CAPITAL GROUP OF GRUPA KĘTY S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD FROM 1 JANUARY 2015 TO 31 DECEMBER 2015

PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION

(in thousand PLN)

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Consolidated Financial Statements for the period from 01.01.2015 to 31.12.2015 (in thousand PLN)

CONSOLIDATED INCOME STATEMENT

INCOME STATEMENT	Note	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Total operating income, including:		**2 045 446**	**1 835 161**
Sales revenue	12.1	2 027 146	1 819 552
Other operating income	12.3	18 300	15 609
Share of net profit of entities accounted for using the equity method	21	**1 515**	**(111)**
Change of inventories of finished goods and work in progress		**(8 321)**	**36 448**
Cost of manufacturing products for own needs		**12 065**	**11 008**
Total operating costs, including:		**(1 806 264)**	**(1 657 991)**
Depreciation/Amortisation	16/19	(91 711)	(84 696)
Consumption of materials, energy and the value of goods and materials sold	12.8	(1 222 086)	(1 127 128)
External services		(173 597)	(150 984)
Taxes and charges		(13 831)	(12 352)
Employee benefits		(272 177)	(246 682)
Other operating costs	12.4	(32 862)	(36 149)
Net profit on operating activities		**244 441**	**224 515**
Finance income	12.5	1 120	1 313
Finance costs	12.6	(16 079)	(23 969)
Profit before tax		**229 482**	**201 859**
Income tax expense	13	(19 669)	(32 828)
Net profit on continuing operations		**209 813**	**169 031**
Attributable to non-controlling shareholders		0	0
Attributable to the parent's shareholders		209 813	169 031
Earnings per share attributable the parent's shareholders (PLN)	14		
Basic		22.27	18.03
Diluted		22.25	18.00

In 2015 and 2014, the Group did not discontinue any operations.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Net profit for the period		**209 813**	**169 031**
Other comprehensive income to be charged to profit or loss		**(7 084)**	**(4 357)**
Cumulative translation adjustment		(324)	(6 778)
Valuation of cash flow hedging instruments	36.1.1	(4 256)	183
Result from cash flow hedge		(3 310)	2 273
Income tax related to other comprehensive income to be charged to profit or loss		806	(35)
Other comprehensive income not to be charged to profit or loss		**156**	**(2 304)**
Actuarial gains/losses	23.3	192	(2 845)
Income tax related to other comprehensive income not to be charged to profit or loss		(36)	541
Comprehensive income for the period		**202 885**	**162 370**
Comprehensive income attributable to:			
Non-controlling shareholders		0	0
Parent's shareholders		202 885	162 370

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CONSOLIDATED BALANCE SHEET

ASSETS	Note	31.12.2015 (audited)	31.12.2014 (audited)
I. Non-current assets		**1 140 961**	**1 016 520**
Property, plant and equipment	16	947 657	851 945
Intangible assets	19	57 883	52 839
Goodwill	12.7	19 866	17 561
Investment properties	18	11 927	12 398
Other investments	22	1 823	251
Long-term receivables	25	29 243	17 442
Deferred income tax assets	13.1	72 562	64 084
II. Current assets		**817 731**	**780 988**
Inventories	24	323 330	308 483
Current tax receivables	13.3	4 315	2 162
Trade and other receivables	26	415 183	401 896
Short-term investments	22	71	87
Derivative financial instruments	36	2 128	1 930
Cash and cash equivalents	27	72 704	66 430
Total assets		**1 958 692**	**1 797 508**

EQUITY AND LIABILITIES	Note	31.12.2015 (audited)	31.12.2014 (audited)
I. Equity		**1 278 843**	**1 203 232**
Share capital	28.1	67 505	67 352
Share premium	28.2	22 043	14 512
Non-registered capital from the issue of shares	28.3	0	1 601
Capital from share based payments	28.5	13 959	11 244
Result from cash flow hedging transactions	28.7	(1 872)	1 438
Capital from the valuation of hedging instruments	28.6	(3 925)	(475)
Capital from the valuation of property, plant and equipment	28.4	3 003	3 174
Retained earnings	28.8	1 205 976	1 131 908
Cumulative translation adjustment	28.9	(27 846)	(27 522)
Equity attributable to the parent's shareholders		**1 278 843**	**1 203 232**
Equity of non-controlling shareholders	28.8	0	0
II. Long-term liabilities		**171 553**	**107 118**
Liabilities due to borrowings and finance lease	29.1	90 601	23 307
Other liabilities	31.1	2 098	1 981
Provisions	30	1 188	760
Provisions due to employee benefits	23.2	5 559	5 799
Deferred income	32	37 230	38 897
Deferred income tax liability	13.1	34 877	36 374
III. Short-term liabilities		**508 296**	**487 158**
Liabilities due to borrowings and finance lease	29.1	224 219	211 855
Income tax liabilities	13.3	11 800	10 191
Trade and other liabilities	31.2	239 070	237 653
Provisions and accruals	30	21 769	22 844
Derivative financial instruments	36	7 857	2 523
Deferred income	32	3 581	2 092
Total equity and liabilities		**1 958 692**	**1 797 508**

Consolidated Financial Statements for the period from 01.01.2015 to 31.12.2015 (in thousand PLN)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the parent's shareholders											
	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from share based payments	Result from cash flow hedging transactions	Capital from the valuation of hedging instruments	Capital from the valuation of property, plant and equipment	Retained earnings	Cumulative translation adjustment	**Equity of the parent's shareholders**	Equity of non-controlling shareholders	**Total equity**
Equity as of 1 January 2015 (audited)	**67 352**	**14 512**	**1 601**	**11 244**	**1 438**	**(475)**	**3 174**	**1 131 908**	**(27 522)**	**1 203 232**	**0**	**1 203 232**
Comprehensive income for the period:	0	0	0	0	(3 310)	(3 450)	0	209 969	(324)	**202 885**	0	**202 885**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*209 813*	*0*	***209 813***	*0*	***209 813***
Other comprehensive income	*0*	*0*	*0*	*0*	*(3 310)*	*(3 450)*	*0*	*156*	*(324)*	***(6 928)***	*0*	***(6 928)***
Valuation of share based payments	0	0	0	2 715	0	0	0	0	0	**2 715**	0	**2 715**
Transfer due to depreciation/amortisation	0	0	0	0	0	0	(171)	171	0	**0**	0	**0**
Payment of dividend	0	0	0	0	0	0	0	(136 072)	0	**(136 072)**	0	**(136 072)**
Issue of shares	153	7 531	(1 601)	0	0	0	0	0	0	**6 083**	0	**6 083**
Equity as of 31 December 2015 (audited)	**67 505**	**22 043**	**0**	**13 959**	**(1 872)**	**(3 925)**	**3 003**	**1 205 976**	**(27 846)**	**1 278 843**	**0**	**1 278 843**

Consolidated Financial Statements for the period from 01.01.2015 to 31.12.2015 (in thousand PLN)

	Attributable to the parent's shareholders											
	Share capital	Share premium	Non-registered capital from the issue of shares	Capital from share based payments	Result from cash flow hedging transactions	Capital from the valuation of hedging instruments	Capital from the valuation of property, plant and equipment	Retained earnings	Cumulative translation adjustment	**Equity of the parent's shareholders**	Equity of non-controlling shareholders	**Total equity**
Equity as of 1 January 2014 (audited)	**67 138**	**4 563**	**3 479**	**10 230**	**(835)**	**(623)**	**3 382**	**1 058 788**	**(20 744)**	**1 125 378**	**0**	**1 125 378**
Comprehensive income for the period:	0	0	0	0	2 273	148	0	166 727	(6 778)	**162 370**	0	**162 370**
Net profit for the period	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*169 031*	*0*	***169 031***	*0*	***169 031***
Other comprehensive income	*0*	*0*	*0*	*0*	*2 273*	*148*	*0*	*(2 304)*	*(6 778)*	***(6 661)***	*0*	***(6 661)***
Valuation of share based payments	0	0	0	1 014	0	0	0	0	0	**1 014**	0	**1 014**
Transfer due to depreciation/amortisation	0	0	0	0	0	0	(208)	208	0	**0**	0	**0**
Payment of dividend	0	0	0	0	0	0	0	(93 815)	0	**(93 815)**	0	**(93 815)**
Issue of shares	214	9 949	(1 878)	0	0	0	0	0	0	**8 285**	0	**8 285**
Equity as of 31 December 2014 (audited)	**67 352**	**14 512**	**1 601**	**11 244**	**1 438**	**(475)**	**3 174**	**1 131 908**	**(27 522)**	**1 203 232**	**0**	**1 203 232**

Consolidated Financial Statements for the period from 01.01.2015 to 31.12.2015 (in thousand PLN)

CONSOLIDATED CASH FLOW STATEMENT

Cash flow statement	Note	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Cash flow from operating activities			
Profit before tax		**229 482**	**201 859**
Adjustments:		**95 246**	**95 575**
Share of net profit of entities accounted for using the equity method		(1 515)	111
Depreciation/Amortisation	16,19	91 711	84 696
Creation/(reversal) of revaluation write-downs		519	1 092
Profit from net currency translation differences		(184)	565
Change in the valuation of investment properties		656	0
(Profit) / loss from the sale of property, plant and equipment		(243)	(408)
Interest and share of profits		5 096	6 221
Proceeds/(expenses) related to hedging instruments charged to equity		(3 307)	2 273
Costs of share based payments		2 715	1 014
Valuation of currency forwards/futures		(302)	21
Other items (net)		100	(10)
Cash flow from operating activities before the change of working capital		**324 728**	**297 434**
Change in inventories		(14 847)	(69 171)
Change in net receivables		(11 706)	(13 166)
Change in short-term liabilities, except for loans		4 448	43 805
Change in provisions		(662)	2 417
Change in deferred income		(1 988)	(2 091)
Net cash generated from operating activities		**299 973**	**259 228**
Tax paid		(32 581)	(28 333)
Net cash from operating activities		**267 392**	**230 895**
Cash flow from investing activities			
(+) Proceeds:		**1 267**	**1 032**
Sale of intangible assets and property, plant and equipment		1 232	1 000
Sale of financial assets		0	18
Interest received		14	14
Other proceeds		21	0
(-) Expenses:		**(207 302)**	**(96 832)**
Acquisition of intangible assets and property, plant and equipment		(194 981)	(92 249)
Acquisition of interests in associates		0	(339)
Expenditure on acquisitions of other entities		(12 321)	(4 163)
Cash loans granted		0	(81)
Net cash from investing activities		**(206 035)**	**(95 800)**
Cash flow from financing activities			
(+) Proceeds:		**213 863**	**66 491**
Net proceeds from the issue of shares		7 685	6 683
Proceeds from borrowings		206 178	59 808
(-) Expenses:		**(268 946)**	**(210 277)**
Dividends and other payments due to owners		(136 059)	(93 808)
Repayments of borrowings		(127 442)	(109 945)
Finance lease rentals		(216)	(98)
Interest		(5 229)	(6 426)
Net cash from financing activities		**(55 083)**	**(143 786)**
Total net cash flow:		**6 274**	**(8 691)**
- change in cash due to currency translation differences		0	0
Cash and cash equivalents at the beginning of the period		**66 430**	**75 121**
Cash and cash equivalents at the end of the period	**27**	**72 704**	**66 430**

COMPLEMENTARY INFORMATION AND EXPLANATIONS

1. General information

The Capital Group of Grupa Kęty S.A. ('the Group') comprises the parent company, namely Grupa Kęty S.A. ('the parent', 'the parent company', 'the Company') and its subsidiaries (see note 4).

Grupa Kęty S.A. is:
- a joint-stock company incorporated in Poland with its registered office located in **Kęty, at ul. Kościuszki 111**;
- registered in the District Court in Kraków, 12th Commercial Division of the National Court Register (KRS) in the Register of Entrepreneurs under No. **KRS 0000121845**;
- listed at Warsaw Stock Exchange under No. **ISIN PLKETY000011** and classified in the metal sector.

The effective period of the operation of the parent company and of the entities of the Capital Group, except for the entities being liquidated, is indefinite.

The Group's basic range of activity includes the production, trade and the rendering of services related to the processing of aluminium and its alloys and related to the manufacturing of plastic and paper packaging materials. In addition, the Group is involved in activities related to the provision of specialist construction services associated with the preparation and assembly of aluminium systems, and also in the trade intermediation, supplies, marketing and other activities.

2. The Management Board of the parent company

The parent company's Management Board, as at the balance sheet date, comprised:

1. Dariusz Mańko – President of the Management Board/Chief Executive Officer
2. Adam Piela – Member of the Management Board/Chief Financial Officer

In the reporting period and by the date of the approval of these financial statements for publication, there were no membership changes in the Company's Management Board.

3. The approval of the financial statements

These consolidated financial statements were approved for publication by the Management Board on 16 March 2016.

4. Group composition

The Group comprises Grupa Kęty S.A. as well as the following subsidiaries:

Complementary information (in thousand PLN)

Company name	Registered office	Core business	Parent's name	Shares in the basic capital as at 31-12-2015	Shares in the basic capital as at 31-12-2014	Date of control take-over	Reporting segment
Alupol Packaging S.A.	Tychy, Poland	Production of and trade in plastic packaging	Grupa Kęty S.A.	100.00 %	100.00 %	04/1998	FPS
Aluprof S.A.	Bielsko-Biała, Poland	Production of construction woodwork	Grupa Kęty S.A.	100.00 %	100.00 %	06/1998	ASS
Alutech Sp. z o.o. w likwidacji	Kęty, Poland	Heat distribution networks lease	Grupa Kęty S.A.	100.00 %	100.00 %	03/1999	Other
Dekret Centrum Rachunkowe Sp. z o.o.	Kęty, Poland	Accounting and bookkeeping services	Grupa Kęty S.A.	100.00 %	100.00 %	09/1999	Other
Alu Trans System Sp. z o.o.*	Wrocław, Poland	Production	Grupa Kęty S.A.	100.00 %	100.00 %	04/2000	Other
Aluprof Hungary	Dunakeshi, Hungary	Trade and provision of services	Aluprof S.A.	100.00 %	100.00 %	07/2000	ASS
Metalplast-Stolarka Sp. z o.o.	Bielsko-Biała, Poland	Production of construction woodwork	Grupa Kęty S.A.	100.00 %	100.00 %	07/2000	BSS
Alupol LLC	Borodianka, Ukraine	Production of aluminium sections	Aluform Sp. z o.o.	100.00 %	100.00 %	12/2004	EPS
Aluprof Deutschland GmbH	Schwanewede, Germany	Sale of aluminium systems	Aluprof S.A.	100.00 %	100.00 %	02/2005	ASS
Aluprof System Romania s.r.l	Bucharest, Romania	Sale of aluminium systems	Aluprof S.A.	100.00 %	100.00 %	05/2005	ASS
Aluprof System Czech s.r.o.	Ostrava, Czech Republic	The sale of window and door joinery from aluminium and PVC	Aluprof S.A.	100.00 %	100.00 %	05/2005	ASS
Aluprof UK Ltd.	Altrincham, UK	Sale of aluminium systems	Aluprof S.A.	100.00 %	100.00 %	05/2006	ASS
ROMB S.A.	Złotów, Poland	Production and provision of services	Aluprof S.A.	100.00 %	100.00 %	04/2007	BAS
Alupol Packaging Kęty Sp. z o.o.	Kęty, Poland	Production and trade	Alupol Packaging S.A.	100.00 %	100.00 %	05/2009	FPS
Aluform Sp. z o.o.	Tychy, Poland	Production and trade	Grupa Kęty S.A.	100.00 %	100.00 %	06/2009	EPS
Aluprof System Ukraina	Kiev, Ukraine	Trade – sale of steel systems	Aluprof S.A.	100.00 %	100.00 %	11/2009	ASS
Aluprof Serwis Sp. z o.o.	Bielsko-Biała, Poland	The company does not carry out any activities	Aluprof S.A.	100.00 %	100.00 %	1/2012	ASS
Grupa Kęty Italia s.r.l.	Milan, Italy	Trading intermediation	Grupa Kęty S.A.	100.00 %	100.00 %	5/2014	EPS
Marius Hansen Facader A/S	Viborg, Denmark	Production and assembly of woodwork	Aluprof S.A.	100.00 %	100.00 %	6/2014	ASS
Aluprof System USA, Inc	Wilmington, USA	Distribution of aluminium systems for the building industry	Aluprof S.A.	100.00 %	100.00 %	7/2014	ASS
Alupol Films Sp. z o.o.	Kęty, Poland	Production and trade	Alupol Packaging Kęty S.A.	100.00 %	100.00 %	12/2014	FPS
Aluprof Schelfhaut N.V.	Dendermonde, Belgium	Sale of aluminium systems	Aluprof S.A.	100.00 %	-	6/2015	ASS

*As part of the Group's restructuring measures, the company's activities were transferred to Grupa Kęty S.A.

As at the balance sheet date and as at the previous balance sheet date, the Group's share in the total number of votes in subsidiaries equalled the Group's share in the capitals of these entities.

5. The basis for the preparation of the consolidated financial statements

The consolidated financial statements have been prepared on the basis of the historical cost concept, except for investment properties and derivative financial instruments which are valued at fair value; property, plant and equipment classified as 'energy-related assets' which are valued at a revalued amount; and equity revalued with regard to the periods subject to hyperinflation in accordance with IAS 29.

The consolidated financial statements have been prepared based on the going concern assumption for the Group's companies in the foreseeable future, comprising the period of at least 12 months from the balance sheet date, except for the companies being liquidated. As of the day of the approval of these consolidated financial statements for publication, there are no circumstances implying any threats to the continuation of the activities of the Group's companies.

5.1. Declaration of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') adopted by the EU. As of the date of the approval of these financial statements for publication, having regard for the IFRS implementation process in progress in the EU and the Group's business activities, within the scope of the accounting principles applied by the Group, there are no differences between the IFRSs which had been implemented and the IFRSs adopted by the European Union.

IFRS comprise standards and interpretations adopted by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC').

All subsidiaries prepare their financial statements according to IFRS.

5.2. Statement concerning the true and fair preparation of the consolidated financial statements

The Management Board of Grupa Kęty S.A. hereby declares that, according to their best knowledge, these consolidated financial statements and comparable data were prepared according to the accounting principles applicable in Grupa Kęty S.A. (presented in these financial statements) and they present a true and fair view of the assets, the financial standing and the financial result of Grupa Kęty S.A.; and the Management Board's Report presents a true view of the situation of Grupa Kęty S.A., including the description of basic risks and threats.

5.3. Functional currency and the presentation currency for these financial statements

The Polish zloty is the functional currency for the parent company as well as other companies based in Poland included in these consolidated financial statements; it is also the presentation currency for these consolidated financial statements.

Subsidiaries based outside the Polish territory use functional currencies other than the Polish zloty. These currencies, depending on the country of a given company's registered office, are as follows: EUR – euro, GBP – British pound, CZK – Czech koruna, HUF – Hungarian forint, UHR – Ukrainian hryvnia, RON – Romanian leu, USD – US dollar.

6. Significant accounting judgments and estimates

6.1. Professional opinion

In the process of the application of accounting principles (policy) with regard to the issues specified in note 5.2, the professional opinion of the management was the most significant aspect, besides accounting estimates.

6.2. Uncertainty of estimates

The preparation of the financial statements according to IFRS requires the adoption of specific estimates and assumptions, which affect the amounts disclosed in these financial statements. The majority of estimates are based on analyses and the best knowledge of the Management Board. Although the adopted estimates and assumptions are based on the Management Board's best knowledge of the current events and developments, the actual results may differ from the estimates.
The change of accounting estimates is recognised in the period in which an estimate was changed or in current and future periods if a change in the estimate is related both to the current period and future periods.

In the following parts, basic assumptions related to the future as well as other key sources of uncertainty as of the balance sheet date were discussed, including a significant risk of considerable correction of carrying amounts for assets and liabilities in the next financial year.

Impairment of assets

Impairment tests carried out by the Group in the current and in the previous year under IAS 36 did not show the need to establish revaluation write-downs for goodwill and intangible assets with an indefinite useful life. The created revaluation write-downs concerning previous years are presented in note 12.7.

Impairment tests are developed on the basis of macro- and microeconomic assumptions whose realisation is not certain and is often beyond the Group's control.

Valuation of provisions for employee benefits

The provisions for employee benefits comprise only jubilee bonuses, retirement and disability benefits, and death in service benefits. They were measured by a licensed actuary with the application of actuarial methodology. The assumptions adopted for that purpose are specified in note 23.2.

The analysis of the sensitivity of the valuation of provisions for employee benefits to the change of key assumptions is presented in note 23.3.

Valuation of other provisions and accruals

The valuation of other provisions and accruals, including provisions for annual bonuses, for unused employee holiday and warranty repairs is based on the estimates of the Management Board. If the effect of the change of money in time is material, the provision amount corresponds to the present value of expenditure which, as expected, will be necessary to satisfy the obligation.

Deferred income tax asset

The Group recognises the deferred income tax asset on the basis of the assumption that, in the future, tax profit is to be obtained enabling its utilisation. The worsening of attained tax results could cause these assumptions to become unjustified in the future. The improvement of attained tax results because of carrying out business in special economic zones in the future may cause an increase in the related recognised asset. Details concerning deferred income tax assets related to the tax abatement associated with the operations in special economic zones are presented in notes 10.31.2, 13.1 and 13.2.

Fair value of financial instruments

Fair value of financial instruments for which there is no active market is measured by the application of appropriate valuation techniques. In order to select the applicable methods and assumptions, the Group is guided by a professional opinion. The method of fair value determination for individual financial instruments is specified in notes 10.11 and 36.

Fair value of investment properties and energy-related assets

The fair value of investment properties and the fair value of energy-related assets is determined on the basis of the valuation of a professional expert based on the prices on an active market.

Revaluation write-downs for inventories

The Group assesses the value and the probability of the inflow of future economic benefits from the inventories of tangible current assets held by it. In the case of circumstances substantiating that the inflow will be lower than the value of the said tangible assets, the Group creates revaluation write-downs for inventories up to the realisable value. The information about the method of determining the value of inventories is presented in note 10.10.

Revaluation write-downs for receivables

The Group assesses the value and the probability of generating economic benefits from its receivables. In the case of indicators that the future inflows will not cover the value of the receivables, the Group creates a revaluation write-down for receivables up to the realisable value. The information about the method of determining the value of receivables is presented in note 10.12.

Fair value of the share options programme for the management staff

The Group has the share options programme for the management staff. The fair value of the programme is determined as of the date of launching the programme by a licensed actuary with the application of actuarial methodology. In addition, as at each balance sheet date, the Group assesses the probability of the accomplishment of particular non-market conditions for the take-up of shares by making an appropriate adjustment of the number of the share options assumed for the valuation.

The assumptions adopted for that purpose are specified in note 23.1.

Revenue recognition

The Group applies the percentage of completion method for the settlement of long-term contracts. The application of this method requires the Group to estimate the proportion of the works already completed to the total budgeted costs. If the percentage of completion was higher by 1% than the percentage estimated by the Company, the revenue would increase by 1,195 thousand PLN (previous year: 1,661 thousand PLN). If the actual costs of construction contracts in progress as at the balance sheet date at the time of their completion were higher than the budgeted costs by 1%, gross result would decrease by 1,034 thousand PLN (previous year: 1,901 thousand PLN).

Depreciation/amortisation rates

Depreciation/amortisation rates are determined on the basis of the projected useful lives of property, plant and equipment and intangible assets. The assumptions adopted for that purpose are specified in notes 10.3 and 10.8. For the majority of acquired trademarks, the Group determined the useful life as indefinite. When determining the useful life for trademarks, the Group took into account the following factors:

- the anticipated period of generating economic benefits from the utilisation of the trademarks;
- the anticipated period of having control over the trademarks;

- the level of future benefits from the utilisation of the trademarks;
- anticipated activities of competitors and potential competitors.

When analysing the above-mentioned factors, the Group determined that the useful life of trademarks under IAS 38 was indefinite.

Each year, the Group verifies assumed useful lives based on current estimates.

7. Changes in applied accounting principles and changes in presentations

In these consolidated financial statements, the Group applied for the first time the following new and amended standards and interpretations which came into force on 1 January 2015:

a) Annual Improvements to IFRSs 2011–2013 Cycle

In December 2013, the International Accounting Standards Board published *Annual Improvements to IFRSs 2011-2013 Cycle*, which amend four standards. The improvements incorporate presentation, recognition and measurement changes, as well as terminology and editing changes.

b) IFRIC 21 *Levies*

The interpretation provides for the guidance on when to recognise liabilities for levies which are not income tax. The obligating event is the event defined in the law that triggers the payment of the levy. The fact than an entity will continue its business in the next period or prepares statements according to the going concern principle does not create an obligation to recognise a liability. The same principles for recognising a liability apply to annual and interim financial statements. The application of this interpretation to liabilities due to emission rights is optional.

