SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

As at and for the period ended 31 December 2014

PROCHEM S.A.
Powązkowska 44C Street
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Separate financial statements of PROCHEM S.A. prepared as at and for the period ended 31 December 2014

Statement of financial position as at 31 December 2014.

(all amounts in PLN thousands if not stated otherwise)

	Note no	As at 31 December 2014	As at 31 December 2013
A s s e t s			
Non-current assets			
Property, plant and equipment	1	1 977	1 981
Intangible assets	2	151	201
Shares in subsidiaries	3	10 162	10 060
Shares in the equity-accounted investees	4	5 210	5 210
Deferred tax assets	5	1 073	656
Other financial assets	6	32 036	40 906
Total non-current assets		**50 609**	**59 014**
Current assets			
Inventories	7	2 487	3 126
Trade and other receivables	8	59 810	39 407
Other financial assets	9	19 382	5 306
Other assets	10	4 433	10 548
Cash and cash equivalents		2 962	3 725
Total current assets		**89 074**	**62 112**
Total assets		**139 683**	**121 126**
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	1 261	950
Retained earnings	13	73 671	68 662
Total equity		**78 827**	**73 507**
Non-current liabilities			
Provisions for retirement and similar benefits	14	711	531
Deferred income	20	1 827	19 338
Other liabilities	15	20	24
Total non-currrent liabilities		**2 558**	**19 893**
Current liabilities			
Bank loans	16	9 448	-
Borrowings	17	957	-
Trade payables	18	25 416	17 767
Liabilities under current income tax		367	563
Other liabilities	19	4 100	3 017
Deferred income	20	18 010	6 379
Total current liabilities		**58 298**	**27 726**
Total liabilities		**60 856**	**47 619**
Total equity and liabilities		**139 683**	**121 126**

Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Book value per share (in PLN)		20.24	18.87

Profit and loss account
for the period from 1 January 2014 to 31 December 2014
(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 December 2014	Period ended 31 December 2013
Revenues from sales, including:		128 334	83 340
Revenues from sale of services	21	128 322	82 889
Revenues from sale of goods and materials	22	12	451
Cost of sales, including:		-111 045	-73 994
Cost of services sold	23	-111 034	-73 551
Cost of merchandise and raw materials		-11	-443
Gross profit on sales		**17 289**	**9 346**
General and administrative expenses	23	-9 463	-7 901
Other operating income	24	1 100	3 783
Other operating expenses	25	-1 435	-2 849
Results from operating activities		**7 491**	**2 379**
Financial income	26	1 060	2 840
Profit on the disposal of shares in subsidiaries		-	5 087
Finance expenses	27	-2 218	-1 752
Profit before tax		**6 333**	**8 554**
Income tax expense:	28	1 324	1 911
- current tax		1 760	564
- deferred tax		-436	1 347
Profit for the period		**5 009**	**6 643**
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Profit/diluted profit per share (in PLN per one share)		1.29	1.71

Statement of comprehensive income
For the period from 1 January2014 to 31 December 2014

Profit for the period	**5 009**	**6 643**
Other comprehensive income, net	**311**	**-129**
Other comprehensive income that will be reclassified to profit and loss under certain conditions:	**452**	**-56**
Revaluation of property, plant and equipment	275	-
Exchange differences on translation of foreign operation	229	-56
Income tax on other comprehensive income	-52	-
Other comprehensive income that will not be recassified to profit and loss:	**-141**	**-73**
Actuarial loses on valuation of provisions for employee benefits	-174	-90
Income tax on other comprehensive income	33	17
Total comprehensive income	**5 320**	**6 514**
Weighted average numer of ordinary shares (units)	3 895 000	3 895 000
Total comprehensive income per ordinary share (in PLN per one share)	1.37	1.67

Statement of changes in equity for the period from 1 January 2014 to 31 December 2014
(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Total euity
The reporting period from 1 January 2014 to 31 December 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**

	Share capital	Revaluation reserve	Retained earnings	Total euity
The reporting period from 1 January 2014 to 31 December 2013				
As at the beginning of the period	**3 895**	**1 086**	**65 049**	**70 030**
Net profit of the given period	-	-	6 643	**6 643**
Net other comprehensive income	-	*-129*	-	*-129*
Total comprehensive income	**-**	**-129**	**6 643**	**6 514**
Payment of dividend	-	-	-3 038	**-3 038**
Other changes	-	-7	8	**1**
As at the end of the period	**3 895**	**950**	**68 662**	**73 507**

Statement of cash flows for the period from 1 January 2014 to 31 December 2014

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 December 2014	Period ended 31 December 2013
Cash flows – operating activities			
Profit before tax		6 333	8 554
Total adjustments		-8 554	5 718
Amortization and depreciation	23	826	817
Interest and profit sharing (dividends)		-507	-474
Profit on disposal of property, plant and equipment	24	-86	-146
Profit on investment activities		-	-5 087
Change in provisions		375	220
Change in inventories		639	-767
Change in receivables	30	-14 316	6 510
Change in current liabilities, except for loans and borrowings	30	8 625	-11 958
Other adjustments	30	-4 110	16 603
Cash provided by (used in) operating activities		**-2 221**	**14 272**
Income tax paid		**-1 956**	**-**
Net cash provided by (used in) operating activities		**-4 177**	**14 272**
Cash flows – investing activities			
Inflows		**406**	**6 704**
Disposal of intangible assets and property, plant and equipment		303	452
Inflows from financial assets in related entities, including:		103	6 252
- dividend received		53	304
- disposal of financial assets (shares)		-	5 603
- repayment of loans granted		50	287
- repayment of interest on loans granted		-	58
Outflows		**-7 116**	**-10 675**
Acquisition of intangible assets and property, plant and equipment		-815	-1 091
For financial assets in related entities, including:		-6 301	-9 584
- acquisition of financial assets		-101	-54
- loans granted		-6 200	-9 530
Net cash provided by (used in) investing activities		**-6 710**	**-3 971**
Cash flows – financing activities			
Inflows		**10 440**	**-**
Proceeds from loans received		9 448	-
Proceeds from borrowings received		950	-
Other financial proceeds		42	
Outflows		**-316**	**-9 740**
Dividend paid		-	-3 036
Repayment of bank loans		-	-6 347
Interest		-316	-357
Net cash provide by (used in) financing activities		**10 124**	**-9 740**
Total cash flows, net		-763	561
Net increase/(decrease) in cash and cash equivalents		-763	561
Cash and cash equivalents at the beginning of the period		**3 725**	**3 164**
Cash and cash equivalents at the end of the period		**2 962**	**3 725**

