SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

As at and for the period ended 31 December 2015

PROCHEM S.A.
Powązkowska 44C Street
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Statement of financial position as at 31 December 2015

(all amounts in PLN thousands if not stated otherwise)

	Note No.	31 December 2015	31 December 2014
A s s e t s			
Non-current assets			
Property, plant and equipment	1	1 542	1 977
Intangible assets	2	414	151
Shares in subsidiaries	3	10 162	10 162
Shares in the equity-accounted investees	4	4 810	5 210
Deferred tax assets	5	1 834	1 073
Other financial assets	6	36 326	32 036
Total non-current assets		**55 088**	**50 609**
Current assets			
Inventories	7	5 247	2 487
Trade and other receivables	8	68 856	59 810
Other financial assets	9	3 569	19 382
Other assets	10	7 671	4 433
Cash and cash equivalents		16 769	2 962
Total current assets		**102 112**	**89 074**
Total assets		**157 200**	**139 683**
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital	11	3 895	3 895
Revaluation reserve	12	859	1 261
Retained earnings	13	78 521	73 671
Total equity		**83 275**	**78 827**
Non-current liabilities			
Provisions for retirement and similar benefits	14	715	711
Deferred income	20	-	1 827
Other liabilities	15	14	20
Total non-current liabilities		**729**	**2 558**
Current liabilities			
Bank loans	16	9 024	9 448
Borrowings	17	950	957
Trade payables	18	47 154	25 416
Liabilities under current income tax		1 361	367
Other liabilities	19	3 670	4 100
Deferred income	20	11 037	18 010
Total current liabilities		**73 196**	**58 298**
Total liabilities		**73 925**	**60 856**
Total equity and liabilities		**157 200**	**139 683**
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per one share (in PLN)		21.38	20.24

Profit and loss account
for the year from 1 January 2015 to 31 December 2015

(all amounts in PLN thousands if not stated otherwise)

	Note No.	2015	2014
Revenues from sales, including:		220 954	128 334
Revenues from sale of services	21	217 631	128 322
Revenues from sale of goods and materials	22	3 323	12
Cost of sales, including:		-202 796	-111 045
Cost of services sold	23	-199 537	-111 034
Cost of merchandise and raw materials		-3 259	-11
Gross profit on sales		**18 158**	**17 289**
General and administrative expenses	23	-9 274	-9 463
Other operating income	24	1 478	1 100
Other operating expenses	25	-1 210	-1 435
Results from operating activities		**9 152**	**7 491**
Financial income	26	2 121	1 060
Finance expenses	27	-2 927	-2 218
Before tax profit		**8 346**	**6 333**
Income tax expense:	28	2 133	1 324
- current tax		2 800	1 760
- deferred tax		-667	-436
Profit for the period		**6 213**	**5 009**
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Profit/diluted profit per share (in PLN per share)		1.60	1.29

Statement of comprehensive income
for the year from 1 January 2015 to 31 December 2015

	2015	2014
Profit for the period	**6 213**	**5 009**
Other comprehensive income, net	**-402**	**311**
Other comprehensive income that will be reclassified to profit and loss under certain conditions:	**-385**	**452**
Revaluation of property, plant and equipment	-	275
Foreign exchange translation differences of the entity operating abroad	-473	229
Income tax on other comprehensive income	88	-52
Other comprehensive income that will not be reclassified to profit and loss:	**-17**	**-141**
Actuarial loses on valuation of provisions for employee benefits	-21	-174
Income tax on other comprehensive income	4	33
Total comprehensive income	**5 811**	**5 320**
Weighted average number of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per share)	1.49	1.37

Statement of changes in equity for the year from 1 January 2015 to 31 December 2015

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total equity
The year 2015				
As at the beginning of the period	**3 895**	**1 261**	**73 671**	**78 827**
Net profit of the given period	-	-	6 213	**6 213**
Net other comprehensive income	**-**	***-402***		***-402***
Total comprehensive income	**-**	**-402**	**6 213**	**5 811**
Payment of dividend	-	-	-1 363	**-1 363**
As at the end of the period	**3 895**	**859**	**78 521**	**83 275**

	Share capital	Revaluation reserve	Retained earnings	Total equity
The year 2014				
As at the beginning of the period	**3 895**	**950**	**68 662**	**73 507**
Net profit of the given period	-	-	5 009	**5 009**
Net other comprehensive income	**-**	***311***	**-**	***311***
Total comprehensive income	**-**	**311**	**5 009**	**5 320**
As at the end of the period	**3 895**	**1 261**	**73 671**	**78 827**

Statement of cash flows
for the year from 1 January 2015 to 31 December 2015
(all amounts in PLN thousands if not stated otherwise)

	Note No.	2015	2014
Cash flows – operating activities			
Before tax profit		8 346	6 333
Total adjustments		2 138	-8 554
Amortization and depreciation	23	1 015	826
Interest and profit sharing (dividends)		-1 305	-507
Profit on disposal of property, plant and equipment	24	-14	-86
Change in provisions		94	375
Change in inventories		-2 760	639
Change in receivables	29	-12 185	-14 316
Change in current liabilities, except for loans and borrowings	29	21 171	8 625
Other adjustments	29	-3 878	-4 110
Cash provided by (used in) operating activities		**10 484**	**-2 221**
Income tax paid		**-2 333**	**-1 956**
Net cash provided by (used in) operating activities		**8 151**	**-4 177**
Cash flows – investing activities			
Inflows		**8 884**	**406**
Disposal of intangible assets and property, plant and equipment		17	303
Inflows from financial assets in related entities, including:		8 867	103
- dividend received		1 003	53
- disposal of financial assets (shares)		6 558	50
- repayment of interest on loans granted		1 306	-
Outflows		**-991**	**-7 116**
Acquisition of intangible assets and property, plant and equipment		-871	-815
For financial assets in related entities, including:		-120	-6 301
- acquisition of financial assets		-	-101
- loans granted		-120	-6 200
Net cash provided by (used in) investing activities		**7 893**	**-6 710**
Cash flows – financing activities			
Inflows		**9 018**	**10 440**
Proceeds from loans received		9 000	9 448
Proceeds from borrowings received		-	950
Other financial proceeds		18	42
Outflows		**-11 255**	**-316**
Dividend paid		-1 363	-
Repayment of bank loans		-9 423	-
Interest		-469	-316
Net cash provided by (used in) financing activities		**-2 237**	**10 124**
Total cash flows, net		13 807	-763
Net increase/(decrease) in cash and cash equivalents		13 807	-763
Cash and cash equivalents at the beginning of the period		**2 962**	**3 725**
Cash and cash equivalents at the end of the period		**16 769**	**2 962**

Notes on adopted accounting principles (policy) and other explanatory notes to separate financial statements

1. Establishment of the Company and principal activity

Company PROCHEM S.A.(herein after called „Prochem", „Company", „Issuer" or „Parent Company") seated in Warsaw, 44C Powązkowska Street. The company is registered in the National Court Register (KRS) by the District Court for the Capital City Warsaw, XII Commercial Department of the National Court Register under KRS number 0000019753. Principal activity according to Polish Business Classification (PKD 2007) determines symbol 7112Z – engineering activities and related technical consulting. According to Warsaw Stock Exchange classification PROCHEM belongs to construction sector. PROCHEM S.A. is a Parent Company of the Capital Group and prepares a separate consolidated financial statements. PROCHEM S.A. was established through transformation of a state-owned enterprise under the name of Przedsiębiorstwo Projektowania I Realizacji Inwestycji Przemysłu Chemicznego „Prochem". The notarial deed and Company's Articles of Association were signed on 1 October 1991. Duration of the Company is unlimited.

In 2013 the Company commenced implementation of investment project „Turnkey construction of system for the production of highly purified paraffin, oils, lubricant and cooling greases and pattern material with the expansion of power complex in Belarus". Therefore, for the period of implementation of the project the Representation Office was established. Time limit for the activity of the Representation Office is restricted, i.e. until 30 July 2016.

2. The Management Board and the Supervisory authorities of the Issuer

As at the date of preparation hereby financial statements the Management Board of PROCHEM S.A. comprises of:
Jarosław Stępniewski - President of the Management Board
Marek Kiersznicki - Vice President of the Management Board
Krzysztof Marczak - Vice President of the Management Board

There were no changes in composition of the Management Board in 2015.

As at the date of preparation hereby financial statements the Supervisory Board comprises of:

- Marek Garliński - Chairman
- Steven Tappan – Vice Chairman
- Andrzej Karczykowski
- Krzysztof Obłój
- Wiesław Kiepiel

There were no changes in composition of the Supervisory Board in 2015.

3. Employment

In 2015 average employment was 237 FTEs, and in 2014 233 FTEs. Level of employment in persons as at 31December 2015 was 250, and as at 31 December 2014 238.

4. Adopted accounting policies

Principles of presentation

The financial statements of PROCHEM S.A. for the period from 1 January to 31December 2015 and analogous period of the comparable year was prepared according to International Accounting Standards and International Financial Reporting Standards, which were adopted by European Union (EU) and were effective as at 31 December 2015. The scope of separate financial statements is compliant with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal no. 33, item 259 with further amendments).

Presented separate financial statements are compliant with all requirements of IFRS adopted by EU and present true and fair view of the Company's financial position as at 31 December 2015 and comparable data as at 31 December 2014, as well as results of operations for the year ended 31 December 2015 and comparable data for the year ended 31 December 2014.

The separate financial statements of PROCHEM S.A. as at 31 December 2015 was prepared assuming that the Company will continue to operate as a going concern in foreseeable future and it is stated that there is no evidence indicating that the Issuer will not be able to continue its operations as a going concern.

The financial statements were prepared based on the principle of the historical cost, apart from:

- land buildings and construction measured at revalued amount.

The separate financial statements of PROCHEM S.A. for 2015 includes the data of the Office of Representation of PROCHEM, that operates on the territory of Belarus. The Representation Office shall keep accounts according to the law in force in Belarus, and here also is calculated and shall to be paid the income tax from the legal entities.
Exchange differences arising from translation of the reports prepared by the Representation Office were recognized in the *Revaluation reserve - foreign exchange differences from the translation of Representation Office that operates abroad*.

PROCHEM S.A. is the Parent Entity in the Capital Group and prepares consolidated financial statements. The consolidated financial statements are available on the ***www.prochem.com.pl***

Changes in accounting estimates and accounting policies

The preparation of financial statements under IFRS adopted by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set under the estimation are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information or of progressing course of events or of acquiring greater experience. In preparing the separate financial statements were applied the same accounting principles and the same calculation methods which were applied in the financial statements of PROCHEM S.A. for the year ended 31 December 2014.

Accounting estimates
Information about the adopted assumptions and uncertainties relating to estimates made, are included in the following notes:

- Note 1 – Property, plant and equipment: the key assumptions used in the prognosis of discounted cash flows;
- Note 14 – Liabilities for retirement benefits: key actuarial assumptions;
- Note 38 – Information on significant proceedings pending before the court.

New standards, interpretations and changes in published IFRS

A number of new standards, amendments to standards and interpretations not yet effective for annual periods ended 31 December 2015 and have not been applied in the financial statements.
Standards and Interpretations which were adopted by the EU, but not yet effective for annual periods ended 31 December 2015, and the Standards and Interpretations, which are waiting for approval:

Standard	Amendments	Effective from ..(in the EU)
IFRS 9 Financial instruments (with updates)	Changes in the scope of classification and valuation - the existing categories of financial instruments replaced by two categories: measured at amortized cost and at fair value. Changing in the hedging accounting.	1 January 2018
IFRS 14 Regulatory Deferral Accounts	The recognition, measurement and disclosures for Regulatory Deferral Accounts	1 January 2016 (*The European Commission has taken a decision not approving of the transitional standard in anticipation of an adequate standard*
IFRS 15 Revenue from Contracts with Customers	Standard applies to all contracts with customers except those that fall within the scope of other IFRSs (i.e. leases, insurance contracts and Financial instruments). IFRS 15 clarifies and unifies the principles for recognizing revenue from contracts with customers.	1 January 2018
Amendments to IFRS 10 and IAS 28	Guidelines regarding the sale or contribution of assets by the investor to associated company or joint venture.	1 January 2016
Amendments to IFRS 10 IFRS 12 and IAS 28	Clarification of the provisions concerning the recognition of investment entities in consolidation.	1 January 2016
Amendments to IAS 1	Amendments concerning required disclosures in the financial statements.	1 January 2016
Amendments to IAS 16 and IAS 38	Clarification of standards that the methods of amortization and depreciation cannot be based on revenues which are generated through the use of the asset.	1 January 2016
IFRS 16 Leases	Provides guidance on the lease, it eliminates the existing distinction between operating lease and financial lease.	1 January 2019
Amendments to IAS 27	The application of the equity method in the separate financial statements	1 January 2016
Amendments to 7	Presentation of disclosures enabling assessment of changes in the value of liabilities which arose within the financial activities.	1 January 2017
Amendments to IAS 12	Disclosure of deferred tax assets from unrealized losses.	1 January 2017
Annual improvements to IFRSs (2012-2014 cycle)	A set of amendments concerning: IFRS 5 – changes in the method of sale; IFRS 7 – regulations on contracts of service and the use of standards in the interim financial statements; IAS 19 – the discount rate; regional market issue; IAS 34 – additional guidelines on disclosures in the interim financial report	1 January 2016

PROCHEM S.A. will apply new mentioned above standards, and changes in standards and interpretations of IFRS published by International Accounting Standards Committee, that are not effective as at the day of approval for the publication of the financial statements in accordance with their effective date.

The impact of new regulations on future separate financial statements

The new IFRS 9 Financial Instruments introduces fundamental changes in classification, presentation and measurement of financial instruments. At the date of preparation of these financial statements, the Company is currently analyzing the impact of the new standard. The entity does not expect that the standard will have a significant impact on separate financial statements.

