PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO „PEPEES” S.A.

FINANCIAL STATEMENTS

FOR 2015
(01.01.2015 - 31.12.2015)

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

17 March 2016

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THE STATEMENT OF FINANCIAL POSITION OF
PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES" S.A

	ASSETS	*Note*	*As at 31.12.2015*	*As at 31.12.2014*
I	**Non-current (long-term) assets**		**102,884**	**94,404**
1	Property, plant and equipment	6.1	78,128	68,416
2	Intangible assets	6.2	456	76
3	Investments in subsidiaries	6.3	3,755	3,852
4	Investments in associates	6.4	811	811
5	Investments in other entities	6.5	113	113
6	Loans granted	6.13	7,800	9,664
7	Long-term advances	6.12	10,391	10,391
8	Deferred tax assets	6.23	1,430	1,081
II	**Current (short-term) assets**		**93,830**	**67,138**
1	Inventories	6.6	44,192	45,284
2	Biological assets	6.7	172	126
3	Trade receivables	6.8 6.9	15,474	10,937
4	Current income tax receivables	7.10		
5	Other receivables	6.10 6.11	2,832	4,285
6	Advances	6.12	841	838
7	Loans granted	6.13	4,347	2,041
8	Investments held for trading	6.5	2,550	2,550
9	Cash and cash equivalents	6.14	23,422	1,077
III	**Non-current assets held-for-sale**			
	Total assets		**196,714**	**161,542**

	EQUITY AND LIABILITIES		*As at 31.12.2015*	*As at 31.12.2014*
I	**Equity**		**110,656**	**104,751**
1	Share capital	6.15	5,700	5,700
2	Reserve capital and other reserves	6.16	99,430	95,809
3	Revaluation reserve		(391)	(379)
4	Retained earnings from previous years and the present year	6.17	5,917	3,621
II	**Non-current liabilities**		**22,168**	**12,322**
1	Loans and borrowings	6.18	7916	1,582
2	Liabilities related to leased assets	6.21	3942	662
3	Deferred tax liabilities	6.23	5,844	5,296
4	Retirement and similar benefits obligations	6.19	1,918	1,915
5	Grants	6.22	2,548	2,867
III	**Current liabilities**		**63,890**	**44,469**
1	Trade payables	6.20	6,380	8,222
2	Current income tax liabilities		807	384
3	Other current liabilities	6.20	1,644	1,572
4	Loans and borrowings	6.18	52,066	32,141
5	Liabilities related to leased assets	6.21	1151	439
6	Retirement and similar benefits obligations	6.19	157	145
7	Provisions for other liabilities and other charges	6.22	1,685	1,566
	Total equity and liabilities		**196,714**	**161,542**

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THE STATEMENT OF COMPREHENSIVE INCOME

OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES" S.A

	Revenue and expenses *Profit and loss*	*Note*	*01.01.2015-31.12.2015*	*01.01.2014-31.12.2014*
I	**Sales revenues, including:**		**107,927**	**91,736**
1	Revenue from the sale of products	7.1	91,262	81,231
2	Revenue from services	7.2	432	135
3	Revenue from the sale of trade goods and materials	7.3	16,233	10,370
II	**Costs of sold products, trade goods and materials, including:**		**(83,007)**	**(72,015)**
1	Cost of products sold	7.4	(67,234)	(61,476)
2	Cost of services sold	7.4	(208)	(159)
3	Costs of trade goods and materials sold		(14,978)	(9,742)
4	Profit/loss from agricultural production		(587)	(638)
III	**Gross profit from sales (I-II)**		**24,920**	**19,721**
1	Selling and marketing expenses	7.4	(5,709)	(4,493)
2	Administrative expenses	7.4	(12,459)	(11,758)
3	Other operating income	7.6	741	816
4	Other operating expenses	7.7	(271)	(197)
IV	**Operating profit**		**7,222**	**4,089**
1	Finance costs	7.8	(994)	(872)
2	Finance income	7.9	1309	1,397
V	**Profit before tax**		**7,537**	**4,614**
VI	**Income tax expense**	7.10	(1,620)	(993)
VII	**Net profit**		**5,917**	**3,621**
VIII	**Other net comprehensive income**		**(12)**	**(379)**
1	Effects of the valuation of financial assets available-for-sale			
2	Revaluation of employee benefit liabilities		(12)	(379)
IX	**Total net comprehensive income**		**5,905**	**3,242**

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THE STATEMENT OF CHANGES IN EQUITY

OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES" S.A

	Share capital	*Reserve capital*	*Revaluation reserve*	*Other reserves*	*Retained earnings/loss*	*Total equity*
As at 01.01.2014	**4,980**	**43,591**		**43,859**	**797**	**93,227**
Changes in the period from 01.01.2014 to 31.12.2014						
Distribution of profit for 2013	-	797	-		(797)	-
Proceeds from shares issued	720	7,800				**8,520**
Share-issue expenses		(238)				**(238)**
Net profit for the financial year		-			3,621	**3,621**
Other comprehensive income for the year (net)			(379)			**(379)**
As at 31.12.2014	**5,700**	**51,950**	**(379)**	**43,859**	**3,621**	**104,751**
As at 01.01.2015	**5,700**	**51,950**	**(379)**	**43,859**	**3,621**	**104,751**
Changes in the period from 01.01.2015 to 31.12.2015						
Distribution of profit for 2014	-		-	3,621	(3,621)	-
Net profit for the financial year		-			5,917	**5,917**
Other comprehensive income for the year (net)			(12)			**(12)**
As at 31.12.2015	**5,700**	**51,950**	**(391)**	**47,480**	**5,917**	**110,656**

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THE STATEMENT OF CASH FLOWS
OF PRZEDSIĘBIORSTWO PRZEMYSŁU SPOŻYWCZEGO "PEPEES" S.A

STATEMENT OF CASH FLOWS	Note	*01.01.2015-31.12.2015*	*01.01.2014-31.12.2014*
A. Cash flows from operating activities - indirect method	8		
I. Profit (loss) before tax		**7,537**	**4,614**
II. Total adjustments		**(360)**	**(20,569)**
1. Depreciation and amortisation		5,772	5,623
2. Foreign exchange (gains) losses		13	(107)
3. Interest and share of profit (dividend)		(179)	(469)
4. (Profit) loss from investing activities		(105)	(276)
5. Net increase/decrease in provisions		134	1,039
6. Net increase/decrease in inventories		1,092	(14,523)
7. Net increase/decrease in biological assets		(46)	(126)
8. Net increase/decrease in receivables		(3,084)	(1,565)
9. Net increase/decrease in current liabilities, except for loans and borrowings		(1,770)	2,877
10. Net increase/decrease in advances		(3)	(11,122)
11. Income tax paid		(995)	(1,483)
12. Net increase/decrease in grants		(319)	(405)
13. Net increase/decrease in non-paid interest on loans		(443)	
14. Received additional payments		(563)	
15. Other adjustments		136	(32)
III. Net cash flows from operating activities (I+/-II)		**7,177**	**(15,955)**
B. Cash flows from investing activities			
I. Proceeds		**4,733**	**2,929**
1. Disposal of intangible assets and property, plant and equipment		3,954	1,891
2. Received dividends		61	134
3. Repayment of loans		718	904
II. Expenses		**14,825**	**13,048**
1. Acquisition of intangible assets and property, plant and equipment		14825	9,534
2. Acquisition of shares and interests			3,514
III. Net cash flows from investing activities (I-II)		**(10,092)**	**(10,119)**
C. Cash flows from financing activities			
I. Proceeds		**54,784**	**36,782**
1. Loans and borrowings		54,221	28,500
2. Proceeds from shares issued			8,282
3. Received additional payments		563	
II. Expenses		**34,511**	**27,003**
1. Repayments of loans and borrowings		33,074	25,756
2. Interest on loans and borrowings		600	649
3. Lease payables		837	598
III. Net cash flows from financing activities (I-II)		**20,273**	**9,779**
D. Total net cash flows (A.III+/-B.III+/-C.III)		**17,358**	**(16,295)**
E. Balance sheet change in cash, including:		**22,345**	**(14,506)**
- net increase/decrease in cash due to foreign exchange differences		13	(109)
- net increase/decrease in bank overdrafts		(5,000)	(1,680)
F. Cash at the beginning of period		**(1,795)**	**14,500**
G. Cash at the end of period (F+/-D)	8.1	**15,563**	**(1,795)**
- including restricted cash		**-**	**-**

SELECTED FINANCIAL FIGURES TRANSLATED INTO EUR

NO.	**SELECTED FINANCIAL FIGURES**	**PLN 000s**		**EUR 000s**	
		2015	**2014**	**2015**	**2014**
I	Total sales revenue	107,927	91,736	25,790	21,898
II	Net profit	5,917	3,621	1,414	864
III	Net comprehensive income	5,905	3,242	1,411	774
IV	Net cash flows from operating activities	7,177	(15,955)	1,715	(3,809)
V	Net cash flows from investing activities	(10,092)	(10,119)	(2,412)	(2,415)
VI	Net cash flows from financing activities	20,273	9,779	4,844	2,334
VII	Total net cash flows	17,358	(16,295)	4,148	(3,890)
VIII	Total assets	196,714	161,542	46,185	37,900
IX	Equity	110,656	104,751	25,978	24,576
X	Earnings (loss) per share	0.06	0.04	0.015	0.01
XI	Net comprehensive income per share	0.06	0.04	0.015	0.01
XII	Book value per share	1.16	1.14	0.27	0.27