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.(hereinafter 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 statement. 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 Representation Office is restricted, i.e. until 30 July 2016.

2. Management Board and Supervising 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 2014.

The Supervisory Board of the 9th term of office, that was elected by the Annual General Meeting on 7 June 2014 by the Resolution No. 7, comprises of:

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

The above composition of the Supervisory Board is current as at the date of preparation of these financial statements.

3. Employment

In 2014 average employment was 232.6 FTEs, and in 2013 211 FTEs. Level of employment in persons as at 31December 2014 was 238, and as at 31 December 2013 226.

4. Adopted accounting policies

Principles of presentation

The financial statements of PROCHEM S.A. for the period from 1 January to 31December 2014 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 2014. 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 2014 and comparable data as at 31 December 2013, as well as results of operations for the year ended 31 December 2014 and comparable data for the year ended 31 December 2013.

The separate financial statements of PROCHEM S.A. as at 31 December 2014 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.

Operating activities of the Company neither have seasonal character nor are subject to cyclical trends, except for the segments of the general contracting and rental of construction equipment, that in large extent are characterized by seasonality, which is caused, to a large extent, by the weather conditions. Weather conditions have an impact on the volume of revenue achieved in these segments. Lower revenues are achieved in winter, when the weather conditions do not allow to perform certain construction work.

The separate financial statements of PROCHEM S.A. for 2013 includes data of PROCHEM's Representation acting on the territory of Belarus. 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.
The Representation Office prepares reports required by the Belarusian law.
Exchange differences arising from translation of the reports of the Representation Office were recognized in the *Revaluation reserve - foreign exchange differences from translation of the Representation Office abroad.*
PROCHEM S.A. is the Parent Entity of 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 2013.

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 flow;
- Note 14 – Liabilities for retirement benefits: key actuarial assumptions;
- Note 39 – Information on significant proceedings pending before the court

Changes in estimates
In 2014 there was no change in the principles and methods of calculation used to establish estimates and in estimates.

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 2014 and have not been applied in the financial statements.

The following standards, amendments to standards and interpretations have not been adopted by the European Union or are not effective as at 1 January 2014:

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
MSSF 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). MSSF 15 clarifies and unifies the principles for recognizing revenue from contracts with customers.	1 January 2017
Amendments to IFRS 11	Additional guidance related to the disclosure of acquisition in a joint operation.	1 January 2016
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 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
Amendments to IAS 16 and IAS 41	The accounting principles for the biological assets.	1 January 2016
Amendments to IAS 19	Simplification of the accounting principles applying to contributions from employees or third parties to defined benefit plans.	1 February 2015
Amendments to IAS 27	The application of the equity method in the separate financial statements	1 January 2016
Annual improvements to IFRSs (2010-2012 cycle)	A set of amendments on: - IFRS 2 – definition of vesting conditions; - IFRS 3 – accounting for contingent consideration; - IFRS 8 – presentation of operating segments; - IFRS 13 – short-term receivables and payables; - IAS 16 / IAS 38 – revaluation method – proportionate restatement of	1 February 2015

	accumulated depreciation (not proportionate change of gross value and amortization and depreciation in the revalued value model); - IAS 24 – key management personnel	
Annual improvements to IFRSs (2011-2013 cycle)	A set of amendments on: - IFRS 3 – change in the scope of the use for joint ventures; - IFRS 13 – scope of paragraph 52 (portfolio exception); - IFRS 40 – clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.	1 January 2015
Annual improvements to IFRSs (2012-2014 cycle)	A set of amendments on: IFRS 5 – changes in methods of disposal; IFRS 7 – regulations concerning servicing contracts and applicability of the standard to condensed interim financial statements; IAS 19 – 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. These changes will possibly have material impact on future financial statements of the company PROCHEM S.A. At the date of preparation of these financial statements not yet been published all phases of IFRS 9 and it has not been endorsed by the European Union. In view of the above, the analysis of its impact on the Company's future financial statements is not yet complete.

The new IFRS 15 aims to unify the rules determining income (except for specific regulated revenues in other IFRS / IAS) and 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 2014 until day of approval for the publication of the separate financial statements had no material impact on these financial statements.

Transactions done 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 are presented in accordance with IAS 16.
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 arising as a result of a revaluation of land, buildings and constructions is recognized as an expense 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 costs.

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 revenue from sales 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 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 statement of financial situation 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.

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 loss.

The carrying amount 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. Cash equivalents classified as financial assets are measured at fair value through financial result (profit or loss).

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 of 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 issue of the component of financial asset such as: fees and commissions paid to advisers or agents, payments 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).