The new IFRS 15 aims to unify the rules determining income (except for specific regulated revenues in other IFRS/IAS) and to indicate the scope of required disclosures. Analysis of the impact of the standard on the Company's future financial statements is not yet complete.

Other standards and their changes should not have a significant impact on future financial statements of PROCHEM S.A. Changes in IFRS standards and interpretations, which came into effect from 1 January 2015 until the day of approval for the publication of the separate financial statements had no material impact on these financial statements.

Transactions in foreign currencies

Transactions in foreign currencies are initially recognized at the exchange rate of the NBP effective as at the transaction date. Balance sheet items of assets and liabilities expressed in foreign currencies are measured at the average NBP exchange rate in force at the balance sheet date. Gains and losses arising from the settlement of such transactions and carrying value of assets and liabilities expressed in foreign currencies are recognized in the profit and loss account.

Functional currency and presentation currency of financial statements

The financial statements is presented in Polish Zloty (‘zloty’ or ‘PLN’) which is the functional currency and presentation currency.

The financial result and financial position of the Representation Office are translated using the following procedures:

- the assets and liabilities shall be translated at the closing rate as at the date of statement of financial position,
- revenues and expenses are translated at the average exchange rate, and
- arisen exchange differences are recognized in the statement of comprehensive income.

Accounting principles applied by the Company are described below

Property, plant and equipment and intangible assets

Property, plant and equipment include fixed assets and expenditures on construction in progress which the entity intends to use in their business operations in a period longer than one year, and which will result in future economic benefits to the entity.
Expenditures on property, plant and equipment include incurred investment expenditures as well as incurred expenses on future supply of machinery, equipment and services relating to production of PPE (transferred advance payments).
PPE are initially stated at cost. Measurement after initial recognition:

- land, buildings and construction are carried at revalued amount, being its fair value at the date of revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value will be set by experts regularly every two years.
- Other PPE are carried at their cost increased by possible improvement costs, less any accumulated depreciation and any accumulated impairment losses.

Increase in value resulting from the revaluation of land, buildings and constructions is recognized in other comprehensive income and accumulated in total amount in equity - *Revaluation reserve*, as revaluation surplus unless it represents the reversal of a revaluation decrease previously recognized in the profit and loss account. A decrease in value arising as a result of a revaluation of land, buildings and constructions is recognized as cost of the period to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset and recognized in other comprehensive income. A decrease resulting from revaluation included in other comprehensive income decreases the amount of total surplus arising from the revaluation recognized in the equity.

Value of PPE designated to liquidation, withdrawn from use as a result of the change of technology or other reasons, is being revalued by write down. Write-down is recognized other operating cost

Expenditures on PPE incurred at a later date are recognized at their carrying amount when it is probable that future economic benefits associated with them will flow to the entity, and this cost could be reliably measured. All other repair and maintenance costs of PPE are recognized in the cost of the period, in which they were incurred.

Profit and loss on sale of PPE are set by comparing the revenues from sale with the carrying amount of the given component of fixed assets and recognized in the profit and loss account. PPE are subject to depreciation since they are available for use. Depreciation allowances on fixed assets are provided by systematic, scheduled allocation of the initial value over the established useful life of the component. A straight line depreciation method is applied.

In the financial statements for the current period and comparative periods the following useful lives are used for PPE:

- Buildings and constructions 10-40 years
- Machinery and equipment 5-12 years
- Vehicles 5 years
- Tools, devices, movables and equipping 5-10 years.

The applied useful lives, depreciation methods are verified at the end of each reporting year and, when necessary, adjusted in the current and in subsequent periods.

Own land is not subject to depreciation.

PPE in progress arising for the operating activity, as well as for purposes not yet identified, are presented in the financial statements at their cost less recognized impairment losses. The cost of all items comprises all fees and borrowing costs capitalized in accordance with the applied accounting principles. Depreciation of such components of PPE shall begin at the start of their use.

PPE are subject to the impairment tests. If premises for impairment exist, in addition for the construction-in-progress in the period of the realization, possible impairment is determined at each balance sheet day. The effects of the impairment are recognized in other operating costs.

The component of intangible assets is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Intangible assets, except for the goodwill are being amortized. Amortization allowances of intangible assets is made by systematic, planned allocation of the initial value in the established useful life of the component. A straight line of depreciation method is applied.

In the financial statements for the current period and comparative periods the Company applied useful life period of 3-10 years for amortization of intangible assets.

The applied useful lives, amortization methods are verified at the end of each reporting year and when necessary adjusted in the current and in subsequent periods.

Intangible assets are subject to the impairment tests if premises for impairment exist. The effects of the impairment are recognized in other operating costs.

Lease

The company as the lessee

Lease, by which substantially all the risks and rewards incidental to ownership of an asset falls to the Company PROCHEM S.A. constitutes the financial lease. Assets under this lease are measured in the financial statements at the lower amount of fixed commencement of use: fair value or present value of minimum lease payments. Each lease payment is divided into the part constituting the liability and the financial part. The liability is presented in the balance-sheet in the position „Other liabilities" with the division into the short-term part (payable up to one year) and long term (payable in the period longer than one year). Finance costs are recognized in the profit and loss account. Principles of the amortization and depreciation of assets being a subject of the financial lease and the principles of determining impairment allowances by assets under finance lease are consistent with principles applied for the Company's assets. PPE held under lease agreements are depreciated over the economic life of assets. Straight-line method of depreciation is used.

Lease payments under an operating lease and subsequent lease installments are recognized in current costs using straight-line method over the lease term.

The company as the lessor

Lease agreements, such as rent agreements according to which the Company retains substantially all the risks and all rewards resulting from having a leased object, are classified as operating lease. Leasing costs are recognized in current costs while income from the leased object are recognized in income of the period.

Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except for costs that are directly attributable to the acquisition, construction or production of an asset (PPE, intangible assets).
Capitalization of borrowing costs commences when:

1. borrowing costs are incurred,
2. expenditures are incurred for the asset,
3. the activities necessary to prepare the asset for its intended use or sale are undertaken.

Capitalization of borrowing costs shall be suspended in the case of interruption for extended periods of active investing activity by the entity. Borrowing costs are capitalized until the designation of the asset for use or sale.

Investments in subsidiaries, associates or in joint arrangements

The Company measures the value of shares at cost, i.e. at the price of the purchase reduced by any impairment losses.
The fair value of investment on the date when it ceases to be a subsidiary shall be treated as the purchase price at the moment of initial measurement as component of financial asset.

Inventory – in the item of inventory - materials, goods, semi-finished products and work-in-process are shown.

Inventories are measured initially at cost. As at the balance sheet day the measurement is done with the principles of prudence, that is categories are valued at the lower of purchase price, the production cost or the net realizable value.
Stock of goods and materials slowly-rotating is covered by the write-down set by individual evaluation of the net realizable value as at the balance sheet day.
The cost of inventories shall be shall be assigned by using the first-in, first out (FIFO) method.
Write-downs concerning inventory and their reversals are recognized in the other operating expenses and revenues.

Loans granted - arise when the entity is transferring financial means directly to the debtor, not intending to enter the receivable into trade. They are classified as current assets, provided the date if their maturity does not exceed 12 months from the balance sheet day. Loans with the maturity date exceeding 12 months starting from the balance sheet day are classified as non-current assets. Loans are initially recognized at their fair value. The measurement of loans after initial recognition is at amortized cost, using the effective interest rate method, less impairment losses.

Receivables are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest rate method less impairment allowances. Impairment allowance of receivables is identified when there is objective evidence that the entity will not receive all amounts due according to the original terms of receivables and it is recognized in other operating expenses. The amount of write-down is a difference between the carrying amount due and present value of estimated future cash flows, discounted using the effective interest rate.

Cash and cash equivalents include cash in hand and on bank accounts, bank deposits with the original maturity date up to three months and financial assets measured at fair value through profit or loss and meeting the requirements of the definition of the cash equivalent. Cash is measured at nominal value.

Non-current assets held- for- sale

Non-current assets held for sale are assets meeting the following criteria:
- by the Management is committed to a plan to sell,
- an active program to locate a buyer is initiated,
- an asset is available for immediate sale,
- the sale is highly probable within 12 months from classification as held for sale,
- the selling price is rational in relation to the current fair value,
- it is unlikely that the sales plan will be significantly changed.

Change of classification is reflected in the reporting period in which the criteria are met.

Immediately prior to reclassification to the group held for the sale or the disposal, these assets are re-measured according to accounting principles. Non-current assets held for the sale (excluding financial assets and investment properties) are recognized in the financial statements in lower of two values: the carrying amount or the fair value less costs to sell.

In case of increase of value, at a later date, of fair value less costs to sell, the income is recognized, however, at the value not higher than previously recognized impairment allowance. Upon allocating the given component of assets as held for sale, the calculation of depreciation allowances is stopped.

Measurement of assets and financial liabilities
At initial recognition the Issuer shall measure component of assets or liabilities at fair value, increased in case of the component of assets or financial liabilities not classified as measured at fair value through profit or loss by transaction costs, which could be directly attributable to the purchase or to the issue of the component of financial asset such as: fees and commissions paid to advisers or agents, levies imposed by regulatory agencies and the stock exchange and taxes. Transaction costs do not include

premium or discount from debt instruments, or financing costs, neither administrative costs nor costs of holding of the instruments.
For measurement at the end of the reporting period or any other date after initial recognition the Issuer classifies financial assets into one of four categories:

1. measured at fair value through profit or loss,
2. held-to-maturity investments,
3. loans and receivables,
4. available- for- sale financial assets.

Component of assets measured at fair value through profit or loss means such a component of financial assets which was designated at initial recognition as measured at fair value through profit or loss or was classified as held for trading since:

- was purchased or contracted mainly for sale or repurchase in short term,
- is a part of portfolio of determined financial instruments jointly managed and for which there is evidence of a recent actual pattern of short-term profits, or
- is a derivative instrument (except for derivatives that are effective hedging instruments).

Investments held-to-maturity are non-derivative financial assets with fixed or determinable time of payment or fixed maturity, which the Company is intending and able to hold to its maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted on the active market. Available-for-sale financial assets are non-derivative financial assets, which were classified as available for the sale or which do not constitute loans or other receivables, or investments held-to-maturity as well as they are not the financial assets measured at fair value through financial result..

Measurement of financial assets at fair value
The Company measures financial assets measured at fair value through the profit or loss, including derivatives being assets and available-for-sale financial assets, without reduction by the transaction costs which can be incurred in relation to the sale or using other way of the disposal of assets.
Fair value of financial assets is measured as follows:

- for instruments quoted on the active market based on the last quotations available at the end of the reporting period,
- for debt instruments unquoted on the active market based on the discounted cash flows analysis,
- for futures derivatives (forward) and swap contracts based on discounted cash flows analysis.

Investments in equity instruments (shares) that do not have quoted market price on active market and which fair value cannot be measured credibly, are valued at cost by the Company, i.e. at purchase price less possible impairment losses.

Financial assets designated as hedged items are valued in accordance with principles of hedge accounting.

Profit or loss arising from the measurement of the component of financial assets, classified as measured at fair value through profit or loss, is recognized in financial result (profit or loss).

Profit or loss arising from measurement of the component of financial assets classified as available - for - sale is recognized in other comprehensive income, except for impairment losses and exchange differences which are recognized in financial result. For debt financial instruments, interest calculated using the effective interest rate method is recognized in financial result.

Measurement of financial assets at amortized cost
The Company values loans and other receivables, including trade receivables and held-to-maturity investments according to amortized cost and using the effective interest rate method.

Measurement of financial liabilities at fair value
The Company measures financial liabilities classified as measured at fair value through profit or loss (in particular including derivatives which are not being hedging instruments), as at the last day of the reporting period or any time after the initial recognition at fair value. Irrespective of the nature and purpose of the acquisition, the Company, at the initial recognition, classifies selected financial liabilities as measured at fair value through financial result if it leads to obtaining more useful information. The fair value of the obligation is based on the current selling price for instruments quoted on the active market.
In the absence of an active market, the fair value of financial liabilities is determined by:
- the use of recent market transactions conducted directly between the well knowledgeable, willing parties, or
- reference to the current fair value of another instrument that is almost the same, or
- discounted cash flows analysis.

Measurement of other financial liabilities at amortized cost
The Company measures other financial liabilities according to amortized cost using the effective interest rate method.
Financial guarantee contracts, i.e. contracts that require from the Company (issuer) to make specified payments to reimburse the holder for a loss it incurs because of not making payment by a specified debtor when due in accordance with the original or modified terms of a debt instrument, that is not classified as liabilities at fair value through profit or loss are measured at the higher of:
- the amount determined according to the principles of valuation of reserves,
- initial value less, when appropriate, accumulated depreciation allowances.

Impairment of financial assets
At the end of the reporting period, the Group assesses if there is objective evidence of impairment of a financial asset or group of financial assets.

If exist objective premises of an impairment of loans and other receivables as well as of investments held to maturity, which are measured at amortized cost, then the Group shall recognize an impairment loss in the amount of the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at using the original effective interest rate of a financial instrument.

If in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss shall be reversed and recognized as revenue in financial result.

If objective premises exist for an impairment of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, then the amount of impairment allowance is set as the difference between book value of the financial asset and the current value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Impairment allowance which is set in such way, is not subject to reversal.

If objective premises exist for impairment of financial asset available-for-sale, then the cumulative losses arising from valuation recognized in the statement of comprehensive income, in accordance with the principles of valuation of financial assets, are derecognized from equity and recognized in financial result (profit or loss). If in a subsequent period fair value of an available-for-sale debt instrument rises and the increase can be objectively related to an event occurring after the recognition of impairment loss

in financial result, the amount of reversed impairment allowances shall be recognized in financial result (profit or loss).
Impairment losses of the investment in an equity instrument, which is classified as available-for-sale is not reversed in financial result (profit or loss).

Dividend payments to shareholders of the Company is recognized as liability in the financial statements of the Company, at time when the appropriate resolution was passed at the General Meeting of Shareholders of the Company.

