial forecasts assumed by the fulfilment of budgetary assumptions,
- achievement of the rate of return on long-term investments and obtaining optimal sources of finance for the investing activities.

The Company does not contract transactions at financial markets for speculative purposes. From the economic side, the transactions effected are to hedge against defined risks.
Below are presented the most important risk the Company is exposed to.

25.1. Market Risk

<u>Currency risk sensitivity analysis</u>
All Company's transactions are effected in PLN. The Company does not use forward contracts not currency options. There are no financial assets or liabilities in the Company as at the end of the reporting period.

<u>Interest rate risk sensitivity analysis</u>
The interest rate risk management concentrates on minimising the interest flow fluctuations in variable interest rate financial assets and liabilities. The Company is exposed to the interest rate risk in relation with the following categories of financial assets and liabilities:
- advances,

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

- loans.

The characteristics of the above instruments, including the variable and fixed interest rates, is presented in Notes No. 7.2 and 7.3.

Below is presented the sensitivity analysis of the financial result and other comprehensive income with regard to the potential fluctuations of the interest rate up and down by 1%. The calculation was made on the basis of a shift in the average interest rate in the period by (+/-) 1% and with reference to those financial assets and liabilities that are sensitive to interest rate changes, i.e. those with a variable interest rate.

	Rate fluctuations	Impact on the financial result:		Impact on other comprehensive income:	
		31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
Interest rate rise	1%	1	15	1	15
Interest rate fall	-1%	-1	-15	-1	-15

25.2. Credit risk

The Company's maximum exposure to credit risk is defined by the carrying amount of the following financial assets:

	Note	**31/12/2016**	31/12/2015
Loans	7.2	8,332	6,282
Trade receivables and other receivables financial receivables	10	2,034	21,013
Remaining classes of other financial assets			
Cash and cash equivalents	11	49	175
Contingent liabilities under guarantees and sureties granted	24	10,367	29,043
Total exposure to credit risk		20,782	56,513

The Company monitors on an on-going basis the client's past due amounts as well as creditor's payments, analysing the credit risk on an individual basis and within particular classes of assets as defined by particular credit risk types (e.g. resulting from the business segment, region or structure of clients). Additionally, as part of the credit risk management, the Company enters into transactions with contractor of confirmed reliability.

In the assessment of the Company's Management Board, the above financial assets which are not past due nor impaired as at the particular balance sheet days should be deemed good credit quality assets. Therefore, the Company did not establish any securities or any additional elements improving the crediting conditions.

With regard to trade receivables, the Company is not exposed to credit risk in relation with a single significant contractor or contractors of similar properties. Based in historical past due tendencies, the not impaired past due receivables do not display any considerable quality deterioration - most of them are within the period of one month and there are no concerns as to their collection.

The credit risk concerning cash and cash equivalents, market securities and derivatives is considered insignificant due to the high reliability of entities being parties to the transactions, i.e. mainly banks.
The impairment charges concerning the financial assets exposed to credit risk are described in detail in Notes No. 7.2 and 10.

25.3. Liquidity risk

The Company is exposed to the liquidity risk, i.e. the loss of capacity to settle its financial obligations on time. The Company manages the liquidity risk by monitoring the payment terms and the demand for cash related to short-term payment servicing (current transactions monitored on a weekly basis) and the long-term demand for cash based on the cash flow forecasts updated on a monthly basis. The demand for cash is compared to the available sources of financing (including in particular by the assessment of capacity to obtain financing in the form of loans) and is confronted with investments of freely available funds.

As at the balance sheet date, the Company's financial liabilities other than derivatives were within the following maturity ranges:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	Note	Short-term:		Long-term:			Flows before discounting
		up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	above 5 years	
As at 31/12/2016							
Loan facilities		422	422	2,250			3,090
Overdraft facilities	7.3	287					287
Loans							
Trade liabilities and other liabilities financial liabilities	16	621					621
Exposure to liquidity risk total		**1,330**	**422**	**2,250**			4,002
As at 31/12/2015							
Loan facilities							
Overdraft facilities	7.3	2,127					2,127
Loans							
Trade liabilities and other liabilities financial liabilities	16	20,932					20,932
Exposure to liquidity risk total		23,059					23,059

As at particular balance sheet days, the Company also had free overdraft facilities in the following amounts:

	31/12/2016	31/12/2015
Overdraft facilities granted	23,000	8,000
Overdraft facilities used	287	2,127
Overdraft facilities available	22,713	5,873

26. Capital Management

The Company manages the equity in order to ensure the Company's going concern and to ensure the rate of return as expected by shareholders and other entities interested in the financial standing of the Company.