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payment or fixed maturity, which the Company is both able and intending 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 not being loans or other receivables, investments held-to-maturity nor the financial assets measured at fair value through profit or loss.

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 disposal of assets.

Fair value of financial assets is measured as follows:
- for instruments quoted on the active market based on the last quotations, which were 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 measures 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 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 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, 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.

Reclassification
The Company:
- shall not reclassify a derivative from the category measured at fair value through profit or loss since the moment of acquisition or issue;

- shall not reclassify financial instrument from the category measured at fair value through profit or loss if at initial recognition financial instrument was designated by the Company to be measured at fair value through profit or loss and
- may, if the financial asset is no longer held for sale or repurchase in the near time (notwithstanding that the financial asset may have been acquired or incurred mainly with purpose of selling or repurchasing in the near time), reclassify that financial asset from the category of measured at fair value through profit or loss only in exceptional circumstances, and in the case of loans and receivables (if at initial recognition of the financial asset does not have to be classified as held for trading) if the entity has the intention and ability to hold the financial asset in the foreseeable future or until maturity,
- shall not reclassify any financial instrument as measured at fair value through profit or loss after initial recognition.

Impairment of financial assets
At the end of the reporting period, the Company 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 investments held to maturity which are measured at amortized cost, the Company will recognize impairment losses of estimated future cash flows discounted 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 as profit 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, impairment losses are set as the difference between the 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 losses set in such way are not subject to reversal.

If objective premises exist for impairment of financial asset available-for-sale, the cumulative losses arising from valuation recognized in the statement of comprehensive income, in accordance with the principles of valuation of financial assets, are derecognised 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 reversed impairment allowances shall be recognized in financial result (profit or loss).
Impairment loss of an investment in an equity instrument 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 case of an existing obligation of the company (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 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 an actuarial valuation method.

Accrued liabilities are equal to discounted payments which will be made in future, taking into consideration among others staff turnover, planned increase of salaries and relate to the period to the date ending the reporting year. Provision for the retirement gratuity is created in order to allocate costs to the periods to which they relate. Provision for retirement gratuity are recognized in the profit or loss account, except for actuarial gains and losses arising from changes in actuarial assumptions (including due to changes in the discount rate) and the actuarial adjustments that are recognized in the statement of comprehensive income.

Equity

Equity is recognized in the accounting records by type, according to the principles set out by law and the Statutes of the Company. Equity includes:

- Share capital – shown in the nominal value of the issued and registered shares
- Revaluation reserve includes:
  - the revaluation difference arisen between the fair value and the purchase price, less deferred tax among others of buildings and land measured at fair value,
  - capital arising from the foreign exchange – translation of financial statements of foreign operations of the Representation Office,
  - actuarial gains and losses arising from the changes in actuarial assumptions (including due to discount)
- Retained earnings, which include:
  - Spare capital that is created from the surplus of sale of shares above its nominal value, and from the annual write-down for net profit and the write down 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) for the current year
  - Advance payments on account of dividends.

Revenues from sales include the fair value of revenues from sale of services, goods and materials**.** Revenue from the contracts for construction services (general contracting) and design and engineering services is 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 service provided.

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.

Revenue 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 ownership of these assets and ceased to be permanently involved in the management of the transferred assets and does not exercise effective control over them.

***Income tax* -** fiscal charges 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 is achieved that ill enable the use of transitional differences.

Deferred tax assets are recognized separately from tax losses which can be possible for deduction in the next years.

5. Explanatory notes to separate financial statements as at and for the period ended 31 December 2014

Note No. 1 – Property, plant and equipment

	As at 31 December 2014	As at 31 December 2013
Property, plant and equipment, including:	1 975	1 976
- land	172	145
- buildings, premises and water and civil engineering objects	444	339
- machinery and equipment	641	1 055
- vehicles	9	19
- other fixed assets	709	418
Construction under progress	2	5
Total property, plant and equipment	**1 977**	**1 981**

Ownership structure		
a) own	1 977	1 981
Total property, plant and equipment	**1 977**	**1 981**

Changes in property, plant and equipment – in 2014

	Land, including the right of perpetual usufruct of land	Buildings, premises, and water 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 31 December 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 due to 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**

Comparative data

Change in PPE in 2013

	Land, including the right of perpetual usufruct of land	Buildings, premises, and water and civil engineering objects	Machinery and equipment	Vehicles	Other PPE	Construction under progress	Total PPE
Gross value							
As at 1 January 2013	**145**	**1 585**	**5 143**	**502**	**3 167**	**2**	**10 544**
Increase (due to)	-	-	729	-	216	3	948
- acquisition of PPE	-	-	729	-	216	3	948
Decrease (due to)	-	-	-1 193	-156	-78	-	-1 427
- disposal of PPE	-	-	-938	-156	-32	-	-1 126
- liquidation of PPE	-	-	-255	-	-46	-	-301
As at 31 December 2013	**145**	**1 585**	**4 679**	**346**	**3 305**	**5**	**10 065**
Depreciation and impairment							
As at 1 January 2013 - accumulated depreciation	**-**	**1 103**	**4 173**	**466**	**2 787**	**-**	**8 529**
- increase – depreciation for the period	-	143	386	17	178	-	724
- decrease from disposal of PPE	-	-	-680	-156	-32	-	-868
- decrease due to liquidation of PPE	-	-	-255	-	-46	-	-301
As at 31 December 2013 - accumulated depreciation	**-**	**1 246**	**3 624**	**327**	**2 887**	**-**	**8 084**
Net value of PPE as at 31 December 2013	**145**	**339**	**1 055**	**19**	**418**	**5**	**1 981**

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 2013 recognized in the books remained at the level of valuation at the date of 31 December 2012, 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 actual experience in such valuations carried out in locations where there are assets of the Company.
Methods of measurement, and unobservable key data are presented in the table below.