The application of the aforementioned amendments did not affect these consolidated financial statements.

8. New standards and interpretations published which have not come into force yet

In these consolidated financial statements, the Group did not decide to apply earlier the following published standards, interpretations or amendments to existing standards prior to their effective dates:

a) IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39. The standard applies to annual periods beginning on or after 1 January 2018.
The standard introduces one model with only two categories in the classification of financial assets: carried at fair value and carried at amortised cost. The classification is established as at the initial recognition and depends on the financial instruments management model adopted by an entity and the characteristics of contractual cash flows from these instruments.
IFRS 9 introduces a new model for determining revaluation write-downs, i.e. the expected credit losses model.
The majority of IAS 39 requirements as regards the classification and measurement of financial liabilities were moved to IFRS 9 in the same form. The key change entails the requirement for entities to present the effects of changes in own credit risk due to financial liabilities designated at fair value though profit or loss in other comprehensive income.
As regards hedge accounting, the amendments aimed at greater adaptation of hedge accounting to risk management.

The Group will apply IFRS 9 when it is adopted by the European Union.

As at the date of these financial statements, the impact of the aforementioned amendment was not known.

As at the date of these consolidated financial statements, IFRS 9 has not been adopted by the European Union yet.

b) Defined benefit plans: employee contributions – amendments to IAS 19

The amendments to IAS 19 *Employee Benefits* were published by the International Accounting Standards Board in November 2013 and apply in the European Union to annual periods beginning on or after 1 February 2015.

The amendments allow for the recognition of employees' contributions as a reduction in the service costs in the period in which the related service is rendered by an employee, instead of attributing contributions to periods of service, if the amount of the contribution is independent of the number of years of service.

The Group will apply the amendments to IAS 19 from 1 January 2016.

The aforementioned amendment does not pertain to the Group.

c) Annual Improvements to IFRSs 2010–2012 Cycle

In December 2013, the International Accounting Standards Board published *Annual Improvements to IFRSs 2010-2012 Cycle*, which amend seven standards. The improvements incorporate presentation, recognition and measurement changes, as well as terminology and editing changes. The amendments apply in the European Union to annual periods beginning on or after 1 February 2015.

The Group will apply the said Annual Improvements to IFRSs from 1 January 2016.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

d) IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 applies to annual periods beginning on or after 1 January 2016. The standard permits entities which are first-time adopters of IFRS to account for amounts related to rate regulation in accordance with their previous accounting principles. To enhance comparability with entities that already apply IFRSs and do not recognise such amounts, IFRS 14 requires that the amounts related to rate regulation should be presented separately from other items in the statement of financial position and the statement of profit or loss and other comprehensive income.

The Group will apply the said Improvements to IFRSs from 1 January 2016.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

As at the date of these consolidated financial statements, IFRS 14 has not been adopted by the European Union yet.

e) Amendments to IFRS 11 concerning acquisitions of interests in joint operations

According to this amendment to IFRS 11, the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply to the acquisition of his interest all of the principles on business combinations accounting specified in IFRS 3 and other standards with the exception of those principles that conflict with the guidance in IFRS 11. The amendment applies in the European Union to annual periods beginning on 1 January 2016.

The Group will apply the said amendment from 1 January 2016.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

f) Amendments to IAS 16 and IAS 38 concerning amortisation and depreciation

The amendment clarifies that the depreciation method that is based on revenue is not appropriate, as revenue generated by an activity that includes the use of given assets reflects also factors other than the consumption of economic benefits from a given asset.
The amendment applies in the European Union to annual periods beginning on 1 January 2016.

The Group will apply the said amendment from 1 January 2016.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

g) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* was published by the International Accounting Standards Board on 28 May 2014 and applies to annual periods beginning on or after 1 January 2018.

The principles specified in IFRS 15 will apply to all contracts generating revenue. The core principle of the new standard is that an entity will recognise revenue upon the transfer of goods or services to customers at the transaction price. All goods or services sold in packages that can be separated within such a package should be recognised separately, and all rebates and discounts related to the transaction price should be in principle allocated to particular elements of such a package. When the revenue is variable, according to the new standard, variable amounts are included in revenue, if it is highly probable that there will be no revenue reversal in the future due to the revaluation. In addition, according to IFRS 15, the costs incurred to obtain and secure a contract with a customer should be activates and settled in time for the period of consuming benefits from such a contract.

The Group will apply IFRS 15 from 1 January 2018.

As estimated by the Group, the impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

As at the date of these consolidated financial statements, IFRS 15 has not been adopted by the European Union yet.

h) Amendments to IAS 16 and IAS 41 concerning bearer plants

The amendments require the reporting of certain bearer plants such as grape vines, rubber trees and oil palms (i.e. those bearing produce for many years and which are not to be sold as cuttings or which are not to be harvested) according to IAS 16 *Property, Plant and Equipment*, as their cultivation is analogous to production. As a result, the amendments bring such plants into the scope of IAS 16 and not IAS 41. Agricultural produce from such plants remain under IAS 41.
The amendments apply in the European Union to annual periods beginning on 1 January 2016.

The Group will apply the said amendment from 1 January 2016.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

i) Amendments to IAS 27 concerning the equity method in separate financial statements

The amendment to IAS 27 allows for the application of the equity method as one of optional methods of recognising investments in subsidiaries, jointly controlled entities and associates in separate financial statements.
The amendments apply in the European Union to annual periods beginning on 1 January 2016.

The Group/Company will apply the said amendment from 1 January 2016.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

j) Amendments to IFRS 10 and IAS 28 concerning the sale or contribution of assets between an investor and its associates or joint ventures

The amendments address the present conflict between IFRS 10 and IAS 28. Recognition depends on whether non-monetary assets sold or contributed to an associate or a joint venture constitute a business.
When non-monetary assets constitute a business, the investor will recognise full gains or losses on transaction. And if assets do not meet the definition of a business, the investor recognises gains or losses excluding the part being the interests of other investors.
The amendments were published on 11 September 2014. The International Accounting Standards Board has not yet determined the effective date for amendments.
The Group will apply the amendment from its effective date as determined by the International Accounting Standards Board.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

As at the date of these consolidated financial statements, this amendment has not been adopted by the European Union yet.

k) Annual Improvements to IFRSs 2012–2014 Cycle

In September 2014, the International Accounting Standards Board published *Annual Improvements to IFRSs 2012-2014 Cycle*, which amend four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34. The amendments apply in the European Union to annual periods beginning on 1 January 2016.

The Group will apply the said Annual Improvements to IFRSs from 1 January 2016.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

l) Amendments to IAS 1

In December 2014, as part of the so-called 'Disclosure Initiative', the International Accounting Standards Board published an amendment to IAS 1. The amendment aimed at clarifying the materiality concept and at explaining that if an entity deems certain information immaterial, it should not disclose it, even if such disclosure is in principle required under another IFRS. The amended IAS 1 clarifies that items presented in the statement of financial position and statement of profit or loss and other comprehensive income may be aggregated and disaggregated depending on their materiality. There are also additional guidelines related to the presentation of subtotals in these statements. The amendments apply in the European Union to annual periods beginning on 1 January 2016.

The Group will apply the said amendment from 1 January 2016.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

m) Amendments to IFRS 10, IFRS 12 and IAS 28 concerning the application of the consolidation exception in the case of investment entities

In December 2014, the International Accounting Standards Board published a narrow-scope amendment. The amendment to IFRS 10, IFRS 12 and IAS 28 published under the title *Investment Entities: Applying the Consolidation Exception* clarifies the requirements concerning investment entities and provides certain relief.
The standard explains that an entity should measure at fair value through profit or loss all its subsidiaries that are investment entities. In addition, the standard clarifies that the consolidation exemption, if the higher level parent prepares publically available financial statements, is applicable whether or not subsidiaries are consolidated or measured at fair value through profit or loss according to IFRS 10 in the financial statements of the parent of the highest or higher level. The amendments apply to annual periods beginning on 1 January 2016.

The Group will apply the said amendments from 1 January 2016.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

As at the date of these consolidated financial statements, Improvements to IFRSs have not been adopted by the European Union yet.

n) IFRS 16 *Leases*

IFRS 16 *Leases* was published by the International Accounting Standards Board on 13 January 2016 and applies to annual periods beginning on or after 1 January 2019.

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset and an obligation to pay for it. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model. A lessee is required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group will apply the amendment from its effective date as determined by the International Accounting Standards Board.
The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

As at the date of these consolidated financial statements, this amendment has not been adopted by the European Union yet.

o) Amendments to IAS 12 concerning the recognition of deferred income tax assets for unrealised losses

The amendment to IAS 12 clarifies the requirements concerning the recognition of deferred income tax assets for unrealised losses on debt instruments. An entity will be required to recognise deferred income tax assets for unrealised losses when they result from the discounting of cash flows related to debt instruments using a market interest rate; also when it intends to hold respective debt instruments to maturity, and, upon the payment of the principal, no taxes will have to be paid. Economic benefits reflected in a deferred tax asset result from the possibility of obtaining, by the holder of the said instruments, future profits (reversing the discounting effect) without the need to pay taxes.

The amendment applies to annual periods beginning on or after 1 January 2017.

The Group will apply the said amendments from 1 January 2017.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

As at the date of these consolidated financial statements, this amendment has not been adopted by the European Union yet.

p) Amendments to IAS 7: Disclosure Initiative

The amendment to IAS 7 applies to annual periods beginning on or after 1 January 2017. Entities will be required to disclose the reconciliation of changes in liabilities arising from financing activities.

The Group will apply the said amendments from 1 January 2017.

The impact of the aforementioned amendment is not significant for the Group's consolidated financial statements.

As at the date of these consolidated financial statements, this amendment has not been adopted by the European Union yet.

9. Error correction

These consolidated financial statements do not contain error corrections.

10. Significant accounting principles

Adopted accounting principles were applied in a continuous manner in all presented periods.

10.1. Consolidation principles

The consolidated financial statements cover the financial statements of Grupa Kęty S.A. and the financial statements of its subsidiaries prepared for the present year. Financial statements of subsidiaries are prepared for the same reporting period as the ones of the parent company applying coherent accounting principles based on uniform accounting principles applied for transactions and economic events of similar nature.

All the Group's companies prepare their financial statements according to IFRS. All significant balances and transactions between the Group's companies, including the unrealised profits from transactions within the Group, have been completely eliminated. Unrealised losses are eliminated, unless they are evidence of impairment.

Subsidiaries are fully consolidated from the date of the control transfer to the Group. The consolidation is terminated on the date of ceasing to exercise control.

The transactions of taking over the control of entities are settled with the purchase method. The remuneration paid for the acquisition of a subsidiary is determined as the fair value of transferred assets and incurred liabilities or equity instruments issued by the Group. The paid remuneration comprises the fair value of assets or liabilities resulting from the determination of the conditional element of the contractual remuneration. The costs related to the acquisition are recognised in the profit or loss at the time they are incurred. Identifiable assets acquired and liabilities assumed in the process of the combination of business entities are measured initially at their fair value as at the acquisition date. For each acquisition, the Group recognises non-controlling interests in the acquiree at the fair value or at the value per non-controlling interests proportionally to the part of net assets of the acquiree.

The surplus of the paid remuneration, the fair value of any possible, previously held interests in the equity of the acquiree as at the acquisition date and of the non-controlling interest over the fair value of identifiable net assets acquired, is recognised as goodwill. If the value is lower than the fair value of net assets of the subsidiary, the differences are recognised directly in profit or loss.

The consolidated financial statements have been prepared with the use of the full consolidation method and the equity method. The consolidation covered all the entities of the Group (the composition of the Capital Group is presented in note 4).

In order to carry out the consolidation with the full method, the Group applies the following procedures:

- adding up all items of assets, equity and liabilities, revenue and expenses from financial statements of the parent company and of subsidiaries;
- excluding, as at the acquisition date, the book value of the parent company’s investment in each subsidiary and the part of the equity which corresponds to the parent company’s interest;
- determining the non-controlling interest in the net profit or loss of subsidiaries for a given reporting period;
- determining and presenting, separately from the equity of the parent company, the non-controlling interest in net assets of subsidiaries;
- excluding the balance of inter-company transactions between the entities of the Group;
- excluding all unrealised gains or losses on transactions within the Group;
- excluding revenue and costs related to inter-company transactions in the Group.

Changes in the ownership interest of the parent company which do not result in the loss of control over a subsidiary are recognised as equity transactions. In such cases, in order to reflect the changes in relative interests in a subsidiary, the Group adjusts the carrying amount of non-controlling interests. Any differences between the amount of the adjustment of the non-controlling interests and the fair value of the amount paid or received are charged to equity and attributed to the owners of the parent company.

To recognise the associate in the financial statements, the Group applies the equity method. The method involves the initial recognition of an investment at cost, and further adjustment of its value with changes in the Group’s interest in the entity’s net assets. The Group recognises its share in the entity’s result in its profit or loss. Details concerning the investment in an associate are presented in note 21.

10.2. The translation of items in foreign currency

As of the balance sheet date, monetary assets and liabilities expressed in foreign currencies are translated into the functional currency according to the exchange rate for a given currency applicable as at the end of the reporting period. Currency translation differences resulting from the settlement of items and from the translation are recognised in finance income (costs) respectively or, in the cases provided for in the accounting principles (policy), capitalised in the value of assets. Non-monetary assets and liabilities recognised at the historical cost expressed in a foreign currency are disclosed at the historical exchange rate as of the transaction date. Non-monetary assets and liabilities recognised at the fair value expressed in a foreign currency are revaluated to the fair value at the exchange rate as of the valuation date.

As of the balance sheet date, the assets and liabilities of foreign subsidiaries are translated into the Group’s statement currency at the exchange rate as at the balance sheet date, and their income statements and statements of comprehensive income are translated at the weighted average exchange rate for a given reporting period. Currency translation differences resulting from such a translation are recognised in other comprehensive income and accumulated in a separate item of equity. At the time of disposal of a given foreign company, the deferred currency translation differences accumulated in the equity corresponding to a given foreign entity are recognised in the income statement.

The table below presents the applied exchange rates:

Currency	Exchange rate at the end of the reporting period		Average exchange rate in the reporting period	
	31 December 2015	31 December 2014	2015	2014

Complementary information (in thousand PLN)

EUR*	4.2615	4.2623	4.1848	4.1893
100 HUF	1.3601	1.3538	1.3500	1.3528
UAH	0.1622	0.2246	0.1722	0.2637
RON	0.9421	0.9510	0.9421	0.9440
CZK	0.1577	0.1537	0.1534	0.1520
GBP	5.7862	5.4648	5.7846	5.2225
USD**	3.9011	3.5072	3.7928	3.3777
DKK***	0.5711	0.5725	0.5609	0.5632

* In 2015, the average exchange rate for Aluprof Schelfhaut from the period of the last six months of 2015 (due to the acquisition of the company on 30 June 2015)

** In 2014, the average exchange rate from the period of the last four months of 2014 (in relation to the establishment of a company in the USA in September 2014)

*** In 2014, the average exchange rate from the period of the last seven months of 2014 (due to the acquisition of a business in Denmark in June 2014)

10.3. Property, plant and equipment

Property, plant and equipment are disclosed in accordance with the purchase price/generation cost less depreciation and impairment losses, except for property, plant and equipment classified as 'energy-related assets' which are measured according to the revalued amount model, i.e. at the fair value as of the revaluation date less depreciation and any possible impairment losses. The Group's 'energy-related assets' are property, plant and equipment related to the transmission and distribution of electrical energy. The initial value of property, plant and equipment includes their purchase price increased with all costs directly related to the purchase and the adjustment of a given asset to usable conditions. Costs also include the cost of spare parts replacement in plant and machinery at the moment of the incurrence, provided that the recognition criteria have been met. The costs incurred after the date of the commissioning of a given component of property, plant and equipment, such as running costs of maintenance and repair works, are charged to the income statement at the moment of their incurrence.

Property, plant and equipment, at the moment of their purchase, are divided into individual components constituting items of significant value to which separate useful lives can be assigned. Each time, when making overhauls, their costs are reported in the carrying amount of property, plant and equipment, if the recognition criteria are met, and are charged to the next planned periodical repairs.

Depreciation is calculated with the application of the straight line method for the estimated useful life of a given asset which amounts to:

Type	Period	
Buildings and structures	25 - 100	years
Plant and machinery, including:	10 - 40	years
- crucial components	15 - 25	years
Energy-related assets	15-91	years
Means of transport	7 - 15	years
Other property, plant and equipment	5 - 10	years

A given item of property, plant and equipment can be derecognised from the balance sheet after having been sold or in the case when no economic benefits are expected to occur as a result of the further utilisation of such an asset. Any gains or losses resulting from the derecognition of a given asset from the balance sheet (calculated as a difference between potential net proceeds from sales and the carrying amount of this item) are recognised in the income statement for the period in which such derecognition took place.

Property, plant and equipment under construction are property, plant and equipment currently under construction or assembly and are disclosed in accordance with the purchase prices or generation costs. Property, plant and equipment under construction are not depreciated until the termination of the construction, i.e. by the time when they become available for use.

The final value, the useful life and the depreciation method for the assets are reviewed on an annual basis and, if necessary, corrected effective from the beginning of the following financial year.

10.4. Leases

Group as a lessee

Finance lease agreements, pursuant to which the Group retains substantially all risks and rewards resulting from the possession of the lease subject are recognised in the balance sheet as of the lease commencement date at the lower of: the fair value of a given component of property, plant and equipment constituting the lease subject or the present value of minimum lease fees. Lease fees are broken down into finance costs and the lease debt balance reduction, in a way that allows for obtaining a fixed interest rate on the debt yet payable. Finance costs are charged directly to the income statement, unless the capitalisation requirements are met.

The property, plant and equipment utilised under finance lease agreements are depreciated throughout the shorter of the following two periods: the expected useful life of a component of property, plant and equipment or the lease period.

Lease agreements pursuant to which the lessor retains virtually all the risk and all the benefits resulting from the possession of the lease subject fall into the category of operating lease agreements. Lease fees under operating lease agreements as well as further lease payments are recognised in the income statement as costs with the application of the straight line method throughout the lease period.

Group as a lessor

Lease agreements pursuant to which the Group retains substantially all risks and rewards resulting from the possession of the lease subject fall into the category of operating lease agreements. The initial direct costs incurred in the course of negotiating operating lease agreements are added to the carrying amount of the asset being the lease subject and disclosed in the whole lease period on the same basis as the rental income. Conditional lease fees are recognised as revenue within the period when they become due.

10.5. Impairment of non-financial non-current assets

As at each balance sheet date, the Group assesses whether there are any indicators of impairment of any non-financial non-current asset. In the event of the determination that such indicators exist or a necessity of conducting an annual impairment test, the Group estimates the recoverable amount for a given asset or a cash-generating unit the asset is allocated to. Disregarding the existence of the indicators, each year, the Group carries out impairment tests for intangible assets with an indefinite useful life and intangible assets not put into use.

The recoverable amount of an asset or of a cash-generating unit reflects the fair value of this asset or cash-generating unit less the costs of sale or value in use, whichever is higher. This recoverable amount is determined for individual assets, unless a given asset does not individually generate cash inflows being primarily independent from those generated by other assets or asset groups. Should the carrying amount of an asset be higher than its recoverable amount, impairment occurs and a write-down up to the determined recoverable amount is created. For the estimation of the value in use, the projected cash flows are discounted to their present value with the application of a discount rate prior to entailing the effects of taxation reflecting the current estimated value of money in time as well as the risk typical for a given asset. Impairment losses for tangible assets utilised in the course of continuing operations are disclosed in a separate item: ‘other operating costs’.

As at each balance sheet date, the Group assesses whether there are indicators implying that the impairment loss for assets other than goodwill disclosed in previous periods with regard to a given asset is unnecessary or should be decreased. Should such indicators occur, the Group estimates the recoverable amount for this asset. The impairment loss recognised beforehand is reversed only and exclusively if, from the time when the last impairment loss was recognised, there has been a change of the estimated values applied to determine the recoverable amount of a given asset. In such a case, the carrying amount of the asset is increased up to the level of its recoverable amount. The increased amount cannot exceed the carrying amount of a given asset that would be determined (after deducting the depreciation) if, in the previous years, the impairment loss for this asset was not recognised at all. The reversal of the impairment loss for an asset is recognised immediately as revenue in the income statement. Following the reversal, in the following periods, the depreciation charge for a given asset is adjusted in a manner which allows for, within the remaining useful life of the asset in question, systematic write-down of its verified carrying amount decreased with the exit value. The impairment loss recognised with regard to goodwill is not reversed in further periods.

10.6. Borrowing costs

Borrowing costs that may be directly attributed to the acquisition, construction or production of a qualifying asset affect its initial value as a part of the cost of that asset. The costs are capitalised when it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably. Other borrowing costs are recognised as costs in the income statement in the period in which they were incurred. Borrowing costs include interest calculated using the effective interest rate, financial charges in respect of finance lease agreements and currency translation differences arising from borrowings up to the amount corresponding to an adjustment of interest costs.

Borrowing costs which were incurred without any specific purpose and used for the purpose of financing the acquisition or production of a qualifying asset affect the initial value of this asset in the amount determined by applying the capitalisation rate to the expenditure made on this asset. The capitalisation rate is the weighted average of all borrowing costs applicable to loans, credits and lease that are outstanding during the period, other than loans taken specifically for the purpose of obtaining a qualifying asset.

Currency translation differences arising from foreign currency loans and credits (both special-purpose and general ones) affect the initial value of a qualifying asset to the extent that they are regarded as an adjustment of interest costs. The value of currency translation differences adjusting the interest cost is the difference between the interest cost on similar borrowings that the Group would incur in its functional currency and the cost incurred for the foreign currency borrowings.

10.7. Investment properties

The initial recognition of investment properties is based on the purchase price entailing the transaction costs. The carrying amount of an asset includes costs of the replacement of a component of an investment property on the date of its incurrence, provided that the applicable recognition criteria have been met, and does not include the costs related to the current maintenance of these properties.

After the initial recognition, investment properties are recognised at their fair value. Gains and losses resulting from the changes of the fair value of investment properties are recognised in the income statement in the period in which they occurred.

Investment properties are derecognised from the balance sheet in the event of their disposal or a permanent withdrawal of a given investment property from use, if no future benefits resulting from the sale are expected. All gains or losses resulting from the derecognition of an investment property from the balance sheet are recognised in the income statement in the period of such a derecognition.

Assets are transferred to investment properties only if a change of their utilisation method took place, which must be confirmed with the termination of the proprietor's use of a given asset, the conclusion of an operating lease agreement.

If an asset is utilised by its proprietor, i.e. the Group, it becomes an investment property and the Group applies the principles specified in the part 'Property, plant and equipment' until the day of changing the manner of the property utilisation. In the event of transferring assets from inventories to investment properties, the difference between the fair value of the property as of the transfer date and its previous carrying amount is recognised in the income statement. In the event of a transfer of investment properties to the assets utilised by the proprietor or to inventories, the alleged cost of such an asset assumed for the disclosure in another category equals the fair value of the property determined as of the date of the change of its utilisation.

10.8. Intangible assets

Intangible assets purchased in a separate transaction are initially evaluated at the purchase price, whereas the development costs, which meet the recognition criteria, are evaluated at their generation cost. The purchase price of intangible assets acquired in a business combination amounts to their fair value as at the combination date. After initial recognition, intangible assets are disclosed at their purchase price or generation cost less amortisation and impairment losses. Expenditure on intangible assets generated internally, except for capitalised expenditure on development works, are not capitalised and are recognised in the costs of the period in which they were incurred.

The Group determines whether the useful life of intangible assets is finite or indefinite. Intangible assets with finite useful lives are amortised for the useful life and tested for impairment each time the indicators implying their impairment occur. The period and the amortisation method for intangible assets with finite useful lives are verified at least at the end of each financial year. Changes in the assumed useful life or the assumed manner of consuming economic benefits generated from a given asset are recognised through a change of the period or amortisation method respectively, effective from the beginning of the next financial year. The amortisation charge for intangible assets with finite useful lives is recognised in the income statement under the 'depreciation/amortisation' item. Intangible assets with indefinite useful lives and intangible assets not put into use are tested for impairment at the end of each financial year and every six months, if indicators of impairment occur.

Costs of research and development works

The Group capitalises costs of development works only if all of the following aspects can be evidenced:

- the technical feasibility to finish an intangible asset;
- the intention to finish the intangible asset and utilise or sell it;
- the ability to utilise or sell it;
- future economic benefits acquired by the Company owing to the utilisation of the intangible asset;
- availability of adequate technical, financial and other resources to complete the development works;
- the ability to reliably measure the expenditure attributable to the intangible asset incurred in the course of development works.

Other development costs are recognised in the income statement upon their incurrence.
The development costs are recognised as intangible assets according to the historical cost concept and are subject to amortisation charges and impairment losses.