The Company monitors the capital level on the basis of carrying amount of equity as increased by subordinated loans from the shareholder. On the basis of such defined capital amount, the Company calculates the equity to total sources of finance ratio. The Company assumes the maintenance of this ratio at the level not lower than 0.5.

Additionally, in order to monitor the debt service capacity, the Company calculates the ratio of debt (i.e. lease liabilities, loans, credits and other debt instruments) to EBITDA (earnings before interest, taxes, depreciation and amortisation). The Company assumes the maintenance of this debt to EBITDA ratio at the level not lower than 3.0.

The Company is not subject to any external capital requirements.

In the period covered by the financial statements, the above-mentioned ratios were at the following levels:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	31/12/2016	31/12/2015
Capital:		
Equity	77,292	79,237
Subordinated loans received from the shareholder		
Capital from the valuation of flow hedging instruments (-)		
Capital	77,292	79,237
Total sources of finance:		
Equity	77,292	79,237
Loans, credits, other debt instruments	3,381	2,127
Finance lease		373
Total sources of finance	80,673	81,737
Total capital to sources of finance ratio	**0.96**	**0.97**
EBITDA		
Operating profit (loss)	-1,044	5,983
Depreciation and amortisation	187	1,331
EBITDA	-857	7,314
Debt:		
Loans, credits, other debt instruments	3,381	2,127
Finance lease		373
Debt	3,381	2,500
Debt to EBITDA ratio	**-3.95**	**0.34**

In all the periods, the ratios and indicators were at the levels as assumed by the Company.

27. Events after the Balance Sheet Date

After 31/12/2016, there were no events that required disclosure in the financial statements for 2016.

28. Other information

28.1. Selected financial data converted into EUR

In the periods covered by these financial statements, the following average exchange rates of PLN and EUR published by the National Bank of Poland were used:

- the exchange rate in force on the last day of the reporting period: 31/12/2016 4.4240 PLN/EUR, 31/12/2015 4.2615 PLN/EUR,
- the average exchange rate in the period, calculated as an arithmetical average of exchange rated in force on the last day of each month in the given period: 01/01 - 31/12/2016 4.3757 PLN/EUR, 01/01 - 31/12/2015 4.1848 PLN/EUR.

The basic financial statements, statements of profit or loss and cash flow statements as converted into EUR are presented in the table:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	from 01/01 to 31/12/2016	from 01/01 to 31/12/2015	**from 01/01 to 31/12/2016**	from 01/01 to 31/12/2015
	k PLN		**k EUR**	
Statement of profit or loss				
Revenue from sales	8,961	99,288	2,048	23,726
Operating profit (loss)	-1,044	5,983	-239	1,430
Profit (loss) before taxation	3,159	8,208	722	1,961
Net profit (loss)	3,221	7,126	736	1,703
Net profit (loss) - share of the shareholders of the Parent Company	3,221	7,126	736	1,703
Average weighted number of shares (items)	6,888,539	6,343,055	6,888,539	6,343,055
Earnings per share (PLN)	0.47	1.12	0.11	0.27
Diluted earnings per share (PLN)	0.47	1.12	0.11	0.27
Average exchange rate PLN / EUR in the period	X	X	4.3757	4.1848
Cash flow statement				
Net cash flow from operating activity	2,213	5,493	506	1,313
Net cash flow from investment activity	-3,081	852	-704	204
Net cash flow from financial activity	743	-6,373	170	-1,523
Change in cash and cash equivalents	-126	-28	-29	-7
Average exchange rate PLN / EUR in the period	X	X	4.3757	4.1848

	31/12/2016	31/12/2015	**31/12/2016**	31/12/2015
Financial statements	**k PLN**		**k EUR**	
Assets	81,947	111,419	19,005	26,146
Long-term liabilities	2,271	4,397	527	1,032
Short-term liabilities	2,384	27,785	553	6,520
Equity	77,292	79,237	17,925	18,594
Total equity -share of the parent company shareholders	77,292	79,237	17,925	18,594
PLN / EUR exchange rate at period end	X	X	4.4240	4.2615

28.2. The ownership structure of the share capital - shareholders holding more than 5% of votes at the General Meeting of Shareholders.