Methods of measurement	Key, unobservable initial data	The relationship between key, unobservable initial data and fair value
The comparative approach using the method of the adjusted average price: The model is based on determining the average transaction price per 1 m2 based on a representative sample of transactions concluded. The average price was adjusted for weight of characteristics of the market: the attractiveness of the location and the neighborhood, area and shape of the plot, destiny, the legal status of land, access to the plot.	• The average transaction price per 1 m^2. • Attractiveness of the location and neighborhood. • Area and shape of the plot • Purpose • Legal status • Access to the plot.	The estimated fair value of real estate would increase (or would decrease) if: • the average transaction price of the plot
The discounted cash flows: The model of measurement is based on the present value of future net cash flows that will be generated from the real estate taking into account: the level of occupancy. The expected net cash flows are discounted by the discount rates which take into account risk. Other factors included in the adopted average rent per square meter are: attractiveness of the location, technical condition of building, the standard and the functionality of the building, the possibilities of accessing and parking.	• Level of lease of space: reflecting the status of the currently leased space. • Discount rates adjusted for the risk: 7% ..	The estimated fair value of real estate would increase (or would decrease) if: • the level of lease of space was higher (lower); • discount rates adjusted for the risk were lower (higher);

There was no change in a 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 2014

	Fair value as at 31December 2013 (in PLN thousands)	Fair value as at 31 December 2014. (in PLN thousands)	Revaluation surplus recognized in other comprehensive income in 2014 (in PLN thousands)
	Level 3	Level 3	Level 3
Land, including right of perpetual usufruct	145	172	27
Buildings and constructions	339	444	248
Total	**484**	**616**	**275**

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

	The net value, which would be revealed in the report in the amount before its revaluation as at 31 December 2014 (in PLN thousands)	Net value after revaluation as at 31 December 2014 (in PLN thousands)	Revaluation surplus recognized in other comprehensive income (in PLN thousands)
Land, including right of perpetual usufruct	145	172	27
Buildings and constructions	196	444	248
Total	**341**	**616**	**275**

Note No. 2 – Intangible assets

	As at 31 December 2014	**As at 31 December 2013**
Acquired concessions, patents, licenses and similar assets including computer software	151	201
Total intangible assets	**151**	**201**
Ownership structure		
- own	151	201
Total intangible assets	**151**	**201**

Changes in intangible assets in 2014

	Acquired concessions, patents, licenses and similar assets including computer software	**Total intangible assets**
Gross value		
As at 1January 2014	**3 544**	**3 544**
Increase (due to)	41	154
- purchase	41	154
Decrease (due to)	-966	-966
- liquidation	-966	-966
As at 31December 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**

Comparative data

Changes in intangible assets in 2013

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2013	**3 390**	**3 390**
Increase (due to)	154	154
- purchase	154	154
As at 31 December 2013	**3 544**	**3 544**
Amortization and impairment		
As at 1 January 2013 – accumulated amortization	**3 250**	**3 250**
- increase –amortization for the period	93	93
As at 31 December 2013 - accumulated amortization	**3 343**	**3 343**
Net intangible assets as at 31 December 2013	**201**	**201**

Note No. 3 – Shares in subsidiaries

Shares in subsidiaries	**As at 31 December 2014**	**As at 31 December 2013**
a) in subsidiaries	10 162	10 060
Net shares	10 162	10 060
Write-downs of financial non-current assets	160	160
Gross value of shares	**10 322**	**10 220**

Changes in shares in subsidiaries and in other entities	**As at 31 December 2014**	**As at 31 December 2013**
a) as at the beginning of the period	10 060	15 026
b) increase (due to)	102	52
- acquisition of shares in subsidiaries	102	52
c) decrease (due to)	-	5 018
- sale of shares in subsidiaries	-	516
- other, change in the structure of the shareholding from a subsidiary for a jointly- controlled entity	-	4 502
As at the end of the period	**10 162**	**10 060**

Change in write-down of shares in subsidiaries	**As at 31 December 2014**	**As at 31 December 2013**
As at the beginning of the period	160	160
As at the end of the period	160	160

On 4 January 2014 was completed the liquidation procedure of the subsidiary PRO-PLM Sp. z o.o. seated in Warsaw. Company PRO-PLM Sp. z o.o. was an indirect subsidiary in 100%.

On 28 March 2014 on the basis of the contract of sale PROCHEM S.A. acquired 20% of shares in company Prochem Zachód Sp. z o.o. seated in Warsaw (subsidiary), i.e. 32 shares with nominal value of PLN 10 thousand each, with total value of PLN 320 thousand. The total sale price was set as PLN ę 100 thousand. After the transaction the Issuer has 80% of share capital and 80% in total number of votes of the company Prochem Zachód.

In 2014 subsidiary Elektromontaż Kraków S.A. repurchased 3 576 of own shares with the aim of redemption for total amount of PLN 82 thousand. As a result of share buyback for redemption by the company Elektromontaż Kraków S.A. has been a change in the structure of shareholding. The share of the Parent Company increased by 6.9% percentage points.

As at 31 December 2014 participation of the Parent Company in share capital and votes of Elektromontaż Kraków increased by 6.9% percentage points to 77.3%.