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

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

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

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

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

A SUMMARY OF ADOPTED ACCOUNTING POLICIES AND OTHER EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS **as at 31 December 2015**

1. General information

Full business name

Przedsiębiorstwo Przemysłu Spożywczego „PEPEES"

Spółka Akcyjna

Registered office address

18-402

Łomża, ul. Poznańska 121

REGON [Company Stat. ID No.] 450096365

NIP [Tax ID No.]
718-10-05-512

Registration authority District Court in Białystok, XII Economic Division of the National Court Register

No. in the Register 000038455

Legal status Spółka Akcyjna [a joint stock company]

Organisational form a single-establishment company

Primary objects processing of potatoes

Industry food industry

Company's lifetime indefinite

Reporting period from 1 January to 31 December 2015 and comparative information for the corresponding period of the previous year

The composition of the Board of Directors as at 31.12.2015:
Wojciech Faszczewski – President
Krzysztof Homenda – Member, Chief Financial Officer

The composition of the Supervisory Board on 31.12.2015:
1. Maciej Kaliński – Chairman
2. Piotr Marian Taracha – Vice-Chairman
3. Krzysztof Stankowski – Secretary
4. Piotr Łuniewski – Member
5. Robert Malinowski – Member

The financial statements do not contain any combined data, as PEPEES is a single-establishment company.

PEPEES S.A. is a parent company and prepares consolidated financial statements.

These financial statements were prepared assuming that the Company would continue as a going concern in the foreseeable future. There are no circumstances indicating the risk of discontinuing its operations for at least 12 months from the date of the financial statements.

2. Significant accounting policies

2.1. Basis of preparation
The financial statements have been prepared in accordance with the IFRSs adopted by the EU on the historical cost basis,except for financial instruments. The financial statements are presented in thousands of Polish złoty, unless, in specific cases, the amounts are presented with greater accuracy.

2.2. Changes in accounting policies
The Company did not change its accounting policies applied previously.

2.3 Corrections of errors from previous periods
There were no corrections of errors from previous periods.

2.4 Statement of compliance
These financial statements have been prepared in accordance with the International Accounting Standards (IAS), the International Financial Reporting Standards (IFRS) and related interpretations published in the form of regulations of the European Commission.

2.5 Foreign currencies
The Polish złoty is the the functional (valuation) currency and the presentation currency of PEPEES S.A. Monetary assets and liabilities in foreign currencies were translated, as at the balance sheet date, at the exchange rate of the bank used by the Company. All foreign exchange differences are recognised in the statement of comprehensive income for the period.

2.6. Segment reporting
The Company produces and sells starch and starch hydrolysates. As the Company's business is focused on a single type of activities and on one geographical area, it has one reporting segment, i.e. "processing of potatoes". A single segment is identified in the daily records and internal reports.
In these financial statements, the disclosures are in accordance with paragraphs 32-34 of IFRS 8.

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

- buildings and structures	10 - 30 years
- plant and machinery	2 - 20 years
- means of transport	3 - 5 years
- fixed fittings and equipment	2 - 11 years

Useful lives, as at the balance sheet date, were verified and updated.

The Company, applying the materiality principle, recognises the property, plant and equipment with the initial value of up to PLN 2,000 once in profit or loss in the period in which the expenditure was incurred.

2.8 Intangible assets

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

(a) Trademarks and licences

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

(b) Computer software

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

The costs of the development or maintenance of computer software are recognised as an expense as incurred.

(c) Greenhouse gas emission allowance

Emission allowances are recognised in books of account with the date of their acquisition. The acquisition cost of a granted emission allowance is calculated as the product of the unit selling price of a granted emission allowance and the number of granted allowances. The granted emission allowances are recognised as deferred income, which gradually increases other operating income, parallel to amortisation charges for these allowances. Revenue is accounted for upon the use or sale of granted free emission allowances.

The initial value of held emission allowances is reduced by (accumulated) amortisation charges recognised to account for their use. The amortisation of emission allowances increases products manufacturing costs. The amount of the amortisation is the product of the emission allowances used during a given period and their unit acquisition cost. If the acquisition costs of held emission allowances are different, the Company, to measure the amortisation taking into account the use of these allowances, applies the first-in, first-out (FIFO) method.

At the end of each financial year/a given settlement period, on the basis of the verified annual report referred to in Article 57 Clause 3 of the Emissions Trading Act, used and retired emission allowances are written-off from records. Retired allowances are written-off from records by debiting the accumulated amortisation of emission allowances and crediting emission allowances.

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

2.9 The right of perpetual usufruct of land

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

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

2.10 Investment property

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property as at the date of the transition to IASs was carried at fair value, and this value

is applied as deemed cost. Each new property is measured at cost.
Depreciation is calculated over estimated useful lives of such assets on a straight-line basis. Land is not depreciated.
Gains or losses arising on the disposal (retirement) of investment property is determined as the difference between the sales proceeds and the carrying amount of such assets and is recognised in the statement of comprehensive income.
As at the balance sheet date, the Company did not hold any investment property.

2.11 Investments
All investments are initially recognised at cost corresponding to the fair value of the consideration paid including the costs attributable to the acquisition of the investment.

Investments in subsidiaries and associates are measured at cost in accordance with IAS 27*Separate Financial Statements,* less any impairment losses in accordance with IAS 36 *Impairment of Assets,* where impairment is measured by comparing the carrying amount with the higher of:
- fair value less costs of disposal and
- value in use.

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

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

2.12 Inventories
Inventories are carried at cost not higher than net realisable value. The cost of finished products and work in progress comprises raw materials, direct labour, other direct costs and related departmental production overheads (based on normal operating capacity), but does not comprise borrowing costs. Inventories of materials and trade goods are measured using the weighted average cost formula.
As at the balance sheet date, inventories are measured on a prudent basis, i.e. at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale (i.e. costs of sale, costs of marketing etc.) When the cost is higher than the net realisable value, the Company recognises write-downs charged to costs of sold products.
2.13 Biological assets
Since March 2014, the Company has leased a farm where it grows annual plants such as potatoes, field bean and cereals. Biological assets are measured on initial recognition and at subsequent reporting dates at fair value less costs to sell having regard for the ripeness of plants.

2.14 Current and non-current receivables
Trade receivables with maturities of up to 180 days are disclosed and recognised at originally invoiced amounts less any write-downs. A write-down of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Write-downs of receivables are charged to other operating

expenses. The Company makes write-downs on the basis of the ageing analysis and the analysis of the credit risk associated with a given debtor. Receivables with maturities exceeding 180 days are carried at amortised cost using the effective interest rate (EIR) method.

2.15 Foreign currency transactions

Transactions denominated in currencies other than the Polish złoty are translated into the Polish złoty according to the exchange rate effective on the date of the transaction.

As at the balance sheet date, cash, bank loans and other assets and liabilities denominated in currencies other than the Polish złoty are translated into the Polish złoty at the exchange rates of the bank used by the Company. The resulting foreign exchange differences are recognised as finance income or finance cost respectively.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and a bank overdraft. Bank overdraft is shown in the statement of financial position within short-term loans and borrowings in current liabilities.

2.17 Advances

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

2.18 Equity

Share capital is recognised at the value determined in the Company's Articles of Association entered into the National Court Register.

Reserve capital is established in accordance with the Company's Articles of Association and the Polish Code of Commercial Companies, which state that it may be increased by:

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

and may be decreased by:

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

Capital from the revaluation of assets is used to recognise remeasurements of property, plant and equipment, resulting in an increase in their value. In addition, the revaluation of provisions for future employee benefits is recognised in this capital.

Reserves are created in accordance with the Articles of Association and resolutions of the General

Meeting of Shareholders from net profit, and are used to cover capital expenditure.

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

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

2.21 Deferred income tax
Deferred tax liability is recognised in the full amount on a liability basis for all temporary differences between the tax value of assets and liabilities and their carrying amount in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax assets are realised or the deferred tax liability is settled.

Deferred tax assets are the amounts to be deducted from income tax in the future in respect of deductible temporary differences, which will result in the future in the lower basis for the calculation of income tax. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.22 Employee benefits
Expected employee benefits expense (jubilee benefits, retirement benefits etc.) is accounted for throughout the period of employment using the actuarial valuation method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the statement of comprehensive income over an employee’s expected average remaining working life. These obligations are valued every six months by independent qualified actuaries.
Employee benefits may also be payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

2.23 Trade payables
Trade payables, if they are not interest-bearing instruments, are recognised in the balance sheet at the amounts due. When the measurement at amortised cost differs significantly from the measurement at the amount due, then the measurement is at amortised cost.