Provisions - are established in the justified, credibly assessed value. Provisions are created in when the company is obligated (legal or customary)which results from past events and when it is probable, that fulfilling of this duty will result in the necessity of the outflow of financial means, and is possible the credible estimation of the amount of obligation**.**

Employee benefits - the company pays the contributions to the obligatory retirement benefit plan, depending on the amount of gross wages, which is paid in accordance with the applicable laws. The Company has no other retirement benefit plans. In order to determine the present value of future obligations relating to retirement benefits and the related current cost of employment is applied actuarial valuation method.
Accrued liabilities are equal to discounted payments which will be made in future, taking into consideration among others, staff turnover, the planned increase of salaries, and relate to the period to the date ending the reporting year.
Provision for the retirement gratuities was created in order to allocate costs to the periods to which they relate.
Provisions for retirement gratuities is recognized in the profit or loss account, except for actuarial gains and losses arising from changes in the actuarial assumptions (including those resulting from changes in the discount rate) as well as the actuarial adjustments ex-post, which are recognized in the statement of comprehensive income.

Equity
Equity is recognized in the accounting books by type, in accordance with legal regulations and the Articles of Association of the Company. Equity includes:

- Share capital – shown in the nominal value of the issued and registered shares
- Revaluation reserve includes:
  - the revaluation difference between the fair value and the purchase price, less deferred tax among others of buildings and structures, and land which are measured at fair value,
  - capital arisen from the foreign exchange differences – from translation of the foreign operations of Representation Office,
  - gains and losses actuarial resulting from the changes in actuarial assumptions (including those due to change in discount rate).
- Retained earnings, which include:
  - Spare capital, which is created from the surpluses of sale of shares above its nominal value, and from annual write-downs of net profits and write downs of revaluation of property, plant and equipment in the previous years.
  - Reserve capital which arose from the profit allocated to equity
  - Undistributed profit/loss brought forward and profit(loss) of the current year,
  - Advance payments paid on account of dividends.

Revenues from sales include the fair value of revenues from sale of services, goods and materials**.** Revenues from the contracts for construction services (general contracting) and the design and engineering services are determined in proportion to the degree of completion of the service. Degree of completion of the service is measured by the share of costs incurred from the date of the contract to the date of recognition of income in the total cost of the execution of service.
Correctness of calculations of the degree of the progress of service as well as expected total expenses and revenues from the service performed is verified at the end of each quarter.

Revenues from sale of goods and materials is recognized in the profit and loss account when the Company has transferred to the buyer the significant rewards of right of ownership to these assets and ceased to be permanently involved in management of the assets transferred, and does not exercise the effective control over them.

Income tax - tax burdens include the current taxation by corporate income tax, and the change in provisions or deferred tax assets**.**
Current tax liabilities are established on the basis of current tax regulations and the established taxable income. Current tax liabilities for the current period and previous periods are included as the liability in the amount, in which it wasn't paid.
Provision to deferred income tax is recognized using the liability method, on transitional differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that are actually applicable as at the balance sheet date. Transitional differences relate to different measurement of assets and liabilities for tax purposes and balance sheet purposes.
Income tax assets are recognized when is probable that in future the taxable income will achieved that will enable the use of transitional differences.
Deferred tax assets are recognized separately from tax losses which can be possible to deduct in the next years.

5. Explanatory notes to separate financial statements as at and for the period ended 31 December 2015

Note No 1 – property, plant and equipment

	31 December 2015	31 December 2014
Property, plant and equipment, including:	1 521	1 975
- land	172	172
- buildings, premises and civil engineering objects	124	444
- machinery and equipment	582	641
- vehicles	27	9
- other fixed assets	616	709
Construction under progress	21	2
Total property, plant and equipment	**1 542**	**1 977**
Ownership structure		
a) own	1 542	1 977
Total property, plant and equipment	**1 542**	**1 977**

Changes in property, plant and equipment in 2015

	Land, including the right of perpetual usufruct of land	Buildings, premises, and civil engineering objects	Machinery and equipment	Vehicles	Other PPE	Construction under progress	Total PPE
Gross value							
As at 1 January 2015	**172**	**3 571**	**3 200**	**290**	**3 505**	**2**	**10 740**
Increase (due to)	-	-	349	42	117	19	527
- acquisition of PPE	-	-	349	42	117	19	527
Decrease (due to)	-	-	-	-125	-75	-	-200
- disposal of PPE	-	-	-	-125	-	-	-125
- liquidation of PPE	-	-	-	-	-7	-	-7
- other changes	-	-	-	-	-68	-	-68

As at 31 December 2015	**172**	**3 571**	**3 549**	**207**	**3 547**	**21**	**11 067**
Depreciation and impairment							
As at 1 January 2015 - accumulated depreciation	**-**	**3 127**	**2 559**	**281**	**2 796**	**-**	**8 763**
- increase – depreciation for the period	-	320	408	24	140	-	892
- decrease due to disposal of PPE	-	-	-	-125	-2	-	-127
- decrease due to liquidation of PPE	-	-	-	-	-3	-	-3
As at 31 December 2015 - accumulated depreciation	**-**	**3 447**	**2 967**	**180**	**2 931**	**-**	**9 525**
Net value of PPE as at 31 December 2015	**172**	**124**	**582**	**27**	**616**	**21**	**1 542**

Comparative data

Change in PPE in 2014

	Land, including the right of perpetual usufruct of land	**Buildings, premises, and civil engineering objects**	**Machinery and equipment**	**Vehicles**	**Other PPE**	**Construction under progress**	**Total PPE**
Gross value							
As at 1 January 2014	**145**	**1 585**	**4 679**	**346**	**3 305**	**5**	**10 065**
Increase (due to)	27	1 986	216	-	431		2 660
- acquisition of PPE	-	-	216	-	429		645
- revaluation of PPE	27	1 986	-	-	-	-	2 013
- other changes	-	-	-	-	2		2
Decrease (due to)	-	-	-1 695	-56	-231	-3	-1 985
- disposal of PPE	-	-	-	-56	-	-	-56
- liquidation of PPE	-	-	-1 695	-	-231	-	-1 926
- other changes	-	-	-	-	-	-3	-3
As at 31December 2014	**172**	**3 571**	**3 200**	**290**	**3 505**	**2**	**10 740**
Depreciation and impairment							
As at 1 January 2014 - accumulated depreciation	**-**	**1 246**	**3 624**	**327**	**2 887**	**-**	**8 084**
- increase – depreciation for the period	-	142	442	10	141	-	735
- decrease from disposal of PPE	-	-	-	-56		-	-56
- decrease due to liquidation of PPE	-	-	-1 507	-	-232	-	-1 739
- revaluation of PPE	-	1 739	-	-	-	-	1 739
As at 31 December 2014 - accumulated depreciation	**-**	**3 127**	**2 559**	**281**	**2 796**	**-**	**8 763**
Net value of PPE as at 31 December 2014	**172**	**444**	**641**	**9**	**709**	**2**	**1 977**

Land, buildings and constructions are carried at revalued amount, being its fair value at the date of the revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value as at 31 December 2015, which was recognized in the books, remained at the level of valuation on 31 December 2014 which was set based on valuation made by independent experts not associated with the Company. The experts have the right qualifications to carry out valuations of land, buildings and structures, as well as the current experience in such valuations, which are carried out in locations where there are assets of the Company.

There has been no change in the valuation technique during the year.

Details concerning land, buildings and constructions, as well as information about the hierarchy of fair values as at 31 December 2015.

	Fair value as at 31 December 2014 (in PLN thousands)	Fair value as at 31 December 2015 (in PLN thousands)
	Level 3	Level 3
Land, including right of perpetual usufruct	172	172
Buildings and constructions	444	124
Total	**616**	**296**

There was no displacement between levels 1, 2 and 3 during the fiscal year.

Note No. 2 – Intangible assets

	31 December 2015	31 December 2014
Acquired concessions, patents, licenses and similar assets including computer software	414	151
Total intangible assets	**414**	**151**
Ownership structure		
- own	414	151
Total intangible assets	**414**	**151**

Changes in intangible assets in 2015

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2015	**2 619**	**2 619**
Increase (due to)	387	387
- purchase	387	387
Decrease (due to)	-273	-273
- liquidation	-273	-273
As at 31 December 2015	**2 733**	**2 733**
Amortization and impairment		
As at 1 January 2015 - accumulated amortization	**2 468**	**2 468**
- increase – amortization for the period	124	124
- decrease (liquidation)	-273	-273
As at 31 December 2015 - accumulated amortization	**2 319**	**2 319**
Net intangible assets as at 31 December 2015	**414**	**414**

Comparative data

Changes in intangible assets in 2014

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets

Gross value		
As at 1 January 2014	**3 544**	**3 544**
Increase (due to)	41	41
- purchase	41	41
Decrease (due to)	-966	-966
- liquidation	-966	-966
As at 31 December 2014	**2 619**	**2 619**
Amortization and impairment		
As at 1 January 2014 - accumulated amortization	**3 343**	**3 343**
- increase –amortization for the period	91	91
- decrease (liquidation)	-966	-966
As at 31 December 2014 - accumulated amortization	**2 468**	**2 468**
Net intangible assets as at 31 December 2014	**151**	**151**

Note No. 3 – Shares in subsidiaries

Shares in subsidiaries	**31 December 2015**	**31 December 2014**
a) in subsidiaries	10 162	10 162
Net shares	10 162	10 162
Write-downs of financial non-current assets	160	160
Gross value of shares	**10 322**	**10 322**

Changes in shares in subsidiaries and in other entities	**31 December 2015**	**31 December 2014**
a) as at the beginning of the period	10 162	10 060
b) increase (due to)	-	102
- acquisition of shares in subsidiaries	-	102
As at the end of the period	**10 162**	**10 162**

Change in write-downs of shares in subsidiaries	**31 December 2015**	**31 December 2014**
As at the beginning of the period	160	160
As at the end of the period	160	160

Note No. 4 – Shares in jointly-controlled entities and associated entities

Shares in jointly-controlled entities and associated entities	**31 December 2015**	**31 December 2014**
- Net shares	4 810	5 210
- write-down of shares	400	1 498
Gross value of shares	**5 210**	**6 708**

Change in write-downs of shares in jointly-controlled entities and associated entities	**31 December 2015**	**31 December 2014**

As at the beginning of the period	1 498	1 498
Increase, the establishment of write-downs of shares	400	
Decrease, resolving of write-down of shares	1 498	-
As at the end of the period	400	1 498

On 14 April 2015 pursuant to the sale agreement the Issuer sold 9 790 shares in TEOMA Spółka Akcyjna in liquidation. The total sale price was set at PLN 97.90.
Until the date of sale the value of shares of company TEOMA in the amount of PLN 1 498 000 in total were included in the impairment losses. Until the date of sale the value of shares of company TEOMA in the amount of PLN 1 498 000 entirely were included in the impairment losses.

As at 31 December 2015 the Issuer has made re-measurement of shares in the company Itel Sp. o. o. Write-down is established at PLN 400 thousand. This write-down was recognized in the financial result for 2015 - in the finance costs.
The fair value of the joint venture - investment property under construction - at 31 December 2015 amounted to PLN 122 893 thousand, of which PLN 61 447 thousand falls on the Issuer, and - as at 31 December 2014 amounted to PLN 82 044 thousand of which PLN 41 022 thousand falls on the Issuer.

Shares in subsidiaries

Item No.	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	Registered office	Scope of company's activities	Type of relationship (subsidiary, jointly controlled entity or associate, details of direct and indirect relationship)	Consolidation method applied/valuation using the equity method, or an indication that the entity is not subject to consolidation/ valuation under the equity method	Date of acquisition of control/ joint control/ and of the exertion of significant influence	Value of shares at cost	Total revaluation adjustments	The carrying value of shares	Percentage of share capital held directly and indirectly	Participation in total number of votes at the General Assembly (directly and indirectly)
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	consultancy on business and management	subsidiary	full	22 June 1992	2 999	-	2 999	100.0%	100.0%
2	PRO-ORGANIKA Sp. z o.o.	Warsaw	Commercial activity	subsidiary	full	28 June 1996	320	160	160	91.4%	91.4%
3	P.K.I. PREDOM Sp. z o.o.	Wrocław	Construction designing, urban planning, process engineering	Indirect subsidiary (Prochem Inwestycje sp. z o. o. holds 75% of capital)	full	19.07.2002	177	-	177	81.1%	69.4%
4	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	Marketing activities, construction works, design services, commercial activity and forwarding	subsidiary	full	18 March 1998	1 062	-	960	80.0%	80.0%
5	ELEKTROMONTAŻ KRAKÓW S.A. *	Kraków	Assembly of electrical installations and equipment	Indirect subsidiary (Prochem Inwestycje holds 65.5% of shares)	full	10 December 2001	221	-	221	77.6%	77.6%
6	PROCHEM RPI Sp. z o.o.	Warsaw	Developer's activity	Subsidiary (Prochem Inwestycje holds 3.33%)	full	8 April 1998	493	-	493	100.0%	100.0%
7	ELMONT INWESTYCJE Sp. z o.o.	Kraków	Developer's activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 50% of shares)	full	5 April 2007	5 050	-	5 050	88.8%	88.8%

***** *share in the total number of votes at the General Meeting and the percentage of capital held in the subsidiary Elektromontaż Kraków S.A. were established as at 31 December 2015*