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

Shares in jointly-controlled companies and associated companies	**As at 31 December 2014**	**As at 31 December 2013**
- Net shares	5 210	5 210
- write-down of shares	1 498	1 498
Gross value of shares	**6 708**	**6 708**

Change in write-down of shares in jointly-controlled companies and associated companies	**As at 31 December 2014**	**As at 31 December 2013**
As at the beginning of the period	1 498	1 498
Increases, the establishment of write-down of shares	-	-
At the end of the period	1 498	1 498

Irydion Sp. z o. o. constitutes the only common contractual arrangement (the jointly-controlled entity), in which PROCHEM S.A. participates. It is a company whose objective is to build an office building under the name of "Astrum Business Park" in Warsaw. The Company is not listed on WSE. The Company has classified its shares in Irydion Sp. z o.o. as a joint venture.
The Company exercises joint control together with the shareholder Look Finansowanie Inwestycji Łukasiewicz i Wspólnicy Sp. j. (hereinafter called Look), 50% belongs to each shareholder. Each partner has two representatives in the Supervisory Board.

The fair value of the joint venture - of investment property under construction - as at 31 December 2014 amounted to PLN 82,044 thousand, of which the amount of PLN 41,022 thousand falls on the Issuer, and as at 31 December 2013 it amounted to PLN 61,045 thousand, of which to the Issuer falls PLN 30,522.5 thousand.

The following table contains data from the financial statements of Irydion Sp. z o. o.

	2014	**2013**
The participation (in percentage)	**50%**	**50%**
Non-current assets	**82 044**	**61 045**
Current assets, including:	**2 589**	**9 644**
- cash and cash equivalents	1 446	6 330
Non-current liabilities, including:	-30 026	-28 785
- non-current financial liabilities (excluding liabilities from supplies and services and other liabilities and reserves)	-27 009	-26 377
Current liabilities, including:	-13 770	-3 622

- current financial liabilities (excluding liabilities from supplies and services and other liabilities and reserves)	-12 112	-
Net assets	**40 837**	**38 282**
Other operating income	3 222	296
Financial income from interest	36	132
Finance expenses under interest	-	-1
Income tax expense	-609	-74
Profit for the period	2 555	217
Total comprehensive income	2 555	217

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 associated, details of direct and indirect relationship)	Consolidation methods applied/ valuation using equity method, or an indication that the entity is not subject to consolidation/ validation under equity method	Date of acquisition of control /joint control/obtaining a significant influence	Value of shares at cost	revaluation adjustments (total value)	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 activity and management	subsidiary	full	22June 1992	2 999	-	2 999	100.0%	100.0%
2	PRO-ORGANIKA Sp. z o.o.	Warsaw	Commercial activities	subsidiary	full	28 June1996	320	160	160	91.4%	91.4%
3	P.K.I. PREDOM Sp. z o.o.	Wrocław	Construction deigning, urban planning, process engineering	Indirect subsidiary (Prochem Inwestycje sp. z o.o. holds 75% of capital)	full	19 July 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 March1998	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	77.3%	77.3%

6	PROCHEM RPI Sp. z o.o.	Warsaw	Developer's activity	subsidiary (Prochem Inwestycje holds 3.33%)	full	08 April 1998	493	-	493	100.0%	100.0%
7	ELMONT INWESTYCJE Sp. z o.o.	Kraków	Developer's activity	zależna pośrednio Indirect subsidiary (Elektromontaż Kraków S.A. holds 50% of shares)	full	05 April 2007	5 050	-	5 050	88.7%	88.7%

Shares in subsidiaries - continuation

Item No	a	b						c			d			e	f
	Name of the company	Equity, including:	Share capital	Own shares (negative value))	Retained earnings	Profit (loss) brought forward	Net profit (loss)	Liabilities and provisions to liabilities, including::	Non-current liabilities	Current liabilities	Receivables, including:	Non-current receivables	Current receivables	Total assets	Revenues from salesy
1	PROCHEM INWESTYCJE Sp. z o. o.	5 793	3 000		2 793	-	564	24 577	19 443	5 134	39	-	39	30 370	4 268
2	PRO-ORGANIKA Sp. z o.o..	510	350	-	160	-	103	1 343	-	1 343	930	-	930	1 853	4 088
3	P.K.I. PREDOM Sp. z o.o.	9 437	600	-	2 796	-153	176	2 154	1 744	410	785	-	785	11 591	4 138
4	PROCHEM ZACHÓD Sp. z o.o.	1 788	1 600	-	188	-	24	34	-	34	-	-	-	1 822	-
5	ELEKTROMONTAŻ KRAKÓW S.A.**	24 552	1 281	-46	15 963	2 232	-2 378	18 965	1 215	17 750	9 856	-	9 856	43 517	30 318
6	PROCHEM RPI Sp. z o.o.	451	600	-	-149	-	-4	-	-	-	1	-	1	451	-
7	Elmont Inwestycje Sp. z o.o.	10 150	8 000	-	2 150	-	-618	10 967	10 700	267	8	-	8	21 117	-

***** *Share in the total number of votes at the General Meeting and the percentage of capital held in the subsidiary Elektromontaż Kraków SA was established as at 31 December 2013 after the settlement of the shares repurchased for redemption by Elektromontaż Krakow SA.*

****** *Data from the consolidated financial statements of Elektromontaż Kraków S.A. Capital Group*

Shares in jointly-controlled entities and associated companies

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 the company's activities	Type of relationship (subsidiary, jointly controlled entity or associated, details of direct and indirect relationship)	Consolidation methods applied/ valuation using equity method, or an indication that the entity is not subject to consolidation/valuation under equity method	Date of acquisition of control / joint control / significant influence	Value of shares at cost	Revaluation adjustments (total value)	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	Equity method	13 September 2005	708	-	708	42.0%	42.0%
2	IRYDION Sp. z o.o.	Warsaw	rental of properties on own account	jointly-controlled	Equity method (change in the structure of shareholding from a subsidiary for a jointly-controlled entity as from 3 April 2013)	24 March 2000	4 502	-	4 502	50.0%	50.0%