2.24 Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a

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

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

2.26 Impairment of assets
At each balance sheet date, the Company is required to assess whether there is any objective indication that an asset or a group of assets may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset and recognises an impairment loss in the amount equal to the difference between the recoverable amount and the carrying amount. The impairment loss is recognised in the statement of comprehensive income for the period.

2.27 Leases
Leases in which substantially all the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to expenses on a straight-line basis over the period of the lease.
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee.
Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The arising payable to the lessor is disclosed in the statement of financial position. Lease payments comprise the principal and interest. Finance costs are recognised in the statement of comprehensive income.
In the Company's opinion, the right of perpetual usufruct of land cannot be recognised as finance lease, as it does not transfer "substantially all the risks and rewards incidental to ownership of assets"; therefore, it is treated as operating lease.

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

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

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

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

d) interest income

Interest income is recognised on an accrual basis using the effective interest rate (EIR) method. When a receivable is becoming impaired, the Company reduces its carrying amount to the level of the recoverable amount equal to the estimated future cash flows discounted at the original effective interest rate, and then the discount amount is gradually settled in correspondence with interest income. Interest income from granted impaired loans is recognised on a cash basis or on a recovered cost basis, depending on the circumstances.

e) dividends

Dividend income is recognised when the shareholder's right to receive payment is established (provided that it is probable that any economic benefits will flow to the Company and the amount of revenue can be measured reliably).

2.29 Other operating income

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

2.30 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises expenses for the related costs for which the grants are intended to compensate. In particular, the grants to purchase, construct or acquire non-current assets in a different way, are recognised as deferred income in the statement of financial position and recognised as income on a systematic basis in justified amounts over the useful lives of related assets.

A grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs is recognised as income of the period in which it becomes receivable.

Benefits from subsidised loans at below-market interest rates are treated as grants and measured as the difference between the value of the loans and the fair value of the loans at the appropriate market interest rate.

2.31 Expenses

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

2.32 Other operating expenses

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

2.33 Finance costs

Costs of interest, dividends and investments are presented in 'finance costs'.

2.34 Earnings per share

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

2.35 Estimates and related assumptions
The Company makes estimates and assumptions based on its past experience and various other factors considered to be reasonable in the circumstances, and their results provide the basis to determine the carrying amount of assets and liabilities that does not result directly from other sources. The actual value may differ from the estimate.
Estimates and related assumptions are subject to an ongoing verification. A change in accounting estimates is recognised in the period in which such estimates were changed.
In the reporting period, the Company tested non-current assets for impairment and did not confirm their impairment.
Write-downs of inventories were not changed, as there were no indications of impairment.
Write-downs of receivables were updated by the amount reflecting the level of customers default risk.

Provisions for retirement benefits and jubilee benefits were updated on the basis of actuarial calculations as at 31.12.2015. The Company, to discount future payments of benefits, applies the discount rate at the level of the average rate of return on the safest long-term securities traded on the Polish capital market as at the valuation date.

The provisions for unused annual leaves were updated on the basis of expected remunerations of employees including adds-on for the employer for annual leaves unused as at 31.12.2015.
The Company recognises deferred tax assets on the basis of the assumption that, in the future, it will generate tax profit enabling their utilisation.
The Company verifies, on an annual basis, useful lives of property, plant and equipment and intangible assets. The last update was made on 31 December 2015.

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

Cash flows from financing activities are related primarily to external sources of finance. They include, e.g.:
- proceeds from shares issued (not present in in the reporting period);
- the purchase of treasury shares;
- dividends and other distributions to equity holders;
- loans and borrowings taken out and repaid;
- grants and all other non-refundable proceeds from a third-party source of finance.

3. New accounting standards

3.1 New accounting standards and interpretations applied for the first time
The application of new interpretations and amendments to standards in 2015 did not affect the financial situation of the Company.

3.2. New accounting standards and interpretations not applied in these financial statements
The standards below have not been applied yet by the Company in the process of the preparation of

these financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Changes in accounting policies

The Company did not change voluntarily its accounting policies applied previously.

5. Segment reporting

The Company carries out its production activities only in Poland. It is engaged in the processing of potatoes to produce starch and starch hydrolysates. It has one reporting segment, i.e. “processing of potatoes”, which is identified in the Company's daily records and internal reports.

5.1. Products and services

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

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

Other types of activities:

- the generation of heat, which is produced mainly to meet the Group's own needs and a part of it is sold to plants in the vicinity;
- works and services;
- the sale of certain trade goods and materials.

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The table below presents the revenue for each group of products and services.

Product or service	Sales revenue	
	2015	**2014**
Starch	59,066	48,516
Glucose	6,791	8,054
Maltodextrin	13,358	12,113
Protein	7,258	6,851
Starch syrups	1,113	1,695
Hydrol	139	356
Heat	3,537	3,646
Trade goods and materials	16,233	10,370
Services	432	135
Total	**107,927**	**91,36**

Sales revenue by territories:

Specification	**2015**	**2014**
Poland, including	**79,050**	**73,088**
Starch	35,267	33,710
Glucose	6,762	8,006
Maltodextrin	12,341	11,156
Protein	4,466	4,622
Starch syrups	1,113	1,674
Hydrol	139	356
Heat	3,537	3,646
Trade goods and materials	14,993	9,783
Services	432	135
EU countries - intra-Community supplies, including:	**10,324**	**5,348**
Starch	8,154	4,119
Maltodextrin	1,007	933
Glucose	15	48
Protein	1,124	139
Trade goods	24	109
Other countries – export, including:	**18,553**	**13,300**
Starch	15,645	10,687
Protein	1,668	2,090
Maltodextrin	10	24
Glucose	14	
Starch syrups		21
Trade goods	1,216	478
Total	**107,927**	**91,736**

5.3 Major customers

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

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- about 17 % of glucose - to one Polish customer.

6. Explanatory notes to the statement of financial position

6.1 Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT	*As at 31.12.2015*	*As at 31.12.2014*
a) fixed assets, including:	70,943	61,564
- land	101	101
- buildings and civil engineering works	51,032	46,045
- plant and machinery	18,339	13,935
- means of transport	1,141	1,093
- other fixed assets	330	390
b) assets under construction	7,185	6,852
Total property, plant and equipment	**78,128**	**68,416**

MOVEMENT ON FIXED ASSETS (BY GROUPS)	land	buildings and civil engineering works	plant and machinery	means of transport	other fixed assets	**Total**
As at 01.01.2014						
Gross value	**101**	**68,431**	**46,162**	**1,942**	**817**	**117,453**
Accumulated depreciation		**22,412**	**31,208**	**1,036**	**533**	**55,189**
Net book value	**101**	**46,019**	**14,954**	**906**	**284**	**62,264**
2014						
Gross value at the beginning of period	101	68,431	46,162	1,942	817	117,453
Increases (due to)	0	2,530	1,862	528	198	5,118
- investments		2,530	1,318			3,848
- purchases					198	198
- lease			544	528		1,072
Decreases (due to)	0	486	154	169	3	812
- sales				169	3	172
- retirement		486	154			640
Derecognition of the accumulated depreciation of sold and retired fixed assets		(483)	(70)	(93)	(3)	(649)
Depreciation		2,501	2,797	265	92	5,655
- related to the core business		2,501	2,701	210	92	5,504
- related to agricultural activities			96	55		151
Net book value at the end of period	101	46,045	13,935	1,093	390	61,564
As at 31.12.2014						-
Gross value	**101**	**70,475**	**47,870**	**2,301**	**1,012**	**121,759**
Accumulated depreciation	**0**	**24,430**	**33,935**	**1,208**	**622**	**60,195**
Net book value	**101**	**46,045**	**13,935**	**1,093**	**390**	**61,564**
2015						
Gross value at the beginning of period	101	70,475	47,870	2,301	1,012	121,759
Increases (due to)		7,703	6,985	310	38	15,036
- investments		7,703	2,461			10,164

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- purchases			313		38	351
- lease			4,211	310		4,521
Decreases (due to)			66	213	4	283
- sales			24	213		237
- retirement			42		4	46
Derecognition of the accumulated depreciation of sold and retired fixed assets			(62)	(144)	(4)	(210)
Depreciation, including:		2,716	2,577	193	98	5,584
- related to the core business		2,712	2,370	98	97	5,277
- related to agricultural activities		4	207	95	1	307
Net book value at the end of period	101	51,032	18,339	1,141	330	70,943
As at 31.12.2015						
Gross value	**101**	**78,178**	**54,789**	**2,398**	**1,046**	**136,512**
Accumulated depreciation	**0**	**27,146**	**36,450**	**1,257**	**716**	**65,569**
Net book value	**101**	**51,032**	**18,339**	**1,141**	**330**	**70,943**

Upon the transition to IFRSs, the Company adopted the fair value of property, plant and equipment determined by a valuer at the deemed cost. The valuation difference less deferred income tax was charged to equity.