Shares in subsidiaries - continuation

Item No	a	b							c			d			e	f
	Name of the company	Equity, including:							Company's liabilities and provisions to liabilities, including:			Company's receivables, including:			Total company's assets	Revenues from sales
			Share capital	Own shares (negative value)	Shares Revaluation capital	Retained earnings	profit (loss) brought forward	Net profit (loss)		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
1	PROCHEM INWESTYCJE Sp. z o. o.	7 910	3 000	-	-	4 910	-	2 117	21 125	19 265	1 860	17	-	17	29 035	4 408
2	PRO-ORGANIKA Sp. z o.o..	595	350	-	-	245	-	85	1 420	-	1 420	1 200	-	1 200	2 015	4 364
3	P.K.I. PREDOM Sp. z o.o.	9 691	600	-	6 050	3 041	-	304	2 552	1 746	806	2 048	-	2 048	12 243	4 908
4	PROCHEM ZACHÓD Sp. z o.o.	1 839	1 600	-	-	239	-	51	37	-	37	-	-	-	1 876	-
5	ELEKTROMONTAŻ KRAKÓW S.A.**	24 335	1 269	-	7 270	15 796	-	-75	11 650	1 304	10 346	8 884	-	8 884	35 985	35 835
6	PROCHEM RPI Sp. z o.o.	446	600	-	-	-154	-	-5	-	-	-	2	-	2	447	-
7	Elmont Inwestycje Sp. z o.o.	7 464	8 000	-	-	-536	-	-686	1 636	653	983	5 246	-	5 246	9 100	-

after the settlement of the shares purchased for redemption by the company Elektromontaż Kraków SA.
******** *Data from the consolidated financial statements of Capital Group of Elektromontaż Kraków S.A.*

Shares in jointly-controlled entities and associated companies

Lp.	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	Registered office	Scope of company's activities	Type of relationship (subsidiary, jointly controlled entity or associate, details of direct and indirect relationship)	Consolidation method applied/valuation using the equity method, or an indication that the entity is not subject to consolidation/ valuation under the equity method	Date of acquisition of control/ joint control/ and of the exertion of significant influence	Value of shares at cost	Total revaluation adjustments	The carrying value of shares	Percentage of share capital held directly and indirectly	Participation in total number of votes at the General Assembly (directly and indirectly)
1	ITEL Sp. z o.o.	Gdynia	Other electrical installations	associated	The equity method	13 September 2005	708	400	308	42.0%	42.0%
2	IRYDION Sp. z o.o.	Warsaw	rental of own real estate	Jointly-controlled	The equity method (change in the structure of shareholding from a subsidiary for a jointly-controlled entity as from 3.April 2013)	24 March 2000	4 503	-	4 503	50.0%	50.0%

Shares in jointly-controlled entities and associated companies - continuation

Item No.	a	b		c			d			e	f
	Name of the company	Company's equity, including:		Liabilities and provisions to liabilities, including:			Company's receivables, including:			Total company's assets	Revenues from sales
			Net profit (loss)		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
1	ITEL Sp. z o.o.	1 108	-516	1 443	48	1 395	1 455		1 455	2 551	5 596
2	IRYDION Sp. z o.o.	47 074	-1 838*	77 673	67 859	9 814	1 728		1 728	124 747	0

*) The result after consolidation adjustments

Note No. 5 - settlement of deferred income tax

- deferred tax assets

Change in deferred tax assets	31 December 2015	31 December 2014
1. Deferred tax assets as at the beginning of the period, recognized in financial result (profit or loss)	**1 900**	**1 783**
a) recognized in financial result	**1 849**	**1 765**
- provisions for operating expenses	221	39
- write-down of receivables	803	618
- unpaid remuneration under contracts of mandate and specific task contracts	37	52
- provision for retirement benefit	92	89
- provision for holiday benefits	222	192
- unpaid employee benefits	3	48
- writ-down of inventories	54	54
- tax loss	-	328
- deferred tax on write-down of financial assets	284	284
- discounted cash flows expenses	24	61
- surplus of costs incurred above margin	107	-
- other (including the settlement of Representation)	2	-
b) recognized in equity in connection with negative temporary differences	**51**	**18**
- provision to retirement benefit	51	18
2. Increase	**1 394**	**613**
a) recognized in financial result	**1 390**	**580**
- provision for operating expenses	242	209
- write-down of receivables	-	189
- unpaid remuneration under contracts of mandate and specific task contracts	32	37
- provisions for retirement benefit	12	3
- provision for holiday benefits	26	30
- unpaid employee benefits	1	3
- surplus of costs incurred above expected margin	988	107
- other (including the settlement of Representation)	89	2
b) recognized in equity in connection with negative temporary differences	**4**	**33**
- provision to retirement benefit	4	33
3. Decrease	**692**	**496**
- use of the provision for operating expenses	218	27
- paid remuneration under contracts of mandate and specific task contracts	37	52
- paid employee benefits	3	48
- use of the asset created for tax loss	-	328
- write-down of receivables	-	4
- provision for retirement benefit	8	-
- provision for holiday benefits	10	-
- discounted cash flows expenses	23	37
- surplus of costs incurred above margin	107	-
- surplus of costs incurred above expected margin	284	-
- other (including the settlement of Representation)	2	-

4. Total deferred tax assets as at the end of the period, including:	2 602	1 900
a) recognized in financial result	**2 547**	**1 849**
- provisions for operating expenses	245	221
- write-down of receivables	803	803
- unpaid remuneration under contracts of mandate and specific task contracts	32	37
- provision for retirement benefit	96	92
- provision for holiday benefits	238	222
- unpaid employee benefits	1	3
- deferred tax on write-down of financial assets	-	284
- write-down of inventories	54	54
- discounted cash flows expenses	1	24
- surplus of cost incurred above expected margin	988	107
- other (including the settlement of Representation)	89	2
b) recognized in equity in connection with negative temporary differences	**55**	**51**
- provision to retirement benefit	55	51

- provision to deferred income tax

Change in provision to deferred income tax	31 December 2015	31 December 2014
1. Provision for deferred income tax as at the beginning of the period, including:	**827**	**1 127**
a) recognized in financial result	**700**	**1 052**
- interest accrued on loan	458	319
- revaluation of non-current financial assets	136	136
- accrued income from uncompleted service	-	369
- revenues under the liabilities discounted	106	228
b) recognized in equity	**127**	**75**
- revaluation to fair value of property, plant and equipment	127	75
2. Increase	**179**	**200**
a) recognized in financial result for the period under positive temporary differences	**179**	**148**
- interest accrued on loan	129	148
- revenues under the liabilities discounted	50	-
b) recognized in equity	**-**	**52**
- revaluation to fair value of property, plant and equipment	-	52
3. Decrease	**238**	**500**
a) recognized in financial result for the period under positive temporary differences	**238**	**500**
- paid interest on loan	132	9
- accrued income from uncompleted service	-	369
- revenues under the liabilities discounted	106	122
4. Total provision for deferred income tax as at the end of the period	**768**	**827**
a) recognized in financial result	**641**	**700**
- interest accrued on loan	455	458
- revaluation of non-current financial assets	136	136
- revenues under the liabilities discounted	50	106

b) recognized in equity	**127**	**127**
- revaluation at fair value of property, plant and equipment	127	127

Total amount of temporary differences associated with investments in subsidiaries, to which provisions were created is PLN 443 thousand, and relates to:

- interest on non-current loans granted to subsidiaries – PLN 262 thousand
- interest on current loans granted to jointly-controlled entities and associated companies – PLN 181 thousand.

Presentation in the statement of financial position:

	31 December 2015	31 December 2014
Deferred tax assets	2 602	1 900
Provision for deferred tax assets	-768	-827
Deferred tax assets	**1 834**	**1 073**

Note No. 6 – Other financial assets

Other financial assets	31 December 2015	31 December 2014
a) from subsidiaries, jointly-controlled entities and associated companies:	36 326	29 952
- non-current loans granted	36 326	29 952
b) other financial assets – discounted the security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment	-	2 084
Total other financial assets	**36 326**	**32 036**

Loans granted as at 31 December 2015

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
  - in the amount of PLN 11 720 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 720 thousand. The interest rate is set annually according to WIBOR 6M, loan repayment date with interest on 22 September 2031;
  - in the amount of PLN 6 235 thousand, including: amount of the loan PLN 6 000 thousand, accrued interest PLN 235 thousand. The interest rate is set annually at 3% per year, loan repayment date with interest on 22 September 2031;

- Loans granted to subsidiary Prochem Inwestycje Sp. z o.o.:
  - in the amount of PLN 3 594 thousand, including: amount of the loan PLN 3 000 thousand, accrued interest PLN 594 thousand. The interest rate is set annually according to WIBOR 6M effective at the end of every calendar year, loan repayment date with interest on 31 December 2018;
  - in the amount of PLN 14 777 thousand, including: amount of the loan PLN 14 000 thousand, accrued interest PLN 777 thousand. The interest rate is set annually according to WIBOR 6M effective at the end of every calendar year, loan repayment date with interest on 31 December 2018.

Increase:

- Accrued interest on loans granted to the jointly-controlled company Irydion Sp. z o.o. in the amount of PLN 375 thousand,
- Accrued interest on loans granted to subsidiary Prochem Inwestycje Sp. z o.o. – PLN 301 thousand,
- Reclassification of a current loan to a non-current loan, granted to the jointly-controlled company Irydion Sp. z o. o. in the amount of PLN 6 055 thousand, including amount of the loan PLN 6 000 thousand, accrued interest PLN 55 thousand. The interest rate is set annually at 3% per year, the repayment date of the loan 22 September 2031.

Decrease:

- The repayment of interest on the loan by a subsidiary Prochem Inwestycje in the amount of PLN 357 thousand.

Loans granted as at 31 December 2014

- Loan granted to the jointly-controlled company Irydion Sp. z o. o. seated in Warsaw in the amount of PLN 11 525 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 525 thousand. The interest rate is set annually according to WIBOR 6M, the repayment date of the loan with interest on 30 September 2018;
- Loans granted to subsidiary Prochem Inwestycje Sp. z o. o.:
  - in the amount of PLN 3 897 thousand, including: amount of the loan PLN 3 000 thousand, accrued interest PLN 897 thousand. The interest rate is set annually according to WIBOR 6M effective at the end of every calendar year, the repayment date of the loan with interest on 31 December 2018;
  - in the amount of PLN 14 530 thousand, including: amount of the loans PLN 14 000 thousand, accrued interest PLN 530 thousand. The interest rate is set annually according to WIBOR 6M effective at the end of every calendar year, the repayment date of the loan with interest on 31 December 2016.

Note No. 7 – Inventories

Inventories	**31 December 2015**	**31 December 2014**
materials	5 247	2 487
Total inventories	**5 247**	**2 487**
Write-down of inventories	285	285

Note No. 8 – Trade and other receivables

Trade and other receivables	**31 December 2015**	**31 December 2014**
Trade receivables	69 988	64 849
Write-down of receivables	-5 945	-5 515
Net trade receivables, including :	**64 043**	**59 334**
- with a repayment period up to 12 months	62 302	55 992
- with a repayment period more than 12 months	1 741	3 342
Receivables from taxes, subsidies, customs duties, social and health insurance and other benefits	**4 759**	**-**
Other receivables	450	476
Write-down of other receivables	-396	-
Net other receivables	**54**	**476**
Total receivables	**68 856**	**59 810**

Trade and other receivables from related entities	**31 December 2015**	**31 December 2014**
Trade receivables:	9 098	4 951
- from subsidiaries	1 666	4 846
- from jointly-controlled entities and associated companies	7 432	105
Total net trade and other receivables from related entities	9 098	4 951
Write-downs of receivables from related entities	-	68
Total gross trade and other receivables from related entities	**9 098**	**5 019**

Change in write-downs of trade and other receivables	31 December 2015	31 December 2014
As at the beginning of the period	5 515	8 073
a) increase (due to)	1 107	1 148
- provision for receivables	1 107	1 148
b) decrease (due to)	281	3 706
- payment received	275	358
- the use of the provision created in the previous years	6	3 348
Write-downs of trade and other receivables at the end of the period	**6 341**	**5 515**

Trade receivables with time of repayment remaining from the balance sheet date:	31 December 2015	31 December 2014
a) up to 1 month	16 438	17 248
b) above 1 month up to 3 months	14 007	18 237
c) above 3months up to 6 months	5 739	600
d) above 6 months up to 1 year	3 580	1 548
e) above 1 year	1 741	3 342
f) receivables overdue	28 483	23 874
Total receivables from supplies and services (gross)	69 988	64 849
g) write-down of receivables from supplies and services	-5 945	-5 515
Total receivables from supplies and services (net)	**64 043**	**59 334**

In the majority of contracts signed by the Company, time of payment for services was established in the range from 14 to 60 days.

An age analysis of past due trade receivables (gross)	31 December 2015	31 December 2014
a) up to 1 month	3 582	599
b) above 1 month up to 3 months	337	141
c) above 3months up to 6 months	953	148
d) above 6 months up to 1 year	948	1 936
e) above 1 year	22 663	21 050
Total receivables from supplies and services (gross)	28 483	23 874
f) write-down of receivables from supplies and services, past due	-5 945	-5 515
Total past due receivables from sale and services, (net)	**22 538**	**18 359**

As at 31 December 2015 and as at 31 December 2014, trade receivables include the security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 22 014 thousands and PLN 19 909 thousands.

The outstanding balance of trade receivables includes receivables overdue with a carrying amount PLN 17 364 thousands from security deposit under the statutory warranty, to which Company did not create reserves, because it is considered, that will be recovered. The Company has collateral in the form of the seized guarantee deposits under the statutory warranty from subcontractors in the amount of PLN 2 928 thousands. For more information see Note No. 38 – *Information on significant proceedings pending before the court.*

In other receivables were presented the fees concerning the purchase resulting from the preliminary sale agreement concluded in the form of a authenticated deed Repertory A No 4628/2012, in relation to two apartments for a total net amount of PLN 396 thousand. The agreement was concluded with

„Eurobudownictwo” limited liability company seated in Wrocław. In 2015 was created write-down on this receivable in the amount of PLN 396 thousands.