Other

Other intangible assets (including software) acquired by the Group are recognised at their purchase cost less amortisation (see below) and impairment losses. Expenditure made on goodwill generated internally or trademarks is recognised in the income statement upon its incurrence.

Subsequent expenditure

Subsequent expenditure on the components of existing intangible assets is subject to capitalisation only when it is probable that expected future economic benefits related to a given component will flow in. Other expenditure is recognised in the income statement upon its incurrence.

Depreciation/Amortisation

Intangible assets are subject to amortisation on a straight-line basis taking into account their useful life unless it is indefinite. Intangible assets other than intangible assets with indefinite useful lives are amortised from the day they become available for utilisation. The estimated useful life is as follows:

Software	5 - 7 years
Capitalised development costs	5-10 years
Database of Aluprof's customers	15 years

Any gains or losses resulting from the derecognition of intangible assets from the balance sheet are measured based on the difference between the net proceeds from sales and the carrying amount of a given asset and are recognised in the income statement upon their derecognition from the balance sheet.

10.8.1 Goodwill

Goodwill from the acquisition of an entity is initially recognised at the amount of the surplus of

- the amount of:

(i) the payment made;
(ii) the amount of all non-controlling interests in the acquired entity and
(iii) in the case of a business combination achieved in stages, of the fair value as of the date of the acquisition of the interest in the capital of the acquired entity which previously belonged to the acquiring entity;

- over the net amount determined as of the date of the acquisition of the amounts of the identifiable assets acquired and the liabilities assumed.

After the initial recognition, goodwill is recognised at the initial value less all accumulated impairment losses. The impairment test is conducted once a year or more frequently, if any indicators of impairment occur. Goodwill is not subject to amortisation.
As of the date of the acquisition, the acquired goodwill is allocated to each of the cash-generating units which may take advantage of the merger synergy. Each unit or a group of units the goodwill has been allocated to:

- corresponds to the lowest level in the Group at which the goodwill is monitored due to internal managing needs, and
- is not larger than one operating segment defined pursuant to IFRS 8 Operating Segments.

The impairment loss is determined through the valuation of the recoverable amount of the cash-generating unit to which given goodwill has been allocated. In the case when the recoverable amount of a cash-generating unit is lower than the carrying amount, the impairment loss is recognised. In the case when goodwill constitutes a part of a cash-generating unit and part of the business within that unit is sold, for the determination of gains or losses from the sale of such business, the goodwill related to the business sold is included in its carrying amount. In such circumstances, the goodwill sold is determined based on the relative value of the business sold and the value of the retained part of the cash-generating unit.

10.9. Advance payments for the purchase of property, plant and equipment

In this item, the Group presents advance payments for the purchase of property, plant and equipment. The period for the completion of the deliveries for which advance payments were made is usually shorter than 12 months; however, due to the nature of the acquired asset, they are recognised as long-term receivables. The advance payments, as non-monetary assets, are measured at their historical cost less any possible impairment losses.

10.10. Inventories

Inventories are measured at the lower of: purchase price/manufacture cost and net realisable value.

Costs incurred to bring each component of inventories to its current location and condition, both with regard to the present and the previous year, are recognised in the following manner:

Materials	at purchase price. The value of outgoing materials is determined by 'first-in first-out' method.
Finished goods and work in progress	costs of direct materials and workmanship as well as the appropriate surcharge for the indirect production costs determined assuming the normal utilisation of the production capacity, and excluding the borrowing costs. The value of outgoing products and semi-finished products is determined by 'first-in first-out' method.
Trade goods	at purchase price. The value of outgoing trade goods is determined by 'first-in first-out' method.

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

10.11. Financial instruments

At initial recognition, the Group measures a financial asset or liability at fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, with transaction costs that may be directly attributable to the acquisition or issue of the financial asset or liability. As at the balance sheet date, the Group measures loans and receivables at amortised cost using the effective interest rate. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument, and, in justified cases, for a shorter period, to the net carrying amount of the financial asset or liability.

10.12. Trade and other receivables

Receivables, including trade receivables, are measured as at the date of their occurrence, at fair value plus transaction costs, and then at amortised cost using the effective interest rate, having regard for revaluation write-downs for non-performing receivables. Impairment losses for receivables are created on the basis of individual analyses, having regard for held security and the amount that can be set-off. The creation and reversal of revaluation write-downs for receivables is recognised in other operating activities for main receivables and in financing activities for receivables due to interest on past due payments.

10.13. Trade and other liabilities

Short-term trade liabilities are recognised in the payable amounts due.

Financial liabilities not constituting financial instruments measured at their fair value through profit or loss are measured at amortised cost with the application of the effective interest rate method. The Group excludes a financial liability from its balance sheet when the liability expires, i.e. when the obligation set forth in the contract is satisfied, cancelled or expired. The replacement of the existing debt instrument by an instrument with substantially different terms and conditions between the same entities is recognised by the Group as the expiration of the original financial liability and the recognition of a new financial liability. Similarly, significant modifications of the terms and conditions of an agreement concerning an existing financial liability are recognised by the Group as the expiration of the original financial liability and the recognition of a new financial liability. The differences of respective carrying amounts related to the exchange are recognised in the income statement.

Other non-financial liabilities comprise, in particular, VAT liabilities towards the tax office and liabilities related to received advance payments, which will be settled through the supply of goods, services or property, plant and equipment. Other non-financial liabilities are recognised in the payable amount due.

10.14. Bank loans

Upon the initial recognition, all bank loans and credits are recognised at fair value less the costs of obtaining such a loan or credit.

After the initial recognition, interest bearing credits and loans are measured at amortised cost with application of the effective interest rate. When determining the amortised cost, the costs of obtaining a credit or loan as well as discounts or premiums attained during the settlement of a liability are taken into consideration.

Gains and losses are recognised in the income statement upon the derecognition of a given liability from the balance sheet as well as as a result of the settlement using the effective interest rate.

10.15. Derivative financial instruments and hedging

Derivative instruments are recognised in the balance sheet as financial assets or financial liabilities and measured at fair value. The Group uses forwards, futures and IRS's.

The main purpose of concluding forwards on the FX market is to hedge future cash flows against the currency risk resulting from operating, investing and financing activities.

The main purpose of concluding futures for the purchase of aluminium is to hedge future cash flows related to the determination of future expenditure on the purchase of aluminium.

The purpose of hedging the price of aluminium involves the minimisation of the economic risk of business activities as a result of changes occurring in the macroeconomic environment related to the changes of the prices of the main raw material.

The main objective of the IRS's is to hedge the interest rate of the loans held by the Group.

Forward/futures and derivative instruments are accounted for at the purchase price and measured as of the balance sheet date at fair value and recognised in the consolidated financial statements as financial assets or financial liabilities. Gains and losses from the measurement at fair value of the financial instruments which do not comply with the hedge accounting principles are recognised directly in the income statement. The fair value of futures or forwards is calculated on the basis of the present net value of future cash flows related to these contracts, quoted market prices of forwards calculated with the application of the present interest rates. Forwards/futures and derivative instruments which cannot be classified as hedging instruments are recognised as instruments held for trading.

Fair value of currency forwards is determined by reference to the present forward rates for contracts with similar maturity.

The valuation is based on market valuations of identical transactions in commercial banks.

The hedging of the currency risk for the probable future liability is recognised as cash flow hedge.

Upon the establishment of the hedge, the Group formally assigns and documents the hedging relation as well as the purpose of risk management and the strategy for hedge establishment. The documentation contains the identification of the hedging instrument, of the hedged item or transaction, the nature of the risk being hedged as well as the manner of assessing the effectiveness of a given hedging instrument in compensating for the risk of changes of fair value of the item being hedged or cash flows related to the hedged risk. It is expected that the hedging will be highly effective in compensating for changes of fair value or cash flows resulting from the risk being hedged. The effectiveness of hedging is assessed on an ongoing basis to check whether it is highly effective in all reporting periods for which it was established.

The Group holds the following hedging instruments:

Cash flow hedging instruments

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. A portion of gains or losses on the hedging instrument that is an effective hedge is recognised in other comprehensive income, and the ineffective portion is recognised in the profit or loss.

If a hedged forecast transaction subsequently results in the recognition of a financial asset or a financial liability, any gains or losses related to it that were recognised in other comprehensive income and accumulated in equity are moved to the income statement in the same period(s) in which the acquired asset or assumed liability affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction related to a non-financial asset or a non-financial liability becomes a probable future liability to which fair value hedge will apply, then gains or losses that were recognised in other comprehensive income are reclassified from equity to profit or loss in the same period(s) in which the acquired non-financial asset or assumed liability affects profit or loss.

Gains and losses resulting from the change of the fair value of derivative instruments which do not meet the conditions enabling the application of special hedge accounting principles are recognised directly in the net profit or loss for the period.

The Group ceases to apply the hedge accounting principles when the hedging instrument expired or was sold, its utilisation ended or it was exercised, or when the hedging ceased to meet the conditions enabling the application of special hedge accounting principles with regard to it. In such a case, total profit or loss on a hedging instrument recognised in other comprehensive income and accumulated in equity are still recognised in equity until the forecast transaction occurs. If the Group no longer expects the forecast transaction to take place, total net profit or loss accumulated in equity are charged to the net profit or loss for the period.

10.16. Cash and cash equivalents

Cash and short-term term deposits recognised in the balance sheet comprise cash at bank and cash in hand as well as short-term term deposits with the original maturity not exceeding three months.

The balance of cash and cash equivalents recognised in the cash flow statement comprises the aforementioned cash and cash equivalents. The Group does not have any overdraft facilities which would be related to cash management.

10.17. Equity

Until the end of 1996, the parent company had operated in the conditions of hyperinflation. Upon the transition to IFRS, i.e. on 1 January 2004, in accordance with the requirements of IAS 29, the parent company restated the equity components except for retained earnings from the previous years with the application of the general price index starting from the dates when the given equity items were contributed or otherwise emerged until 31 December 1996.

Share capital

Share capital is recognised at the value resulting from the restatement of the nominal value in accordance with the requirements of IAS 29 described above.

Share premium

Differences between the fair value of the payment received and the nominal value of shares are recognised in the share premium.

Non-registered capital from the issue of shares

The Group issues shares, and financial resources from the issue of shares until the date of the registration of the increase in share capital by the National Court Register are accounted for in a separate item of equity.

Dividends

Dividends are recognised as liabilities in the period when they were approved by virtue of a resolution.

Capital from share based payments

The Group's key employees are entitled to subscribe for the parent company's shares at the fixed price. The capital from share based payments reflects the fair value of the options granted.

Capital from the valuation of hedging instruments and capital from the result on cash flow hedging transactions

As specified in detail in note 10.15, the Group is a party to forwards/futures hedging future cash flows. The portion of gains or losses on the hedging instrument being an effective hedge is recognised directly in other comprehensive income in 'capital from the valuation of hedging instruments'.

If the result on the hedged transaction refers to a transaction subsequently resulting in the recognition of a financial asset or a financial liability, the related gains or losses remain in a separate item of capitals from the result on completed cash flow hedging transactions until the item or transaction being hedged influences the profit or loss, and then the result in question is charged to profit or loss.

Retained earnings

In this item, the Group presents retained earnings (loss), the profits which, according to the owners' decision, are retained in the Group and actuarial gains (losses) related to post-employment benefits.

Currency translation differences for subsidiaries

The financial result, the assets and the financial situation of subsidiaries whose functional currency is different than PLN, are translated by the Group according to the following procedures:

- assets and liabilities – at the exchange rate as of the balance sheet date;
- revenue and costs – at the average weighted exchange rate from a given period.

All related currency translation differences are recognised in a separate item of equity: 'Currency translation differences for subsidiaries'.

10.18. Accruals

Accruals are amounts due payable for goods or services which were received or provided, but have not been paid for, invoiced or formally agreed with a supplier yet, including amounts due to employees.
Accruals comprise, e.g.:

- remunerations with add-ons paid once, related to annual periods;
- short-term provisions for unused holiday.

10.19. Subsidies

Subsidies comprise cash obtained to finance the acquisition or production of property, plant and equipment under construction and development works. They are settled similarly to depreciation charges for property, plant and equipment financed from these sources.

10.20. Provisions

Provisions are established only when the Group has a current liability resulting from past events and when it is probable that the satisfaction of such a liability will necessitate the outflow of economic benefits, and when it is possible to conduct a reliable estimation of the amount of the liability. If the Group expects that the costs covered by the provision are to be reimbursed, e.g. pursuant to an insurance agreement, the reimbursement is recognised as a separate asset, yet only when it is virtually certain that the reimbursement will actually take place. Costs related to a given provision are recognised in the income statement less any reimbursements. Should the influence of the money value in time be significant, the value of the provision is determined by discounting the forecasted future cash flows to the present value at the gross discount rate reflecting the current market valuations of the money value in time as well as an optional risk related to a given liability. In the event of the application of a discounting method, the increase in the provision related to the lapse of time is recognised as finance costs.

10.21. Provisions for warranty repairs

The Group creates a provision for the costs of forecasted warranty repairs related to the construction services rendered by the Group. The assumptions made for the calculation of the provision for warranty repairs are based on the current levels of sale and available up-to-date information concerning the risk and costs of warranty repairs.

10.22. Provisions for employee benefits

In accordance with the corporate remuneration systems, the Group's employees are entitled to retirement benefits and disability benefits. In addition, the employees of certain companies are entitled to jubilee bonuses and death in service benefits. Jubilee bonuses are paid to employees after having worked a specific number of years. Retirement benefits and disability benefits are paid once, upon a given employee's retirement. Death in service benefit is paid in the case of an employee's death during his employment. The amount of jubilee bonuses, retirement benefits, disability benefits and death in service benefits depends on the employee's seniority and his average remuneration. The Group creates a provision for future liabilities due to retirement benefits, disability benefits, jubilee bonuses and death in service benefits with the purpose of assigning costs to the periods they refer to. In accordance with IAS 19, jubilee bonuses constitute other long-term employee benefits whereas retirement and disability benefits and death in service benefits are defined benefit plans applicable after the employment period. The present value of these liabilities as at each balance sheet date is calculated by an independent actuary. The accrued liabilities equal the discounted payables to be made in the future having regard for the staff turnover and they refer to the period ending on the balance sheet date. Demographic data as well as information about the staff turnover are based on historical data. The discounting is applied with the use of interest rates for Treasury bonds expressed in the currency of the future payment of benefits with maturity dates close to the dates of the payment of liabilities. According to IAS 19, the discount rate should be based on the return of highly liquid commercial bonds with a low level of risk. If a developed market for such bonds is missing, as in Poland, the market rates of return for Treasury bonds recorded at the end of a given reporting period are applied.

Actuarial gains and losses related to post-employment benefits are charged to other comprehensive income. Actuarial gains and losses related to jubilee bonuses are recognised in the income statement.

10.23. Contingent liabilities and other liabilities not recognised in the balance sheet

A contingent liability is:

a) a possible obligation that may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the Group's control;
b) a present obligation that arises from past events but is not recognised in the consolidated financial statements because:
   - the amount of the obligation cannot be reliably measured;
   - it is not probable that spending cash to satisfy the obligation is necessary.

10.24. Income statement

The natural classification is the basic reporting classification of costs in the income statement. Profit or loss is the aggregate amount resulting from the deduction of costs from revenue after adjustment with the change in the level of products and adjustment with the costs of the production of benefits for own needs, except for the components of other comprehensive income. Change in the level of products comprises the balance sheet change of the level of finished goods and work in progress adjusted with revaluation write-downs for finished goods and work in progress.

10.25. Statement of comprehensive income

The statement of comprehensive income comprises net profit from the income statement and other comprehensive income in breakdown into other comprehensive income which can be charged to profit or loss and other comprehensive income which will not be charged to profit or loss.

10.26. Cash flow statement

The cash flow statement from operating activities is prepared with the indirect method.

10.27. Capital management

The capital is managed at the level of the Group and aims at preserving the ability to continue the operations having regard for the accomplishment of investment plans so that the Group can generate return for shareholders and benefits to other stakeholders.

10.28. Share based payments

The Group's employees (including the members of the Management Board) receive remunerations in the form of treasury shares; as a result, they provide services in return for shares or rights to shares ('transactions cleared in equity instruments').

10.28.1 Transactions cleared in equity instruments

The cost of transactions cleared with the employees in equity instruments is measured by reference to fair value as of the date of granting rights. The fair value is determined by an independent expert as at the date of granting the rights on the basis of the binominal model further discussed in note 23.1 of the complementary information and explanations. The valuation of transactions cleared in equity instruments takes into account market conditions of acquiring rights (related to the price of the parent company's shares).

The costs of transactions cleared in equity instruments are recognised together with the corresponding increase in equity in the period when the conditions concerning the effectiveness/results and the provision of work were met, ending on the day of acquiring full rights to given benefits ('entitlement date') by particular employees. The cumulated cost recognised due to the transactions cleared in equity instruments as at each balance sheet date until the entitlement date reflects the lapse of the period for acquiring the rights and the number of awards the rights to which – in the opinion of Group's Management Board as of that day, based on the best possible estimates of the number of equity instruments – are finally acquired.

No costs are recognised for not finally qualified awards, except for those awards for which the qualification depends on market conditions and which are treated as qualified regardless of the fact of meeting the market conditions, provided, however, that all other non-market conditions are met.

In the event of modifications of the conditions governing the granting of awards cleared in equity instruments, in order to comply with the minimum requirements, the costs are recognised as if the conditions have not been modified. Furthermore, the costs related to each increase in the transaction value as a result of the modification are recognised at the date of the change.

In the event of cancelling an award cleared in equity instruments, it is treated as if it was qualified on the cancellation date and all the award related costs not yet recognised are immediately recognised. However, in the event of replacing the cancelled award with a new one, specified as a substitution award on the date of its granting, the cancelled award and the new one are treated as if they constituted a modification of the original award, i.e. in accordance with the provisions of the paragraph above.

10.29. Revenue

Revenue is recognised in the amount equalling the economic benefits which the Group is likely to achieve in relation to the given transaction and which can be reliably measured. Revenue is recognised at fair value of received or due payments less VAT, excise tax and rebates. When recognising revenue, the criteria specified below apply as well.

10.29.1 The sale of products, trade goods, materials and services

Revenue from the sale of products, trade goods, materials and services is recognised when the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from the sale of products, trade goods, materials and services is recognised when significant risk and rewards of their ownership were transferred to the buyer and when the Company is no longer permanently engaged in the management of the sold goods to the extent to which revenue from services (except for long-term contracts related to construction services described below) is recognised following the completion of a given service. Revenue comprises amounts received and due for delivered products, trade goods, materials and services less any discounts related to deliveries and services as well as VAT, excise duty and fuel duty. The amount of the revenue is determined at fair value of received or due payment. Revenue obtained from the settlement of cash flow hedging transactions adjusts the revenue from the sale of products, trade goods, materials and services.

Revenue and costs related to construction services for which their commencement and termination dates fall in different reporting periods are recognised on the basis of the percentage of a service completion (measured with the degree of the cost-based progress), if the result from the transaction can be measured reliably, i.e. when one can determine the amount of the revenue from the service contract and the costs of the service, and when it is probable that the Company will generate economic benefits from the contract and the degree of the contract completion can be determined reliably. When meeting the conditions is not possible, revenue is recognised only to the level of the costs incurred by a given date; however, not higher than the costs that the Company expects to recover.

10.29.2 Interest

Interest income is recognised on an ongoing basis as the interest accrues (using the effective interest rate method constituting the discount rate for future cash flows throughout the estimated useful life of financial instruments) with regard to the net carrying amount of a given financial asset.

10.29.3 Dividends

Dividends are recognised upon the determination of the shareholders' and partners' rights to obtain them.

10.29.4 Rental income

Income from the rental of investment properties is recognised on a straight-line basis throughout the rental period with regard to contracts in progress.

10.29.5 Other operating income

This is income indirectly related to the operations, in particular:

- profit from the sale of property, plant and equipment and intangible assets;
- the surplus of reversed provisions charged previously to other operating costs over their establishment in a given period;
- received fines and damages;
- the surplus of reversed revaluation write-downs for receivables over their establishment in a given period;
- the surplus of reversed revaluation write-downs for inventories over their establishment in a given period;
- the surplus of reversed revaluation write-downs for property, plant and equipment and intangible assets over their establishment in a given period.

10.29.6 Subsidies

Should a reasonable certainty exist that a subsidy is to be obtained and all related conditions are met, the governmental subsidies are recognised at their fair value.

If a given subsidy is related to a cost item, then it is recognised as revenue proportionally to the costs the subsidy is intended to compensate for. If the subsidy is related to an asset, then its fair value is recognised in the 'deferred income' account and then gradually, by means of equal annual write-downs, written down to the income statement throughout the estimated useful life of the related asset.

10.29.7 Other finance income

This is mainly interest income and gains from net currency translation differences on receivables and liabilities in foreign currencies.

10.30. Costs

Costs are probable decreases in economic benefits during the period determined reliably in the form of a decrease in the value of assets or an increase in the value of liabilities or provisions which will result in a decrease in equity or an increase in its shortage in a manner other than the withdrawal of funds by shareholders or owners. The costs are recognised in the income statement according to the matching principle. In order to ensure the principle of the matching of revenue and costs, the assets or liabilities for a given period comprise prepayments or accruals including costs or revenue referring to future periods and the costs for that period which have not been incurred yet.

10.30.1 Operating costs

They comprise costs directly and indirectly related to the operations of the Group in breakdown into particular types of costs.

10.30.2 Other operating costs

These are costs indirectly related to the operations of the Group, in particular:

- created provisions for disputes;
- donations granted;
- accrued or paid fines and damages;
- losses in tangible current or non-current assets;
- losses from the disposal of property, plant and equipment and intangible assets;
- created revaluation write-downs for inventories;
- created revaluation write-downs for receivables, except for interest receivables.

10.30.3 Finance costs

Finance costs comprise:

- interest on bank overdraft facilities;
- interest on loans, credits and other borrowings, including the discount of liabilities;
- changes in the provisions resulting from the approaching of the maturity of a liability (so called 'unwinding of the discount' effect);
- losses from net currency translation differences on receivables and liabilities expressed in foreign currencies.

10.31. Taxes

10.31.1 Current tax

Current tax liabilities and receivables for the current period and for previous periods are measured at the amounts of the expected payment to tax authorities (reimbursable from the tax authorities) with the application of the tax rates and tax regulations already legally or practically binding on the balance sheet date.

10.31.2 Deferred income tax

For the sake of financial reporting, the deferred income tax is calculated based on the balance sheet liabilities method in relation to the temporary differences as of the balance sheet date between the tax value of assets and liabilities and their carrying amount stated in the consolidated financial statements.

Deferred income tax liability is recognised with regard to all taxable temporary differences:

- save for cases when the deferred income tax liability is created as a result of the initial recognition of goodwill or the initial recognition of an asset or a liability for the transaction which neither constitutes a business combination nor, upon its conclusion, influences the gross financial result or the revenue to be taxed or tax loss; and
- in the event of taxable temporary differences resulting from investments in subsidiaries or associates and interests in joint ventures, except for situations when the dates of reversing temporary differences are subject to the investor's control and when it is probable that temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognised on all deductible temporary differences as well as unused tax abatements and unused tax losses carried forward to the following years in an amount of probable future taxable revenue which will allow for using the aforementioned differences, assets and losses:

- save for cases when deferred income tax assets on deductible temporary differences are created as a result of the initial recognition of an asset or a liability for the transaction which neither constitutes a business combination nor, upon its conclusion, influences the gross financial result or the revenue to be taxed or tax loss; and
- in the event of deductible temporary differences resulting from investments in subsidiaries or associates and interests in joint ventures, deferred income tax asset is recognised in the balance sheet only in an amount for which it is probable that the aforementioned temporary differences will be reversed in the foreseeable future and taxable income will be generated allowing for the deduction of deductible temporary differences.

The carrying amount of the deferred income tax asset is verified as at each balance sheet date and is subject to a relevant decrease by the amount corresponding to the lack of likelihood of generating taxable revenue in the amount sufficient to partly or fully realise the deferred income tax asset. The non-recognised deferred income tax asset is subject to revaluation as at each balance sheet date and is recognised up to the amount reflecting the likelihood of generating future taxable revenue in an amount enabling the recovery of this asset.

Deferred income tax assets and deferred income tax liabilities are measured with the application of tax rates forecasted for the period when the asset will be realised or the liability reversed, applying, as the basis, the tax rates (and tax regulations) in force on the balance sheet date or those which will certainly be in force in the future on the balance sheet date.

Income tax related to items recognised outside profit or loss is recognised outside profit or loss: in other comprehensive income in relation to items included in other comprehensive income, or directly in equity in relation to items recognised directly in equity.