In the reporting period, depreciation charges increased the costs of sold products, trade goods and materials in the amount of PLN 4,342 thousand (PLN 4,722 thousand in 2014), and administrative expenses - PLN 935 thousand (PLN 954 thousand in 2014).

Encumbrances on property, plant and equipment due to borrowed bank loans:
- contractual mortgage amounting to PLN 14,734 thousand for the benefit of BGŻ BNP PARIBAS;
- general mortgage amounting to PLN 1,596 thousand for the benefit of Bank Polskiej Spółdzielczości;
- general mortgage amounting to PLN 404 thousand for the benefit of Bank Spółdzielczy in Łomża;
- general mortgage amounting to PLN 1,295 thousand for the benefit of Bank Polskiej Spółdzielczości;
- capped mortgage up to PLN 1,197 thousand for the benefit of Bank Polskiej Spółdzielczości;
- capped mortgage up to PLN 880,6 thousand for the benefit of Bank Polskiej Spółdzielczości;
- capped mortgage up to PLN 303 thousand for the benefit of Bank Spółdzielczy in Łomża;
- registered pledge on plant and machinery amounting to PLN 3,465 thousand for the benefit of Bank Spółdzielczy in Łomża;
- registered pledge on property, plant and equipment amounting to PLN 8,961 thousand for the benefit of BGŻ BNP PARIBAS;
- registered pledge on property, plant and equipment amounting to PLN 5,900 thousand for the benefit of Bank Zachodni WBK;
- transfer of ownership of plant and machinery amounting to PLN 1,295 thousand for the benefit of Bank Polskiej Spółdzielczości.

Due to the acquisition of property, plant and equipment, long-term investment loans were taken out; their outstanding value at the reporting date amounts to PLN 10,124 thousand (31.12.2014: PLN 2,592 thousand).

In the statement of comprehensive income, in "other operating income", the Company recognised indemnities from an insurance company due to the impairment of property, plant and equipment caused by fortuitous events amounting to PLN 5 thousand (2014: PLN 16 thousand).

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PROPERTY, PLANT AND EQUIPMENT UNDER FINANCE LEASE	*Net value as at*	
	31.12.2015	***31.12.2014***
- plant and machinery	4,905	650
- means of transport	425	640
- tools	131	
Total	**5,461**	**1,290**

6.2 Intangible assets

INTANGIBLE ASSETS	*As at 31.12.2015*	*As at 31.12.2014*
a) acquired concessions, patents, licenses and similar assets, including:	129	76
- computer software	49	76
b) greenhouse gas emission allowance	327	
Total intangible assets	**456**	**76**

In 2015, 11,112 EUAs were sold. And, 31,500 EUAs were purchased on the free market.
The allowances granted to the Company in 2015 amount to 10,797 EUAs. As at the balance sheet date (31.12.2015), the Company held 9,000 EUAs. Gains/losses from the sale of emission allowances were recognised in other operating income and amounted to PLN 308 thousand. A provision for CO_2 emission allowances was recognised, which should be retired for 2015 in the amount of PLN 790 thousand.

MOVEMENT ON INTANGIBLE ASSETS	development costs	goodwill	acquired concessions, patents, licenses, including: computer software	Greenhouse gas emission allowance	Total
As at 01.01.2014					
Gross value			**635**	**464**	**1099**
Accumulated amortisation			**510**	**239**	**749**
Net book value			**125**	**225**	**350**
2013					
Gross value at the beginning of period			635	464	1,099
Increases (due to)				1,529	
- purchases				1,300	
- granted assets				229	
Decreases (due to)				1,993	
- sales				1,993	
- retirement				(239)	
- derecognition of retired not used			16		16
Write-down utilisation			33		33
Amortisation			76		76
Net book value at the end of period			635	464	1,099
As at 31.12.2014					
Gross value			**635**		**635**
Accumulated amortisation			**559**		**559**
Net book value			**76**		**76**

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2015					
Gross value at the beginning of period			635		635
Increases (due to)			80	975	1,055
- purchases			80	975	1,055
Decreases (due to)				648	648
- sales				307	307
- utilisation				341	341
Amortisation			27		27
Net book value at the end of period			129	327	456
As at 31.12.2015					
Gross value			**715**	**327**	**1,042**
Accumulated amortisation			**586**		**586**
Net book value			**129**	**327**	**456**

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

6.3 Investments in subsidiaries

MOVEMENT ON INVESTMENTS IN SUBSIDIARIES	**2015**	**2014**
a) balance at the beginning of period	3,852	3,062
- shares or interests	3,825	3,062
b) increases (due to)		790
- subscribing for additional shares in PPZ BRONISŁAW		790
c) decreases (due to a write-down)	97	
e) balance at the end of period	3,755	3,852
- shares or interests	3,755	3,852

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Subsidiary	Registered office	Objects	Applied consolidation method	Date of obtaining control	Value of interests/ shares at cost	Carrying amount	Percentage stake in capital	Share in the total number of votes of at GMS
Zakłady Przemysłu Ziemniaczanego ZPZ LUBLIN S.p. z o.o.	Lublin	Production and sale of potato syrup and dried potatoes; fruit and vegetable processing	Full	2.12.1996	2,550	2,550	82.38	82.38
PPZ BRONISŁAW Sp. z o.o.	Bronisław	Manufacture of starches and starch products	Full	16.03.2011	1,205	1,205	84.125	84.125
OZENERGY Sp. z o.o.	Łomża	Power generation	Full	18.10.2010	96	-	100	100

Subsidiary	Equity	Assets	Liabilities	Sales revenue	Profit/Loss
2014					
Zakłady Przemysłu Ziemniaczanego ZPZ LUBLIN S.p. z o.o.	2,896	13,668	10,772	15,633	313
PPZ BRONISŁAW	970	26,117	25,147	16,595	(350)
OZENERGY Sp. z o.o.	5	9	4	0	(4)
2015					
Zakłady Przemysłu Ziemniaczanego ZPZ LUBLIN S.p. z o.o.	2,709	14,579	11,870	13,818	(187)
PPZ BRONISŁAW	1,518	24,355	22,837	29,863	548
OZENERGY Sp. z o.o.	4	9	5	0	(1)

6.4 Investments in associates

PEPEES has one associate which was acquired in 2012. It is a limited liability company called CHP ENERGIA with its registered office in Wojny-Wawrzyńce, Podlaskie Province. Pursuant to the agreement with shareholders, PEPEES has 24.9 % of the votes at the General Meeting of Shareholders.

MOVEMENT ON INVESTMENTS IN THE ASSOCIATE	2015	2014
a) balance at the beginning of period	811	637
- shares or interests	811	637
b) increases (due to)		174
- subscription of additional shares		174
c) balance at the end of period	811	811
- shares or interests	811	811

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Condensed financial figures of CHP ENERGIA:

Specification	**As at/period ended on 31.12.2015**	**As at/period ended on 31.12.2014**
Total assets	26,700	28,608
Total liabilities	29,650	28,352
Net assets	(2,950)	256
Share of PEPEES in net assets (24.9 %)	(735)	64
Revenue	4,612	1,078
Expenses	(7,819)	(2,114)
Net loss	(3,207)	(1,036)
Loss for the period from the acquisition date	(5,427)	(2,220)
Share of PEPEES in the loss (24.9 %)	(1,352)	(553)

6.5 Investments in other entities

MOVEMENT ON INVESTMENTS IN OTHER ENTITIES	**2015**	**2014**
a) balance at the beginning of period	2,663	113
- shares or interests		
b) increases (due to the acquisition of shares)		2,550
c) decreases (due to)		
- sales		
e) balance at the end of period	**2,663**	**2,663**
- shares or interests	2,663	2,663

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

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

6.6 Inventories

INVENTORIES	***As at 31.12.2015***	***As at 31.12.2014***
a) materials	2,302	2,449
b) semi-finished products and work in progress	1,491	3,334
c) finished products	35,462	38,224
d) trade goods	4,937	1,277
Total inventories	**44,192**	**45,284**

There are no inventories carried at fair value, as the selling price less selling costs is higher than the carrying amount of the inventories.
The value of inventories recognised as an expense in the reporting period amounted in 2015 to PLN 79,767 thousand, and in 2014 to PLN 68,462 thousand.

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Write-downs recognised as expenses in the period amounted to PLN 3 thousand and PLN 251 thousand in 2014.
The reversal of write-downs of inventories in 2015 amounted to PLN 3 thousand (2014: PLN 251 thousand).
Write-downs as at 31.12.2015 amount to PLN 35 thousand (31.12.2014: PLN 35 thousand).
The carrying amount of inventories securing the repayment of bank loans amounts to PLN 43,500 thousand, and PLN 31,175 thousand as at the end of 2014.

Encumbrances on inventories due to borrowed bank loans:
- a registered pledge on inventories for the benefit of BGŻ BNP PARIBAS, securing a loan for which the debt as at 31.12.2015 amounts to PLN 15,000 thousand;
- a registered pledge on inventories of materials, finished products and trade goods for the benefit of Bank Zachodni WBK S.A., securing loans for which the debt as at 31.12.2015 amounts to PLN 15,000 thousand.