Note No. 9 – Other financial assets

Other financial assets	31 December 2015	31 December 2014
a) from subsidiaries indirectly and directly:	845	8 172
- current loans granted	845	8 172
b) from jointly-controlled entities:	-	6 055
- current loans granted	-	6 055
c) from other entities:	198	198
- current loans granted	198	198
d) other financial assets – discounted the security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment	2 526	4 957
Total other financial assets	**3 569**	**19 382**
Write-down of other financial assets	207	207
Gross other financial assets	**3 776**	**19 589**

Loans granted - as at 31 December 2015

- Loan granted to the Civil Committee of Building of the Cardiologic Hospital of the name of Marshal Józef Piłsudski in Warsaw PLN 198 thousand, including: amount of the loan PLN 133 thousand, accrued interest PLN 65 thousand, interest rate set at the statutory rate, repayment date 30 June 2008. Receivables secured by a mortgage on the right of perpetual usufruct of the land under land register – KW No. 136324.
- Loans granted to subsidiary Elektromontaż Kraków S.A. seated in Kraków:
    1. Loan in the amount of PLN 243 thousands, including amount of the loan PLN 242 thousands, accrued interest PLN 1 thousand, interest rate is set according to WIBOR 1M effective as at the end of every calendar year, repayment date 30 June 2016.
    2. Loan in the amount of PLN 602 thousands, including amount of the loan PLN 600 thousands, accrued interest PLN 2 thousands, interest rate is set according to WIBOR 1M effective as at the end of every calendar year, repayment date 30 June 2016.

Increase

- Loan granted to indirect subsidiary Elmont-Inwestycje Sp. z o.o.:
    - in the amount of PLN 100 thousands, interest is set according to a fixed rate of 3% per annum, repayment date 31 December 2015,
    - in the amount of PLN 20 thousands, interest is set according to a fixed rate of 3% per annum, repayment date 30 April 2015.
- Accrued interest on loans granted to company Elektromontaż Kraków S.A. - PLN 33 thousands.
- Accrued interest on loan granted to company Elmont- Inwestycje Sp. z o.o. – PLN 27 thousands.

Decreases

1. Repayment by company Pro-Organika sp. z o.o. of interest in the amount of 56 thousands.
2. Reclassification of a current loan to a non-current, which was granted the jointly controlled entity Irydion Sp. z o. o. in the amount of PLN 6 055 thousands, including amount of loans PLN 6 000 thousands, accrued interest PLN 55 thousands.
3. Repayment by Elmont -Inwestycje Sp. z o. o. of the loan with interest in the amount of PLN 4 872 thousands, including amount of the loan PLN 4 100 thousands.

4. Repayment by Elektromontaż Kraków S.A. of the loan with interest in the amount of PLN 2 579 thousand, including amount of the loan PLN 2 458 thousands.

Loans granted - as at 31 December 2014

- Interest on loan granted to subsidiary Pro-Organika Sp. z o.o. PLN 56 thousands, repayment date 31 December 2015.
- Loan granted to the Civil Committee of Building of the Cardiologic Hospital of the name of Marshal Józef Piłsudski in Warsaw PLN 198 thousand, including: amount of the loan PLN 133 thousands, accrued interest PLN 65 thousands, interest rate set at the statutory rate, repayment date 30 June 2008. Receivables secured by a mortgage on the right of perpetual usufruct of the land under land register – KW No. 136324.
- Loans granted to subsidiary Elektromontaż Kraków S.A. seated in Kraków:
    1. Loan in the amount of PLN 1 235 thousands, including amount of the loan PLN 1 200 thousands, accrued interest PLN 35 thousands, interest rate is set annually according to WIBOR 1M effective as at the end of every calendar year, repayment date 31 December 2015.
    2. Loan in the amount of PLN 1 542 thousands, including amount of the loan PLN 1 500 thousands, accrued interest PLN 42 thousands, interest rate is set annually according to WIBOR 1M effective as at the end of every calendar year, repayment date 31 December 2015.
    3. Loan in the amount of PLN 614 thousands, including amount of the loan PLN 600 thousands, accrued interest PLN 14 thousands, interest rate is set annually according to WIBOR 1M effective as at the end of every calendar year, repayment date 31 December 2015.
- Loans granted to the jointly-controlled entity IRYDION Sp. z o. o. seated in Warsaw in the amount of PLN 6 055 thousands, including amount of a loan PLN 6 000 thousands, accrued interest PLN 55 thousand, interest rate is set at 3% annually, repayment date 31 December 2015.
- Loan granted to subsidiary Elmont Investments Sp. z o. o. in the amount of PLN 4 725 thousands, amount of the loan PLN 3 980 thousands, accrued interest PLN 745 thousands. Interest rate is set annually on the end of every calendar year, the repayment date 31 December 2015.

Note No. 10 – Other assets

Other assets by type :	**31 December 2015**	**31 December 2014**
a) prepayments	836	639
- cost of property and personal insurance	192	166
- software maintenance costs	592	424
- subscriptions	31	30
- deferred costs	18	11
- other	3	8
b) other prepayments	6 835	3 794
- amounts due from the ordering parties under long-term contracts	6 835	3 794
Total other assets	**7 671**	**4 433**

In the position - *other prepayments* - are amounts due from contracting parties from long-term contracts, which are measured in accordance with IAS 11.

Note No. 11 – Share capital

SHARE CAPITAL (THE STRUCTURE)							
Series / emission	Type of share	Type of shares preference	Number of shares	Series / emission at nominal value	Method of coverage of capital	Registration date	Right to dividend (from)
Founding	inscribed	3 votes per 1 share	580	580	cash	23 July 1991	1 October1991
Founding	inscribed	-	6 816	6 816	cash	23 July 1991	1 October1991
Founding	bearer	-	1 810 104	1 810 104	cash	23 July 1991	1 October1991
B	inscribed	-	750	750	cash	29 July 1993	1 January1993
B	bearer	-	681 750	681 750	cash	29 July 1993	1 January1993
C	bearer	-	530 000	530 000	cash	20 April 1994	1 January1994
D	bearer	-	865 000	865 000	cash	5 September 1994	1 January1994
Total number of shares			**3 895 000**				
Total share capital				**3 895 000**			
Nominal value of 1 share = PLN 1.00							

The share capital of the Company amounts to PLN 3 895 thousands and is divided into 3 895 000 shares with the nominal value of PLN 1 each. The number of shares did not change with comparison to as at 31 December 2014. Total number of votes from all shares is 3 896 160.

Changing the rights from the issuer's securities

On September 24 of 2015 according to section 10 of the Statutes of the Company PROCHEM S.A., Resolution No. 22/132/94 of the Board of Warsaw Stock Exchange dated 30 May 1994, and Resolution No. 636/15 of the Management Board of National Depository for Securities dated 23 September 2015, and Resolution No. 955/2015 of the Management Board of the Warsaw Stock Exchange of 18 September 2015, was carried out the conversion of registered shares into bearer shares. Date of conversion, assimilation and introduction to trading on the main market in standard mode - 28 September 2015.

After change:
- the Company's share capital amounts to PLN 3.895 million and has not changed,
- the total number of votes from all shares of the Issuer at the General Meeting will amount to 3,896,160, decreased by 500 votes.

Structure of shares after the change:
- 3,886,854 shares to bearer,
- 7,566 shares registered unprivileged,
- 580 shares registered privileged.

According to information in the Company’s possession as at the day of the statements the following shareholders have at least 5% of the votes at the General Meeting of Shareholders:

	Description	**Number of shares (units)**	**% of votes in total number of votes**	**% of share capital**
1.	POROZUMIENIE PHC, including:	1 179 483	30.30	30.28
	Steven Tappan	510 000	13.09	13.09
2.	OtwartyFunduszEmerytalny PZU „ZłotaJesień“	387 521	9.94	9.95
3.	Legg Mason Towarzystwo Funduszy Inwestycyjnch S.A., including:	560 549	14.39	14.39
	- Legg Mason Parasol Fundusz Inwestycyjny Otwarty „Legg Mason Parasol FIO”	284 054	7.29	7.29

4.	(QUERCUS Parosolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolutnego Zwrotu FIZ) managed by Quercus Towarzystwo Funduszy Inwestycyjnych S.A.	394 963	10.14	10.14

Since the submission of the annual report for 2014 years the Company received the following information about the change in shareholding:
- On October 22, 2015, the Investment Fund QUERCUS Parasolowy SFIO alone increased its share in the total number of votes in the company PROCHEM S.A. and exceeded the threshold of 5% of the total number of votes in the company PROCHEM S.A. Before the change, the Fund held 190,644 shares of the Issuer, representing 4.895% of the share capital and held 190,644 votes from these shares, representing 4.893% of the total number of votes at the General Meeting. As at 22 October 2015 the Fund held 194,944 shares of the company PROCHEM S.A., representing 5.005% of the share capital of the Company. The shares held give 194,944 votes at the General Meeting of the Company, representing 5.003% of the total number of votes at the General Meeting.
- on 22 December 2015 QUERCUS Towarzystwo Funduszy Inwestycyjnych S.A. – QUERCUS Parasolowy SFIO, QUERCUS Absolutne Return FIZ and QUERCUS Absolutnego Zwotu FIZ – increased (through Common Funds) share in the total number of votes in the company PROCHEM S.A. and exceeded the threshold of 10% of the total number of votes in the company PROCHEM S.A. Before tha change the funds held a total of 389 463 shares in the Company, representing 9.999% of the share capital and they had 389 463 votes from these shares, representing 9.996% of the total number of votes at the General Meeting. On the day of the transaction the Funds together hold 394 963 shares of the Company, representing 10.14% of the share capital and 10.14% of the total number of votes at the General Meeting.

Note No. 12 - Revaluation reserve

	31 December 2015	31 December 2014
As at opening balance	1 261	950
Revaluation of PPE	-	223
Foreign exchange translation differences	-385	229
Actuarial losses on valuation of provisions for employee benefits	-17	-141
As at closing balance	**859**	**1 261**

Note No. 13 - Retained earnings

	31 December 2015	31 December 2014
Spare capital	15 722	15 730
Other capital reserve	56 586	52 932
Profit of the period	6 213	5 009
Total	**78 521**	**73 671**

Note No. 14 – Provision for retirement and similar benefits

The Company implemented the post-employment benefits program, which include the retirement gratuities for employees. Reserves for retirement gratuity payments are calculated on an individual basis for every employee. The basis for calculating provision for the employee is the expected amount of the benefit that the Company obliges to pay according to applicable terms and conditions which relate to remunerations. Retirement gratuity is paid once at the time of retirement or disability pension. Current value of these obligations is determined by an independent actuary and revalued. The level of provisions corresponds with the discounted payments that will be made in the future, taking into consideration the staff turnover, and relate to the period until the date ending the reporting year. Rate of financial discount to calculate the current value of employee benefit obligations has been determined based on market yields on government bonds, of which currency and maturities are approximate to currency and to estimated period of fulfilment of employee benefit obligations.
The principal actuarial assumptions at the end of the reporting period:

Data in percentage (%)	2015	2014
Discount rate	3.0%	2.6%
Average anticipated annual increase in the base for calculation of the retirement and pension benefits in 2016-2025; the year 2014, in 2015-2024	2.0%	2.1%
Weighted average index of employee mobility	5.44%	5.58%
Increase in the base of retirement benefits:		
- the year 2015 in 2016-2026, the year 2014 in 2016-2024	2.0%	2.0%
- in other years	2.5%	2.5%

Post-employment benefits, retirement and pension benefits

(in PLN thousands)		2015	2014
Liabilities as at the beginning of the period		**751**	**562**
Current employment costs		48	31
Cost of interest		20	25
Net actuarial gains and losses recognized in other comprehensive income		21	174
Benefits paid		-42	-41
Liabilities as at the end of the period, including:		**798**	**751**
- current liabilities	note No. 19	83	40
- non-current liabilities		715	711

Book value of liabilities under employee benefits as at 31 December 2015 and as at 31 December 2014 are the same as the current value.

Historical information

As at	Current value of liabilities arising from above benefits
31 December 2015	798
31 December 2014	751

Employee benefit costs are included in general and administrative expenses. In 2015 the provision for employee benefits was changed as a result of updated assumptions, primarily in relation to the discount rate and change in planned salary increase index.
Total amount of expenses recognized in the financial result for 2015 amounts to PLN 26 thousands.

In PLN thousands	In 2015	In 2014
Current employment costs	48	31
Interest charges	20	25
Benefits paid	-42	-41
Total costs	**26**	**15**

Note No. 15 – Other non-current liabilities

	31 December 2015	31 December 2014
liability under the transformation against payment of perpetual usufruct right to right of ownership	14	20

Note No. 16 – Current bank loans

	31 December 2015	31 December 2014
- credits in bank account	9 024	9 448

As at 31 December 2015, the Company has three credit lines totaling PLN 15 million. Commitments as at the balance sheet date amounted to PLN 9 024 thousands.

Information on bank loans.