The Group sets off deferred income tax assets against deferred income tax liabilities only and exclusively when it has an enforceable legal title to set off the receivables against liabilities due to the current tax and the deferred income tax is related to the same tax-payer and the same tax authority.

Tax exemptions related to operations in Special Economic Zones

Certain subsidiaries, i.e. Alupol Packaging S.A., Aluform Sp. z o.o. and Alupol Films sp. z o.o., carry out business activities in Special Economic Zones pursuant to appropriate authorisations.

The Group recognises the benefits resulting from the obtained public assistance in accordance with IAS 12 *Income Taxes*. The Group recognises deferred income tax assets in the amount of the available public assistance granted to the Group as at particular balance sheet dates.

10.31.3 VAT

Revenue, costs and assets are recognised less VAT, except:

- when VAT paid upon the purchase of assets or services is not recoverable from the tax authorities; then, it is recognised accordingly as a part of the purchase price of a given asset or a part of the cost item; and
- for receivables and liabilities recognised including VAT.

Net VAT amount recoverable from or payable to the tax authorities is recognised in the balance sheet as a part of receivables or liabilities.

10.32. Net earnings per share

Net earnings per share for each period are calculated by dividing the net profit for a given period by the weighted average number of shares in the given reporting period.

The Group calculates diluted net earnings per share including potential shares. Potential shares are related to the options programme run by the Group. See note 23.1 for more information about the share options programme.

11. Information on business segments

The Management Board of the parent company is the main operating decision-maker for the Group. The Management Board determined business segments on the basis of reports they read, which are used when making strategic decisions. The Group's management reporting is based on operating segments. The organisation and management of the Group are based on the segment division having regard for the type of products and services offered. Each of the segments constitutes a strategic business unit or a set of business units offering different products and handling different markets.

The Group settles transactions between individual segments as if they referred to non-related entities, namely with the application of the present market prices.

An operating segment is a component of the Group:

a) which is engaged in business activities from which it may generate revenue and incur costs;

b) whose business results are regularly reviewed by the Group's management staff in order to make decisions about resources allocated to a given segment and to assess the activities of the segment; and

c) for which separate financial information is available.

Operating segments presented by the Group are identical with reporting segments presented in these consolidated financial statements.

The Capital Group's operations comprise five basic operating areas and are divided into:

- Extruded Products Segment (EPS)
- Flexible Packaging Segment (FPS)
- Aluminium Systems Segment (ASS)
- Building Accessories Segment (BAS)
- Building Services Segment (BSS)
- the item "Other" contains figures for the so called Centre, i.e. units responsible for the centrally managed areas (IT, finances, PR and IR, risk management, equity investments, HR) and figures of companies not organizationally grouped in the core business segments such as Alu Trans System Sp. z o.o. as well as companies performing auxiliary activities not related directly to the core activities of particular segments, including Alutech Sp. z o.o. and Dekret Sp. z o.o.

Particular segments are engaged in the following activities:

EPS – the production and sale of aluminium profiles;

FPS – the production and sale of packaging for the food industry;

ASS – the production and sale of systems for the building industry;

BAS – the production and sale of hardware for windows and doors;

BSS – the production of aluminium facades and the provision of construction services related to their assembly.

Note 2 presents the assignment of particular subsidiaries to business segments.

11.1. Financial results of segments

The operating segments' results are assessed on the basis of revenue, EBIT, EBITDA and capital expenditure. EBIT is operating profit. EBITDA is operating profit less depreciation and amortisation.

The Group's financing is managed at the Group's level and is not allocated to operating segments.

The tables below present revenue and profits as well as assets and liabilities of particular operating segments of the Group.

Complementary information (in thousand PLN)

12 months ended on 31.12.2015:

Operating segments	FPS	EPS	ASS	BAS	BSS	Other	Eliminations	Total
Income statement								
Sale	434 982	820 746	854 597	42 983	130 318	26 103	(282 583)	2 027 146
- outside the Group	434 795	617 078	826 374	28 589	104 913	26 103	(10 706)	2 027 146
- to other segments	187	203 668	28 223	14 394	25 405	0	(271 877)	0
Revaluation write-down for inventories	(3)	(1 498)	(546)	4	608	(534)	(0)	(1 969)
Revaluation write-down for receivables	(9)	(229)	470	33	(4 624)	1 574	(1 310)	(4 095)
Revaluation write-downs for property, plant and equipment and intangible assets	0	(345)	0	0	0	0	0	(345)
Revaluation write-down for goodwill	0	0	0	0	0	0	0	0
Operating profit (EBIT)	76 009	53 345	130 708	(1 288)	2 038	116 662	(133 033)	244 441
Depreciation/Amortisation	18 444	45 563	19 426	4 369	1 740	2 178	(9)	91 711
EBITDA	94 453	98 908	150 134	3 081	3 778	118 840	(133 042)	336 152
Interest income	130	520	268	18	114	162	(108)	1 104
Interest costs	(1 038)	(1 278)	(1 200)	(103)	(1 029)	(1 100)	108	(5 640)
Profit before tax	70 616	50 005	127 104	(1 351)	1 315	114 826	(133 033)	229 482
Income tax expense	3 925	(9 163)	(25 311)	168	(473)	10 561	624	(19 669)
Net profit	74 541	40 842	101 793	(1 183)	842	125 387	(132 409)	209 813
Balance sheet								
Total assets	583 662	621 392	554 404	57 893	106 958	23 672	10 711	1 958 692
Segment's trade liabilities	61 262	29 117	102 676	2 650	31 193	979	(60 116)	167 761
Unallocated liabilities (joint)						512 088	0	512 088
Total liabilities	61 262	29 117	102 676	2 650	31 193	513 067	(60 116)	679 849
Other								
Capital expenditure on property, plant and equipment	45 667	83 370	63 037	4 622	858	3 790	(735)	200 609

12 months ended on 31.12.2014:

Operating segments	FPS	EPS	ASS	BAS	BSS	Other	Eliminations	Total
Income statement								
Sale	397 426	730 660	697 500	44 343	141 896	28 827	(221 100)	1 819 552
- outside the Group	395 945	551 506	681 634	30 263	140 921	19 283	0	1 819 552
- to other segments	1 481	179 154	15 866	14 080	975	9 544	(221 100)	0
Revaluation write-down for inventories	(173)	(83)	1 711	45	(478)	272	0	1 294
Revaluation write-down for receivables	(12)	(4 522)	(2 002)	3	(2 807)	245	7	(9 088)
Revaluation write-downs for property, plant and equipment and intangible assets	0	(893)	0	0	0	(4)	0	(897)
Revaluation write-down for goodwill	0	0	0	0	0	0	0	0
Operating profit (EBIT)	70 504	44 264	115 511	3 007	4 339	103 090	(116 089)	224 626
Depreciation/Amortisation	18 884	40 888	16 859	4 058	1 832	2 184	(9)	84 696
EBITDA	89 388	85 152	132 370	7 065	6 171	105 274	(116 098)	309 322
Interest income	300	457	275	33	124	153	(51)	1 291
Interest costs	(808)	(2 084)	(877)	(42)	(1 669)	(1 218)	51	(6 647)
Profit before tax	68 679	34 304	108 021	3 042	2 467	101 241	(115 895)	201 859
Income tax expense	(8 303)	(2 400)	(22 134)	(648)	(611)	1 105	163	(32 828)
Net profit	60 376	31 904	85 887	2 394	1 856	102 346	(115 732)	169 031
Balance sheet								
Total assets	482 065	661 148	473 492	56 616	82 668	371 618	(330 099)	1 797 508
Segment's trade liabilities	68 959	42 550	89 872	2 530	25 365	7 916	(62 034)	175 158
Unallocated liabilities (joint)						419 118	0	419 118
Total liabilities	68 959	42 550	89 872	2 530	25 365	427 034	(62 034)	594 276
Other								
Capital expenditure on property, plant and equipment	33 493	39 574	27 503	2 339	294	4 453	0	107 656

- the segment's assets comprise: non-current assets (except for shares and interests in subsidiaries which are reclassified to 'Other' item), inventories, trade and other receivables (except for public law receivables) and derivative financial instruments;
- the column 'Eliminations' contains inter-segment transactions and consolidation eliminations. In the income statement, it is mainly related to the sale of aluminium profiles from the EPS to the ASS. The elimination items for assets and liabilities comprise mainly investments and inter-segment settlements.

Complementary information (in thousand PLN)

All above transactions are concluded on market terms.

11.2. Geographical structure of non-current assets

Non-current assets by territories	31.12.2015 (audited)	31.12.2014 (audited)
Poland	1 003 631	906 932
EU, excluding Poland	21 906	11 745
Other European countries	11 796	16 066
Other countries	0	0
TOTAL ASSETS	**1 037 333**	**934 743**

Above non-current assets comprise property, plant and equipment, intangible assets, goodwill and investment properties.

12. Revenue and costs

12.1. Geographical and item-by-item structure of revenue

Sales by territories	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Poland	1 159 176	1 082 791
EU, excluding Poland	717 189	598 353
Other European countries	107 967	118 160
Other countries	42 814	20 248
including to related parties*	1 232	0
TOTAL SALES REVENUE	**2 027 146**	**1 819 552**
including to related parties*	**1 232**	**0**

*for an associate; see note 21

The sale in the table above is recognised for the country of the counterparty being a party to a sale transaction.

Sales by items	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Products	1 616 135	1 438 319
including to related parties*	1 056	0
Services	40 276	37 637
including to related parties*	176	0
Construction services	96 905	138 227
Trade goods	43 889	26 797
Materials	229 941	178 572
TOTAL SALES REVENUE	**2 027 146**	**1 819 552**
including to related parties	**1 232**	**0**

*for an associate; see note 21

Complementary information (in thousand PLN)

12.2. Revenue from construction contracts

Long-term construction contracts are the main source of sales revenue for the Building Services Segment (BSS). The tables below present the impact of construction contracts on the presented revenue and financial result of the Group.

	01.01.2015 - 31.12.2015 (audited)	**01.01.2014 - 31.12.2014** (audited)
Incurred costs	84 691	120 469
Revenue in the income statement, including:	**96 905**	**138 501**
Invoiced revenue	88 509	165 864
Revenue estimated on the basis of the percentage of completion	8 396	(27 363)

The table below presents the effects of the valuation of construction services contracts in progress as at the balance sheet date (including contracts in progress from previous periods):

	31.12.2015 (audited)	**31.12.2014** (audited)
Sales revenue calculated on the basis of the percentage of completion as at the balance sheet date	119 530	166 703
Incurred costs of contracts and recognised losses from contracts in progress as at the balance sheet date	103 371	146 978
Gross amount due from the Contracting Party for works resulting from a contract – asset/(liability)	19 816	11 420
Retained amounts, including:		
Receivables due to long-term security deposits	3 864	5 429
Receivables due to short-term security deposits	7 020	5 963

12.3. Other operating income

	01.01.2015 - 31.12.2015 (audited)	**01.01.2014 - 31.12.2014** (audited)
Reversed provisions and revaluation write-downs:	2 243	2 460
- revaluation write-down for inventories	0	1 294
- provisions for damages	2050	0
- other	193	1 166
Profit from the disposal of property, plant and equipment	281	443
Subsidies	2 045	2 092
Received fines and damages	8 439	6 295
Surplus inventory	1 874	1 414
Past due liabilities	128	90
Supplies received free of charge	276	42
Received bonuses from suppliers	65	277
Other	2 949	2 496
TOTAL OTHER OPERATING INCOME	**18 300**	**15 609**

12.4. Other operating costs

	01.01.2015 - 31.12.2015 (audited)	**01.01.2014 - 31.12.2014** (audited)
Revaluation write-down for inventories	(1 969)	0
Revaluation write-down for receivables	(4 095)	(9 088)
Revaluation write-down for property, plant and equipment and intangible assets	(345)	(897)
Other write-downs	(5)	(212)
Provision for costs of damages	(964)	0

Complementary information (in thousand PLN)

Promotion and publicity	(10 910)	(9 335)
Business trips	(4 646)	(3 212)
Disposal of inventories	(2 153)	(386)
Liquidations of property, plant and equipment	(420)	(1 338)
Inventory shortages	(1 735)	(1 531)
Property damage	(288)	(4 796)
Paid fines and damages	(448)	(240)
Donations	(307)	(204)
Court costs related to lawsuits for the payment of receivables	(184)	(111)
Revaluation of investment properties	(656)	(261)
Other	(3 737)	(4 538)
TOTAL OTHER OPERATING COSTS	**(32 862)**	**(36 149)**

12.5. Finance income

	01.01.2015 - 31.12.2015 (audited)	**01.01.2014 - 31.12.2014** (audited)
Interest	1 104	1 291
Other	16	22
TOTAL FINANCE INCOME	**1 120**	**1 313**

12.6. Finance costs

	01.01.2015 - 31.12.2015 (audited)	**01.01.2014 - 31.12.2014** (audited)
Interest on leases and loans	(5 148)	(6 155)
Discount of provisions for employee benefits	(167)	(199)
Other interest	(325)	(293)
Surplus of negative currency translation differences over positive ones	(9 126)	(16 676)
Loss on investments	(144)	0
Discounts granted	(1)	0
Bank commissions	(1 095)	(642)
Other	(73)	(4)
TOTAL FINANCE COSTS	**(16 079)**	**(23 969)**

12.7. Impairment

Due to the nature of the business, the majority of single non-current assets of the Group do not generate cash inflows which would be independent of inflows generated by other assets. Single cash-generating units are the companies belonging to particular operating segments.

The table below presents the allocation of goodwill:

	31.12.2015	**31.12.2014**
Aluprof S.A. – Aluminium Systems Segment	17 102	17 102
Other companies in the Aluminium Systems Segment*	2 353	48
Extruded Products Segment	61	61
Flexible Packaging Segment	350	350
Total goodwills	**19 866**	**17 561**

*The increase in goodwill in other companies results from the acquisition described in note 20.

Complementary information (in thousand PLN)

Revaluation write-downs for goodwill

Company name	Operating segment	31.12.2015	31.12.2014
Aluprof S.A.	ASS	650	650
Aluprof System Węgry	ASS	121	121
Romb S.A.	BAS	185	185
Total write-downs for goodwill		**956**	**956**

In the presented periods, the Group performed annual impairment tests for units to which goodwill and intangible assets with indefinite useful lives were assigned.

The tests carried out in the presented years did not show any need to establish revaluation write-downs.

Apart from aforementioned write-downs, there were no other changes in the value of the goodwill.

Below, we present impairment tests in breakdown into companies belonging to particular operating segments.

The created write-downs are presented below:

Cash-generating units	Aluprof Schelfhaut N.V (a part of the Aluminium Systems Segment)	MHF (a part of the Aluminium Systems Segment)	Aluprof S.A. (a part of the Aluminium Systems Segment)	Other companies in the Aluminium Systems Segment	Other segments*
The basis for recoverable amount	Value in use	Value in use	Value in use	Value in use	Value in use
Goodwill	2 305	0	17 102	48	411
Value of intangible assets with indefinite useful lives (trademarks)	0	2 465	22 500	0	0
Impairment	Not found	Not found	Not found	Not found	Not found
Source of data	Forecast	Forecast	Forecast	Forecast	Forecast
Estimate basis	6-year cash flow forecast	5-year cash flow forecast	5-year cash flow forecast	5-year cash flow forecast	5-year cash flow forecast
Marginal growth rate	2%	1%	0%	0%	0%
Applied discount rate(1)	9.00%	9.00%	9.10%	9.10%	9.10%

1) The applied discount rate is based on the pre-tax discount rate defined in IAS 36.

* Collective figures for the FPS and the EPS; the tests were carried out for each segment separately.

12.8. Costs of materials and energy, and the value of goods and materials sold

	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Consumption of materials	(957 905)	(973 673)
Energy consumption	(59 485)	(58 575)
Value of resold materials and goods	(178 432)	(95 751)
Result from hedging transactions	(26 264)	871
Costs of materials and energy, and the value of goods and materials sold	**(1 222 086)**	**(1 127 128)**

Complementary information (in thousand PLN)

13. Income tax expense

Main components of tax deduction are as follows:

Income tax structure	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Current tax	(31 836)	(29 391)
Deferred income tax	12 167	(3 437)
Income tax recognised in the income statement	**(19 669)**	**(32 828)**
Current income tax charged to other comprehensive income	**0**	**0**

The reconciliation of the income tax on gross financial result prior to taxation at the statutory tax rate with the income tax calculated at the Group's effective tax rate is as follows:

Effective tax rate	%	01.01.2015 - 31.12.2015 (audited)	%	01.01.2014 - 31.12.2014 (audited)
Gross financial result		**229 482**		**201 859**
Tax at the national rate of 19%	19%	(43 602)	19%	(38 353)
Effect of differences in tax rates of subsidiaries operating in other countries	1%	(1 459)	0%	309
Impact of tax losses	0%	95	0%	0
Change in the estimate of deferred income tax asset related to the operations in the SEZ (for the authorisation effective until August 2016)	-2%	4 067	-5%	10 913
Change in the estimate of deferred income tax asset related to the operations in the SEZ (for the authorisations effective until the end of 2026)	-8%	17 288	0%	(895)
Impact of tax-exempt revenue and non-tax costs	-2%	3 942	2%	(4 802)
Tax deduction recognised in the income statement	**16%**	**(19 669)**	**16%**	**(32 828)**

13.1. Deferred income tax

	01.01.2015	Deferred income tax in the income statement	Deferred income tax in other comprehensive income	Deferred income tax charged to goodwill	Cumulative translation adjustment	31.12.2015
Assets	**83 083**	**15 263**	**819**	**0**	**0**	**99 165**
Employee benefits (remunerations)	1 234	55	0	0	0	1 289
Provisions for employee benefits (holidays, bonuses, pensions and disability benefits)	4 199	(612)	(36)	0	0	3 551
Other provisions and accruals	2 355	1 457	0	0	0	3 812
Revaluation write-downs for receivables	4 929	138	0	0	0	5 067
Revaluation write-downs for inventories	4 033	477	0	0	0	4 509
Revaluation write-downs for non-current assets	3 031	(135)	0	0	0	2 896

Complementary information (in thousand PLN)

Currency translation differences from the revaluation of items in foreign currencies (receivables, liabilities, loans)	587	(238)	0	0	0	349
CIT abatement due to the operations in SEZ	53 482	3 718	0	0	0	57 200
Tax loss to be deducted in the future (realised)	1 438	6 490	0	0	0	7 928
Derivative financial instruments	525	(145)	855	0	0	1 235
The difference between the carrying amount and the tax value of property, plant and equipment	6 356	3 157	0	0	0	9 513
Interest on loans	34	55	0	0	0	89
Unpaid invoices	748	(127)	0	0	0	621
Other	132	973	0	0	0	1 106
Set-off for presentation purposes	*(18 999)*					*(26 603)*
Deferred income tax assets in the balance sheet	**64 084**					**72 562**
Provision	**55 373**	**3 096**	**49**	**2 931**	**30**	**61 480**
The difference between the carrying amount and the tax value of property, plant and equipment	50 427	1 517	(0)	2 931	21	54 896
Valuation of investment properties	1 214	(85)	0	0	0	1 129
Valuation of construction works on the basis of the percentage of completion	242	615	0	0	0	857
Currency translation differences from the revaluation of items in foreign currencies (receivables, liabilities, loans)	680	120	0	0	0	800
Derivative financial instruments	74	0	71	0	0	145
Cash flow hedge	145	138	(22)	0	0	261
Other	2 591	791	0	0	10	3 392
Set-off for presentation purposes	*(18 999)*					*(26 603)*
Deferred income tax liability in the balance sheet	**36 374**					**34 877**

According to the Group's estimates, the following amounts recognised above were of long-term nature:

	31.12.2015 (audited)	**31.12.2014** (audited)
Deferred income tax assets due to tax exemption related to SEZ	44 541	39 420
Deferred income tax assets due to provisions and accruals	989	1 119
Deferred income tax assets due to tax losses	3 005	0
Deferred income tax liability due to investment properties	(1 129)	(1 214)
Deferred income tax liability due to property, plant and equipment	(37 326)	(50 345)
Total long-term assets (liabilities)	**10 080**	**(11 020)**

Other amounts and items of deferred income tax asset and liability other than the ones mentioned above are of short-term nature.

Complementary information (in thousand PLN)

The table below presents the periods and amounts of the settlement of tax losses for which the Group did not recognise any deferred income tax asset:

Items for which no deferred income tax asset was recognised	**31.12.2015** (audited)	**31.12.2014** (audited)
Loss from 2009; deduction by the end of 2015	0	2 304
Loss from 2010; deduction by the end of 2016	0	580
Loss from 2013; deduction by the end of 2018	2	2
Loss from 2013; deduction by the end of 2019	0	261
Loss from 2013; deduction by the end of 2019	686	1 371
CIT abatement due to the operations in SEZ to be used until 8 August 2016	31 389	51 979
Total non-recognised deferred income tax assets	**32 077**	**56 497**

The companies of the Group have unsettled tax losses from previous years. Due to uncertainty regarding the possibility of their deduction in subsequent years, no deferred income tax assets were created for such losses. The period for the settlement of tax losses in Poland is 5 years from the year of suffering the loss; however, not more than 50% of the loss in a given year (for other countries, in accordance with the law of a given country).

In addition, some companies of the Group operate on the basis of authorisations in special economic zones and, according to the law, taxable income of such companies due to the operations in such zones is exempt from income tax in the validity period of a given authorisation. The exemption limit depends on the capital expenditure made under particular authorisations. Taking into account limited validity periods of authorisations and the forecasts of profits to be generated by these companies, the estimated deferred income tax asset due to operations in special economic zones is lower than the maximum level of available public assistance.

The reconciliation of the change in deferred income tax asset (liability) charged to net profit and other comprehensive income.

	2015 (audited)	**2014** (audited)
Assets (liability) as at 01.01.2015 / 01.01.2014	**27 710**	**30 508**
Change in the asset (liability) due to the valuation of derivative financial instruments charged to other comprehensive income	806	112
Actuarial valuation	(36)	541
Deferred tax charged to the result for the period	12 167	(3 437)
Cumulative translation adjustment	(31)	(14)
Deferred income tax liability charged to goodwill	(2 931)	0
Assets (liability) as at 31.12.2015 / 31.12.2014	**37 685**	**27 710**

13.2. Tax exemptions related to operations in Special Economic Zones

Alupol Packaging S.A., Alupol Films sp. z o.o. (the Flexible Packaging Segment) and Aluform Sp. z o.o. (the Extruded Products Segment) operate in Special Economic Zones on the basis of authorisations. As a result, the companies, as regards their income from the operations defined in respective authorisations, may take advantage of corporate income tax exemptions. The maximum level of exemptions (public assistance limit) depends on the amount of eligible capital expenditure made under each authorisation to operate in an economic zone. The deadlines to take advantage of tax exemptions are determined in particular authorisations and these are 8 August 2016 for authorisations obtained prior to 2001 and 31 December 2026 for the remaining authorisations.

According to the approved 2016 budget, the Group will exceed minimum capital expenditure for two authorisations held by it in 2016. Due to a very high probability that required expenditure will be made, and, at the same time, taking into consideration the forecast of taxable income until 2012, the Group, at the end of 2015, recognised deferred income tax assets related to the income tax exemption due to the operations defined in such authorisations amounting to 16,999 thousand PLN.

Complementary information (in thousand PLN)

The table below presents the amounts of available discounted public assistance (public assistance limit):

Amounts of available discounted public assistance (public assistance limit)	**31.12.2015** (audited)	**31.12.2014** (audited)
Authorisations expiring on 8 August 2016; assistance limit 75%	119 141	119 141
Authorisations expiring on 31 December 2026; assistance limit 40%	35 580	23 763
Authorisations expiring on 31 December 2026; assistance limit 35%	2 330	0
TOTAL	**157 051**	**142 904**

Pursuant to respective regulations, the public assistance limit is determined on the basis of discounted expenditure made to purchase property, plant and equipment as part of obtained authorisations. The discount is applied as of the date of obtaining an authorisation, using the discount rate published by the Office of Competition and Consumer Protection. The table below presents the amounts of used discounted public assistance:

Amounts of used discounted public assistance	**31.12.2015** (audited)	**31.12.2014** (audited)
Authorisations expiring on 8 August 2016; assistance limit 75%	46 205	37 661
Authorisations expiring on 31 December 2026; assistance limit 40%	0	0
Authorisations expiring on 31 December 2026; assistance limit 35%	0	0
TOTAL	**46 205**	**37 661**

Pursuant to respective regulations, nominal amounts of obtained tax exemptions are discounted as of the date of obtaining the authorisation for which they are settled, using the discount rate published by the Office of Competition and Consumer Protection. Such discounted amounts cannot exceed public assistance limits.