6.7 Biological assets

Plants	***As at 31.12.2015***	***As at 31.12.2014***
Underripe plants	172	126
Total	**172**	**126**

6.8 Trade receivables

TRADE RECEIVABLES	***As at 31.12.2015***	***As at 31.12.2014***
a) from related parties	29	
- up to 12 months	29	
- over 12 months		
b) receivables from other entities	15,445	10,937
- trade receivables, falling due:	15,445	10,937
- up to 12 months	15,445	10,937
- over 12 months		
Total trade receivables	**15,474**	**10,937**

(GROSS) TRADE RECEIVABLES – WITH PAYMENT PERIODS REMAINING AFTER THE BALANCE SHEET DATE OF:	***As at 31.12.2015***	***As at 31.12.2014***
a) up to 1 month	6,637	4,608
b) over 1 month up to 3 months	6,582	4,629
c) over 3 months up to 6 months	1,465	
d) over 6 months up to 1 year		
e) over 1 year		
f) past due receivables	1,650	1,938
Total (gross) trade receivables	16,334	11,175
g) write-downs of trade receivables	(860)	(238)
Total (net) trade receivables	**15,474**	**10,937**

The average repayment period for trade receivables is ca. 50 days. Statutory interest is charged on past due receivables. The Company recognised provisions fully covering receivables past due by more than 180 days, as past experience shows that such receivables can be difficult to collect. For receivables past due from 60 to 120 days, the Company recognises provisions based on estimated amounts of

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uncollectible trade receivables on the basis of past experience and analyses of the financial situation of individual counterparties.
Trade receivables are insured in KUKE, which determines credit rating for customers and, on that basis, assigns credit limits to them. The limits for and ratings of each customer are subject to verification.
Past due receivables for which no write-downs were recognised are receivables from debtors with whom the Company has cooperated for several years now and the assessment of their economic and financial situation does not imply that they are doubtful receivables. The past due period ranges from a few days to 6 months.

6.9 Receivables from subsidiaries

CURRENT RECEIVABLES FROM SUBSIDIARIES	*As at 31.12.2015*	*As at 31.12.2014*
a) trade receivables	34	
b) other		
Total net current receivables	34	
d) write-downs of receivables from related parties		
Total gross current receivables from related parties	**34**	**0**

6.10 Other receivables

OTHER RECEIVABLES	*As at 31.12.2015*	*As at 31.12.2014*
- taxes, grants, customs, social security and health insurance and other	2,594	3,744
- advances for supplies	207	513
- other	31	28
Total net other current receivables	**2,832**	**4,285**
- write-downs of other receivables		
Total gross other current receivables	**2,832**	**4,285**

6.11 Receivables in litigation

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

Write-downs of receivables

MOVEMENT ON WRITE-DOWNS OF CURRENT RECEIVABLES	2015	2014
At the period beginning	251	268
a) increases (due to)	690	96
- recognition for doubtful trade receivables		8
- recognition for interest receivable	690	79
- recognition for receivables in litigation		9

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b) decreases (due to)	74	113
- reversal of provisions due to payment	69	103
- utilisation due to the writing-off and sale of receivables	2	5
- cancellations	3	5
Write-downs of current receivables at the end of period	**867**	**251**

Increases and decreases in write-downs of receivables were recognised in the statement of comprehensive income in the item: "other operating expenses".

6.12 Advances

Advances	***As at 31.12.2015***	***As at 31.12.2014***
a) long-term, including:	10,391	10,391
- rent for the lease of an agricultural holding	10,391	10,391
b) short-term, including:	841	838
- rent for the lease of an agricultural holding	742	742
- property insurance	98	93
- other	1	3
Total	**11,232**	**11,229**

6.13 Loans granted

Entity	***As at 31.12.2015***	***As at 31.12.2014***
PPZ BRONISŁAW Sp. z o.o.	5,800	5,800
ZPZ LUBLIN Sp. z o.o.	3,000	3,000
CHP Energia Sp. z o.o.	3,347	2,905
Loans granted, including:	**12,147**	**11,705**
- with the repayment period of up to 1 year	4,347	2,041
- with the repayment period of more than 1 year	7,800	9,664

All loans were granted to related parties with interest rates similar to those applied by the banks used by the Company, taking into account the additional business risk. After the balance sheet date, the Company signed annexes to loan agreements with subsidiaries, which extended the loans repayment periods, and the revised repayment schedule is as follows: until 31.12.2016 – PLN 1,000 thousand; until 31.12.2017 – PLN 2,000 thousand; and until 31.12.2018 – PLN 5,800 thousand.
In the reporting period, the Company received interest on granted loans in the total amount of PLN 718 thousand (2014: PLN 741 thousand).

6.14 Cash and cash equivalents

CASH AND CASH EQUIVALENTS	***As at 31.12.2015***	***As at 31.12.2014***
Cash at bank and in hand	1,198	603
Short-term deposits	22,224	474
Total cash and cash equivalents	**23,422**	**1,077**
- including restricted cash		

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

CASH AND CASH EQUIVALENTS (BY CURRENCIES)	***As at 31.12.2015***	***As at 31.12.2014***
a) in the Polish currency	22,244	508
b) in foreign currencies (by currencies and after translation into PLN)	1,178	569
B1. unit/currency USD/000s	3	8
PLN 000s	10	27
B2. unit/currency EUR/000s	284	131
PLN 000s	1,168	542
Total cash and cash equivalents	**23,422**	**1,077**

6.15 Share capital

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

In the reporting period, there were no changes in the Company's share capital.
According to the Company's best knowledge, the shareholding structure at the reporting date was as follows:

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

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

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6.16 Reserve capital and other reserves

RESERVE CAPITAL	*As at 31.12.2015*	*As at 31.12.2014*
a) share premium	7,562	7,562
b) statutory reserve capital	1,660	1,660
c) from revaluation of assets (non-distributable)	30,602	30,602
d) from profits	12,126	12,126
Total reserve capital	**51,950**	**51,950**

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

The investments fund was created from retained earnings.

REVALUATION RESERVE	*As at 31.12.2015*	*As at 31.12.2014*
- revaluation of employee benefit liabilities	(482)	(468)
- deferred tax on revaluation effects	91	89
Total other reserves	**(390)**	**(379)**

6.17 Retained earnings/loss

RETAINED EARNINGS/LOSS FROM PREVIOUS YEARS AND FROM THE PRESENT YEAR	*As at 31.12.2015*	*As at 31.12.2014*
- earnings/loss for the year	5,917	3,621
Total retained earnings/loss	**5,917**	**3,621**

6.18 Loans and borrowings

Long-term

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

No.	Loan type	Contractual loan amount	Currency	Loan/borrowing amount still to be repaid	Currency	Interest rate	Repayment date

1	Subsidised loan to purchase property, plant and equipment. The principal will be repaid in quarterly instalments of PLN 165 thousand, from 29.06.12 to 30.06.17, and the interest is payable on a monthly basis on the amount of debt.	3,465	PLN	990 (carrying amount 953)	PLN	1.50 of the rediscount rate on bills of exchange, where the issuer pays 0.25 % interest on the loan, however not less than 2 % p.a.; the remaining part is paid by the Agency for Restructuring and Modernisation of Agriculture (ARMA);	30.06.2017
2	Subsidised loan to upgrade plant and machinery. The principal will be repaid in quarterly instalments, and the interest is payable on a monthly basis on the amount of debt.	1,295	PLN	706 (carrying amount 629)	PLN	1.6 of the rediscount rate on bills of exchange, where the issuer pays 0.25 % interest on the loan, however not less than 2 % p.a.; the remaining part is paid by the Agency for Restructuring and Modernisation of Agriculture (ARMA);	30.11.2018
3	Investment loan for the construction of a starch drying room, an unloading node and a water treatment unit	9,823	PLN	8,542	PLN	The interest rate is based on WIBOR for 3-month deposits plus the Bank's margin.	25.02.2022
	TOTAL	**14,583**	**PLN**	**10,238**	**PLN**		

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

Securities

Re: 1
The loan is secured with an authorisation to use a current account; a general mortgage amounting to PLN 2,000 thousand; a capped mortgage up to PLN 1,500 thousand; a registered pledge on plant and machinery purchased with the loan along with the assignment of rights under an insurance policy; a blank promissory note.

Re: 2
The loan is secured with a general mortgage amounting to PLN 1,295 thousand; a capped mortgage up to PLN 880.6 thousand; transfer of ownership of plant and machinery amounting to PLN 1,295 thousand; an assignment of rights under an insurance policy; a blank promissory note; an authorisation to use bank accounts.

Re: 3
The loan is secured with a contractual mortgage amounting to PLN 14,734 thousand; an assignment of rights under an insurance policy; the statement on the submission to execution.