Name of the bank	Registered office	Amount of the loan according to the agreement (in PLN thousands)	Amount of a loan for repayment (in PLN thousands)	Terms of interest	The repayment date	Security for the repayment
mBank SA	Warsaw	6,000 Credit in overdraft	3 024	WIBOR for O/N deposits in PLN + margin	30 June 2016	Promissory note in blank
mBank SA	Warsaw	6,000 Revolving working capital loan	6 000	WIBOR for 1 month deposits in PLN + margin	30 June 2016	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft	0	WIBOR for 1 month deposits in PLN + margin	14 November 2016	Statement on submission to execution

Note No. 17 – Current loans

	31 December 2015	31 December 2014
- received borrowings	950	957

Note No. 18 – Trade payables

	31 December 2015	31 December 2014
a) to subsidiaries	2 799	3 403
for supplies and services with maturity:	2 799	3 403
- up to 12 months	2 467	3 359
- more than 12 months	332	44
b) to associated companies and jointly-controlled entities	16	12
- for supplies and services with maturity:	16	12
- up to 12 months	16	12
c) to other entities	44 339	22 001
- for supplies and services with maturity:	44 339	22 001
- up to 12 months	41 768	20 197
- more than 12 months	2 571	1 804
Total trade payables	**47 154**	**25 416**

Note No. 19 – Other liabilities

	31 December 2015	31 December 2014
a) to other entities	882	1 554
- due to taxes, duties, insurance and other benefits	837	1 482
- due to remuneration	18	22
-other (by type)	27	50
• liabilities to employees	16	27
• to shareholders	2	2
• liability under the transformation against payment of perpetual usufruct right to right of ownership	3	3
• other	6	18
b) other short-term provisions	2 788	2 546

- provision for loss on contracts	385	431
- provision for future costs (moving part of salary, contracts of mandate)	993	842
- cost of audit	72	60
- short-term provision for retirement benefits	83	40
- provision for unused annual leaves	1 255	1 173
Total other liabilities	**3 670**	**4 100**

Note No. 20 – Deferred income	31 December 2015	31 December 2014
Deferred income, including:	11 037	19 837
- deferred income – advanced payments received	6 183	18 153
- amounts due to the ordering parties under long-term contracts	4 854	1 684
Deferred income as at the end of the period, including:	**11 037**	**19 837**
Non-current liabilities	**-**	**1 827**
Current liabilities	**11 037**	**18 010**

In 2013 the Company received an advance for the implementation of an investment project in Belarus in the amount of EURO 7 230 thousand. The amount of the advance payment was recognized in deferred income and is settled for invoices issued for completed services and supplies. As at 31 December 2015 the related liabilities amount to PLN 2 585 thousands.

Note No. 21 - Revenues from sale of services

Revenues from sale of services (type of service and type of activity)	in 2015	in 2014
- Revenues from sale of services, including:	217 631	128 322
- from related entities	28 900	18 300

Revenues from sales (territorial structure)	in 2015	in 2014
Domestic market	101 923	68 063
- including from related entities	28 900	18 300
exports	115 708	60 259

Revenues under contracts for construction services (general contracting) and other services are presented in Note No. 31.
The gross amount due from ordering parties/buyers for the work under the contracts was presented in Note No. 10.
Information on major customers, whose total value of revenues from sales of services exceeds 10% of the total revenues which were disclosed in the company's profit and loss account for 2015, is included in Note 31.

Note No. 22 - Revenues from sale of goods and materials

Revenues from sale of materials (by type of material and type of activity)	in 2015	in 2014
- revenues from sale of goods	3 323	12

Revenues from sale of goods and materials (territorial structure)	in 2015	in 2014
Domestic market	-	12
Abroad	3 323	-

Note No. 23 – Cost of services

Costs by type	in 2015	in 2014
a) amortization and depreciation	1 015	826
b) consumption of materials and energy	7 133	3 995
c) outsourcing	171 776	87 004
d) taxes and levies	137	129
e) remuneration	20 661	20 519
f) social security and other benefits	3 634	3 408
g) other types of costs (by category)	4 445	3 686
- property and personal insurance	706	633
- business trips	685	603
- State Fund for Rehabilitation of Disabled Persons (PFRON)	179	232
- other	2 875	2 218
Total costs by type	**208 801**	**119 567**
Change in inventories, goods and accruals and prepayments	10	930
General and administrative expenses (negative value)	-9 274	-9 463
Cost of services	**199 537**	**111 034**

Note No. 24 – Other operating income

	in 2015	in 2014
a) gain on sale of non-financial non-current assets	14	86
b) grants	70	112
c) reversal of impairment allowance (due to)	275	359
- for receivables	275	359
d) other, including:	1 119	543
- reimbursement of litigation costs	73	22
- received compensation, fines and penalties	1 018	119
- revenues from car rental	8	89
- impairment allowance for receivables past due	-	300
- other	20	13
Total other operating income	**1 478**	**1 100**

Note No. 25 – Other operating expenses

	in 2015	in 2014
a) impairment allowance	1 108	1 148
- for receivables	1 108	1 148
b) other, including:	102	237
- litigation costs	83	69
- paid compensation, fines and penalties	-	168
- other	19	50
Total operating costs	**1 210**	**1 435**

Note No. 26 – Financial income

	in 2015	in 2014
a) income from dividends and profit sharing	1 003	53
- from related entities	1 003	53
b) interest on granted loans	735	778
- from subsidiaries	360	497
- from jointly-controlled entities	375	281
c) other interest	260	17
- from other entities	260	17
d) other, including:	123	212
- valorisation of remuneration	-	15
- revenues from discounted non-current liabilities	120	195
- other	3	2
Total financial income	**2 121**	**1 060**

Note No. 27 – Finance costs

	in 2015	in 2014
a) interest on bank loans	304	271
b) interest on loans received	57	16
- for subsidiaries	57	16
c) other interest	35	10
- for other entities	35	10
d) surplus of foreign exchange losses	1 382	437
d) other, due to :	1 149	1 484
- commission on bank guarantees	349	454
- commission on loans	101	37
- commission on letter of credit	11	16
- costs due to discount of financial assets	288	642
- costs from the impairment write-downs of financial assets	400	-
- costs related to Representation Office in Belarus.	-	335
Total finance costs	**2 927**	**2 218**

Note No. 28 – Income tax

Establishment of the effective tax rate	in 2015	in 2014
(in PLN thousands)		
Profit for the period	6 213	5 009
Income tax	2 133	1 324
Before tax profit	8 346	6 333
Income tax at the applicable rate of 19%	1 586	1 203
Revenues, not classified as tax revenue	-2	-63
Costs not constituting tax deductible expenses	558	168
Other	-9	16
Income tax	**2 133**	**1 324**

Note No. 29 – Additional disclosures to the statement of cash flows

Operating activities include basic activity and turnover from other operating activity .
Investing activities include the turnovers in the scope of investment in PPE, intangible assets, equity investments and securities held for trading.
Received dividends are recognized in cash flows from investing activities. Loans granted and repaid together with accrued interest are presented in cash flows - investing activities.
Paid interest and commission on borrowings, loans and leases are recognized in cash flows - financing activities. Financial activity include also received and repaid bank loans and borrowings.

Differences between the amounts directly from the financial statements and presented in the statement of cash flows result from a transfer of specified amounts from operating activity to investing activity and financing activity.
These relate to the following balance sheet items (in PLN thousands):

Change in current receivables	**-12 185**
Receivables as at 1 January 2015	59 810
Other assets as at 1 January 2015	4 433
Receivables from sale of non-current assets	-47
Receivables from prepayment for purchase of investment property	-396
Opening balance sheet after adjustments	**63 800**
Receivables as at 31December 2015	68 856
Other assets as at 31 December 2015	7 671
Receivables from sale of non-current assets	-45
Receivables from prepayment for purchase of investment property	-497
Closing balance sheet after adjustments	**75 985**
Change in current liabilities (except for borrowings, loans and special funds)	**21 171**
Liabilities as at 1 January 2014	25 416
Other liabilities as at 1 January 2014	4 100
Provision to retirement benefit obligations	-40
Provision to unused annual leaves	-1 173
Provision to audit of statements	-60
Provision to other costs	-431
Liabilities under discount of non-current liabilities	249
Liabilities to shareholders	-2
Opening balance sheet after adjustments	**28 059**
Liabilities as at 1 December 2015	47 154
Other liabilities as at 1 December 2015	3 670
Provision to retirement benefit obligations	-83
Provision to unused annual leaves	-1 254
Provision to audit of statements	-72
Provision for other costs	-385
Liabilities for discount of non-current liabilities	249
Investment commitments	-46
Liabilities to shareholders	-3
Closing balance sheet after adjustments	**49 230**

	in 2015	in 2014
Change in other adjustments	**-3 878**	**4 110**
Change in deferred income - advances received	-11 969	-7 411
Security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment*	4 515	1 721
amounts due to the ordering parties under long-term contracts	3 170	1 532
Other adjustments	406	48

*) In connection with the implementation of the investment project in Belarus, the Company in order to secure the return of received advance payment has granted a bank guarantee of advance refund to the amount of EUR0 7,230 thousand. As the security of the guarantee, the Company, under a contract concerning a security deposit in cash, has placed a deposit in the bank to the amount of EUR0 2,191 thousand. The deposit shall be reduced by the amounts settled during the implementation of the project. Date of completion from the contract of the security deposit was determined as at 12 April 2016. As of 31 December 2015, the part of the security deposit - which was not accounted for and discounted was presented in the statement of financial position in other financial assets non-current and current in the amount of PLN 2,526 thousand (Note No.9), and as at 31 December 2014 respectively in the amount of PLN 2,084 thousand and PLN 4,957 thousand (Notes No. 6 and 9).

Note No. 30 – Operating segments

Operating segment is a component part of the entity:

- that engages in business activity from which it can obtain income and incur expenses,
- whose operating results are regularly reviewed by the body responsible for making operating decisions of the Company,
- in case of which is available a separate financial information.

Revenues of the segment are revenues from sale to external customers.
Expenses of the segment are the expenses composed of costs relating to the sale to external customers.
Segment result is determined on the level of operating income.
The Company's activities, for the managing purposes were divided into the four basic operational sectors such as: execution (general contracting), design services and other engineering services (supervisions along with the project engineer service), the lease of the construction equipment, and other activities, covering among others the income from the sublet, sale of photocopying services and other.
Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and property, plant and equipment diminished by the value of provisions and impairment losses.
Some assets in the joint use are assigned to the segments based on reasonable weight.

In 2015 revenues from activities achieved by the Issuer outside Polish borders (exports) and recognized in the separate profit and loss account amounted to PLN 119 031 thousands what constitutes 54% of sales revenues. In the analogous period of the previous year such revenues amounted to PLN 60 259 thousand, what accounted for 47% of sales revenues.

Information on major customers of the Issuer, which share in the sales revenue was recognized in the separate profit and loss account for 2015 and exceeded 10% of the total revenues from sale.

- Belarusian client – revenues in the amount of PLN 115,708 thousands, what represents 52 % of the total sales revenues, which was shown in the segment of „General Contracting" and „Design services and other engineering services";
- Irydion Sp. z o.o. a jointly controlled company – revenues in the amount of PLN 28,900 thousands, what represents 13% of the total sales revenues, which were shown in the segment of „General Contracting" and „Design services and other engineering services";

- Producer of rapeseed oil for technical purposes – revenues in the amount of PLN 34,342 thousand, what represents 16% of the total sales revenues, which were shown in the segment of „General Contracting” and „Design services and other engineering services".

Assets of the Representation in Belarus as at 31 December 2015 do not exceed 10% of balance sheet amount disclosed in the separate statement of financial position.

Analysis of the revenues and results of the Company in the different segments which are covered by reporting is presented in the following tables.

The reporting period from 1 January to 31 December 2015

For the period from 1 January to 31 December 2015	General contracting	Design services and other engineering services	Rental of construction equipment	Commercial activity	Other	Items not assigned	Total
Revenues	186 011	28 361	1 907	3 323	1 352	-	220 954
Total revenues of the segment	**186 011**	**28 361**	**1 907**	**3 323**	**1 352**	**-**	**220 954**
Result							
Profit of the segment	**11 816**	**-2 822**	**279**	**64**	**-453**	**-**	**8 884**
Financial income	-	-	-	-	-	2 121	2 121
Finance costs	-	-	-	-	-	-2 927	-2 927
Net financial income	**-**	**-**	**-**	**-**	**-**	**-806**	**-806**
Profit on other operating activities	-	-	-	-	-	268	268
Before tax profit	-	-	-	-	-	**8 346**	**8 346**
Income tax	-	-	-	-	-	2 133	2 133
Profit for the current period	**-**	**-**	**-**	**-**	**-**	**6 213**	**6 213**
Assets and liabilities							
Assets of the segment (related to activities)	59 281	6 219	474	-	595	-	66 569
Assets not assigned/unallocated (among others shares, stocks and other financial assets)	-	-	-		-	90 631	90 631
Total assets	**59 281**	**6 219**	**474**		**595**	**90 631**	**157 200**
Liabilities of the segment (related to activities)	51 614	523	380	-	830	-	53 347
Liabilities not assigned	-	-	-	-	-	20 578	20 578
Equity	-	-	-	-	-	83 275	83 275
Total equity and liabilities	**51 614**	**523**	**380**	**-**	**830**	**103 853**	**157 200**
Depreciation of property, plant and equipment	40	425	92	-	335	-	892
Amortization of intangible assets	-	-	-	-	-	123	123
Write-down of segment assets (receivables from supplies and services)	-114	-369	-5 108	-	-354	-	-5 945

The reporting period from 1 January to 31 December 2014

For the period from 1 January to 31 December 2014	General contracting	Design services and other engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues	89 582	33 382	4 013	1 357	-	128 334
Total revenues of the segment	**89 582**	**33 382**	**4 013**	**1 357**	**-**	**128 334**
Result						
Profit of the segment	**8 334**	**-1 449**	**1 417**	**-476**	**-**	**7 826**
Financial income	-	-	-	-	1 060	1 060
Finance costs	-	-	-	-	-2 218	-2 218
Net financial income	**-**	**-**	**-**	**-**	**-1 158**	**-1 158**
Profit on other operating activities	-	-	-	-	-336	-336
Before tax profit	-	-	-	-	**6 333**	**6 333**
Income tax	-	-	-	-	1 324	1 324
Profit for the current period	**-**	**-**	**-**	**-**	**5 009**	**5 009**
Assets and liabilities						
Assets of the segment (related to activities)	61 053	1 697	618	898	-	64 266
Assets not assigned/unallocated (among others shares, stocks and other financial assets)	-	-	-	-	75 417	75 417
Total assets	**61 053**	**1 697**	**618**	**898**	**75 417**	**139 683**
Liabilities of the segment (related to activities)	44 022	185	88	958	-	45 253
Liabilities not assigned	-	-	-	-	15 603	15 603
Equity	-	-	-	-	78 827	78 827
Total equity and liabilities	**44 022**	**185**	**88**	**958**	**94 430**	**139 683**
Depreciation of property, plant and equipment	43	5	122		565	735
Amortization of intangible assets	-	-	-	-	91	91
Write-down of segment assets (receivables from supplies and services)	-93	-516	-4 513	-393	-	-5 515

Information about the geographical areas

Geographical breakdown of sales revenues was presented in accordance with country of the seat of the ordering party.