The table below shows the value of used nominal public assistance:

Value of used nominal public assistance (the value of used tax exemptions)	**31.12.2015** (audited)	**31.12.2014** (audited)
Authorisations expiring on 8 August 2016; assistance limit 75%	91 480	84 411
Authorisations expiring on 31 December 2026; assistance limit 40%	0	0
Authorisations expiring on 31 December 2026; assistance limit 35%	0	0
TOTAL	**91 480**	**84 411**

13.3. Income tax receivables (liabilities)

Income tax receivables (liabilities) comprise the differences between paid tax advances and the current income tax for the given year.

	31.12.2015 (audited)	**31.12.2014** (audited)
Current tax receivables	4 315	2 162
Income tax liabilities	(11 800)	(10 191)

14. Earnings/(loss) per share

Below, we present the data related to earnings and the number of shares applied to calculate basic and diluted earnings per share:

	01.01.2015 - 31.12.2015 (audited)	**01.01.2014 - 31.12.2014** (audited)
Net profit attributable to the parent's shareholders	209 813	169 031
Weighted average number of ordinary shares assumed for the calculation of earnings per ordinary share	9 422 210	9 374 746
Weighted average number of ordinary shares assumed for the calculation of diluted earnings per ordinary share*	9 431 124	9 392 451
Basic earnings per ordinary share from the basic profit for the period	22.27	18.03

Complementary information (in thousand PLN)

attributable to the parent's shareholders (in PLN)		
Diluted earnings per share from the basic profit for the period attributable to the parent's shareholders (in PLN)	22.25	18.00

In 2015, eligible persons acquired the rights to subscribe for 26,160 shares from the first part of the 2012 programme for 117.10 PLN. By the balance sheet date, the said shares have not been subscribed for. Furthermore, 7,500 shares from the third part of the 2012 programme have not been subscribed for by the balance sheet date.

In addition, during 2015, eligible persons subscribed for 48,450 shares at 125.57 PLN from the third part of the 2009 programme.

In 2014, eligible persons acquired the rights to purchase 68,700 shares from the third part of the 2009 programme for 125.57 PLN. In addition, during 2014, the eligible persons subscribed for: 4,350 shares from the third part of the 2006 programme and 52,200 shares from the second part of the 2009 programme and 12,750 shares from the third part of the 2009 programme.

The said figures were taken into consideration in the calculation of the weighted average number of shares and of the weighted average number of potential shares.

The period of exercising the rights to acquire shares will have expired after 36 months from the date of acquiring the rights. See note 23.1 for more information about the options programme.

The average market price for the Company's share during 2015 was 298.86 PLN (2014: 235.36 PLN).

The potential number of ordinary shares associated with the employee options programme increasing the number of shares and assumed for the calculation of diluted earnings per share is 8,914 shares (previous year: 17,705 shares).

15. Dividends paid and proposed for payment

	Year ended on 31 December 2015	Year ended on 31 December 2014
Dividend from ordinary shares declared for the previous year and paid in the period:	136 072	93 808
TOTAL	**136 072**	**93 808**

In 2015, the Company paid dividend amounting to 136,072 thousand PLN (14.41 PLN per share). In 2014, the Company paid dividend amounting to 93,808 thousand PLN (10 PLN per share).

The Management Board intends to allocate the parent company's profit for 2015 amounting to 150,821,060.75 PLN to the payment of dividend and to reserve capital. As recommended by the Management Board, the dividend is to amount to ca. 60% of consolidated profit of the Capital Group, which amounted to 209,813 thousand PLN. As a result, the dividend should amount to 125,734,117 PLN. The Management Board proposes that the remaining portion of the profit be allocated to reserve capital.

Therefore, as intended by the Management Board, the dividend for assumed 9,453,693 shares, is to be 13.30 PLN per share (previous year: 14.41 PLN per share).

Complementary information (in thousand PLN)

16. Property, plant and equipment

Property, plant and equipment	31.12.2015 (audited)	31.12.2014 (audited)
Gross value of property, plant and equipment	**1 555 811**	**1 401 642**
Land (including the right of perpetual usufruct)	30 607	26 032
Buildings and structures	426 695	393 821
Plant and machinery	784 011	711 317
Energy-related assets	12 145	12 143
Means of transport	35 566	29 912
Other property, plant and equipment	208 322	187 537
Property, plant and equipment under construction	58 465	40 880
Depreciation of property, plant and equipment	**592 919**	**533 755**
Land (including the right of perpetual usufruct)	0	0
Buildings and structures	91 220	81 678
Plant and machinery	334 995	305 459
Energy-related assets	5 731	5 182
Means of transport	18 354	16 279
Other property, plant and equipment	142 619	125 157
Revaluation write-downs for property, plant and equipment	**15 235**	**15 942**
Land	0	0
Buildings and structures	888	888
Plant and machinery	13 724	13 721
Energy-related assets	13	13
Means of transport	5	5
Other property, plant and equipment	605	1 315
Property, plant and equipment under construction	0	0
Net value of property, plant and equipment	**947 657**	**851 945**
Land (including the right of perpetual usufruct)	30 607	26 032
Buildings and structures	334 587	311 255
Plant and machinery	435 292	392 137
Energy-related assets	6 401	6 948
Means of transport	17 207	13 628
Other property, plant and equipment	65 098	61 065
Property, plant and equipment under construction	58 465	40 880

Property, plant and equipment	As at 01-01-2015 (audited)	Increases	Decreases	Shifts	Other	Currency translation differences	As at 31-12-2015 (audited)
Gross value of property, plant and equipment	**1 401 642**	**186 030**	**(24 605)**	**55**	**(699)**	**(6 612)**	**1 555 811**
Land	26 032		0	18	4 551	6	30 607
Buildings and structures	393 821		(25)	35 851	226	(3 178)	426 695
Plant and machinery	711 317		(10 153)	86 385	(234)	(3 304)	784 011
Energy-related assets	12 143		(17)	19	0	0	12 145
Means of transport	29 912		(1 889)	7 648	15	(120)	35 566
Other property, plant and equipment	187 537		(12 203)	33 363	(359)	(15)	208 322
Property, plant and equipment under construction	40 880	186 030	(318)	(163 229)	(4 898)	0	58 465
Depreciation of property, plant and equipment	**533 755**	**84 484**	**(23 137)**	**17**	**72**	**(2 273)**	**592 919**

Complementary information (in thousand PLN)

Land	0	0	0	0	0	0	0
Buildings and structures	81 678	10 225	(6)	0	104	(781)	91 220
Plant and machinery	305 459	41 005	(10 044)	0	(26)	(1 399)	334 995
Energy-related assets	5 182	554	(11)	0	6	0	5 731
Means of transport	16 279	3 909	(1 750)	0	(4)	(80)	18 354
Other property, plant and equipment	125 157	28 791	(11 325)	17	(8)	(13)	142 619
Revaluation write-downs for property, plant and equipment	**15 942**	**345**	**(1 052)**	**0**	**0**	**0**	**15 235**
Land	0	0	0	0	0	0	0
Buildings and structures	888	0	0	0	0	0	888
Plant and machinery	13 721	3	0	0	0	0	13 724
Energy-related assets	13	0	0	0	0	0	13
Means of transport	5	0	0	0	0	0	5
Other property, plant and equipment	1 315	342	(1 052)	0	0	0	605
Property, plant and equipment under construction	0	0	0	0	0	0	0
Net value of property, plant and equipment	**851 945**	**101 201**	**(416)**	**38**	**(771)**	**(4 339)**	**947 657**
Land	26 032	0	0	18	4 551	6	30 607
Buildings and structures	311 255	(10 225)	(19)	35 851	121	(2 397)	334 587
Plant and machinery	392 137	(41 008)	(109)	86 385	(208)	(1 906)	435 292
Energy-related assets	6 948	(554)	(6)	19	(6)	0	6 401
Means of transport	13 628	(3 909)	(139)	7 648	19	(40)	17 207
Other property, plant and equipment	61 065	(29 133)	174	33 346	(351)	(3)	65 098
Property, plant and equipment under construction	40 880	186 030	(318)	(163 229)	(4 898)	0	58 465

Complementary information (in thousand PLN)

Property, plant and equipment	As at 01-01-2014 (audited)	Increases	Decreases	Shifts	Other	Currency translation differences	As at 31-12-2014 (audited)
Gross value of property, plant and equipment	**1 348 051**	**101 435**	**(32 598)**	**0**	**(162)**	**(15 084)**	**1 401 642**
Land	26 074	0	0	0	0	(42)	26 032
Buildings and structures	375 796	0	(3 877)	29 544	0	(7 642)	393 821
Plant and machinery	696 843	0	(5 927)	27 388	78	(7 065)	711 317
Energy-related assets	12 132	0	0	11	0	0	12 143
Means of transport	29 848	0	(3 287)	3 667	0	(316)	29 912
Other property, plant and equipment	181 744	0	(19 209)	25 259	(240)	(17)	187 537
Property, plant and equipment under construction	25 614	101 435	(298)	(85 869)	0	(2)	40 880
Depreciation of property, plant and equipment	**490 339**	**79 044**	**(29 827)**	**0**	**(1 344)**	**(4 457)**	**533 755**
Land	0	0	0	0	0	0	0
Buildings and structures	77 400	10 131	(3 364)	0	(876)	(1 613)	81 678
Plant and machinery	273 263	40 533	(5 620)	0	(58)	(2 659)	305 459
Energy-related assets	4 428	754	0	0	0	0	5 182
Means of transport	15 961	3 208	(2 713)	0	(6)	(171)	16 279
Other property, plant and equipment	119 287	24 418	(18 130)	0	(404)	(14)	125 157
Revaluation write-downs for property, plant and equipment	**15 664**	**975**	**(697)**	**0**	**0**	**0**	**15 942**
Land	0	0	0	0	0	0	0
Buildings and structures	888	0	0	0	0	0	888
Plant and machinery	13 779	0	(58)	0	0	0	13 721
Energy-related assets	13	0	0	0	0	0	13
Means of transport	11	0	(6)	0	0	0	5
Other property, plant and equipment	675	975	(335)	0	0	0	1 315
Property, plant and equipment under construction	298	0	(298)	0	0	0	0
Net value of property, plant and equipment	**842 048**	**21 416**	**(2 074)**	**0**	**1 182**	**(10 627)**	**851 945**
Land	26 074	0	0	0	0	(42)	26 032
Buildings and structures	297 508	(10 131)	(513)	29 544	876	(6 029)	311 255
Plant and machinery	409 801	(40 533)	(249)	27 388	136	(4 406)	392 137
Energy-related assets	7 691	(754)	0	11	0	0	6 948
Means of transport	13 876	(3 208)	(568)	3 667	6	(145)	13 628
Other property, plant and equipment	61 782	(25 393)	(744)	25 259	164	(3)	61 065
Property, plant and equipment under construction	25 316	101 435	0	(85 869)	0	(2)	40 880

The ‘Increases’ item for gross amounts comprises acquisitions, and the ‘Increases’ item for depreciation is related to the depreciation of particular groups of property, plant and equipment. The column ‘Shifts’ presents the values of property, plant and equipment put into use in the reporting period.

Changes of estimates concerning useful lives, and the capitalisation of finance costs

In the reporting period, the Group liquidated property, plant and equipment with the following values:

	2015 (audited)	**2014** (audited)
Net value of liquidated property, plant and equipment	890	2 285
Interest charged to property, plant and equipment	744	261

Liquidations of property, plant and equipment resulted directly from the sale of property, plant and equipment or faster wear of property, plant and equipment than expected when compared to their useful lives.

Complementary information (in thousand PLN)

Restrictions in the handling of property, plant and equipment

Restricted property, plant and equipment	**31.12.2015** (audited)	**31.12.2014** (audited)
Land	9 152	4 601
Buildings and structures	47 821	43 812
TOTAL property, plant and equipment securing loans*	**56 973**	**48 413**
Buildings and structures	42 746	43 570
Plant and machinery	43 159	47 949
Means of transport	122	130
Other property, plant and equipment	2 520	6 688
TOTAL property, plant and equipment financed with subsidies**	**88 547**	**98 337**
Total restricted property, plant and equipment	**145 520**	**146 750**

Pursuant to projects co-financing contracts with the European Union, the Group may not dispose of such assets, in any form, for the period of five years from the project termination date.
*The information about loans secured with property, plant and equipment is presented in note 29.
**The information about received subsidies to property, plant and equipment is presented in note 32.

Contractual liabilities

Contractual liabilities related to the purchase of non-current assets by segments	**31.12.2015** (audited)	**31.12.2014** (audited)
Extruded Products Segment	3 374	8 203
Flexible Packaging Segment	29 784	7 220
Aluminium Systems Segment	6 269	6 296
Building Services Segment	0	2
Building Accessories Segment	461	691
Joint expenditure	575	314
TOTAL	**40 463**	**22 726**

At the end of the present year, the most important items of the said liabilities were related to:
- the construction of new production and storage halls in the Aluminium Systems Segment;
- the purchase and assembly of new production devices in the Flexible Packaging Segment;
- the purchase of machinery in the Extruded Products Segment.

Impairment losses

The companies within particular operating segments are cash-generating units for impairment tests (details of the companies of the Group and their business segments are included in note 2). As at the balance sheet date, there were indicators of the impairment of non-current assets located in Ukraine and owned by Alupol LLC (in the case of Aluprof Ukraina, the assets are intangible). The impairment tests for property, plant and equipment carried out at the level of particular cash-generating units did not show any necessity of creating revaluation write-downs for non-current assets (see the table below).

The tables below present the information about the impairment tests for non-current assets located in the companies based in Ukraine:

	31.12.2015	**31.12.2014**
Cash-generating units	**Alupol LLC**	**Alupol LLC**
The basis for recoverable amount	Fair value	Value in use
Book value of non-current assets	11 622	15 779
Recoverable amount determined under IAS 36	12 189	17 017
Revaluation write-down in a given year to recoverable amount	0	0
Source of data	Valuation	Forecast
Estimate basis	Valuation	5-year cash flow forecast
Marginal growth rate (1)	5,5%	5%
Applied discount rate (2)	29.95 %	31.11 %

1) The rate of 5%-5.5% is the nominal growth rate at the level of expected inflation rate for Ukraine (0% in real terms)
2) The applied discount rate is based on the pre-tax discount rate defined in IAS 36.

Property, plant and equipment utilised pursuant to finance lease agreements
In the reporting year and in the previous year, the Group did not use any material property, plant and equipment under any finance lease agreements.

Land used under the right of perpetual usufruct
The Group uses land on which industrial building are situated pursuant to the right of perpetual usufruct of land.

	31.12.2015 (audited)	**31.12.2014** (audited)
Land area used pursuant to the right of perpetual usufruct (in '000' m^2)	637	637
Buildings and structures	568	568

The Group recognises the obtained rights of perpetual usufruct as land and discloses them in the consolidated financial statements as property, plant and equipment.

Energy-related assets carried at revalued amount

	31.12.2015 (audited)	**31.12.2014** (audited)
Value at cost less depreciation charges	2 701	3 028

The valuation was classified at Level 3 of the fair value hierarchy under IFRS 13. The valuation was based on nationwide pricing catalogues, having regard for the regional division. According to its accounting policy, the Group will revalue energy-related assets in the periods of 5 years. The next valuation of energy-related assets is scheduled on 1 January 2016.

The energy-related assets comprise buildings, structures and systems related to the transmission of electrical energy and power grids with transformers.

17. Leases

17.1. Liabilities due to operating lease – the Group as a lessee

The Group is not a party to any important operating lease agreements.

17.2. Receivables from operating lease – the Group as a lessor

The Group is an owner of an office building the premises of which are rented to third parties. Standard rental and lease agreements with the Group as one of the parties thereto are concluded for an indefinite period of time and provide for a one-month notice of termination.

In the present year, the Group's income from rental and lease agreements concerning office rooms amounted to 887 thousand PLN (previous year: 1,066 thousand PLN).

17.3. Liabilities due to finance lease and lease agreements with a purchase option

As at the balance sheet date and the previous balance sheet date, the Group was not a party to any significant sale and lease back contract as a lessee.

As at the balance sheet date, future minimum finance lease payments are as follows:

Payment year	**31.12.2015**		**31.12.2014**	
	Instalments	**Interest**	**Instalments**	**Interest**
Up to 1 year	573	40	91	23
Over 1 year	432	30	97	14
Total	**1 005**	**70**	**188**	**37**

18. Investment properties

	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Gross value at the beginning of period	**12 398**	**12 649**
Acquisition	0	0
Transfer to/from property, plant and equipment	185	10
Change of goodwill resulting from valuation	(656)	(261)
Gross value at the end of period	**11 927**	**12 398**
Net value of investment properties		
Net value at the beginning of period:	**12 398**	**12 649**
Net value at the end of period:	**11 927**	**12 398**

The investment properties as of the balance sheet date are related to the administration and office building rented or leased to third parties, and a residential building acquired in 2012.
The Group revaluates investment properties at the end of each financial year.
The carrying amount of investment properties is based on fair values determined on the basis of the valuation conducted by a qualified independent expert experienced in the valuation of investment properties (fair value hierarchy – 3). The approach applied by the expert was based on compared market prices of rents in accordance with the income method and straight capitalisation of gross revenue technique.

Data used in the valuation	31.12.2015 (audited)	31.12.2014 (audited)
Usable area in m^2	5 019	5 019
Percentage of vacancies	10%	20%
Monthly rent per 1 m^2	33.71	34.13
Annual rental income	1 295	918
Maintenance costs	720	723
Assumed yield rate	10%	11%
Valuation amount	11 059	11 541

The administration and office building owned by a subsidiary Aluprof S.A. is rented to third parties.
Standard rental agreements for the real properties of Aluprof S.A. are concluded for an indefinite period of time and provide for the possibility of their termination by each of the parties thereto against a one-month notice period.

19. Intangible assets (except for goodwill)

Intangible assets	31.12.2015 (audited)	31.12.2014 (audited)
Gross value of intangible assets	**119 216**	**107 324**
Development costs	8 062	6 090
Computer software	28 576	28 347
Aluprof trademark	22 500	22 500
Database of customers	43 927	43 927
ROMB trademark	1 900	1 900
MHF trademark	2 465	2471
Schelfhaut trademark	8 941	0
Other intangible assets	184	598
Intangible assets not put into use	2 661	1 491
Amortisation of intangible assets	**59 405**	**52 557**
Development costs	5 400	4 275
Computer software	23 384	21 746
Database of customers	29 036	26 108

Complementary information (in thousand PLN)

Schelfhaut trademark	1 492	0
Other intangible assets	93	428
Revaluation write-downs for intangible assets	**1 928**	**1 928**
Development costs	12	12
Computer software	16	16
ROMB trademark	1 900	1 900
Net value of intangible assets	**57 883**	**52 839**
Development costs	2 650	1 803
Computer software	5 176	6 585
Aluprof trademark	22 500	22 500
Database of customers	14 891	17 819
ROMB trademark	0	0
MHF trademark	2 465	2 471
Schelfhaut trademark	7 449	0
Other intangible assets	91	170
Intangible assets not put into use	2 661	1 491

Intangible assets	As at 01-01-2015	Increases	Decreases	Shifts	Other	Currency translation differences	As at 31-12-2015
Gross value of intangible assets	**107 324**	**12 308**	**(305)**	**(276)**	**0**	**165**	**119 216**
Production technologies, patents	6 090	0	0	1 952	0	20	8 062
Computer software	28 347	0	(80)	312	0	(3)	28 576
Aluprof trademark	22 500	0	0	0	0	0	22 500
Database of customers	43 927	0	0	0	0	0	43 927
ROMB trademark	1 900	0	0	0	0	0	1 900
MHF trademark	2 471	0	0	0	0	(6)	2 465
Schelfhaut trademark	0	0	0	8 800	0	141	8 941
Other intangible assets	598	0	(220)	(207)	0	13	184
Intangible assets not put into use	1 491	12 308	(5)	(11 133)	0	0	2 661
Amortisation of intangible assets	**52 557**	**7 227**	**(383)**	**(17)**	**0**	**21**	**59 405**
Production technologies, patents	4 275	1 118	0	0	0	7	5 400
Computer software	21 746	1 702	(75)	(17)	0	28	23 384
Database of customers	26 108	2 928	0	0	0	0	29 036
Schelfhaut trademark	0	1 479	0	0	0	13	1 492
Other intangible assets	428		(308)	0	0	(27)	93
Revaluation write-downs for intangible assets	**1 928**	**0**	**0**	**0**	**0**	**0**	**1 928**
Production technologies, patents	12	0	0	0	0	0	12
Computer software	16	0	0	0	0	0	16
ROMB trademark	1 900	0	0	0	0	0	1 900
Net value of intangible assets	**52 839**	**5 081**	**78**	**(259)**	**0**	**144**	**57 883**
Production technologies, patents	1 803	(1 118)	0	1 952	0	13	2 650
Computer software	6 585	(1 702)	(5)	329	0	(31)	5 176
Aluprof trademark	22 500	0	0	0	0	0	22 500
Database of customers	17 819	(2 928)	0	0	0	0	14 891
ROMB trademark	0	0	0	0	0	0	0
MHF trademark	2 471	0	0	0	0	(6)	2 465
Schelfhaut trademark	0	(1 479)	0	8 800	0	128	7 449

Complementary information (in thousand PLN)

Other intangible assets	170	0	88	(207)	0	40	91
Intangible assets not put into use	1 491	12 308	(5)	(11 133)	0	0	2 661

Intangible assets	**As at 01-01-2014**	**Increases**	**Decreases**	**Shifts**	**Other**	**Currency translation differences**	**As at 31-12-2014**
Gross value of intangible assets	**100 971**	**6 221**	**(154)**	**0**	**213**	**73**	**107 324**
Production technologies, patents	5 034	0	0	1 041	0	15	6 090
Computer software	26 001	0	(153)	2 291	213	(5)	28 347
Aluprof trademark	22 500	0	0		0	0	22 500
Database of customers	43 927	0	0	0	0	0	43 927
ROMB trademark	1 900	0	0	0	0	0	1 900
MHF trademark	0	0	0	2 431	0	40	2 471
Other intangible assets	488	0	0	87	0	23	598
Intangible assets not put into use	1 121	6 221	(1)	(5 850)	0	0	1 491
Amortisation of intangible assets	**47 028**	**5 652**	**(140)**	**0**	**9**	**8**	**52 557**
Production technologies, patents	3 832	359	0	0	78	6	4 275
Computer software	19 823	2 240	(140)	0	(172)	(5)	21 746
Aluprof trademark	0	0	0	0	0	0	0
Database of customers	23 180	2 928	0	0	0	0	26 108
ROMB trademark	0	0	0	0	0	0	0
Other intangible assets	193	125	0	0	103	7	428
Revaluation write-downs for intangible assets	**1 912**	**16**	**0**	**0**	**0**	**0**	**1 928**
Production technologies, patents	12	0	0	0	0	0	12
Computer software	0	16	0	0	0	0	16
ROMB trademark	1 900	0	0	0	0	0	1 900
Net value of intangible assets	**52 031**	**553**	**(14)**	**0**	**204**	**65**	**52 839**
Production technologies, patents	1 190	(359)	0	1 041	(78)	9	1 803
Computer software	6 178	(2 256)	(13)	2 291	385	0	6 585
Aluprof trademark	22 500	0	0	0	0	0	22 500
Database of customers	20 747	(2 928)	0	0	0	0	17 819
ROMB trademark	0	0	0	0	0	0	0
MHF trademark	0	0	0	2 431	0	40	2 471
Other intangible assets	295	(125)	0	87	(103)	16	170
Intangible assets not put into use	1 121	6 221	(1)	(5 850)	0	0	1 491

Amortisation of intangible assets

All amortisation charges for intangible assets are recognised in full in ‘Depreciation/Amortisation’ item of operating costs in the income statement. Aluprof and ROMB trademarks, due to the indefinite useful life, are not amortised. The Group carries out annual impairment tests for these trademarks. For Schelfhaut trademark, the Group determined the 3-years’ useful life.

Impairment losses

The Group carried out impairment tests for intangible assets with indefinite useful lives. Intangible assets with indefinite useful lives comprise Aluprof, MHF and Romb trademarks. Schelfhaut trademark has the 3-years’ useful life. The impairment tests carried out at the end of the present year and at the end of the previous year did not show any impairment of Aluprof and MHF trademarks. Romb trademark was subject to a 100% impairment loss in 2011. Aluprof, MHF and Schelfhaut trademarks are assigned to ‘Aluminium Systems Segment’ cash-generating unit and the description of assumptions for the impairment test that was carried out are presented in note 12.7.

Contractual liabilities

As at the end of the present year and at the end of the previous year, the Group did not have any contractual liabilities related to the acquisition of intangible assets.