Shares in jointly-controlled entities and associated companies- continuation

No.	a	b					c			d			e	f
	Name of the company	Equity, including:					Liabilities and provisions to liabilities, including:			Receivables, including:			Total assets razem	Revenues from sales sprzedaży
			Share capital	Retained earnings, including:	Profit (loss) brought forward	Net profit (loss)		Non-current liabilitiese	Current liabilities		Non-current receivables	Current receivables		
1	ITEL Sp. z o.o.	1 624	1 292	332	-	-215	1 836	119	1 717	1 899	-	1 899	3 460	7 158
2	IRYDION Sp. z o.o.	40 837	9 000	31 837	-	2 555	43 796	28 785	13 770	1 143	-	1 143	84 633	-

Note No. 5 – Deferred income tax

- deferred tax assets

Change in deferred tax assets	As at 31 December 2014	As at 31 December 2013
1. Deferred tax assets as at the beginning of the period, recognized in financial result (profit or loss)	**1 783**	**2 668**
a) recognized in financial result	**1 765**	**2 668**
- provisions for operating expenses	39	28
- write-downs for receivables	618	246
- unpaid remuneration under contracts of mandate and specific task contracts	52	41
- provision for retirement benefit	89	82
- provision for holiday benefits	192	141
- unpaid employee benefits	48	48
- write-downs for inventories	54	54
- tax loss	328	1 728
- deferred tax on write-down for financial assets	284	300
- discounted cash flows expenses	61	-
b) recognized in equity in connection with negative temporary differences	**18**	**-**
- provision to retirement benefit	18	-
2. Increase	**613**	**653**
a) recognized in financial result	**580**	**635**
- provision for operating expenses	209	85
- write-downs for receivables	189	372
- unpaid remuneration under contracts of mandate and specific task contracts	37	52
- provision for retirement benefit	3	7
- provision for holiday benefits	30	53
- unpaid employee benefits	3	5
- discounted cash flows expenses	-	61
- surplus of costs incurred above assumed margin	107	-
- discounted cash flows expenses	-	61
- other (including the settlement of Representation)	2	-
b) recognized in equity in connection with negative temporary differences	**33**	**18**
- provision for retirement benefit	33	18
3. Decreasing	**496**	**1 538**
- use of the provision for operating expenses	27	74
- paid remuneration under contracts of mandate and specific task contracts	52	41
- paid employee benefits	48	5
- use of the asset created for tax loss	328	1 400
- write-downs for receivables	4	16
- discounted cash flows expenses	37	-
4. Deferred tax assets as at the end of the period, including:	**1 900**	**1 783**
a) recognized in financial result	**1 849**	**1 765**
- provision for operating expenses	221	39
- write-downs for 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
- tax loss	-	328
- deferred tax on write-down for financial assets	284	284
- write-down for inventories	54	54
- discounted cash flows expenses	24	61
- surplus of costs incurred above assumed margin	107	-
- other (including the settlement of Representation)	2	-
b) recognized in equity in connection with negative temporary differences	**51**	**18**
- provision for retirement benefit	51	18

- Provision to deferred income tax

Change in provision for deferred income tax	As at 31 December 2014	As at 31 December 2013
1. Provision for deferred income tax as at the beginning of the period, including:	**1 127**	**682**
a) recognized in financial result	**1 052**	**607**
- interest accrued on loan	319	191
- revaluation of non-current financial assets	136	136
- accrued income from not completed service	369	279
- the difference between the operating lease installment and the depreciation of the leased fixed assets included in costs	-	1
- revenues under the liabilities discounted	228	-
b) recognized in equity	**75**	**75**
- revaluation at fair value of long-term investments	75	75
2. Increase	**200**	**735**
a) recognized in financial result for the period due to positive temporary differences (due to)	**148**	**735**
- interest accrued on loan	148	139
- accrued income from not completed service	-	368
- revenues under the liabilities discounted	-	228
b) recognized in equity	**52**	**-**
- revaluation at fair value of long-term investments	52	-
3. Decreasing	**500**	**290**
a) recognized in financial result for the period due to positive temporary differences (due to)	**500**	**290**
- paid interest on loan	9	11
- accrued income from not completed service	369	278
- revenues under the liabilities discounted	122	-
- the difference between the operating lease installment and the depreciation of the leased fixed assets included in costs	-	1
4. Total provision for deferred income tax as at the end of the period	**827**	**1 127**
a) recognized in financial results	**700**	**1 052**
- interest accrued on loan	458	319
- revaluation of non-current financial assets	136	136
- accrued income from not completed service	-	369
- revenues under the liabilities discounted	106	228
b) recognized in equity	**127**	**75**

- revaluation at fair value of long-term investments	127	75

Total amount of temporary differences associated with investments in subsidiaries for which were created provisions for tax is PLN 458 thousand, and relate to:

- interest on non-current loans granted to subsidiaries – PLN 272 thousand.
- interest on non-current loans to jointly-controlled entities and associated companies – PLN 100 thousand.
- interest on current loans to subsidiaries , jointly-controlled entities and associated companies – PLN 86 thousand.