	Note No.	2015	2014
Poland		101 923	68 040
Belarus		119 031	60 259
Other countries		-	23
	21, 22	**220 954**	**128 322**

Geographical breakdown of non-current assets

	Note No.	2015	2014
Poland		1 795	1 883
Belarus		161	245
	1, 2	**1 956**	**2 128**

Note No. 31 – Profit per one share

Net profit per 1 share in trading as at balance-sheet day 31 December 2015 amounts to PLN 1.60 ; in 2014 profit amounted to PLN 1.29.

Note No. 32 – Distribution of a profit

Pursuant to Resolution No. 13 of the Annual General Meeting of 13 June 2015 net profit of the Issuer for 2014 in the amount of PLN 5 009 143.39 was divided as follows:

- Part of the profit in the amount of PLN 1 363 250.00 was assigned for a dividend,
- Part of the profit in the amount of PLN 3 645 893.39 was assigned for capital reserve.

Proposed distribution of profit for 2015

Net profit for 2015 in the amount of PLN 6 213 046.33 is proposed to be divided as follows:

- For a dividend the amount of PLN 1 558 000.00 i.e. PLN 0. 40 per share;
- For capital reserve the amount of PLN 4 655 046.33.

Note No. 33 - Dividends

On 17 July 2015 the Issuer paid dividend in the amount of PLN 0.35 per share, in the total amount of PLN 1 363 250.00.

Note No. 34 - Financial instruments and financial risk management

34.1 Categories and classes of financial instruments

Financial assets

31 December 2015		**Categories of financial instruments**	
		Loans, receivables and other	**Total**
Classes of financial instruments	**note**		
Receivables from supplies and services	8	64 043	64 043
Cash		16 769	16 769
Other financial assets – discounted the security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment	9	2 526	2 526
Loans granted	6 and 9	37 369	37 369
Total		**120 707**	**120 707**

31 December 2014		**Categories of financial instruments**	
		Loans, receivables and other	**Total**
Classes of financial instruments	**note**		
Receivables from supplies and services	8	59 334	59 334
Cash		2 962	2 962
Other financial assets – discounted the security deposit constituting the collateral of a bank guarantee of reimbursement of advance payment	6 and 9	7 041	7 041
Loans granted	6 and 9	44 377	44 377
Total		**113 714**	**113 714**

Financial liabilities

31 December 2015		Categories of financial instruments		
		Financial liabilities measured at amortized costs	**Liabilities excluded from IAS 39**	**Total**
Classes of financial instruments	note			
Loans	16	9 024	-	9 024
Borrowings received	17	950	-	950
Trade payables	18	47 154	-	47 154
Total		**57 128**	**-**	**57 128**

31 December 2014		Categories of financial instruments		
		Financial liabilities measured at amortized costs	**Liabilities excluded from IAS 39**	**Total**
Classes of financial instruments	nota			
Loans	16	9 448	-	9 448
Borrowings received	17	957	-	957
Trade payables	18	25 416	-	25 416
Total		**35 821**	**-**	**35 821**

Impairment allowances of financial assets by classes of financial instruments

(in PLN thousands)

Classes of financial instruments	31 December 2015	31 December 2014
Receivables from supplies and services	(5 945)	(5 515)
Other receivables	(396)	-
Other financial assets	(207)	(207)
Total	**(6 548)**	**(5 722)**

Impairment allowances of financial assets are presented in Notes 8 and 9.

Operating lease

The company is a party to the lease agreement of office space. The agreement has been classified as operating lease. It includes additional fees for additional services that are settled once a year. Rent according to the agreement once a year is subject to valorization according to a Harmonized Index of Growth of Consumer Goods Price in the European Union (index), which is published two months before the date of indexation.

Part of leased office space is subleased. The lease and sublease agreements expire in 2016.

Over the year in the profit and loss account for 2015 was recognized an amount of PLN 3 466 thousand as the cost of fees, in 2014 this amount was 3 684 thousand.

Revenue from sublease is recognized in operating income.

In 2015 in the profit and loss account was recognized an amount of PLN 297 thousand as income from the sublease, in 2014 this amount was PLN 348 thousand.

As of January 18, 2011 the company is a party to an agreement with Toyota Leasing Polska sp. z o. o. on the rental of passenger cars. The above agreement has been classified as operating lease. As at 31 December 2015 lease agreements cover 56 company cars.

In 2015 in the profit and loss account was recognized an amount of PLN 1 029 thousand as the cost of the rental of cars, and in 2014 PLN 843 thousand.

Minimal payments under non-cancellable operating leases are as follows***:***

Agreement of operating lease, when the Company is the lessee

In PLN thousands	2015	2014
Up to 1 year	5 250	3 923
1-5 years	16 893	234
More than 5 years	9 582	-

Agreement of operating lease when the Company is the lessor

In PLN thousands	2015	2014
Up to 1 year	182	178
1-5 years	-	-
More than 5 years	-	-

34.2. Financial risk management

The Company's operations are exposed to the following financial risks:
- credit risk;
- liquidity risk;
- market risk (including currency risk, interest rate risk).

Credit risk

The company during its commercial activity conducts sale of services to business entities with the deferred payment date, as a result of it may arise the risk of not receiving of amounts due from contractors for the services provided. The company, in order to mitigate the credit risk manages the risk through the obligatory procedure of gaining hedging.
The accepted period of the repayment of amount due associated with the normal course of the sale is 14 - 60 days.
Amounts due from contracting parties are regularly monitored by financial services. In case of overdue amounts due procedures of the vindication are started.
The age analysis of trade receivables that are past due at the end of the reporting period, but in case of which there is no impairment is presented in Note 8.
In order to reduce the risk of not recovering the receivables from deliveries and services, the Company accepts a collateral from its customers in the form of, among other: bank and insurance guarantees, mortgages, promissory notes, as well as security deposit.
For the improvement of the current liquidity, in order to release the receivables retained by investors under proper security for the implemented contracts and statutory warranty in relation to construction work and assembly work, Company granted bank guarantees and the insurance guarantee within the guarantee lines which were launched for this purpose.

Credit risk associated with bank deposits and with cash is considered by the Company as low.
All entities in which the Company invests free funds operate in the financial sector. These include domestic banks and branches of the foreign banks.

Credit risk, resulting from loans granted inside the group is considered by the Company to be low, due to the fact that the loans are designed for a specific purpose as the purchase of investment property. In some cases when the subsidiary is not fulfilling its obligations under the contracted loans in the long period, the Issuer shall make write-down of the value of loans granted and of interest accrued on the loan. Changes in write-downs of loans granted were presented in notes 6 and 9.
In the estimation of the Management Board, the risk of impaired financial assets is reflected by impairment allowances of their value. Information on impairment allowances of financial assets is presented in Note 35.1.

Liquidity risk

The Company is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at 31 December 2015 as at 31 December 2014 the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.40 and 1.53.
Detailed information regarding loans is disclosed in Note No. 16.
Analysis of maturity of the liabilities in Notes Nos.14, 15, 16, 17, 18 and 19.

Market risk

1. Exchange rate risk

Part of contracts for sale of services is concluded with foreign companies in foreign currencies (EUR0, US$). In case of a significant strengthening of the domestic currency it may adversely affect the performance of the Company. Partly, this risk is mitigated in the natural way through the purchase of equipment and services necessary for the accomplishment of these contracts abroad, as well as through the purchase of relevant financial instruments.

Exposure to currency risk as at 31 December 2015

(in PLN thousands)	EUR	USD	NOK	BYR	Total after translation into PLN
Financial assets					
Receivables from supplies and services	2 225	-	-	3 640 078	10 246
Cash	3 441	4	88	4 093 380	16 015
Other financial assets	593	-	-	-	2 527
Total	**6 259**	**4**	**88**	**7 733 458**	**28 788**
Financial liabilities					
Payables	1 524	114			7 032
Deferred income (advanced payments received)	606	-	-	-	2 582
Total	**2 130**	**114**	**-**	**-**	**9 615**

Exposure to currency risk as at 31 December 2014

(in PLN thousands)	EUR	USD	NOK	BYR	Total after translation into PLN
Financial assets					
Receivables from supplies and services	4 820	-	-	6 100 343	22 491
Cash	491	4	88	1 416 781	2 606
Other financial assets	1 682	-	-	-	7 169
Total	**6 993**	**4**	**88**	**7 517 124**	**32 266**
Financial liabilities					
Payables	1 274	90			5 746
Deferred income (advanced payments received)	4 757	-	-	-	20 276
Total	**6 031**	**90**	**-**	**-**	**26 022**

Analysis of sensitivity to currency risk as at 31 December 2015

(in PLN thousands)	Increase in exchange rate	Total impact on before tax profit	Drop in the exchange rate	Total impact on before tax profit
EUR/PLN	15%	2 639	15%	-2 639
NOK/PLN	15%	6	15%	-6
BYR/PLN	15%	244	15%	-244
Total impact		**2 889**		**-2 889**

Analysis of sensitivity to currency risk as at 31 December 2014

(in PLN thousands)	Increase in exchange rate	Total impact on before tax profit	Drop in the exchange rate	Total impact on before tax profit
EUR/PLN	15%	615	15%	-615
USD/PLN	15%	-45	15%	45
NOK/PLN	15%	6	15%	-6
BYR/PLN	15%	360	15%	-360
Total impact		**936**		**-936**

Exposure to currency risk of revenues and expenses during the reporting period

Analysis of the impact of potential change in the value of financial instruments as at 31 December 2015, on the gross financial result in connection with hypothetical change in foreign currency exchange rates compared to the Polish Zloty/functional currency.

Revenues in foreign currency, achieved in the currency in the years 2015 and 2014 were as follows:

currency	**revenues**		**Average exchange rate for sales**		**expenses**		**Average exchange rate for purchases**	
(in PLN thousands)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
EUR	27 703	14 307	4,1882	4,2119	32 499	7 703	4.3129	4.1846
USD	153	-	3,7799	-	3 753	555	3.7799	3.4370
BYR	-	-	-	-	166 688 209	10 463 354	0.0002	0.0003

In the reporting period EURO was the main currency.
Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value and potential book value of financial instruments at assumed increase/drop in exchange rates.
For other currencies the sensitivity of financial instruments is not material.

5. Interest rate risk

The Company is exposed to the risk of volatility of cash flows arising from interest rate resulting from bank loans based on floating interest rate WIBOR ON (overnight) and loans granted based on floating rates WIBOR 1M and WIBOR 6M.

Analysis of financial instruments with floating interest rates

	WIBOR		Fixed rate of interest	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
Financial assets				
Loans granted	30 935	35 413	6 235	6 000
Financial liabilities				
Loan	9 024	9 448	-	-
Borrowings received	-	-	950	957

Analysis of cash flow sensitivity of financial instruments with floating interest rate on before tax profit.

	The assumed fluctuations of WIBOR				The impact (in PLN thousands)			
	31December 2015		31December 2014		**31.12.2015**		**31.12.2014**	
	increase	decline	increase	decline	**increase**	**decline**	**increase**	**decline**
Financial assets								
Loans granted	+50 base point	-50 base point	+50 base point	-50 base point	155	(155)	177	(177)
Financial liabilities								
Loan	+50 base point	-50 base point.	+50 base point	-50 base point	(45)	48	(45)	48
Borrowings received	+50 base point	-50 base point	+50 base point.	-50 base point	(5)	5	-	-

6. The risk of disadvantageous settling the litigation with PERN S.A.

In view of the substantial prolongation of legal proceeding in a dispute with PERN SA which begun in 2006, and currently is pending before the District Court in Warsaw concerning the accounting for the contract in the formula GRI concerning investment project under the name of "Rurociąg w relacji ST-1 Adamowo - Baza Surowcowa Plebanka", which was interrupted on 10 of November 2005, the risk exists of the need of fulfilment by PROCHEM in 2015 of the commitments in relation to seized guarantee deposits of subcontractors, which on balance sheet day amounted PLN 2,928 thousand, before the recovering of guarantee deposits seized by PERN S.A. Receivables from the security deposit of the company PROCHEM S.A. from PERN SA on 31 December 2015 amounted to PLN 17 364 thousands. In the Company's opinion the risk is minimal, but the Management Board of PROCHEM S.A. takes into account a necessity of accumulation of adequate funds for this purpose.
A detailed description of the dispute in Note No. 39.

Note No. 35 – Related party transactions

In 2015 the Members of the Supervisory Board and the Management Board had not concluded any contracts with companies belonging to PROCHEM S.A. Capital Group.
Transactions with affiliated entities, as below, were concluded on market conditions and relate to sale and purchase of services, among others - of construction and assembly services, and rental services, as well as granting mutually loans.

Settlements with related entities include receivables, trade payables and financial liabilities.
Guarantees and sureties granted to related entities are presented in note 37.

Transactions with subsidiaries

The reporting year

As at 31 December 2015 the settlements of the Issuer with subsidiaries directly and indirectly developed as follows:

- Receivables from non-current loans with interest – PLN 18 371 thousand,
- Receivables from current loans with interest – PLN 845 thousand,
- Trade and other receivables – PLN 1 666 thousand,
- Liabilities under received current loan with interest – PLN 950 thousand,
- Trade payables – PLN 2 701 thousand,
- Other liabilities – PLN 107 thousand.

In the period from 1 January 2015 to 31 December 2015 have occurred the following transactions of the Issuer with subsidiaries directly and indirectly:

- Sale and purchase of construction service,
- Sale of other services (rental of space).

Total revenues from these transactions amounted to – PLN 666 thousand.
Revenues from interest on loans amounted to – PLN 361 thousand.
Dividends received – PLN 1 003 thousand.
Costs under interest on loans amounted to – PLN 58 thousand.