20. Business combinations

In June 2015, a subsidiary Aluprof S.A. established its subsidiary in Belgium. On 30 June 2015, the new company acquired from another entity a business involving trade in aluminium systems.
The purpose of the acquisition of the said business is to increase the sale of aluminium systems in Benelux countries and in northern France.
The acquired business was carried out under Schelfhaut brand. In 2014, this business generated sales revenue of ca. 25,447 thousand PLN and net result of 1,387 thousand PLN.
The final settlement of the fair value of identified assets and liabilities as of the company acquisition day was as follows (an update of the temporary settlement presented as at 30.06.2015 — the main change involved the measurement of intangible assets at fair value carried out by the appraiser):

Assets and liabilities	Fair value of acquired assets and liabilities (in '000' PLN)
Property, plant and equipment	221
Inventories	3 814
Schelfhaut brand	8 800
Deferred income tax liability	(2 904)
Acquired net assets	9 931
Total acquisition price (paid cash)	12 202
Goodwill	2 271

The main intangible asset resulting from the acquisition comprises Schelfhaut brand with the fair value of 8,800 thousand PLN.
The Group assumes the 3-years' useful life for the brand. As a result of the acquisition of Schelfhaut brand, it will be combined with Aluprof brand to form Aluprof-Schelfhaut brand.
The costs of the business acquisition charged to the result amounted to 422 thousand PLN.

21. Investments in associates

On 11.09.2014, a subsidiary Aluprof System USA, Inc with its registered office in the USA entered into a joint venture agreement with two US partners and a new company was established for this purpose, i.e. Aluprof USA, LLC with its registered office in New York. The initial capital of the new company amounts to 220 thousand USD, and Grupa Kęty, through its subsidiary Aluprof System USA, Inc., has 45.5% of shares in the company, contributing 100.1 thousand USD.

The company is involved in the distribution of aluminium systems. The establishment of the company is an element of the Group's strategy of systematically increasing the share of export sale in total sale in all segments of the Group. In the Aluminium Systems Segment (ASS), this strategy is implemented additionally through the establishment of subsidiaries on the markets to which products are exported, which allows the Group to better adjust the products offer to the specific nature of particular markets and meet the technical and legal requirements on particular markets more precisely.

In the Group's financial statements, this company is recognised using the equity method. The Group presents net operating profit, as the nature of the investment complies with its business.

The company's basic financial figures:

INCOME STATEMENT	01.01.2015 - 31.12.2015	11.09.2014 - 31.12.2014
Operating income	6 518	**189**
Total operating costs, including:	(3 094)	**(432)**
Net profit on operating activities	**3 424**	**(243)**
Finance income	0	0
Finance costs	0	0
Profit before tax	**3 424**	**(243)**
Income tax expense	0	0
Net profit on continuing operations	**3 424**	**(243)**

Complementary information (in thousand PLN)

ASSETS	31.12.2015	31.12.2014
I. Non-current assets	**35**	**0**
Property, plant and equipment	35	0
II. Current assets	4 **549**	**537**
Trade and other receivables	4 416	0
Cash and cash equivalents	133	0
Total assets	**4 584**	**537**

EQUITY AND LIABILITIES	31.12.2015	31.12.2014
I. Equity	**4 003**	**500**
Share capital	858	743
Retained earnings	3 143	(243)
Cumulative translation adjustment	2	0
II. Long-term liabilities	**0**	**0**
III. Short-term liabilities	**581**	**37**
Liabilities due to borrowings and finance lease	0	12
Trade and other liabilities	581	25
Total equity and liabilities	**4 584**	**537**

22. Other investments

(A) Long-term

	31.12.2015	31.12.2014
Gross value of long-term investments, including:	**2 809**	**1 348**
- available for sale	2 809	1 348
Shares and interests	997	997
Interests in associates	1 812	351
Revaluation write-down for long-term investments, including:	**986**	**1 097**
- available for sale	986	1 097
Shares and interests	986	986
Interests in associates	0	111
Net value of long-term investments, including:	**1 823**	**251**
- available for sale	1 823	251
Interests or shares in other entities	11	11
Interests in associates	1 812	240

In addition:

(B) Short-term

	31.12.2015	31.12.2014
Cash loans	71	87

23. Employee benefits

23.1. Employee shares programmes

The Group has been implementing three option programmes for the management staff:
the programmes from 2009, from 2012 and from 2015. Each programme is divided into three parts. Periods to acquire rights to options for first parts start in the programme launch year, and for subsequent parts — in further years. Each part is divided into four sub-parts: A, B, C, and D.

Complementary information (in thousand PLN)

23.1.1 Basic information about programmes

	2015 programme, 2015 part	2012 programme, 2014 part	2012 programme, 2013 part	2012 programme, 2012 part	2009 programme, 2011 part	2009 programme, 2010 part	2009 programme, 2009 part
Number of share options in the programme	60 000	61 500	61 500	61 500	91 600	91 600	91 600
No. of shares in sub-part A	9 000	9 225	9 225	9 225	22 900	22 900	22 900
No. of shares in sub-part B	15 000	15 375	15 375	15 375	22 900	22 900	22 900
No. of shares in sub-part C	18 000	18 450	18 450	18 450	22 900	22 900	22 900
No. of shares in sub-part D	18 000	18 450	18 450	18 450	22 900	22 900	22 900
Sub-part A - return on shares	=WIG	=WIG	= WIG	=WIG	=WIG	=WIG	=WIG
Sub-part B - return on shares	WIG+15%	WIG+9%	WIG+9%	WIG+9%	WIG+9%	WIG+9%	WIG+9%
Sub-part C – EBITDA increase **	29%-33%	36%-52%	36%-52%	36%-52%	40%	40%	40%
Sub-part D – net earnings increase **	39%-44%	45%-64%	45%-64%	45%-64%	48%	48%	48%

*parts 2 and 3 of the 2015 programme will be launched in 2016 and in 2017 respectively.

** in the case of sub-parts C and D of the 2012 programme and of the 2015 programme, the accomplishment of conditions below the bottom limit does not give right to shares, and the accomplishment of conditions up to the upper limit, gives the right to the appropriate part of shares from a given sub-part. The accomplishment of conditions C and D above the upper limit gives the right to 100% of shares from a given sub-part.

Three-year employment period in the Capital Group calculated separately for each sub-part from the launch date of a given part is the common condition for all aforementioned programmes.

‘Return on shares’ for a given part of a programme means the quotient of the average share price of Grupa Kęty S.A. in the first quarter of the third year following the launch year of a given part increased with the value of dividends paid by the Company in the period of three years from 1 April of the launch year and the average share price of the Company at Warsaw Stock Exchange in the first quarter of the part launch year.
‘EBITDA per share increase’ for a given part of a programme means the quotient of consolidated EBITDA per share attained by the Capital Group in the second year following the launch year of a given part and consolidated EBITDA per share attained by the Capital Group in the year directly preceding the part launch year.
‘Net earnings per share increase’ for a given part means the quotient of consolidated net earnings per share attained by the Capital Group in the second year following the launch year of a given part and consolidated net earnings per share attained by the Capital Group in the year directly preceding the part launch year.

The right to acquire share options will arise following the satisfaction of the programme conditions.
The purchase price of the shares from a given programme equals the average price of the share of Grupa Kęty S.A. for the period of three months preceding the General Meeting of Shareholders that adopts the resolution concerning a given programme.

Stronger motivation of a larger group of employees to increase the shareholder value and the introduction of a factor making it possible to retain the Capital Group’s key employees for a longer time are the main objectives of share option programmes.

23.1.2 Fair value of share options

	2015 program, 2015 part	2012 program, 2014 part	2012 program, 2013 part	2012 program, 2012 part	2009 program, 2011 part	2009 program, 2010 part	2009 program, 2009 part
Date of granting options	11 September 2015	8 September 2014	24 September 2013	24 September 2012	23 September 2011	24 September 2012	30 September 2010
Expected dividends	69.53 PLN	30 PLN	15 PLN	15 PLN	15 PLN	15 PLN	15 PLN
Assumed volatility index for the underlying instrument	16%	21%	23%	25%	24%	25%	23%
Historical volatility index (%)	28%	31%	32%	35%	35%	35%	35%
Risk-free interest rate (%)	2.50%	2.30%	3.71%	4.30%	5.33%	4.30%	5.19%
Forecasted period of options validity (in months)	68 months	68 months	68 months	68 months	68 months	68 months	68 months
Weighted average share price (PLN)	306.10	117.10	117.10	117.10	125.57	117.10	117.63
Programme fair values at launch date in ‘000’ PLN	**3 272**	**6 432**	**2 837**	**1 285**	**1 344**	**2 218**	**3 878**
Parameter A accomplishment	YES*	YES*	YES*	YES	YES	YES	YES
Parameter B base	YES*	YES*	YES*	YES	YES	YES	YES
Parameter C accomplishment	NO*	YES (49.375%)*	YES (56.25%)*	YES (6.875)%	NO	NO	NO
Parameter D base	NO*	NO*	YES (100%)*	YES (1.578)%	YES	YES	YES

* The Management Board’s estimate

The fair value of employee shares programmes is estimated as of the options granting day based on a binominal model. The table below presents the values assumed for the launch of particular parts of the programme.

The forecasted period of options validity is determined on the basis of historical data and does not need to explicitly imply the possible ways of exercising them. The assumed volatility index reflects the assumption that the historical volatility index indicates future trends which, naturally, may actually be completely different.

Upon the measurement of the fair value, no other characteristics concerning the granting of options were taken into consideration.

The Group monitors the probability of attaining the non-market parameters on an ongoing basis and takes them into account in the number of share options assumed for the valuation of particular parts as of the balance sheet date.

The Group recognises the programme costs proportionally to the period of acquiring rights to options granted to the Company’s employees.

The amounts recognised below increased remuneration costs in the period as well as the Group’s equity.

Costs of the options programme	2015	2014
Third part of the 2009 programme	0	230
First part of the 2012 programme	157	170
Second part of the 2012 programme	1 383	329
Third part of the 2012 programme	1 051	285
First part of the 2015 programme	124	0
Total options costs in the period	**2 715**	**1 014**

Future costs of share options programmes are as follows:

Future costs of the options programme	2016	2017	2018
Second part of the 2012 programme	604	0	0
Third part of the 2012 programme	1 012	759	0
First part of the 2015 programme	328	328	246
Total future options costs	**1 944**	**1 087**	**246**

Complementary information (in thousand PLN)

23.2. Retirement benefits and jubilee bonuses

	31.12.2015 (audited)	31.12.2014 (audited)
Long-term provision for jubilee bonuses, retirement benefits and death in service benefits	5 559	5 799
TOTAL	**5 559**	**5 799**

Basic actuarial estimates as at the balance sheet date

	2015	2014
Discount rate as at 31 December	2.91%	2.60%

Assumptions concerning the increase in future remunerations as at 31 December 2015:

	2016	2017	2018	2019	2020-2023	Other years
Extruded Products Segment	3%	3%	3%	3%	2.5%	2.5%
Flexible Packaging Segment	5%	5%	5%	5%	5%	2.5%
Aluminium Systems Segment	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Building Services Segment	5%	5.9%	6.6%	7%	5.2%	2.5%
Building Accessories Segment	3%	3%	4%	4%	4%	2.5%
Other companies	3%	3%	3%	3%	2.5%	2.5%

Assumptions concerning the increase in future remunerations as at 31 December 2014:

	2015	2016	2017	2017-2022	Other years
Extruded Products Segment	3%	3%	3%	2.5%	2.5%
Flexible Packaging Segment	5%	5%	5%	5%	2.5%
Aluminium Systems Segment	1.2%	1.8%	1.2%	1.4%	2.5%
Building Services Segment	3.1%	5.9%	6.6%	5.6%	2.5%
Building Accessories Segment	3%	3%	4%	4%	2.5%
Other companies	3%	3%	3%	2.5%	2.5%

The short-term part of the provision for jubilee bonuses and retirement benefits is recognised in other short-term provisions.
The provisions for retirement and disability benefits, and for jubilee bonuses were calculated using an individual method, for each employee separately. The provision was calculated using the present value of the Company's future long-term liabilities due to the retirement and disability benefits. The provision calculated in such a way is discounted according to the actuarial methodology. The actuarial discount is the product of the financial discount and the probability for a given employee to reach the retirement age during the employment in the Company. The aforementioned probability was determined using the Multiple Decrement Model, where the following three risks were taken into account:

- the possibility of dismissal;
- the risk of the total disability to work;
- the risk of death.

The financial discount rate was determined on the basis of market rates of return from Treasury bonds, whose currency and maturity dates are the same as the currency and the estimated maturity of obligations related to employee benefits.

Complementary information (in thousand PLN)

23.3. Actuarial gains/losses

The table below presents the statement of changes in liabilities due to employee benefits by particular items:

2015	Retirement benefits	Disability benefits	Jubilee bonuses	Death in service benefits	Total
As at 2015-01-01	**5 923**	**289**	**698**	**352**	**7 262**
Costs of current employment	410	44	107	48	609
Interest costs	138	7	13	9	167
Actuarial losses (gains) charged to other comprehensive income	(173)	(14)	0	(5)	(192)
Actuarial losses (gains) charged to net financial result	0	0	(88)	0	(88)
(Payments)	(707)	(9)	(484)	(25)	(1 225)
As at 2015-12-31	**5 591**	**317**	**246**	**379**	**6 533**
short-term	678	32	246	18	974
long-term	4 913	285	0	361	5 559

2014	Retirement benefits	Disability benefits	Jubilee bonuses	Death in service benefits	Total
As at 2014-01-01	**3 486**	**301**	**1 013**	**151**	**4 951**
Costs of current employment	138	37	54	9	238
Interest costs	138	14	41	7	200
Actuarial losses (gains) charged to other comprehensive income	2 643	5	0	196	2 844
Actuarial losses (gains) charged to net financial result	0	0	(648)	0	(648)
Costs of past employment	94	0	461	0	555
(Payments)	(576)	(68)	(223)	(11)	(878)
As at 2014-12-31	**5 923**	**289**	**698**	**352**	**7 262**
short-term	885	30	532	16	1 463
long-term	5 038	259	166	336	5 799

The table below presents the analysis of the sensitivity of the valuation of the liability to the change of basic actuarial assumptions.

2015	**Financial discount rate**		**Planned increases in the bases**	
Change	**-1 p.p.**	**+ 1 p.p.**	**-1 p.p.**	**+ 1 p.p.**
Retirement benefits	875	(701)	(342)	410
Disability benefits	34	(27)	(15)	19
Jubilee bonuses	6	(5)	(5)	6
Death in service benefits	49	(39)	(45)	46
Total change in provision	**964**	**(772)**	**(407)**	**481**

2014	**Financial discount rate**		**Planned increases in the bases**	
Change	**-1 p.p.**	**+ 1 p.p.**	**-1 p.p.**	**+ 1 p.p.**
Retirement benefits	808	(636)	(344)	363
Disability benefits	30	(25)	(15)	25
Jubilee bonuses	5	(6)	0	0
Death in service benefits	36	(30)	(30)	21
Total change in provision	**879**	**(697)**	**(389)**	**409**

Complementary information (in thousand PLN)

24. Inventories

	31.12.2015 (audited)	31.12.2014 (audited)
Materials	142 893	124 863
Work in progress	78 032	93 962
Finished products	91 634	84 025
Trade goods	10 771	5 633
TOTAL	**323 330**	**308 483**

Inventories did not secure loans or other debts.

In the present year, the Group created revaluation write-downs for inventories amounting to 4,902 thousand PLN (previous year: 5,137 thousand PLN) and reversed a revaluation write-down for inventories amounting to 2,933 thousand PLN (previous year: 5,657 thousand PLN). The reversal of the write-down resulted from the sale of inventories covered by the write-down:

Revaluation write-downs for inventories are as follows:

Revaluation write-down	31.12.2015 (audited)	31.12.2014 (audited)
Materials	9 022	7 611
Work in progress	745	479
Finished products	4 746	4 851
Trade goods	1 365	1 445
Total revaluation write-downs for inventories	**15 878**	**14 386**

At the present and previous balance sheet date, inventories did not secure loans.

Below, we present the information about the value of inventories recognised as cost at the time of their sale:

	01.01.2015 - 31.12.2015 (audited)	01.01.2014 - 31.12.2014 (audited)
Value of sold products	1 310 023	1 135 546
Value of resold materials and goods	178 432	95 751
TOTAL	**1 488 455**	**1 231 297**

25. Long-term receivables

	31.12.2015 (audited)	31.12.2014 (audited)
Advance payments for the purchase of property, plant and equipment	23 573	10 190
VAT receivables	0	0
Building security deposits	3 864	5 429
Lease receivables	1 593	1 823
Other	213	0
Total other long-term receivables	**29 243**	**17 442**

Advance payments for property, plant and equipment comprise down payments made for the purchase of property, plant and equipment.

In addition, the Group, through its subsidiaries, operates in other countries.

Pursuant to the law and practice of tax authorities in Ukraine, VAT refunds were not applied. As a result, having regard for the planned current sale, the Group decided to account for a part of VAT receivables as long-term receivables. The total amount of VAT receivables in the companies located in Ukraine was subject to a write-down.

Complementary information (in thousand PLN)

At the end of the present year, the write-down for VAT amounted to 2,767 thousand PLN (previous year: 3,932 thousand PLN).

As performance bond for construction services for a part of construction contracts, the Company submits security deposits. In the event of any defects that the Company fails to eliminate pursuant to such a bond, the customer may retain the security deposit and use it to repair such defects. Each security deposit has a strictly defined validity period. If no defects occur, the full amount of the security deposit is returned as per the agreement.

Aluprof S.A. is a party to lease agreements under which the company gave passenger cars to be used for a consideration for the period of four years. In its assets, the Group recognises the receivable equal to the total amount of lease fees payable to the Group less unrealised finance income.

26. Trade and other receivables

	Note	31.12.2015 (audited)	31.12.2014 (audited)
Gross receivables:		**468 480**	**454 615**
Trade receivables		431 160	413 876
- including from related parties*		445	0
Settlements related to transactions hedging the aluminium price		494	6 136
Valuation of construction contracts		19 816	13 547
Receivables from employees		114	164
Other		4 075	7 353
Total gross financial receivables (under IFRS 7)		**455 659**	**441 076**
Public law receivables (except for the income tax)		6 294	7 065
Down payments (trade-related) for suppliers		3 327	4 307
Prepaid expenses		3 200	2 167
Total gross non-financial receivables		**12 821**	**13 539**
Revaluation write-down for financial receivables:		**53 297**	**52 719**
Trade receivables		50 501	50 818
Other		2 796	1 901
Net receivables:		**415 183**	**401 896**
Trade receivables		380 660	363 058
- including from related parties*		445	0
Settlements related to transactions hedging the aluminium price		494	6 136
Valuation of construction contracts		19 816	13 547
Receivables from employees		113	164
Other		1 856	5 452
Total net financial receivables (under IFRS 7)	**35(b)**	**402 939**	**388 357**
Public law receivables (except for the income tax)		6 294	7 065
Down payments (trade-related) for suppliers		2 751	4 307
Prepaid expenses		3 199	2 167
Total net non-financial receivables		12 244	**13 539**

*for an associate; see note 21

The conditions of related party transactions are presented in note 34.2 of the complementary information and explanations.

Trade receivables do not bear interest and usually have 30- up to 90-day maturity.

The Group has implemented an appropriate policy related to sales only to verified customers and applies receivables insurance related to export. Consequently, according to the management's opinion, there is no additional credit risk exceeding the level established by the revaluation write-down for uncollectible receivables applicable to the Group's trade receivables.

Changes in the revaluation write-down for trade receivables were as follows:

Complementary information (in thousand PLN)

	Year ended on 31 December 2015	Year ended on 31 December 2014
At the beginning of the period	**50 818**	**50 050**
Increase	7 310	11 045
Utilisation	(7 627)	(10 277)
At the end of the period	**50 501**	**50 818**

Below, we present the analysis of trade receivables which were overdue, but were not deemed impaired:

	Total	Not overdue	Overdue, but not impaired			
			up to 3 months	up to 6 months	up to 12 months	over 12 months
31 December 2015	380 660	282 402	87 258	6 576	3 919	506
31 December 2014	363 058	285 921	72 675	2 249	1 730	483

Overdue receivables not covered by revaluation write-downs are insured or subject to other securities. As a result, the Group expects that they will be paid. In the Group's opinion, the credit quality of the receivables which are overdue but not covered by revaluation write-downs described above is good.

27. Cash and cash equivalents

Cash at bank bears interest at variable interest rates; the level of such rates depends on the interest rate of one-day bank term deposits. Short-term term deposits are made for periods of various length from one day to one month depending on the Group's current demand for cash, and bear interest at applicable interest rates.

Fair value of cash and cash equivalents is presented in the table below.

	31.12.2015 (audited)	31.12.2014 (audited)
Bank deposits (current accounts) and short-term deposits	72 485	64 817
Cash in hand	22	115
Other cash	197	1 498
Cash recognised in the balance sheet	**72 704**	**66 430**

At the end of the present year, the Group had unused granted credit funds amounting to 248,250 thousand PLN with regard to which all conditions precedent had been complied with (180,842 thousand PLN at the end of the previous year).

28. Share capital and reserve capitals

28.1. Share capital

	31.12.2015 (audited)	31.12.2014 (audited)
Share capital, including:	**67 505**	**67 352**
Value registered in the National Court Register	23 605	23 452
Revaluation in accordance with IAS 29	43 900	43 900
The number of shares registered in the National Court Register	*9 441 988 shares*	*9 380 788 shares*

Nominal value of shares

Due to the requirements of IAS 29 *Financial Reporting in Hyperinflationary Economies*, the Company's share capital was subject to revaluation as of the day of the first application of the IFRS. The increase in the share capital due to the revaluation as of the balance sheet date amounted to 43,900 thousand PLN.

On 15 February 2005, the court registered the decrease in the Company's share capital through the redemption of 1,575,117 shares with the value at cost of 71,108 thousand PLN acquired by the Company with the purpose of redeeming them by way of a public notice in 2002. The redemption took place by decreasing the share capital by 13,965 thousand PLN, share premium by 43,453 thousand PLN and retained earnings by 13,690 thousand PLN.

Complementary information (in thousand PLN)

On 30 May 2005, the court registered the increase in the Company's share capital through the issue of 300,000 series D shares taken up by eligible persons in August 2004 under the Company's incentive programme initiated in 2003.

After these changes, the nominal value of the registered share capital amounted to 23,064 thousand PLN. Share capital was divided into 9,225,663 shares with the nominal value of 2.50 PLN each.

During 2015, the National Court Register registered the increase in the capital due to the subscription of 61,210 series F employee shares.

During 2014, the National Court Register registered the increase in the capital due to the subscription of 68,700 series F employee shares and 16,675 series E employee shares.

During 2013, the National Court Register registered the increase in the capital due to the subscription of 68,700 series F employee shares and 1,050 series E employee shares.

The Company's shareholders are entitled to dividend in the declared amount, if such amount is declared. One ordinary share entitles its holder to one vote at the Company's General Meeting of Shareholders.

Rights of shareholders

All shareholders have equal rights and there are no preference shares.

28.2. Share premium

	31.12.2015 (audited)	**31.12.2014** (audited)
Share premium	22 043	14 512
Share premium	**22 043**	**14 512**

During 2015, 61,210 shares with the nominal value of 153 thousand PLN and with the issue value of 7,684 thousand PLN were registered in the National Court Register.

During 2014, 85,375 shares with the nominal value of 214 thousand PLN and with the issue value of 10,162 thousand PLN were registered in the National Court Register.

28.3. Non-registered capital from the issue of shares

	31.12.2015 (audited)	**31.12.2014** (audited)
Value of non-registered shares at issue price	0	1 601
Value of non-registered shares at issue price	**0**	**1 601**

Prior to 31.12.2014, eligible persons subscribed for 12,750 shares with the nominal value of 32 thousand PLN at the issue price of 1,601 thousand PLN. The said shares were not registered by the National Court Register in 2015.

28.4. Capital from the valuation of property, plant and equipment

	31.12.2015 (audited)	**31.12.2014** (audited)
Fair value of property, plant and equipment	3 706	3 919
Deferred income tax liability	(703)	(745)
Capital from the valuation of property, plant and equipment at period end	**3 003**	**3 174**

28.5. Capital from valuation of share based payments

The Group has implemented programmes of granting share options under which certain members of the management staff and of top management were granted options to subscribe for the Company's shares (more information about the programme of options for the management staff can be found in note 23.1 of the complementary information and explanations).

	31.12.2015 (audited)	**31.12.2014** (audited)
Capital at the beginning of the period	11 244	10 230
Costs of the period	2 715	1 014
Capital from valuation of share based payments at period end	**13 959**	**11 244**

The capital reflects the fair value of the options granted to the Group's employees, proportionally to the period of acquiring rights, according to the valuation as at the programme launch date.