As at 31/12/2016	Number of shares	Number of votes	% of share capital	% of votes
Neo Investment S.A. indirectly via subsidiaries:	2,414,698	3,636,402	35.05%	43.97%
- Neo Fund 1 Sp. z o.o. directly	1,661,688	2,883,392	24.12%	34.87%
- Neo Found 1 Sp. z o.o. indirectly via Neo BPO S.a.r.l	753,010	753,010	10.93%	9.11%
Piotr Cholewa, indirectly via subsidiaries::	1,190,617	1,350,225	17.28%	16.33%
Silquern S.a.r.l directly	826,558	826,558	12.00%	9.99%
Silquern S.a.r.l indirectly via Arsilesia Sp. z o.o.	364,059	523,667	5.28%	6.33%
Quercus Parasolowy SFIO and Quercus Absolute Return FIZ	811,013	811,013	11.77%	9.87%
Other shareholders	2,472,211	2,472,211	35.89%	29.89%
Total	6,888,539	8,269,851	100.00%	100.00%

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

As at 31/12/2015	Number of shares	Number of votes	% of share capital	% of votes
Neo Investment spółka akcyjna – indirectly via Neo Fund 1 sp. z o.o.	1,624,584	2,846,288	23.58%	34.42%
Piotr Cholewa, including indirectly via Silquern S.a.r.l.	879,384 826,558	879,384 826,558	12.77% 12.00%	10.63% 9.99%
Quercus Parasolowy SFIO and Quercus Absolute Return FIZ	811,013	811,013	11.77%	9.81%
Neo BPO S.a.r.l.	753,010	753,010	10.93%	9.11%
AVIVA Investors FIO, AVIVA Investors SFIO*	458,549	458,549	6.66%	5.54%
Waldemar Ziomek	453,648	613,256	6.59%	7.42%
Other shareholders	1,908,351	1,908,351	27.70%	23.08%
Total	6,888,539	8,269,851	100.00%	100.00%

*Number of shares which authorised AVIVA Funds to take part and vote at the General Meeting of Shareholders on 23/06/2015.
** Shares acquired indirectly by Neo Investment spółka akcyjna.
*** Number of shares held by Funds represented at the Ordinary General Meeting of Shareholders on 28/04/2011.

28.3. Remuneration of the members of the Management Board of the Company

The total value of remuneration and other benefits received by members of the Management Board of the Company was as follows:

	In the Company:		In subsidiaries and associates:		Total
	Remuneration under work contract or appointment	Other benefits	Remuneration under work contract or appointment	Other benefits	
Period from 01/01 to 31/12/2016					
Jerzy Motz	385				385
Rafał Stempniewicz	130	5	390	4	529
Robert Krasowski	399	7			406
Stanisław Górski	80	2			82
Artur Wojtaszek	144		300		444
Total	**1,138**	**14**	**690**	**4**	**1,846**
Period from 01/01 to 31/12/2015					
Rafał Stempniewicz	640	6			646
Stanisław Górski	276	6			282
Robert Krasowski	400	6			406
Artur Wojtaszek	72		285		357
Total	**1,388**	**18**	**285**		**1,692**

All other information concerning the key management personnel, including loans, is presented in Note No. 23.

28.4. Remuneration of the Members of the Supervisory Board of the Company

The total value of remuneration and other benefits received by members of the Supervisory Board of the Company was as follows:

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

	from 01/01 to 31/12/2016	**from 01/01 to 31/12/2015**
Paweł Turno	6	26
Jerzy Motz	13	27
Piotr Beaupre	16	
Piotr Cholewa	24	24
Tomasz Słowiński	24	24
Tomasz Mazurczak	24	24
Michał Szramowski	16	
Total	**123**	**125**

28.5. Remuneration of the entity authorised to audit financial statements

The auditor auditing and reviewing the financial statements of the Company for 2016 and 2015 is PKF Consult Sp. z o.o. sk. The agreement concerning the review and audit of the financial statements was made on 20 June 2016.

	from 01/01 to 31/12/2016	from 01/01 to 31/12/2015
Audit of annual financial statements	40	30
Review of financial statements	60	24
Tax advisory		
Other services	59	29
Total	**159**	**83**

28.6. Employment

The average employment in the Company as well as the employee rotation were as follows:

	from 01/01 to 31/12/2016	from 01/01 to 31/12/2015
White collar	14	424
Blue collar		1
Total	**14**	425

	from 01/01 to 31/12/2016	from 01/01 to 31/12/2015
Number of employees hired	7	217
Number of employees dismissed (-)	-4	-187
Total	**3**	30

29. Approval for publication

The separate financial statements made for the year ended on 31 December 2016 (including comparable data) have been approved for publication by the Company's Management Board on 27 March 2017.

all values are expressed in thousands of Polish zlotys (kPLN), unless otherwise indicated

Signatures of all Management Board Members

Date	Name and surname	Function	Signature
27 March 2017	Jerzy Motz	President of the Management Board	
27 March 2017	Rafał Stempniewicz	Management Board Member	
27 March 2017	Robert Krasowski	Management Board Member	
27 March 2017	Artur Wojtaszek	Management Board Member	
27 March 2017	Tomasz Kwiecień	Management Board Member	

Signature of the person responsible for the preparation of the financial statements

Date	Name and surname	Function	Signature
27 March 2017	Jolanta Stachowiak	Chief Accountant	