The comparative year

As at 31 December 2014 the settlements of the Issuer with subsidiaries directly and indirectly developed as follows:

- Receivables from non-current loans with interest – PLN 18 427 thousand.
- Receivables from current loans with interest – PLN 8 173 thousand.
- Trade and other receivables - PLN 5 242 thousand.
- Liabilities under received current loan with interest – PLN 957 thousand.
- Trade payables – PLN 3 405 thousand.

In the period from 1 January 2014 to 31 December 2014 have occurred the following transactions of the Issuer with subsidiaries directly and indirectly:

- Sale and purchase of construction services,
- Sale of other services (rental of space).

Total revenues from these transactions amounted to – PLN 292 thousand.
Revenues from interest on loans amounted to – PLN 497 thousand.
Remuneration under valorisation of the contract value – PLN 15 thousand
Dividends received – PLN 53 thousand.
Costs under interest on loans amounted to – PLN 16 thousand

Transactions with jointly-controlled and associated entities

The reporting year

As at 31 December 2015 the settlements of the Issuer with jointly-controlled and associated entities developed as follows:

- Receivables from non-current loans – PLN 17 955 thousand.
- Trade and other receivables – PLN 7 432 thousand.
- Trade payables – PLN 16 thousand.

In the period from 1 January 2015 to 31 December 2015 the following transactions of the Issuer with jointly-controlled and associated entities took place:

- Revenues from sale of services – PLN 28 900 thousand.

- Financial revenues under interest on loan – PLN 375 thousand.

The comparative year

As at 31 December 2014 the settlements of the Issuer with jointly-controlled and associated entities developed as follows:

- Receivables under non-current loans – PLN 11 524 thousand.
- Receivables under current loans – PLN 6 055 thousand.
- Trade and other receivables – PLN 105 thousand.
- Trade payables – PLN 12 thousand.

In the period from 1 January 2014 to 31 December 2014 have occurred the following transactions of the Issuer with jointly-controlled and associated entities:

- Revenues from sale of services – PLN 18 008 thousand.
- Financial revenues under interest on loan – PLN 281 thousand.

Revenues from sale of services to jointly-controlled entities and associated companies in 2015 and 2014 totally relate to the jointly-controlled company IRYDION Sp. z o. o. in Warsaw, on whose behalf is implemented investment project under the name of "Astrum Business Park" in Warsaw.

Note No. 36 – Contingent liabilities and contingent assets and other collateral

Collateral granted

	31 December 2015	31 December 2014
Bank guarantee of good performance	11 592	12 859
Payment guarantee	852	997
Tender guarantee	60	-
Guarantee of return of advance payment	4 115	24 668
Total collateral granted	**16 619**	**38 524**
Contingent liabilities		
Guarantee securing obligations under statutory warranty and guarantee – granted on behalf of associated entity	247	247
Letters of Credit	3 564	-
Total security granted and contingent liabilities	**20 430**	**38 771**

Collateral received

	31 December 2015	31 December 2014
Bank guarantee of good performance	3 617	1 547
Aval of good performance of a contract	77	77
Total collateral received	**3 694**	**1 624**

Contingent receivables from PERN were described in Note 38.

Note No. 37 – Events after reporting date

Not occurred.

Note No. 38 - Information on significant proceedings pending before the court

PROCHEM S.A. continues to be a party to the proceedings before the court concerning the settlement of the contract which was interrupted on 10 November 2005, for the construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka" concluded with PERN S.A. PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41, 301 thousand under the final settlement of the contract, of which PLN 17,364 thousand is recognized in the statement of financial position as a receivable from seized guarantee deposit, and the remaining amount is the contingent receivable. On 18 January 2008 District Court in Warsaw issued a judgment in this case considering claim of PROCHEM S.A. as to be right in principle, while stating that this obligation is not yet due.

On 26 August 2008 the Court of Appeal in Warsaw issued a final judgment on the appeal lodged by PROCHEM S.A. from the a/m judgment of the District Court, recognizing in it that the claim filed by PROCHEM S.A. regarding accounting for the contract is not premature, and at the same time has ordered that the District Court will make the accounting for the contract mentioned above pursuant to the provisions of the contract. This finding is in compliance with position in a case of PROCHEM S.A.

On 12 August 2010 the hearing was held before the District Court in Warsaw, where the Court decided to appoint an expert- Warsaw University of Technology – Department of Civil Engineering, who according to the recommendations of Court of Appeal will make an ultimate accounting for in relation to the disputed contract. In April 2011, the case file was forwarded to the expert witness, who in an opinion published in May 2012 confirmed the amount of the claim of PROCHEM S.A. By order of May 31, 2012, the District Court granted the Warsaw University of Technology a remuneration for opinion in the case, in relation to which the defendant PERN lodged a complaint. According to PERN SA the prepared opinion could not be the basis of the findings of facts of the case for the Court, because it is contrary to the thesis of the Court in which was determined the basis and scope of the opinion.

The Court of Appeal in Warsaw, I Civil Division has cancelled the decision of the District Court which was contested by PERN SA and the request for remuneration of an expert for the drafting of an opinion has submitted to the District Court for reconsideration.

On 5 February 2013 before the District Court in Warsaw, a hearing was held with the participation of experts, after which the court decided to oblige the parties to submit the pleadings in which the final the final conclusions of evidence to complement the expert opinions will be clarified, and postponed the hearing until 16 May 2013.

By order dated February 25, 2013, the District Court in Warsaw XXVI Economic Department upheld the previous decision of the Court, and finally has awarded a remuneration for the expert for drafting the opinion. In grounds for the judgment the Court determined that, at the hearing on 5 February 2013, the certified expert has carefully explained the methodology that has been adopted for the preparation of the legal opinion and it is not inconsistent with the thesis of the Court, and there are no legitimate grounds to complaint that the methodology adopted by the experts is not correct.

On 14 May 2013, the Issuer received a notice from the District Court in Warsaw of revocation hearing scheduled for 16 May 2013 and the next date of hearing has not been appointed yet.

On 9 August 2013, the Issuer received from the District Court in Warsaw, the decision as of 1 August 2013, from closed session of the Court. At the meeting, the Court decided to admit evidence of a supplementary opinion of research institute - Warsaw University of Technology in Warsaw, in the circumstance of determining the value of services, supplies, and other liabilities made by PROCHEM S.A. and directly related to the implementation of the agreement that have been made after the date of withdrawal from the contract on the basis of commitments contracted prior to the withdrawal from the contract. In November 2013 the experts appointed by the court have started the work associated with the preparation of the supplementary opinion.

On 25 February 2014, the Court received the supplementary opinion that confirms the amount of the claim of PROCHEM S.A.

On 24 October 2014 the court suspended of its own motion the hearing until the removal of formal obstacles that have now been removed and on February 6, 2015, a request was made to continue the proceedings and set a date for the next meeting.

On 4 March 2015 the District Court in Warsaw has scheduled a hearing for 30 April 2015.

At the hearing on 30 April 2015, the Regional Court in Warsaw has pledged experts to supplement the opinion.

On 6 May 2015 in relation to the doubts raised against some aspects of the expert's opinions and in the interest of a faster conclusion of the case, PROCHEM limited the action for payment by the amount of PLN 139 thousand to the amount of PLN 41 162 thousand, along with statutory interest.

On 17 July 2015 the Company received a copy of the supplementary opinion expert, which in all cases had confirmed the position of PROCHEM S.A.

On 22 October 2015 the District Court in Warsaw, XXVI Commercial Division announced judgment in the above matter, in which:

- from the principal action, jointly and severally to the Issuer and a member of the consortium adjudged from PERN:
    - ✓ amount of PLN 35 086 589.26, with statutory interest from 23 March 2006 until the date of payment;
    - ✓ amount of PLN 4 879 883.58, with statutory interest from 22 March 2006 until the date of payment;
    - ✓ amount of PLN 126 400,4, with statutory interest from 16 January 2007 until the date of payment.
- in the cross action, dismissed the action of PERN entirely.

The above mentioned judgment constitutes the judgment of first instance, the parties have the right to lodge an appeal against the judgment.
From the above judgment on 7 December 2015 PERN lodged an appeal. The term of consideration of the appeal has not been set yet.

At 30 of September 2015 the Group presents the receivables from PERN SA under guarantee deposits seized during the execution of the contract worth PLN 17,364 thousand, which are the subject of a final settlement of the contract and the proceedings which is pending before the Court. These receivables are not covered by write-down. The remaining amount of the claim of PROCHEM S.A. in the amount of PLN 22,728 thousand was recognized as a contingent asset, because at the reporting date, did not meet all the criteria for recognition as an asset in the understanding of IAS 37.
The value of this procedure exceeds 10% of the equity of the Issuer.
Furthermore, the total value of other proceedings separately for group of liabilities and as well as for group of receivables does not exceed 10% of the equity of the Issuer.

Nota 39 - Other supplementary information to the financial statements

Statement of changes in the ownership of the issuer's shares or rights to them (options) held by Management Board and Supervisory Board, in accordance with the Issuer's knowledge

As at the date of the separate financial statements the following members of the Management Board and Supervisory Board of the company held shares of PROCHEM S.A.:

- Jarosław Stępniewski – 80,943 units.;
- Marek Kiersznicki –70,393 units;
- Krzysztof Marczak – 43,700 units;
- Andrzej Karczykowski – 115,186 units;
- Marek Garliński – 86,400 units;
- Steven Tappan – 510,000 units.

Nominal value of 1 share is PLN 1.

Since the submission of the annual report for 2014 years a member of the Supervisory Board Mr. Marek Garliński purchased 500 pcs. of shares.

In related companies managing and supervising persons do not hold shares.

Information on granting a surety for loan or borrowing or guarantees by the issuer or its subsidiary – jointly to on entity or to its, if the total value of existing surety or guarantee is equivalent to as least 10% of the issuer's equity

In 2015, the Issuer granted loan guarantee another entity as referred to below.

On 20 April 2015 jointly-controlled company Irydion Sp. z o. o. signed an agreement on the construction and mortgage loan, up to the amount PLN 43 469 thousand for the implementation of development project (construction of office building) under the name of Astrum Business Park in Warsaw. Interest on the loan is established as follows: in the Developer's Phase (the period for implementation of the project) according to a floating interest rate WIBOR 3M plus margin, in the investment phase (after conversion of the loan) EURIBOR 3M plus margin. The repayment date was set for September 22, 2031. The loan will be launched after the establishment of security. The security established for the loan include: the establishment of contractual mortgage, transfer of rights from the insurance policy of the project, transfer of a debt from lease contracts, the establishment of the registered pledge on all shares in the share capital by the Shareholders.

Company PROCHEM S.A. granted to the jointly controlled company Irydion Sp. z o. o. a surety under abovementioned agreement of loan up to the amount of PLN 21,735 thousand. (i.e. 50% of the amount of the loan). The guarantee was fixed up to 20 September 2016.

On April 20, 2015, the company PROCHEM S.A. entered into an agreement of registered pledge on 4 500 shares with a nominal value of PLN 1 000 each, with a total nominal value of PLN 4 500 thousand. These shares represent 50% of the share capital of the jointly controlled entity and give the right to 4,500 votes at the company's shareholders' meeting. Registered pledge on the shares is to constitute the collateral of the loan as above.

In 2015, the Issuer has granted the subsidiary a loan in the amount of PLN 120 thousand, to be repaid by 31 December 2015 (the loan was repaid in 2015). The interest rate was set at 3% per annum.

Remuneration of the Members of Management Board and Supervisory Board

Remuneration paid in 2015 in the Issuer's enterprise to the Members of Management Board:

1. Jarosław Stępniewski	PLN 492 thousand: including remuneration established on profit in 2014 – PLN 55 thousand,
2. Marek Kiersznicki	PLN 315 thousand: including remuneration established on profit in 2014 – PLN 50 thousand,
3. Krzysztof Marczak	PLN 315 thousand including remuneration established on profit in 2014 – PLN 50 thousand,

Remuneration paid in 2054 in the Issuer's enterprise to the Members of the Supervisory Board:

1. Marek Garliński	PLN 187 thousand: including remuneration established on profit in 2014 – PLN 40 thousand,
2. Karczykowski Andrzej	PLN 70 thousand: including remuneration established on profit in 2014 – PLN 40 thousand,
3. Dariusz Krajowski-Kukiel	PLN 20 thousand: including remuneration established on profit in 2014 – PLN 20 thousand,
4. Krzysztof Obłój	PLN 70 thousand: including remuneration established on profit in 2014 – PLN 40 thousand,
5. Adam Parzydeł	PLN 20 thousand: including remuneration established on profit in 2014 – PLN 20 thousand.
6. Wiesław Kiepiel	PLN 50 thousand: including remuneration established on profit in 2014 – PLN 20 thousand
7. Steven Tappan	PLN 50 thousand: including remuneration established on profit in 2014 – PLN 20 thousand

The remuneration on account of serving on the Management Boards and the Supervisory Boards of companies belonging to the Capital Group paid to Members of the Management Board in 2015 have received: :

1. Jarosław Stępniewski	PLN 65	thousand
2. Marek Kiersznicki	PLN 172	thousand
3. Krzysztof Marczak	PLN 180	thousand

Note No. 40 – Approval of the financial statements

Financial statements of PROCHEM S.A. for 2015 were approved for issue by the Management Board of PROCHEM S.A. on 28 April 2016.

Signatures of the Members of the Supervisory Board

date	first name and surname	position	signature
28 April 2016	Jarosław Stępniewski	Chairman of the Board	....
28 April 2016	Marek Kiersznicki	Vice Chairman	....
28 April 2016	Krzysztof Marczak	Vice Chairman	....

Signature of the person responsible for bookkeeping

date	first name and surname	position	signature
28 April 2016	Barbara Auguścińska-Sawicka	Chief Accountant	....