Complementary information (in thousand PLN)

28.6. Capital from the valuation of hedging instruments

	31.12.2015 (audited)	31.12.2014 (audited)
Futures hedging cash flows due to the purchase of aluminium	(2 847)	(1 601)
Forwards hedging cash flows due to exchange rate changes	(1 917)	1 015
Valuation of the IRS's hedging loan interest rates	(82)	0
Deferred income tax	921	111
Capital from the valuation of hedging instruments at period end	**(3 925)**	**(475)**

28.7. Result from cash flow hedging transactions

The Group applies hedge accounting to transactions hedging future cash flows due to the purchase of aluminium. The result on such transactions constitutes a separate item of equity as long as the item being hedged influences the result.

The related capital is presented below:

	31.12.2015 (audited)	31.12.2014 (audited)
Result on futures hedging cash flows	(2 073)	772
Result on forwards hedging cash flows due to exchange rate changes	201	666
Result from cash flow hedging transactions at period end	**(1 872)**	**1 438**

28.8. Retained earnings

	31.12.2015 (audited)	31.12.2014 (audited)
Profit from previous years	994 711	964 055
Transfer from the capital from the revaluation due to the depreciation of assets measured at fair value	1 296	1 126
Net actuarial gains (losses)	156	(2 304)
Net profit attributable to the parent's shareholders for the period	209 813	169 031
Retained earnings at period end	**1 205 976**	**1 131 908**

28.9. Cumulative translation adjustment

Reserve capital from currency translation differences

The balance of the reserve capital from currency translation differences is adjusted having regard for currency translation differences resulting from the translation of financial statements of foreign subsidiaries.

	31.12.2015 (audited)	31.12.2014 (audited)
Cumulative translation adjustment	(27 846)	(27 522)

29. Liabilities related to loans and credits, and other long-term liabilities

29.1. Interest bearing bank loans and credits and liabilities due to finance lease

Maturity period	31.12.2015 (audited)	31.12.2014 (audited)
Current	222 399	211 855
From 1 to 2 years	22 530	13 509
From 2 to 5 years	65 891	9 798
More than 5 years	4 000	0
Total	**314 820**	**235 162**

Complementary information (in thousand PLN)

2015:

LONG-TERM

Borrower	Lender	Loan currency	Security	31.12.2015
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska SA	PLN	First capped mortgage on real properties owned by Grupa Kęty S.A. and Alupol Packaging Kęty sp. z o.o. up to 50 million PLN, including the assignment of rights from insurance policies for the said real properties up to 35 million PLN.	23 798
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS Bank Polska SA	PLN	Surety of Alupol Packaging S.A. A mortgage on real properties of Alupol Films sp. z o.o. with the assignment of rights under an insurance policy.	40 000
Aluprof S.A.	BGŻBNP PARIBAS Bank Polska SA	PLN	Collective mortgage up to 48,000 thousand PLN; assignment of debts under an insurance policy; and the statement on the submission to execution.	26 230
	Long-term loans			**90 028**
Aluprof Romania	Liabilities due to finance lease	RON		110
Metalplast Stolarka Sp. z o.o.	Liabilities due to finance lease	PLN		463
	Total lease			**573**
			TOTAL	**90 601**

SHORT-TERM

Borrower	Lender	Loan currency	Security	31.12.2015
Grupa Kęty S.A.	Bank PKO BP	PLN	Joint and several liability of the companies of Grupa KĘTY S.A. and of other companies from the Capital Group.	3 312
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska SA	PLN	Short-term part of long-term loans – the same securities as in the case of the long-term loan.	22 308
Grupa Kęty S.A.	ING Bank Polska	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A. and Metalplast Stolarka Sp. z o.o.	3
Grupa Kęty S.A.	Bank PeKaO S.A.	PLN	Joint and several liability of companies	42 026
Grupa Kęty S.A.	Bank Societe Generale	EUR	Surety of Aluprof S.A. up to 5 million PLN	3 705
Alupol Packaging S.A.	Bank PKO BP	PLN	Collective mortgage on real properties up to 15,000 thousand PLN.	2 307
Alupol Packaging S.A.	BGŻBNP Paribas	PLN	Joint and several liability of the companies of the Capital Group.	5 962
Alupol Packaging S.A.	PEKAO S.A.	PLN	Joint and several liability of the companies of the Capital Group.	10 088
Alupol Packaging Kęty Sp. z o.o.	Bank PKO BP	PLN, EUR	Joint and several liability of the companies of the Capital Group.	4 618
Alupol Packaging Kęty Sp. z o.o.	PEKAO S.A.	PLN, EUR	Joint and several liability of the companies of the Capital Group.	2 489
Alupol Packaging Kęty Sp. z o.o.	BGŻBNP PARIBAS Bank Polska SA	PLN	Joint and several liability of the companies of the Capital Group.	13 377
Aluprof S.A.	PEKAO S.A.	PLN, EUR	The statement on the submission to execution and an authorisation to use bank accounts.	4 561
Aluprof S.A.	Societe Generale S.A.	USD, EUR	The statement on the submission to execution and an authorisation to use bank accounts.	2 650
Aluprof S.A.	BGŻBNP Paribas	PLN, EUR	The statement on the submission to execution and an authorisation to use bank accounts.	24 827
Aluprof S.A.	Bank PKO BP	EUR	The statement on the submission to execution and an authorisation to use bank accounts.	2 131
Aluprof S.A.	BPH S.A.	PLN	Authorisation for current accounts	13 935
Metalplast Stolarka Sp. z o.o.	Bank PEKAO S.A.	PLN, EUR	The statement on the submission to execution and an authorisation to use bank accounts.	33 573

Complementary information (in thousand PLN)

Metalplast Stolarka Sp. z o.o.	BGŻBNP Paribas	PLN	The statement on the submission to execution and a blank promissory note.	2 127
Metalplast Stolarka Sp. z o.o.	ING Bank Polska	PLN, EUR	The statement on the submission to execution and an authorisation to use bank accounts.	21 186
ROMB S.A.	BGŻBNP Paribas	PLN	Joint and several liability of the companies of the Capital Group.	4 931
ROMB S.A.	Bank PKO BP			48
Alupol Films Sp. z o.o.	PEKAO S.A.	EUR	Joint and several liability of the companies of the Capital Group.	3 623
	Short-term loans			**223 787**
Aluprof Romania, Marius Hansen Facader A/S' Aluprof Shelfhaut	Liabilities due to finance lease	RON, DKK, EUR		173
Metalplast Stolarka Sp. z o.o.	Liabilities due to finance lease	PLN		259
	Total lease			**432**
			TOTAL	**224 219**

2014

LONG-TERM

Borrower	Lender	Loan currency	Security	31.12.2014
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska SA	PLN	First capped mortgage on real properties owned by Grupa KĘTY S.A. and APK Sp. z o.o. up to 50 million PLN, including the assignment of rights from insurance policies for the said real properties up to 35 million PLN. Collective mortgage on the Company's real properties up to 36 million PLN. The assignment of rights from the insurance policy for the said real property amounting to 36 million.	20 904
Alupol Packaging S.A.	Bank PKO BP	PLN	Mortgage on real properties up to 13,660 thousand PLN, including the assignment of rights from the insurance policy for the said real property.	2 306
	Long-term loans			**23 210**
Aluprof Romania	Liabilities due to finance lease	RON		97
	Total lease			**97**
			TOTAL	**23 307**

SHORT-TERM

Borrower	Lender	Loan currency	Security	31.12.2014
Grupa Kęty S.A.	Bank PKO BP	PLN, EUR, USD	Joint and several liability of the following companies: Grupa KĘTY S.A., Alupol Sp. z o.o., Aluprof S.A., Aluform sp. z o.o., Alu Trans System Sp. z o.o. up to 195,000 thousand PLN.	1 682
Grupa Kęty S.A.	BGŻBNP PARIBAS Bank Polska SA	PLN	Short-term part of long-term loans – the same securities as in the case of the long-term loan. Blank promissory note and statement on the submission to bank execution.	18 553
Grupa Kęty S.A.	ING Bank Polska	EUR, PLN	Statement on the submission to bank execution	9
Grupa Kęty S.A.	Bank PeKaO S.A.	EUR, USD, CHF	An authorisation to use accounts plus the statement on the submission to bank execution.	71 645
Grupa Kęty S.A.	Bank Societe Generale	EUR	Blank promissory note	15 768
Alupol Packaging S.A.	Bank PKO BP	PLN, EUR	Mortgage on real properties up to 13,660 thousand PLN. Joint and several liability of the following companies: Grupa KĘTY S.A., Alupol Sp. z o.o., Aluprof S.A., Aluform Sp. z o.o., Alu Trans System Sp. z o.o. up to 195,000 thousand PLN.	6 380

Complementary information (in thousand PLN)

Alupol Packaging S.A.	BGŻBNP Paribas	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A., Alupol Sp. z o.o., Aluprof S.A., Aluform Sp. z o.o., Alu Trans System Sp. z o.o. up to 195,000 thousand PLN.	5 117
Alupol Packaging S.A.	PEKAO S.A.	PLN, EUR, USD	Joint and several liability of the following companies: Grupa KĘTY S.A., Alupol Sp. z o.o., Aluprof S.A., Aluform Sp. z o.o., Alu Trans System Sp. z o.o. up to 195,000 thousand PLN.	3 748
Alupol Packaging Kęty Sp. z o.o.	Bank PKO BP	PLN, EUR, USD	Joint and several liability of the companies of the Capital Group.	4 206
Aluprof S.A.	PEKAO S.A.	PLN, EUR, USD	Establishing mortgage on real properties used by the Company under the right of perpetual usufruct. The statement on the submission to execution and an authorisation to use bank accounts.	27 267
Aluprof S.A.	Societe Generale S.A.	GBP, USD, EUR	Blank promissory note	1 456
Aluprof S.A.	BGŻBNP Paribas	PLN, EUR	Blank promissory note	499
Aluprof S.A.	BPH S.A.	EUR	Authorisation for current accounts	7 619
Metalplast Stolarka Sp. z o.o.	Bank PeKaO S.A.	PLN, EUR, USD	The statement on the submission to execution and an authorisation to use bank accounts.	12 659
Metalplast Stolarka Sp. z o.o.	BGŻBNP Paribas	PLN	The statement on the submission to execution and a blank promissory note.	9 816
Metalplast Stolarka Sp. z o.o.	ING Bank Polska	PLN, USD	The statement on the submission to execution and an authorisation to use bank accounts.	21 393
Alu Trans System Sp. z o.o.	PKO BP	PLN	Joint and several liability of the following companies: Grupa KĘTY S.A., Alupol Sp. z o.o., Aluprof S.A., Aluform Sp. z o.o., Alu Trans System Sp. z o.o. up to 195,000 thousand PLN.	3 947
	Short-term loans			**211 764**
Aluprof Romania, Marius Hansen Facader A/S	Liabilities due to finance lease	RON, DKK,		91
	Total lease			**91**
			TOTAL	**211 855**

All the Group's loans bear interest at variable interest rates determined on market terms on the basis of WIBOR/EURIBOR/LIBOR rates plus the bank's margin.

30. Provisions and accruals

	31.12.2015 (audited)	31.12.2014 (audited)
Long-term provisions	**1 188**	**760**
warranty repairs	1 188	760
Short-term provisions:	**1 020**	**1 512**
provision for jubilee bonuses and retirement benefits	975	1 462
warranty repairs	45	50
Short-term accruals:	**20 749**	**21 332**
provision for the costs of unused holiday	5 210	5 002
costs of annual bonus	9 082	12 020
costs of environmental protection and land reclamation	7	344
costs of damages	430	2 560
for incurred costs	4 261	10
for costs of auditing financial statements	241	206
other items	1 518	1 190

Complementary information (in thousand PLN)

30.1. Changes in provisions and accruals

	As at 01.01.2015	Increases	Utilisation	Currency translation differences	As at 31.12.2015
Long-term provisions	**760**	**428**	**0**	**0**	**1 188**
warranty repairs	760	428	0	0	1 188
Short-term provisions	**1 512**	489	(982)	1	1 020
provision for jubilee bonuses and retirement benefits	1 462	489	(977)	1	975
warranty repairs	50	0	(5)	0	45
Short-term accruals:	**21 332**	**19 920**	**(20 475)**	**(28)**	**20 749**
provision for the costs of unused holiday	5 002	4 846	(4 637)	(1)	5 210
costs of annual bonus	12 020	8 731	(11 676)	7	9 082
environmental protection costs	344	7	(344)	0	7
costs of damages	2 560	0	(2 130)	0	430
for incurred costs	10	5 112	(862)	1	4 261
for costs of auditing financial statements	206	231	(197)	1	241
other items	1 190	993	(629)	(36)	1 518

	As at 01.01.2014	Increases	Utilisation	Currency translation differences	As at 31.12.2014
Long-term provisions	**834**	**526**	**(600)**	**0**	**760**
warranty repairs	834	526	(600)	0	760
Short-term provisions	**1 224**	**822**	**(534)**	**0**	**1 512**
provision for jubilee bonuses and retirement benefits	1 224	772	(534)	0	1 462
warranty repairs	0	50	0	0	50
Short-term accruals:	**18 360**	**18 502**	**(15 403)**	**(127)**	**21 332**
provision for the costs of unused holiday	3 699	4 780	(3 477)	0	5 002
costs of annual bonus	8 871	11 948	(8 807)	8	12 020
environmental protection costs	707	344	(707)	0	344
costs of damages	2 560	0	0	0	2 560
for incurred costs	256	10	(256)	0	10
for costs of auditing financial statements	210	206	(210)	0	206
other items	2 057	1 214	(1 946)	(135)	1 190

31. Trade and other liabilities

31.1. Long-term liabilities

As a performance bond for construction services for a part of construction contracts, the Company submits security deposits. In the event of any defects that the supplier fails to eliminate pursuant to a bond, the Group may retain the security deposit and use it to repair such defects.

	31.12.2015 (audited)	**31.12.2014** (audited)
Building security deposits	2 098	1 981

Complementary information (in thousand PLN)

31.2. Short-term trade and other liabilities

	Note	31.12.2015 (audited)	31.12.2014 (audited)
Short-term liabilities:		239 070	**237 653**
Trade liabilities*		167 761	175 158
Liabilities due to the purchase of property, plant and equipment		27 731	20 924
Total financial liabilities (under IFRS 7)	**35(b)**	**195 492**	**196 082**
Public law liabilities (except for the income tax liabilities)		23 576	21 466
Down payments (trade-related) from customers		5 519	4 968
Remuneration liabilities		11 826	10 345
Other liabilities		2 657	4 792
Total non-financial liabilities		**43 578**	**41 571**

*Including trade liabilities owed to an associate: 1,854 thousand PLN; note 21

Principles and conditions of the payment of the aforementioned financial liabilities:

The conditions of related party transactions are presented in note 34.2 of the complementary information and explanations. Trade liabilities do not bear interest and are usually settled within 30-60 days. Other liabilities do not bear interest and their average payment period is one month.
The said liabilities are not secured with the Company's assets.

32. Deferred income

	31.12.2015 (audited)	31.12.2014 (audited)
Long-term subsidies	37 187	38 897
Other	43	0
Long-term deferred income	**37 230**	**38 897**
Short-term subsidies	1 771	2 092
Other	1 810	0
Total short-term deferred income	**3 581**	**2 092**

The majority of received subsidies are related to the projects co-financed under assistance programmes of the European Union and to the co-financing of development costs.

The Group is carrying out three large projects co-financed from the EU's funds related to the purchase and construction of property, plant and equipment:
The first project is related to the co-financing under the measure: "4.5 Support for investment of considerable importance to the economy in Priority Axis 4 'Investments in innovative undertakings' under Operational Programme Innovative Economy". The project implementation period is 2009-2011.
Eligible costs: 12,900,000 PLN, where 50% is subsidised. Under this programme, the Group received subsidies of 6,389 thousand PLN.
In addition, the Group is obliged to carry out business activities defined by it in the application until 31.12.2016.
The project aimed at the establishment in the Group of its own Research and Development Centre. The project resulted in the launch of formalised and centralised R&D activities in the Company. The new Research and Development Centre also affects the current operations of the Group mainly through the optimisation of conducted R&D processes and the diversification of the production.
The main measurables for the project are as follows:
The value of purchased new property, plant and equipment/intangible assets used to implement the project = 12,900,000.00
The number of purchased new property, plant and equipment/intangible assets used to implement the project = 21
The number of implemented technologies
The number of new jobs
The number of new products
The number of new services
The number of new products and produced technologies introduced to the market
The implementation of organisational or marketing innovation
The establishment of proprietary R&D department

The number of new R&D projects carried out by the beneficiary
The number of enterprises from the SME sector cooperating with the Applicant
The number of employees with higher education among new employees
The number of hired graduates from schools of higher education
The number of subcontractors selected using environmental criteria

As at the balance sheet date, the Group met all conditions for the subsidy. The Group must meet the said conditions on average for 5 years from the date of project completion.

The second project is related to the co-financing under the measure: "4.4 New investments of high innovation potential in Priority Axis 4 'Investments in innovative undertakings' under Operational Programme Innovative Economy". The project implementation period is 2009-2011.
Eligible costs: 69,609,000 PLN, where 50% is subsidised. Under this programme, the Group received subsidies of 33,942 thousand PLN.
In addition, the Group is obliged to carry out business activities defined by it in the application until 31.12.2017.
The project was related to the purchase, assembly and launch of an innovative aluminium profiles production line.
The project comprised the construction of a production hall and the purchase of an innovative production line along with associated devices.

The main measurables for the project are as follows:
An innovative aluminium profiles production line = 1
A set of devices accompanying the innovative aluminium profiles production line = 1
Production hall = 1
The number of new jobs
The number of new products
The implementation of organisational or marketing innovation
The establishment of proprietary R&D department or the establishment of permanent cooperation with an R&D unit
The value of export revenue generated solely from the sale of products (goods and services) resulting from the project
An increase in revenue resulting from the implementation of the project
An increase in output
As at the balance sheet date, the Group met all conditions for the subsidy. The Group must meet the said conditions on average for 5 years from the date of project completion.

The third project is related to the co-financing for the Aluminium Systems Segment under the measure: "4.4 New investments of high innovation potential in Priority Axis: 'Investments in innovative undertakings' under Operational Programme Innovative Economy." The project implementation period is 2007-2013. Eligible costs: 15,049 thousand PLN, where 50% is subsidised. Under this programme, the Group received subsidies of 6,085 thousand PLN.
Under the EU's Operational Programme Innovative Economy 2007-2013, the Group established a new production and storage hall along with an office and amenity building in the plant in Opole, and launched a manufacturing process based on innovative concepts.
Owing to the purchase and assembly of the innovative production line, the Group is able to manufacture, in a fully automated production process, various types of aluminium boxes, including oval and semi-oval ones.
In addition, the Group is obliged to carry out business activities defined by it in the application until 31.12.2017.
Output indicators:
Production hall
An innovative line for the production of aluminium boxes for roller-blinds
A set of high-storage racks
A set of devices accompanying the innovative line for the production of aluminium boxes for roller-blinds
Staff facilities for employees operating production lines
The assembly of solar collectors
Result indicators:
The number of new jobs = 9 in total, including 2 jobs for women with one of them in the R&D department
The number of new products = 3
The implementation of organisational or marketing innovation
The establishment of permanent cooperation with an R&D unit
An increase in revenue resulting from the implementation of the project

Complementary information (in thousand PLN)

Percentage increase in revenue from the export of trade goods resulting from the implementation of the project = 21.02%
An increase in output = 4.46%
Annual reduction of the demand for conventional heat energy = 6,214 kWh p.a.
Reduced CO_2 emissions to air = 1,864 kg p.a.
As at the balance sheet date, the Group met all conditions for the subsidy. The Group must meet the said conditions on average for 5 years from the date of project completion.

33. Contingent liabilities

Item	31.12.2015	31.12.2014
Bank guarantee for LC Corp Sky Tower concerning the proper performance of the contract	0	3 593
Building bank guarantees granted by Metalplast Stolarka sp. z o.o.**	30 342	33 760
Insurance performance bond from the ASS*	72 772	0
Banking performance bond for a rental contract (expires in the first half of 2016)	411	0
Total granted guarantees	**103 525**	**37 353**

* The Group supplies elements under a material contract. To guarantee the performance of the contract, the Group issued an insurance bond with the expiry date of 30.11.2016.

**Building guarantees are related to the proper implementation of construction services contracts, and validity dates depend on the terms and conditions of particular contracts.

Apart from aforementioned liabilities, there are no other contingent liabilities.

33.1. Tax accounts

Tax accounts as well as other areas of activity subject to the applicable regulations (e.g. customs and exchange issues) can be controlled by administrative authorities entitled to impose high penalties. The lack of reference to well-established legal regulations in Poland and Ukraine, where the Group has significant assets, results in inconsistencies and inaccuracies in the regulations in force. Differences in opinions with regard to the interpretation of tax regulations both in tax authorities and between individual governmental bodies and enterprises cause uncertainty and conflicts. As a result, the tax risk in Poland and Ukraine is much higher than usual tax risk in the countries where tax systems are more developed.

Tax accounts may be subject to audits in the period until the date when such tax accounts are lapsed according to tax regulations (5 years in Poland) starting from the end of the year in which a given tax was paid. As a result of the control procedures, the Group’s current tax settlements may be increased with additional tax liabilities. According to the Group, as at the balance sheet date, there was no risk justifying the creation of provisions for tax settlements.

34. Shareholding structure and related party transactions

34.1. Shareholding structure

The shareholding structure of Grupa Kęty S.A. is as follows:

Entity	Number of shares 31-12-2015	Interest in capital	Number of shares 31-12-2014	Interest in capital
Aviva OFE Aviva BZ WBK	1 691 276	17.91%	1 691 276	18.00%
Nationale Nederlanden PTE (formerly ING PTE)	1 610 534	17.06%	1 610 534	17.15%
OFE PZU "Złota Jesień"	921 000	9.75%	921 000	9.80%
PTE Allianz Polska	499 748	5.29%	499 748	5.32%
Others	4 719 430	49.99%	4 670 980	49.73%
Total	**9 441 988**	**100%**	**9 393 538**	**100%**

34.2. Terms of related party transactions

All related party transactions are concluded at market prices.

Apart from the transactions described in notes 12, 26, 31 and 34, the Group did not carry out any other related party transactions.

Complementary information (in thousand PLN)

34.3. Other transactions with members of the Management Board

The Group did not conduct any transactions with the members of the Management Board apart from those specified in notes 34.4 and 34.5.

34.4. Remuneration of the Group's top management

Management Board of the parent company:	2015	2014
Costs of short-term employee benefits	1 642	1 568
Costs of the provision for annual bonuses and other benefits	1 785	2 757
Total costs of remunerations of the members of the Management Board	**3 427**	**4 325**
The valuation of the costs of options for treasury shares due when the programme is implemented*	1 214	450
Total payments to the members of the Management Board	**4 641**	**4 775**

* The details of the programme are described in note 23.1. If the market conditions for the allocation of options are not fulfilled, despite the recognition of the costs of the programme, eligible persons will not acquire the right to subscribe for shares.

In addition, there are no agreements between the parent company and managing persons which provide for a compensation in the case of their resignation or dismissal from their positions with no important reason or where their dismissal is related to the Issuer's merger by acquisition, except for the conditions included in the term of notice and conditions included in non-competition agreements.

By top management, the Group means management boards of subsidiaries and proxies of the parent company.

Remunerations and benefits under the options programme due to the members of the Management Board, top management and members of the Company's Supervisory Board are as follows:

	12 months of 2015	12 months of 2014
Management Board of the parent company*	4 641	4 775
Top management*	8 628	8 106
Supervisory board	576	551
TOTAL	**13 845**	**13 432**

* The presented remunerations cover the costs of provisions for annual bonuses for the management staff and share options costs recognised in the income statement. The details of the share options programme are described in note 23.1. Pursuant to the principles of the programme and IFRS 2, the costs of share options constitute the valuation of the options programme as at the date of its launch. The costs of options are recognised in the income statement on a straight line basis throughout the validity period of the programme, i.e. 36 months. According to IFRS 2, the costs presented in such a way constitute the cost of remunerations for the Company, but do not reflect the value of possible benefits that employees may obtain in the future on this account. Employees' possible benefits depend on the level of share prices in the future as compared to the acquisition price resulting from the conditions for particular parts of the options programme.

In addition, there are no agreements between Grupa KĘTY S.A. and managing persons which provide for a compensation in the case of their resignation or dismissal from their positions with no important reason or where their dismissal is related to the Issuer's merger by acquisition, except for the conditions included in the term of notice and conditions included in non-competition agreements.

34.5. Participation of the top management in the employee shares programme

As described in details in note 23.1, the Company has implemented an options programme for the management staff.

Under the programme, the members of the Management Board hold options entitling them to purchase 11,604 shares from the first part of the 2012 programme.In 2015, the members of the Management Board subscribed for, according to the terms and conditions of the programme, 30,450 shares from the third part of the 2009 programme.