Presentation in the statement of financial position:

	As at 31 December 2014	**As at 31 December 2013**
Deferred tax assets	1 900	1 783
Provision for deferred tax assets	-827	-1 127
Deferred tax assets	**1 073**	**656**

Note No. 6 – Other financial assets

Other financial assets	**As at 31 December 2014**	**As at 31 December 2013**
a) from subsidiaries, jointly-controlled entities and associated companies:	29 952	33 822
- non-current loans granted	29 952	33 822
b) other non-current financial assets – discounted security deposit as a hedge of a bank guarantee of repayment of advance	2 084	7 084
Total other financial assets	**32 036**	**40 906**

Loans granted as at 31 December 2014

- loan granted to jointly-controlled company Irydion Sp. z o.o. seated in Warsaw in the amount of LN 11 525 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 525 thousand. Interest rate is set annually according to WIBOR 6M, the repayment period of the loan plus 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 a loan PLN 3 000 thousand, accrued interest PLN 897 thousand. Interest rate is set annually according to WIBOR 6M effective on the end of every calendar year, the repayment period of the loan plus interest on 31 December 2018;
  - in the amount of PLN 14 530 thousand, including: amount of loans PLN 14 000 thousand, accrued interest PLN 530 thousand. Interest rate is set annually according to WIBOR 6M effective on the end of every calendar year, the repayment period of the loan plus interest on 31 December 2016;

Increase :

- Accrued interest on loan to associated company Irydion Sp. z o.o. – PLN 226 thousand,
- Accrued interest on loans granted to subsidiary Prochem Inwestycje Sp. z o.o. – PLN 348 thousand,

Decreasing:

- Reclassification of a loan granted to subsidiary Elmont Investments Sp. z o.o in the amount of PLN 4 444 thousand, from a non-current loan to a current loan, including amount of loans PLN 3 780 thousand, accrued interest PLN 664 thousand. Interest rate is set annually according to WIBOR 6M effective on the end of every calendar year, the repayment period of the loan plus interest on 31 December 2015.

Loans granted - as at 31 December 2013

- Loan granted to jointly-controlled company Irydion Sp. z o.o. seated in Warsaw in the amount of PLN 11 299 thousand including: amount of a loan PLN 11 000 thousand, accrued interest PLN 299 thousand. Interest rate is set annually according to WIBOR 6M, the repayment period of the loan plus interest on 31 December 2015.
- Loans granted to subsidiary Prochem Inwestycje Sp. z o.o. in the amount of PLN 18 079 thousand, including: amount of the loans PLN 17 000 thousand, accrued interest PLN 1 079 thousand. Interest rate is set annually according to WIBOR 6M effective on the end of every calendar year, the repayment period of the loan plus interest on 31 December 2016.
- Loans granted to subsidiary Elmont Inwestycje Sp. z o.o. in the amount of PLN 4 444 thousand including: amount of the loans PLN 3 780thousand, accrued interest PLN 664 thousand. Interest rate is set annually according to WIBOR 6M effective on the end of every calendar year, the repayment period of the loan plus interest on 31 December 201.

Note No. 7 – Inventories

Inventories	**As at 31 December 2014**	**As at 31 December 2013**
materials	2 487	3 126
Total inventories	**2 487**	**3 126**
Writ-down of inventories	285	285

The value of materials recognized in the operating expenses for the given period - *material consumption* - is amounting to PLN 616 thousand, and in the analogous period of the previous year the amount of PLN 457 thousand was recognized.

Note No. 8 – Trade and other receivables

Trade and other receivables	**As at 31 December 2014**	**As at 31 December 2013**
Trade receivables	64 849	44 666
Write-down of trade receivables	-5 515	-5 796
Net trade receivables, including :	**59 334**	**38 870**
- with repayment period up to 12 months	55 992	35 031
- with repayment period over 12 months	3 342	3 839
Other receivables	476	2 814
Write-down of other receivables	-	-2 277
Net other receivables	**476**	**537**
Total receivables	**59 810**	**39 407**

Trade and other receivables from related entities	**As at 31 December 2014**	**As at 31 December 2013**
Trade receivables:	4 951	6 697
- from subsidiaries	4 846	5 975
- from jointly-controlled entities and associated companies	105	722
Total net trade and other receivables from related entities	4 951	6 697
Write-downs of receivables from related entities	68	108
Total gross trade and other receivables from related entities	**5 019**	**6 805**

Change in write-downs of trade and other receivables	As at 31 December 2014	As at 31 December 2013
As at the beginning of the period	8 073	5 909
a) increase (due to)	1 148	2 233
- provision for receivables	1 148	2 233
b) decreasing (due to)	3 706	69
- payment received	358	39
- the use of provisions created in the previous years	3 348	30
Write-downs of trade and other receivables at the end of the period	**5 515**	**8 073**

Trade receivables with the repayment date remaining from the balance sheet date	As at 31 December 2014	As at 31 December 2013
a) up to 1 month	17 248	10 458
b) above 1 month up to 3 months	18 237	1 247
c) above 3 months up to 6 months	600	600
d) above 6 months up to 1 year	1 548	3 034
e) above 1 year	3 342	3 839
f) receivables overdue	23 874	25 488
Total receivables from supplies and services (gross)	64 849	44 666
g) write-downs of receivables from supplies and services	-5 515	-5 796
Total receivables from supplies and services (net value)	**59 334**	**38 870**

In the majority of contracts signed by the Company the term payment for services is determined in the range from 14 to 60 days.

The aging analysis of trade receivables past due (gross value)	As at 31 December 2014	As at 31 December 2013
a) up to 1 month	599	1 025
b) above 1 month up to 3 months	141	272
c) above 3 months up to 6 months	148	179
d) above 6 months up to 1 year	1 936	2 025
e) above 1 year	21 050	21 987
Total receivables from supplies and services past due (gross value)	23 874	25 488
f) write-downs of receivables from supplies and services, past due	-5 515	-5 796
Total receivables from supplies and services past due (net value)	**18 359**	**19 692**

As at 31 December 2014 and as at 31 December 2013 trade receivables include deposits under the statutory guarantee for construction and assembly works respectively in the amounts of PLN 19 909 thousand and PLN 18 543 thousand.