Short-term

PLN 000s

No.	Loan type	Contractual loan/borrowing amount	Currency	Loan/borrowing amount still to be repaid	Currency	Interest rate	Repayment date
1	Bank overdraft	4,000	PLN	3,924	PLN	1M WIBOR + bank's margin	31.08.2016
2	Revolving working capital loan in a credit account	6,000	PLN	6,000	PLN	1M WIBOR + bank's margin	31.08.2016
3	Non-revolving working capital loan in a credit account	15,000	PLN	15,000	PLN	1M WIBOR + bank's margin	31.08.2016
4	Bank overdraft	4,000	PLN	3,934	PLN	1M WIBOR + bank's margin	31.08.2016
5	Revolving working capital loan in a credit account	6,000	PLN	6,000	PLN	1M WIBOR + bank's margin	31.08.2016
6	Non-revolving working capital loan in a credit account	15,000	PLN	15,000	PLN	1M WIBOR + bank's margin	31.08.2016
	TOTAL	**50,000**	**PLN**	**49,858**	**PLN**		

**In the statement of financial position, there is the amount of PLN 52,066; the difference pertains to the part of long-term loans that will be repaid in the period of 12 months from the balance sheet date.*

Securities

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

The next three loans were granted under the so-called “Multi-purpose Line of Credit”, which is

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

6.19 Retirement and similar benefits obligations

RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	*As at 31.12.2015*	*As at 31.12.2014*
a) long-term, including:	1,918	1,915
- retirement benefits	151	136
- jubilee benefits	1,767	1,779
b) short-term, including:	157	145
- retirement benefits	6	5
- jubilee benefits	151	140
Total	**2,075**	**2,060**

MOVEMENTS ON RETIREMENT AND SIMILAR BENEFITS OBLIGATIONS (BY TITLES)	*As at 31.12.2015*	*As at 31.12.2014*
a) balance at the beginning of period	**2,060**	**1,614**
- retirement benefits	141	108
- jubilee benefits	1,919	1,506
b) increases (due to)	204	629
- retirement benefits	26	39
- jubilee benefits	178	590
c) utilisation (due to)	189	183
- retirement benefits	10	6
- jubilee benefits	179	177
e) balance at the end of period	**2,075**	**2,060**
- retirement benefits	157	141
- jubilee benefits	1,918	1,919

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

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

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

The amount of the jubilee benefit is calculated only for the period of employment in PEPEES S.A. and in companies separated from PEPEES S.A., subject to the transfer of that employee from PEPEES S.A. to these companies pursuant to Article 23^1 of the Polish Labour Code.
The benefit, depending on total employment duration, is determined as the following percentage of the basis:

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

For part-time employees, the amount of the jubilee benefit is calculated in proportion to the working hours specified in their contracts of employment.
Retirement and disability benefits are paid by the Company in accordance with Article 92^1 of the Polish Labour Code.
An employee entitled to an invalidity or retirement pension, whose employment was terminated due to becoming retired or disabled, is entitled to a severance pay equal to one-month remuneration.
Re-employed retirees and pensioners do not re-acquire the right to the severance pay.

Basic actuarial assumptions

Specification	**Balance sheet date**	**Balance sheet date**
	31.12.2015	**31.12.2014**
Basic actuarial assumptions		
Number of employees	214	201
Annual wages growth rate	3.50 %	3.50 %
Discount rate	3.0 %	4.20 %

Actuarial assumptions
To calculate provisions as at 31.12.2015, the following assumptions were adopted:

- The calculations were made in the Polish złoty (PLN), and the results were rounded to one grosz (1 grosz = 0.01 PLN).
- The Company assumed that the minimum monthly salary in the Polish economy since 1 January 2016 is PLN 1,850.00.
- The Company assumed that the long-term annual wages growth rate is 2.5 %, i.e. it is at the level of the projected long-term annual inflation rate (the inflation target of the National Bank of Poland).
- The Company assumed that the long-term annual minimum monthly salary growth rate is 3.5 %, i.e. it is at the level higher by 1 % p.p. than the projected long-term annual inflation rate (the inflation target of the National Bank of Poland).

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- The Company, to discount future payments of benefits, applies the discount rate of 3.0 %, i.e. the rate of return on the safest long-term securities traded on the Polish capital market as at the valuation date.
- The probability of employee attrition was calculated on the basis of historical data on the staff turnover in the Company and statistical data on employee attrition in the industry.
- Mortality and life expectancy rates are based on the *Life Expectancy Tables of Poland 2014* published by the Polish Central Statistics Office (GUS). The Company assumed that the mortality rate for the population of the Company's employees is the average mortality rate for Poland.
- The Company assumed that its employees will retire according to the standard system (its detailed principles are provided for in the retirement law), except for those employees who, based on the information provided by the Company, meet the conditions for early retirement.
- The provision for disability benefits was not calculated separately; in return, the employees who began to draw disability pensions were not taken into account when calculating the probability of employee attrition.
- Current liabilities (with maturities of up to 1 year) and non-current liabilities (with maturities of over 1 year) were calculated separately.

6.20 Trade and other payables

CURRENT PAYABLES	*As at 31.12.2015*	*As at 31.12.2014*
- trade payables, falling due:	6,380	8,222
- up to 12 months	6,380	8,222
- over 12 months		
- social security, taxes, customs and other	876	897
- remunerations	534	578
- advances for supplies	119	
- other	115	97
Total trade and other payables	**8,024**	**9,794**

Payables to related parties amount to PLN 902 thousand and are related to deliveries of raw materials and trade goods.

6.21 Liabilities related to leased assets

FINANCE LEASE PAYABLES	*As at 31.12.2015*	*As at 31.12.2014*
a) long-term (over 1 year to 5 years)	3,942	662
b) short-term (up to 1 year)	1,151	439
Total	**5,093**	**1,101**

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

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FINANCE LEASE PAYABLES	2016	2017-2022	Total
Nominal value of lease payments	1,434	4,376	5,810
Future finance costs	(283)	(434)	(717)
Present value of minimum lease payments	**1,151**	**3,942**	**5,093**

The Company treats the right of perpetual use of land as an operating lease and recognises it in off-balance-sheet records. Information about specific amounts is available in note 11.

6.22 Provisions, accruals and deferred income

PROVISIONS, ACCRUALS, DEFERRED INCOME (BY TITLES)	*As at 31.12.2015*	*As at 31.12.2014*
a) long-term, including:	**2,548**	**2,867**
- grants related to property, plant and equipment	2,514	2,771
- grants related to loans	34	96
b) short-term, including:	**1,685**	**1,566**
- grants related to property, plant and equipment	257	307
- grants related to loans	62	98
- environmental protection costs	126	110
- provisions for compensations for annual leaves	343	239
- provisions for bonuses for suppliers		35
- provision for bonuses for the Board of Directors and employees	195	70
- provision for non-invoiced services	26	22
- provision for used CO_2 emission allowances	676	685
Total	**4,233**	**4,433**

MOVEMENT ON SHORT-TERM PROVISIONS AND ACCRUALS (BY TITLES)	01.01.2015-31.12.2015	01.01.2014-31.12.2014
a) balance at the beginning of the period, including:	**1,566**	**973**
- provision for greenhouse gas emission allowance	685	
- provision for damages payable to employees		147
- fee for the use of the environment	110	103
- provisions for compensations for annual leaves	239	206
- grants related to property, plant and equipment	307	307
- grants related to loans	98	135
- provisions for bonuses for suppliers	35	53
- provisions for bonuses for the Board of Directors	70	
- provisions for benefits to customers	22	22
b) increase (due to)	**1,384**	**1,161**
- recognition of a provision for used CO_2 emission allowances	676	685
- fee for the use of the environment	129	110
- provisions for compensations for annual leaves	343	239
- provisions for benefits to customers	41	22
- provisions for bonuses for suppliers		35
- provisions for bonuses for the Board of Directors and employees	195	70
c) utilisation (due to)	**1,265**	**568**
- fee for the use of the environment	113	103

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- provisions for compensations for annual leaves	239	206
- provisions for benefits to customers	37	22
- provision for damages payable to employees		147
- grants related to property, plant and equipment	50	
- grants related to loans	36	37
- provisions for bonuses for suppliers	35	53
- provisions for bonuses for the Board of Directors and employees	70	
- greenhouse gas emission allowance	685	
d) balance at the end of the period, including:	**1,685**	**1,566**
- fee for the use of the environment	126	110
- provisions for compensations for annual leaves	343	239
- provisions for bonuses for suppliers		35
- provisions for bonuses for the Board of Directors and employees	195	70
- provision for greenhouse gas emission allowance	676	685
- grants related to property, plant and equipment	257	307
- grants related to loans	62	98
- provisions for benefits to customers	26	22

6.23 Deferred income tax

DEFERRED TAX LIABILITIES	*As at 31.12.2015*	*As at 31.12.2014*
The difference between the carrying amount and the tax value of property, plant and equipment	5,710	5,241
Interest accrued, but not yet received	130	46
Unrealised foreign exchange differences		3
Valuation of loans	4	6
Total deferred tax liabilities	**5,844**	**5,296**