In addition, after meeting the programme conditions, the members of the Management Board will acquire the right, according to the terms and conditions of the programme, to purchase up to 27,280 shares from the second part of the 2012 programme; up to 28,000 shares from the third part of the 2012 programme; and up to 15,000 shares from the first part of the 2015 programme. The costs of benefits related to share options granted to the members of the Management Board recognised in the income statement for 12 months of 2015 amounted to 1,214 thousand PLN (450 thousand PLN for 12 months of 2014).

Complementary information (in thousand PLN)

The options for the shares of Grupa Kęty S.A. were granted to members of the top management. The costs of options for the top management charged to profit or loss amounted in 12 months of 2015 to 1,314 thousand PLN (564 thousand PLN in 12 months of 2014).

35. Objectives and principles of financial risk management

Basic risks which may affect the Group's financial result include: the risk of changes of the prices of basic raw materials, interest rate risk, currency risk, credit risk and exceptional occurrences risk. The Management Board verifies and agrees on the principles of the management of each of the aforementioned risks and these principles are briefly discussed below. The Group also monitors the risk of market prices applicable to all financial instruments managed by it. The Group's accounting principles related to derivative instruments are discussed in note 10.16 of complementary information and explanations.

The basic objectives of the company's financial risk management process are as follows:

- ensuring financial liquidity;
- limiting the direct impact of interest rates, exchange rates and the primary aluminium prices on the Company's results;
- limiting the negative impact of exceptional occurrences.

(a) Sensitivity analysis

By managing interest rate risk and currency risk, the Group aims to reduce the impact of short-term fluctuations on the Group's profits. However, persisting changes of exchange rates and interest rates will have an impact on the Group's profits.

The tables below present the estimates of the Company's risks related to changes in interest rates and exchange rates of the main currencies.
For items affecting the income statement

Risk	Change	Change of gross profit – 2015	Change of gross profit – 2014
Increase in interest rates	1%	3 148	2 352
Increase in EUR/PLN exchange rate	5%	1 145	818
Increase in USD/PLN exchange rate	5%	504	(1 661)
Increase in GBP/PLN exchange rate	5%	1 822	0
Increase in USD/UHR exchange rate	10%	(1 038)	(2 452)

For items affecting equity

Risk	Change	31.12.2015	31.12.2014
Increase in EUR/PLN exchange rate for hedging instruments	5%	506	(4 778)
Increase in EUR/USD exchange rate for hedging instruments	5%	2 759	0
Increase in USD/PLN exchange rate for hedging instruments	5%	4 835	380
Increase in GBP/PLN exchange rate for hedging instruments	5%	444	0
Increase in aluminium price for hedging instruments	5%	6 178	80

(b) Fair values

Below, we present the detailed information concerning fair values of financial instruments that can be estimated:

- Cash and cash equivalents, short-term bank term deposits and short-term bank loans. The fair value of the said instruments is close to their carrying amounts due to their short maturity.
- Trade receivables, other receivables, trade liabilities and other liabilities. The fair value of the said instruments is close to their carrying amounts due to their short-term nature.
- Long-term interest-bearing bank loans, bank credits and lease. The fair value of the said instruments is close to their carrying amounts due to the fluctuating nature of their interest rates as well as the market level.

Complementary information (in thousand PLN)

Financial assets	Under IAS 39	31 December 2015	31 December 2014
Financial receivables	LR	402 939	388 357
Hedging instruments *		2 128	1 930
Cash	LR	72 704	66 430

Financial liabilities	Under IAS 39	31 December 2015	31 December 2014
Financial liabilities	OFLatAC	195 491	196 082
Hedging instruments *		7 857	2 523
Finance lease and bank loans	OFLatAC	314 820	235 162

* Derivative hedging instruments which meet the requirements of hedge accounting.
Abbreviations:
HtMI – Held-to-maturity investments
LR – Granted loans and receivables
OFLatAC – Other financial liabilities at amortised cost

Fair values of all financial assets and liabilities presented above are close to their carrying amounts.

35.1. Risk related to changes in the prices of basic raw materials

35.1.1 Aluminium, aluminium scrap and aluminium film

Primary aluminium, ingots, aluminium scrap and aluminium film are the basic raw materials used by the Group. Primary aluminium is mainly purchased on the basis of annual contracts and the price is determined on a monthly basis individually for each delivery. Prices of aluminium scrap purchased on the market are not based on the price formulas directly related to the aluminium quotations at the London Metal Exchange; however, there is a significant correlation of the scrap prices with movements of metals at the London Metal Exchange. Aluminium film is purchased mainly on the basis of contracts and the price is determined individually for each delivery.
The risk of changes in the prices of basic raw materials is mitigated by futures for the purchase of aluminium. The information about the hedging of aluminium price can be found in note 36.1.1.

35.1.2 Plastics (polyethylene, polyester, polypropylene)

Plastics constitute one of the basic raw materials of the Flexible Packaging Segment within the Group. These raw materials are primarily purchased based on SPOT type orders at the fixed price from the suppliers from the list of qualified suppliers. There are no price formulas based on the stock exchange quotations of a given raw material. However, it does not mean the maintenance of constant prices for longer periods of time (exceeding the order period), as the suppliers respond to changes of the raw materials prices at the stock exchange as well as changes in the competitive environment by increasing the prices in the event of the increase in the raw materials prices or a significant increase in demand for a given product. Hence, also in this area, the Group faces the risk of changes of prices which is beyond its control.

35.1.3 Paper

Paper is another group of raw materials (several types of paper are purchased) important for the Flexible Packaging Segment. Prices of this raw material are regulated analogously to plastics, which means a similar exposure to price fluctuations.

35.2. Interest rate risk

The Group records a surplus of financial resources or uses borrowings through long- and short-term bank loans. Interest on bank term deposits and loans is variable and depends on interest rates applicable on the interbank market such as WIBOR (for loans in PLN), LIBOR and EURIBOR (for foreign currency loans). As a result, the company faces the risk of interest rates fluctuations, which may result in the decrease in the rate of return from financial term deposits or an increase in costs of borrowed loans.

Complementary information (in thousand PLN)

Variable interest	**Maturity periods**			
31-12-2015	< 1 year	1-2 years	2-3 years	More than 3 years
Cash	72 704	0	0	
Bank loans in PLN	(192 900)	(22 530)	(41 891)	(28 000)
Lease and bank loans in EUR	(29 382)	0	0	0
Other loans in DKK	(117)	0	0	

Variable interest	**Maturity periods**		
31-12-2014	< 1 year	1-2 years	2-3 years
Cash	66 430	0	0
Bank loans in PLN	(138 021)	(13 412)	(9 798)
Lease and bank loans in EUR	(54 659)	0	0
Bank loans in USD	(19 084)	0	0
Bank loans in GBP	0	0	0
Other loans in RON, DKK	(91)	(97)	0

35.3. Liquidity risk

The Group monitors the risk of the lack of funds using the periodical liquidity planning tool. The tool takes into account maturity dates both for investments and financial assets (e.g. accounts of receivables, of other financial assets) and forecasted cash flows from operating activities.

The Group aims to maintain the balance between the continuity and flexibility of financing using various financing sources such as overdraft facilities, bank loans, bonds, preference shares, finance lease agreements and lease agreements with a purchase option.

The table below presents the Group's financial liabilities by maturity periods on the basis of contractual non-discounted payments.

31-12-2015	**Maturities**				
	On demand	Less than 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years
Lease and bank loans	16 050	9 195	197 154	64 421	28 000
Other financial liabilities	21 004	174 389	76	23	0
Off-balance sheet liabilities	0	2 975	63 163	28 264	9 123
Derivative financial instruments	0	2 195	4 967	260	0
TOTAL	**37 054**	**188 754**	**265 360**	**92 968**	**37 123**

31-12-2014	**Maturities**				
	On demand	Less than 3 months	From 3 to 12 months	From 1 to 3 years	More than 3 years
Lease and bank loans	0	57 350	158 805	19 511	4 900
Other financial liabilities	9 745	183 531	2 806	0	0
Off-balance sheet liabilities	0	11 771	6 994	3 697	14 891
Derivative financial instruments	0	553	1 440	0	0
TOTAL	**9 745**	**253 205**	**170 045**	**23 208**	**19 791**

35.4. Currency risk

The Group records revenue and expenses in three basic currencies (PLN, EUR and USD). Revenue and expenses in other currencies do not exert significant influence on the Group's risk. The balance of revenue and expenses in foreign currencies is positive for EUR and negative for USD, but the EUR surplus exceeds the USD deficit. It results in an exposure to changes in EUR/USD and PLN/EUR relations.

The Group's exposures to the currency risk as at the balance sheet date are presented in the table below:

	31.12.2015		31.12.2014	
	Amount in a foreign currency	**Amount translated to thousand PLN**	**Amount in a foreign currency**	**Amount translated to thousand PLN**
Cash in thousand EUR	2 752	11 729	8 406	35 830
Cash in thousand USD	3 079	12 011	429	1 504
Receivables in thousand EUR	32 583	138 851	31 067	132 417
Receivables in thousand USD	3 079	15 706	2 768	9 709
Lease and bank loans in thousand EUR	(6 336)	(26 999)	(12 824)	(54 659)
Lease and bank loans in thousand USD	0	0	(5 442)	(19 085)
Trade and other liabilities in thousand EUR	(20 448)	(87 138)	(22 809)	(97 219)
Trade and other liabilities in thousand USD	(4 521)	(17 635)	(7 230)	(25 356)
Liabilities in thousand UHR denominated in USD	(2 767)	(10 793)	(7 328)	(25 957)
Receivables in thousand UHR denominated in USD	107	417	409	1 442
Total exposure to risk - EUR	**8 551**	**36 443**	**3 840**	**16 369**
Total exposure to risk - USD	**1 637**	**10 082**	**(9 475)**	**(33 228)**
Total exposure to risk – UHR to USD	**(2 660)**	**(10 376)**	**(6 919)**	**(24 515)**

Information about the hedging of the Company's exchange position is presented in note 36.1.1

The Group, through its subsidiaries, also carries out business activities in Ukraine; as a result, the Group is subject to the risk of the depreciation of Ukrainian hryvnia (UHR) against convertible currencies.

35.5. Trade credit risk

Trade credit

In cooperation with the customers, the companies of the Group apply deferred payment terms with payment periods from several to several dozen days (trade credit). The credit is usually not secured by the borrower in a manner ensuring 100% guarantee of obtaining the funds. Consequently, the Group is exposed to the risk of complete or partial insolvency of a given customer or a significant delay of the liabilities payment.

Sale to reliable, tested customers helps minimise this risk. In addition, the Group insures the trade credit in professional companies providing such types of services. As at the balance sheet date, over 60% of the Group's trade receivables not covered by revaluation write-downs were insured.

There is no customer whose balance of receivables or liabilities would exceed 10% of receivables or liabilities disclosed in the balance sheet.

Cash

The Group cooperates only with the biggest Polish banks and, abroad, with the biggest banks in those foreign countries which are related in equity terms with the banks providing services to the Group in Poland. The banks have a high capital adequacy standing. To minimise the risk of the loss of liquidity, the Group uses the services of a few banks; in addition, the Group monitors the financial positions of the banks providing services to the Group on an ongoing basis.

35.6. Exceptional occurrences risk

35.6.1 Property damage risk

The Group is in possession of industrial property of considerable value. The property in question in exposed to a number of risks related to exceptional occurrences such as: fire, deluge, flooding, construction and assembly risk related to projects, etc. The Company's production assets are insured.

35.6.2 Profit loss risk

Not only can exceptional occurrences decrease the Group's assets, but also, to a considerable extent, its capability to generate profit. Such a situation can occur in the case of excluding the whole or a part of any of the Group's production plants from the production process.

35.6.3 Risk of damage to third parties

Business activities are associated with the risk of causing damage to third parties. Such a case may occur as a result of direct damage done to the third party during their visit at the production facility which belongs to the Group as well as a result of defective operation of the products manufactured by the Group. Moreover, the shares of Grupa Kęty S.A. are quoted at Warsaw Stock Exchange. Damage caused to the company due to wrong decisions of the Management Board (and consequently, a possible decrease in the share price) may result in the shareholders' claims to remedy the damage or reimburse the profits lost by shareholders.

Complementary information (in thousand PLN)

35.6.4 Geopolitical risk in the countries in which the Group operates

The Group's activities and the Group's main assets are located mainly in Poland. In addition, the Group operates in other countries, including Ukraine. As at the balance sheet date, net assets accounted for in the consolidated financial statements were related to the operations of Alupol Ukraina LLC and they amounted to 10,183 thousand PLN (previous year: 17,256 thousand PLN) and the operations of Aluprof Ukraina, which, as at the balance sheet date, amounted to minus 5,490 thousand PLN (previous year: minus 11,435 thousand PLN).

The unstable political and economic situation in Ukraine results in the exposure of the said assets to the risk exceeding the usual economic risk. The Management Board has been analysing the situation of subsidiaries in Ukraine on an ongoing basis. Any possible future write-downs related to the deteriorating economic situation and potential military actions in Ukraine as events after the reporting period may be deducted from the result for 2016 or further years.

In addition, the Group cooperates with multiple partners from other countries as regards the purchase and sale of trade goods. Increasing geopolitical risk related to the unstable political situation in certain countries may have adverse impact upon the Group by breaking the supply chain for raw materials (mainly aluminium) or due to the loss of some customers. In addition, in recent years, the greater risk of the impairment of assets (receivables) related to the areas where political situation is unstable increased as compared to previous years.

36. Derivative financial instruments

Financial assets	**31.12.2015** (audited)	**31.12.2014** (audited)
Currency forwards hedging cash flows	1 646	1 568
Futures for the purchase of aluminium hedging cash flows	447	362
Ineffective currency forwards	35	0
TOTAL FINANCIAL ASSETS	**2 128**	**1 930**

Financial liabilities	**31.12.2015** (audited)	**31.12.2014** (audited)
Currency forwards hedging cash flows	4 303	560
Futures for the purchase of aluminium hedging cash flows	3 294	1 963
Ineffective currency forwards	179	0
IRS's hedging interest rates	81	0
TOTAL FINANCIAL LIABILITIES	**7 857**	**2 523**

Currency forwards and futures for the purchase of aluminium are measured either on the basis of the stock exchange quotations or, in the case of the lack of stock exchange quotations, by discounting values based on the forward rate resulting from the contract and deduction of the amount in the given currency translated at the current exchange rate.

In the event of the application of the discounted cash flows method, the estimated value of the future cash flows is based on the most reliable estimates of the Management Board, whereas the discount rate is the market interest rate for a similar instrument as of the balance sheet date. In the event of the application of other valuation models, the output data are based on the market data as of the balance sheet date.

36.1. Forwards and futures

The Company applies the principles of hedge accounting to mitigate the adverse impact of the currency risk and of the risk related to aluminium prices. As at the balance sheet date, the Company recognised in equity:

	31.12.2015 (audited)	**31.12.2014** (audited)
Open currency forwards	(1 917)	1 015
Open futures for the purchase of aluminium	(2 847)	(1 601)
Exercised futures for the purchase of aluminium	(2 073)	772
Exercised currency forwards	201	0
Open interest rate IRS's	(81)	0
TOTAL FINANCIAL LIABILITIES	**(6 717)**	**186**

The aforementioned items will affect the Company's result in 2016.

In addition, the Group recognised directly in profit or loss for 2015, the amount of (740) thousand PLN as a loss from the ineffective part of open currency forwards.

36.1.1 Cash flow hedge

As at 31 December 2015, the Group had the following hedging contracts that were subject to hedge accounting principles. The items below were recognised as a component of equity:

Futures for the purchase of aluminium in USD

Exercise date	Fair value	Number of tons	Nominal value	Average USD price
Q1 2016	(399)	5 775	9 161	1 586.32
Q2 2016	(212)	4 600	7 229	1 571.52
Q3 2016	(105)	1 600	2 574	1 608.75
Q4 2016	(14)	375	594	1 584.00
TOTAL	**(730)**	**12 350**	**19 558**	**1 583.64**

Futures for the purchase of aluminium in PLN (after translation)

Exercise date	Fair value	Number of tons	Nominal value in PLN	Average PLN price
Q1 2016	(1 556)	5 775	35 739	6 188.57
Q2 2016	(826)	4 600	28 202	6 130.87
Q3 2016	(411)	1 600	10 040	6 275.00
Q4 2016	(54)	375	2 316	6 176.00
TOTAL	**(2 847)**	**12 350**	**76 297**	**6 177.89**

The Group hedges itself against commodity risk using futures, with the prices of aluminium at the London Metal Exchange as the underlying asset. These futures are standardised and provide for 25 tons of aluminium, whereas they are settled on the third Wednesday of each month.

Currency:

In the reporting periods, the Group, to hedge the currency risk, used only forwards for the purchase/sale of currencies.

As the Group's currency position for EUR is long (which means the dominance of revenue denominated in this currency over expenses), whereas for USD, it is short (which means the dominance of expenses denominated in this currency over revenue), the hedging transactions were aimed at the sale of EUR and the purchase of USD. It took place through the direct sale of EUR for USD, sale of EUR for PLN.

Amounts and settlement dates for the transactions are not standardised and they are subject to individual agreements with a bank. However, the Group adopted a principle that the currency transactions aimed at hedging cash flows in a given month are concluded with the date of delivery on the last working day of a given month and closed (through the conclusion of opposite transactions) in a given month or realised through a delivery.

The table below presents a statement of transactions concluded by the Group.

Sale of EUR for USD

Delivery date	Fair value in '000' PLN	Amount in the underlying currency	Amount in quoted currency	Average exchange rate
Q1 2016	346	5 515	6 147	1.1146
Q2 2016	299	4 700	5 231	1.1130
Q3 2016	105	1 450	1 711	1.18
Q4 2016	36	950	1 059	1.1147
TOTAL	**786**	**12 615**	**14 148**	**1.1215**

Sale of EUR for PLN

Delivery date	Fair value in '000' PLN	Amount in the underlying currency	Amount in quoted currency	Average exchange rate
Q1 2016	32	1 600	6 869	4.2931
Q2 2016	22	1 500	6 465	4.31
Q3 2016	22	1 200	5 194	4.3283
Q4 2016	21	400	1 751	4.3775
TOTAL	**97**	**4 700**	**20 279**	**4.3147**

Sale of USD for PLN

Delivery date	Fair value in '000' PLN	Amount in the underlying currency	Amount in quoted currency	Average exchange rate
Q1 2016	(940)	7 645	29 055	3.8005
Q2 2016	(709)	3 645	13 544	3.7158
Q3 2016	(1 041)	6 125	22 948	3.7466
Q4 2016	(1 272)	8 005	30 119	3.7625
TOTAL	**(3 962)**	**25 420**	**95 666**	**3.7634**

Sale of GBP for PLN

Delivery date	Fair value in '000' PLN	Amount in the underlying currency	Amount in quoted currency	Average exchange rate
Q1 2016	151	900	5 371	5.9678
Q2 2016	25	600	3 510	5.8500
TOTAL	**176**	**1 500**	**8 881**	**5.9207**

Purchase of EUR for PLN

Delivery date	Fair value in '000' PLN	Amount in the underlying currency	Amount in quoted currency	Average exchange rate
Q1 2016	178	6 944	29 517	4.2507
Q2 2016	68	1 697	7 203	4.2445
TOTAL	**246**	**8 641**	**36 720**	**4.2495**

The purchase of EUR for PLN aimed at hedging expenditure related to the purchase of production machinery for the Flexible Packaging Segment.

Forwards/futures hedging interest rates of loans

The Group hedges itself against the interest rate risk for loans by entering into IRS's. As at the balance sheet date, the Group had a contract hedging the fixed interest rate of 1.7% for a loan with the value of 20,000 thousand PLN with the maturity date of 01.03.2018. The fair value of this contract as at the balance sheet date amounted to (81) thousand PLN.

The effectiveness of hedging transactions is monitored on an ongoing basis and there is no non-effective hedging whose result or part of the result should be recognised in the income statement.

Complementary information (in thousand PLN)

37. Revenue, costs and losses by categories of financial instruments

2015	Hedging instruments	Own loans and receivables	Financial liabilities carried at amortised cost	Total financial instruments
Revaluation write-downs	0	(4 095)	0	(4 095)
Interest income (costs)	0	1 104	(5 640)	(4 536)
Profit (loss) from currency translation differences	570	2 738	(5 397)	(2 089)
Profit (loss) from hedging financial instruments	(26 264)	0	0	(26 264)
Total profit (loss)	**(25 694)**	**(253)**	**(11 037)**	**(36 984)**

2014	Hedging instruments	Own loans and receivables	Financial liabilities carried at amortised cost	Total financial instruments
Revaluation write-downs	0	(9 088)	0	(9 088)
Interest income (costs)	0	1 291	(6 448)	(5 157)
Profit (loss) from currency translation differences	(21)	1 778	(18 433)	(16 676)
Profit (loss) from hedging financial instruments	870	0	0	870
Total profit (loss)	**849**	**(6 019)**	**(24 881)**	**(30 051)**

38. Capital management

The main aim of the Group's capital management process is to retain good credit rating and safe equity ratios which would support the Group's operating activities and increase shareholder value.

The Group manages the capital structure and, as a result of changes in economic conditions, amends it. To retain or adjust the capital structure, the Group may change the payment of dividend to shareholders, return the capital to shareholders or issue new shares. In the reporting periods, no changes were introduced to objectives, principles and processes in this area.

The Group monitors equity using the leverage ratio which is the ratio of net debt to total equity increased with net debt. According to the Group's principles, the ratio should not exceed 50%. The Group's net debt includes interest-bearing borrowings, trade and other liabilities, less cash and cash equivalents.

	31 December 2015	31 December 2014
Interest-bearing loans and credits	314 820	235 162
Trade and other liabilities	241 168	239 634
Less cash and cash equivalents	(72 704)	(66 430)
Net debt	483 284	408 366
Equity	1 278 843	1 203 232
Equity and net debt	1 762 127	1 611 598
Leverage ratio	27.43%	25.34%

Leverage ratio = net debt / (net debt + equity)

39. Fair value measurement methods (fair value hierarchy)

The Group measures at fair value investment properties and derivative financial instruments.

The carrying amount of investment properties is based on fair values determined on the basis of the valuation conducted by a qualified independent expert experienced in the valuation of investment properties. The approach applied by the expert was based on compared market prices of rents in accordance with the income method and straight capitalisation of gross revenue technique. Fair value of investment properties is classified at the so-called 'Level 3'.

Complementary information (in thousand PLN)

The fair value of futures and forwards is calculated on the basis of the present net value of the future cash flows related to these contracts, quoted market prices of forwards calculated with the application of the present interest rates.

Fair value of currency forwards is determined by reference to the present forward rates for contracts with similar maturity.

As compared to the previous financial year, the Group did not change the method of measuring derivatives.

Derivatives are recognised as assets when their measurement is positive, and as liabilities when their measurement is negative. Gains and losses due to changes in the fair value of derivatives which do not meet the principles of hedge accounting are recognised in profit or loss for the reporting year.

In the case of determining fair value on the basis of market quotations, it is classified at the so-called ‘Level 1’. In the case of derivatives held by the Group, fair value is determined on the basis of other inputs that are observable either directly or indirectly. As a result, the value is classified at the so-called ‘Level 2’ of the fair value hierarchy.

Fair value hierarchy	**Fair value hierarchy level**	**31.12.2015** (audited)	**31.12.2014** (audited)
Assets			
Investment properties	3	11 927	12 398
Hedging derivatives	2	2 128	1 930
TOTAL ASSETS		**14 055**	**14 328**
Liabilities			
Hedging derivatives	2	7 857	2 523
TOTAL LIABILITIES		**7 857**	**2 523**

40. The auditor’s remuneration

Figures in PLN	**2015**	**2014**
Remuneration for the audit of annual separate and consolidated financial statements	54,000 PLN	54,000 PLN
Remuneration for the audit of financial statements of subsidiaries	182,000 PLN	182,000 PLN
Remuneration for semi-annual reviews	30,000 PLN	30,000 PLN
Additional procedures related to works on financial statements (energy-related assets)	15,000 PLN	0 PLN
Auditor’s total remuneration for the period	**281,000 PLN**	**266,000 PLN**

Apart from the above-mentioned services, the Group did not take advantage of other services rendered by the auditor auditing the financial statements of the parent company.

41. Events after the reporting period

After the reporting period, there were no significant events which should be included in the consolidated financial statements for 2015.

Signatures of all Members of the Management Board

Dariusz Mańko	**Adam Piela**
President of the Management Board	*Member of the Management Board*
………………………………………..	……………………………

Kęty, 16 March 2016

Signatures of the person responsible for the preparation of these consolidated financial statements

Andrzej Stempak
President of the Management Board
Dekret Centrum Rachunkowe Sp. z o.o. ……………………………………………

Kęty, 16 March 2016