DEFERRED TAX ASSETS	*As at 31.12.2015*	*As at 31.12.2014*
Outstanding obligation		282
Outstanding remunerations	82	107
Provisions for compensations for annual leaves	65	45
Provision for bonuses for suppliers		7
Provision for bonuses for the Board of Directors and employees	37	13
Retirement and jubilee benefits	394	391
Unrealised foreign exchange differences	36	16
Write-downs of inventories	7	7
Write-downs of interests	18	
Provision for used CO_2 emission allowances	129	130
Lease payables	657	79
Other accruals	5	4
Total deferred tax assets	**1,430**	**1,081**

7. Explanatory notes to the statement of comprehensive income

7.1 Revenue from the sale of products

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NET REVENUE FROM THE SALE OF PRODUCTS (ITEM-BY-ITEM STRUCTURE - TYPES OF ACTIVITIES)	2015	2014
- potato products	87,725	77,585
- including: from related parties	189	66
- heat	3,537	3,646
Total net revenue from the sale of products	**91,262**	**81,231**
- including: from related parties	**189**	**66**

NET REVENUE FROM THE SALE OF PRODUCTS (GEOGRAPHICAL STRUCTURE)		2015	2014
a) Poland		**63,625**	**63,170**
- including: from related parties		189	66
- potato products		60,088	59,524
- including: from related parties		189	66
- heat		3,537	3,646
b) intra-Community supplies		**10,300**	**5,239**
- including: from related parties			
- potato products		10,300	5239
c) exports		**17,337**	**12,822**
- including: from related parties			
- potato products		17,337	12,822
Total net revenue from the sale of products		**91,262**	**81,231**

7.2 Revenue from services

NET REVENUE FROM THE SALE OF SERVICES (ITEM-BY-ITEM STRUCTURE - TYPES OF ACTIVITIES)	2015	2014
- revenue from real property lease	5	5
- revenue from plant and machinery rental	129	42
- transmission of electricity	3	36
- water supply and wastewater collection	3	1
- services for farmers	266	44
- other services	26	7
Total net revenue from the sale of services	**432**	**135**
- including: from related parties	**83**	

All services were rendered in Poland.

7.3 Revenue from the sale of trade goods and materials

NET REVENUE FROM THE SALE OF TRADE GOODS AND MATERIALS (ITEM-BY-ITEM STRUCTURE - TYPES OF ACTIVITIES)	2015	2014
- potatoes	7,385	3,155

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- including: from related parties	1,136	
- potato products	5,313	4,446
- including: from related parties		
- pesticides and fertilisers	3,330	2,145
- including: from related parties		
- materials	205	624
- including: from related parties		485
Total net revenue from the sale of trade goods and materials	**16,233**	**10,370**
- including: from related parties	**1,136**	**485**

NET REVENUE FROM THE SALE OF TRADE GOODS AND MATERIALS (GEOGRAPHICAL STRUCTURE)	**2015**	**2014**
a) Poland	**14,993**	**9,783**
- potatoes	7,385	3,155
- including: from related parties	1,136	
- potato products	4,073	3,859
- including: from related parties		
- pesticides and fertilisers	3,330	2,145
- including: from related parties		
- materials	205	624
- including: from related parties		485
b) exports	**1,216**	**478**
- including: from related parties		
- potato products	1,216	478
c) intra-Community supplies	**24**	**109**
- including: from related parties		
- potato products	24	109
Total net revenue from the sale of trade goods and materials	**16,233**	**10,370**

7.4 Expenses by nature

EXPENSES BY NATURE	**2015**	**2014**
a) depreciation/amortisation	5,766	5,537
b) materials and energy	49,101	67,241
c) third-party services	10,246	8,012
d) taxes and charges	2,556	2,473
e) remunerations	10,348	10,044
f) social security contributions and other	2,227	1,955
g) other expenses by nature (due to)	882	1,265
- entertainment and advertising expenses	190	368
- business trips	149	108
- non-life insurance expenses	235	232
- costs of analyses, tests and scientific expert opinions	137	170
- other expenses	171	387
Total expenses by nature	**81,126**	**96,527**
Net increase/decrease in inventories, products and prepaid expenses/accruals	4,575	7,467
Cost of manufacturing products for the entity's own needs	(91)	(152)
Costs of sales (negative value)	(5,709)	(4,493)
Administrative expenses (negative value)	(12,459)	(11,758)
Cost of products and services sold	**67,442**	**61,635**

PLN 000s

7.5 Employee benefits expense

EMPLOYEE BENEFITS EXPENSE	2015	2014
e) remunerations, including:	**10,348**	**10,044**
- remunerations under contracts of employment	8,610	8,412
- remunerations under mandate and similar contracts	1,006	1,196
- remunerations of the members of the Supervisory Board	314	333
- severance pays (due to redundancies) and jubilee benefits	189	103
- provisions for compensations for unused annual leaves	104	33
- provisions for bonuses for the Board of Directors and employees	125	70
f) social security contributions and other, including:	**2,227**	**1,955**
- social security	1,512	1,475
- charges to the Labour Fund	185	195
- charges to the Corporate Social Benefits Fund	322	91
- employee training expenses	72	35
- working clothes	66	84
- medical examinations and H&S expenses	70	75
Total employee benefits expense	**12,544**	**11,999**

7.6 Other operating income

OTHER OPERATING INCOME	2015	2014
a) profit from disposal of non-financial non-current assets	**105**	**277**
b) reversal of provisions, due to:	**185**	**35**
- write-downs of receivables	18	35
- retirement of emission allowances	132	
- liabilities	35	
c) government grants, including:	405	**442**
- grants related to property, plant and equipment	307	307
- grants related to investment loans	98	135
d) other, including:	**46**	**62**
- expenses adjustment		28
- indemnities, damages, penalties and fines received	33	16
- surplus assets	7	13
- other	6	5
Total other operating income	**741**	**816**

7.7 Other operating expenses

OTHER OPERATING EXPENSES	2015	2014
a) revaluation of non-financial assets	**24**	**32**
b) other, including:	**247**	**165**

PLN 000s

- discontinued investments	144	
- donations	14	
- cost of the retirement of non-financial non-current assets	1	6
- litigation expenses	11	13
- write-downs of receivables	6	17
- unplanned depreciation/amortisation charges	6	85
- indemnities, damages, penalties and fines paid	48	16
- write-offs of receivables		7
- asset shortages	11	19
- other	6	2
Total other operating expenses	**271**	**197**

7.8 Finance costs

FINANCE COSTS	2015	2014
a) interest on loans and borrowings	549	608
b) interest on payables	5	1
c) loan revaluation	112	149
d) write-downs of interests	96	
e) negative foreign exchange differences	79	426
- realised	(36)	
- unrealised	115	
f) other finance costs	153	114
- provisions for finance costs	16	19
- lease payments	66	24
- fees and commissions on loans	51	41
- discount on the purchase of receivables	20	30
Total finance costs	**994**	**872**

7.9 Finance income

FINANCE INCOME	2015	2014
a) dividends	61	134
b) interest on loans	1,164	982
c) interest on deposits	15	109
d) interest on receivables	69	91
e) positive foreign exchange differences		81
- realised		153
- unrealised		(72)
Total finance income	**1,309**	**1,397**

7.10 Income tax expense

INCOME TAX EXPENSE	2015	2014
Current income tax	(1,418)	(1,811)
Deferred income tax	(202)	818

PLN 000s

Total income tax expense	**(1,620)**	**(993)**

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

Specification	2015	2014
Gross profit/loss before tax	7,537	4,614
Income tax at the statutory rate of 19 %	(1,432)	(877)
Tax on permanent differences between the gross profit and the tax base	(188)	(116)
Income tax expense at the effective tax rate of 21.5 % and 21.8 % in 2014	**(1,620)**	**(993)**

In 2015, the Company paid to the tax authorities PLN 995 thousand of tax, including PLN 384 thousand for 2014. Tax payable for 2015 amounts to PLN 807 thousand.

7.11 Earnings per share

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

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

EARNINGS (LOSS) PER SHARE	2015	2014
Net profit (loss) in PLN	5,916,739.03	3,620,830.69
Weighted average number of shares	95,000,000	92,133,133
Basic earnings per share (in PLN per share)	0.06	0.039
Net profit used to calculate diluted earnings per share	5,916,739.03	3,620,830.69
Weighted average number of ordinary shares for diluted earnings per share	95,000,000	92,133,133
Diluted earnings per share (PLN)	**0.06**	**0.039**

The Board of Directors proposes to allocate the profit to reserves to finance investments.

8. Explanatory notes to the statement of cash flows

8.1 Reconciliation of amounts recognised in the statement of cash flows with the balance of cash and cash equivalents in the balance sheet

PLN 000s

Specification	2015	2014
Cash and equivalents in the statement of financial position	23,422	1,077
Bank overdrafts	(7,858)	(2,858)
Foreign exchange differences from the valuation of cash	(1)	(14)
Cash in the statement of cash flows	**15,563**	**(1,795)**

The Company does not have any restricted cash.

8.2 Non-monetary transactions

Specification	2015	2014
Acquisition of assets under finance lease	(1,185)	(1,072)
Loan valuation at amortised cost (change)	112	149
Interest on a cash loan accrued but not yet paid (change)	(442)	(80)

8.3 Undrawn overdraft facilities

As at 31.12.2015, the Company had undrawn overdraft facilities in the current account amounting to PLN 144 thousand (31.12.2014 : PLN 5,142 thousand).

9. Financial instruments

9.1. Categories of financial instruments

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

Financial assets	As at 31.12.2015	As at 31.12.2014
At fair value through profit or loss		
Held for trading	2,550	2,550
Derivatives		
Held-to-maturity investments		
Loans and receivables (including cash)	53,875	28,004
Available-for-sale financial assets	4,679	4,776
Total financial assets	**61,104**	**35,330**

PLN 000s

Financial assets recognised in the financial statements as:	As at 31.12.2015	As at 31.12.2014
Investments in subsidiaries	3,755	3,852
Investments in associates	811	811
Investments in other entities	113	113
Trade receivables	15,474	10,937
Other receivables	2,832	4,285
Loans granted	12,147	11,705
Investments held for trading	2,550	2,550
Cash and cash equivalents	23,422	1,077
Total financial assets	**61,104**	**35,330**

Financial liabilities	As at 31.12.2015	As at 31.12.2014
At fair value through profit or loss		
Held for trading		
Derivatives		
Amortised cost	65,075	34,824
Other liabilities	8,024	9,794
Total financial assets	**73,099**	**44,618**

Financial liabilities recognised in the financial statements as:	As at 31.12.2015	As at 31.12.2014
Long-term loans and borrowings	7,916	1,582
Non-current liabilities related to leased assets	3,942	662
Trade payables	6,380	8,222
Short-term loans and borrowings	52,066	32,141
Current liabilities related to leased assets	1,151	439
Other current liabilities	1,644	1,572
Total financial assets	**73,099**	**44,618**

9.2. Financial risk management

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

Interest rate risk

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

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

Increase/decrease by percentage points	Impact on profit/loss	
	2015	**2014**
Increase in interest rates of loans by 1 %	(301)	(186)
Decrease in interest rates of loans by 1 %	301	186

PLN 000s

Currency risk

The Company is exposed to currency risk arising from transactions. Such a risk arises as a result of export sales and the sales to the European Union countries in currencies other than the Polish złoty. In the reporting period, exports and intra-Community supplies accounted for more than 20 % of total sales revenue.
The table below shows the sensitivity of the gross profit/loss to changes in the value of revenue and expenses in the case of the fluctuations of the USD and EUR exchange rates by 0.1 for PLN/EUR/USD.

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

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

Increase/decrease in exchange rates	**Impact on profit/loss**	
	2015	**2014**
Increase in PLN/USD exchange rate by 0.1	4	1
Increase in PLN/EUR exchange rate by 0.1	128	58
Decrease in PLN/USD exchange rate by 0.1	(4)	(1)
Decrease in PLN/EUR exchange rate by 0.1	(128)	(58)
Total impact on profit/loss	**+/-132**	**+/-59**

Credit risk
The Company enters into transactions only with tested customers with good credit ratings. All customers who wish to obtain trade credits are subject to pre-screening. In addition, owing to the permanent receivables monitoring process, the Company's exposure to bad debts is very limited. The assessment of the financial credibility carried out by KUKE and of the granted financial limit, is also crucial.
There are no material concentrations of credit risk in the Company.

Liquidity risk
The Company aims to maintain the balance between the continuity and flexibility of financing, using various sources of finance such as bank overdrafts, or short- and long-term subsidised bank loans. The Company manages the liquidity risk by maintaining adequate reserves, taking advantage of banking services and reserve lines of credit, continuously monitoring projected and actual cash flows, and matching maturity profiles of financial assets and financial liabilities.

10. Capital management

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

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's net debt comprises loans, borrowings, finance lease payables, trade and other payables, less cash and cash equivalents.

Amounts in PLN 000s

	31.12.2015	**31.12.2014**
Loans, borrowings, finance lease payables	65,075	34,824
Trade and other payables	8,024	9,794
Cash and cash equivalents (-)	(23,422)	(1,077)
Net debt	49,677	43,541
Equity	110,656	104,751
Equity and net debt	160,333	148,292
Gearing ratio	**30.98 %**	**29.36 %**

The financing structure is monitored to ensure the necessary funds for investments provided for in the Strategy of PEPEES Group for 2013-2018.
In 2015, the gearing ratio deteriorated slightly due to the increase in loan debt.

11. Contingencies

11.1 Contingent receivables

The Company uses, pursuant to the right of perpetual usufruct, 493,591 m^2 of land; its value as at 31.12.2015 resulting from the decision on the annual fee amounts to PLN 10,822 thousand (31.12.2014: PLN 10,822 thousand). The market value approximates the value from the decision. The Company pays the annual fee of 3 % of the value. The fee in 2015 and in the previous year amounted to PLN 325 thousand.

11.2 Contingent liabilities

The Company granted its surety for the loan granted by SBR Bank to the associate CHP Energia up to PLN 6 million.
PEPEES receives subsidies to the interest rates of investment loans. The value of the subsidies received until 31.12.2015 is PLN 919 thousand. In the case of the failure to satisfy the terms of loan agreements, e.g.
- the failure to pay repayment instalments and interest by the dates set in agreements;
- the failure to complete investment projects as planned;
- using the loan contrary to its intended purpose;

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

There may be payables arising from non-competition agreements after termination of employment. Such agreements were concluded with members of the Board of Directors and several employees. In the case of the termination of their employment, the Company must pay damages of ca. PLN 1,061 thousand.

There are no unresolved litigations as at the balance sheet date.

PLN 000s

12. Related party transactions

12.1 Transactions with subsidiaries

a) Revenue from the sale of products and trade goods received from subsidiaries

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

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

b) Purchases of trade goods and services from subsidiaries

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

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

Receivables from related parties	31.12.2015	31.12.2014
ZPZ Lublin	29	0
OZENERGY	5	
Total receivables from related parties	**34**	**0**

Payables to related parties	31.12.2015	31.12.2014
ZPZ Lublin		270
PPZ BRONISŁAW	902	80
Total payables to related parties	**902**	**350**

d) Loans granted to related parties

Entity	Contractual cash loan amount	Debt as at	
		31.12.2015	31.12.2014
ZPZ Lublin	3,000	3,000	3,000
PPZ BRONISŁAW	6,500	6,500	5,800

CHP Energia	2,664	3,347	2,905
Total	**12,164**	**12,847**	**11,705**

e) Interest on granted loans

Entity	2015	2014
ZPZ Lublin	218	218
PPZ BRONISŁAW	420	423
CHP Energia	523	341
Total	**1,161**	**982**

f) contingencies

Contractual mortgages are established on the assets of subsidiaries (ZPZ Lublin and PPZ Bronisław) securing loans taken out by PEPEES and amounting to PLN 50,000 thousand.

12.2 Transactions with the associate

In 2013, PEPEES granted a loan to its associate CHP Energia amounting to PLN 2,664 (the amount in the statement of financial position is PLN 3,347), which is to be repaid with interest until 31 December 2016. The annual interest rate for the loan is 8 %. In addition, CHP Energia purchased potato pulp from PEPEES with the value of PLN 97 thousand.

12.3 Transactions with the key management personnel

a) benefits for the key management personnel

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

Supervisory Board in PLN 000s	**2015**	**2014**
Short-term employee benefits	317	336
Post-employment benefits	0	0
Other long-term benefits	0	0
Termination benefits	0	0
Share-based payments	0	0

b) transactions with members of the Board of Directors and of the Supervisory Board, and with close members of their families

PLN 000s

In the reporting period, there were no transactions within the meaning of IAS 24.

13. Average employment in the Company

Specification	Average number of employees in 2015	Average number of employees in 2014
Administrative employees	82	77
Workers	152	155
Employees on parental leaves and unpaid leaves	4	1
Total	**238**	**233**

14. The registered auditor's remuneration

The registered auditor's remuneration for the review and audit of the financial statements and of the consolidated financial statements amounts to PLN 41,000 plus VAT, including PLN 15,000 paid in 2015. The registered auditor did not render any other services to PEPEES.

15. Events after the reporting period

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

16. Authorising financial statements

These financial statements were approved of by the Board of Directors and authorised for issue on 17 March 2016. These separate financial statements are published together with the consolidated financial statements of PEPEES S.A. Group, which were authorised for issue by the Board of Directors on 17 March 2016.

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

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

SIGNATURE OF THE PERSON WHO PREPARED THE REPORT

Date	Name	Title/Function	Signature
17.03.2016	Wiesława Załuska	Chief Accountant	

PODPISY WSZYSTKICH CZŁONKÓW ZARZĄDU

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

PODPIS OSOBY, KTÓRA SPORZĄDZIŁA SPRAWOZDANIE

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