The outstanding balance of receivables from supplies and services includes receivables overdue by the carrying amount of PLN 17 364 thousand as a security deposit under the statutory warranty, for which the Company did not create provisions, since there was no significant change in the quality of the debt compared to previous accounting periods, therefore is considered as to be recovered. The Company has collateral in the form of the seized guarantee deposits under statutory warranty from the subcontractors in the amount of PLN 2 928 thousand. For more information see Note No. 39 - *The 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, concerning two apartments for a total net amount of PLN 396 thousand. The agreement was concluded with „Eurobudownictwo” limited liability company seated in Wrocław.

Note No. 9 – Other financial assets

Other financial assets	**As at 31 December 2014**	**As at 31 December 2013**
a) from subsidiaries indirectly and directly:	8 172	3 429
- current loans granted	8 172	3 429
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 security deposit, which constitutes a hedge for a bank guarantee of repayment of advance	4 957	1 679
Total other financial assets	**19 382**	**5 306**
Write-downs of other financial assets	207	207
Gross other financial assets	**19 589**	**5 513**

Loans granted - as at 31 December 2014

- Interest on loan granted to subsidiary Pro-Organika Sp. z o.o. PLN 56 thousand, repayment date 31 December 2015.
- Loan granted to the Civil Committee of Building of the Cardiological 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 1 235 thousand, including amount of the loan PLN 1 200 thousand, accrued interest PLN 35 thousand 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 thousand, including amount of the loan PLN 1 500 thousand, accrued interest PLN 42 thousand, 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 thousand, including amount of the loan PLN 600 thousand, accrued interest PLN 14 thousand, 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 jointly-controlled entity IRYDION Sp. z o.o. seated in Warsaw in the amount of PLN 6 055 thousand, including amount of a loan PLN 6 000 thousand, accrued interest PLN 55 thousand, interest rate is set at 3% annually, repayment date 31 December 2015.
- Reclassification of a loan granted to subsidiary Elmont Investments Sp. z o.o in the amount of PLN 4 444 thousand, from a non-current loan to a current loan, including amount of loans PLN 3 780 thousand, accrued interest PLN 664 thousand. Interest rate is set annually according to WIBOR 6M effective on the end of every calendar year, the repayment period of the loan plus interest on 31 December 2015.

Increase

- Granting a company jointly-controlled Irydion sp. z o.o. a loan in the amount of PLN 6 000 thousand, interest rate is set at 3% annually, repayment date 31 December 2015.
- Granting an indirect subsidiary Elmont-Inwestycje Sp. z o.o. a loan in the amount of PLN 200 thousand, interest rate was set according to WIBOR 6M effective on the end of each year, repayment date 31 December 2015.
- Accrued interest on loans granted to company Elektromontaż Kraków S.A.– PLN 68 thousand.
- Accrued interest on loan granted to company Irydion Sp. z o.o. – PLN 55 thousand.
- Accrued interest on loan granted to company Elmont- Inwestycje Sp. z o.o. – PLN 81 thousand.
- Reclassification of a loan granted to subsidiary Elmont Investments Sp. z o.o in the amount of PLN 4 444 thousand, from a non-current loan to a current loan, including amount of loans PLN 3 780 thousand, accrued interest PLN 664 thousand. Interest rate is set annually according to WIBOR 6M effective on the end of every calendar year, the repayment period of the loan plus interest on 31 December 2015.

Decreasing

1. Repayment by company Pro-Organika sp. z o.o. of interest in the amount of PLN 50 thousand.

Loans granted - as at 31 December 2013

- Interest on loan granted to subsidiary Pro-Organika Sp. z o.o. PLM 106 thousand, repayment date 31 December 2014.
- Loan granted to the Civil Committee of Building of the Cardiological 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 1 211 thousand, including amount of the loan PLN 1 200 thousand, accrued interest PLN 11 thousand interest rate is set annually according to WIBOR 1M effective as at the end of every calendar year, repayment date 31 March 2014.
    2. Loan in the amount of PLN 1 511 thousand, including amount of the loan PLN 1 500 thousand, accrued interest PLN 11 thousand, interest rate is set annually according to WIBOR 1M effective as at the end of every calendar year, repayment date 31 March 2014.
    3. Loan in the amount of PLN 601 thousand, including amount of the loan PLN 600 thousand, accrued interest PLN 1 thousand, interest rate is set annually according to WIBOR 1M effective as at the end of every calendar year, repayment date 31 March 2014.

Note No. 10 – Other assets

Other assets by types :	**As at 31 December 2014**	**As at 31 December 2013**
a) prepayments	639	665
- cost of property and personal insurance	166	172
- software maintenance costs	424	453
- subscriptions	30	9
- deferred costs	11	29
- other	8	2
b) other prepayments	3 794	9 883
- amounts due from the ordering parties under long-term contracts	3 794	9 883
Total other assets	**4 433**	**10 548**

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

Note 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	830	830	cash	23 July 1991	1 October 1991
Founding	inscribed	-	10 004	1 004	cash	23 July 1991	1 October 1991
Founding	bearer	-	1 806 666	1 815 666	cash	23 July 1991	1 October 1991
B	inscribed	-	4 750	4 750	cash	29 July 1993	1 January 1993
B	bearer	-	677 750	677 750	cash	29 July 1993	1 January 1993
C	bearer	-	530 000	530 000	cash	20 April 1994	1 January 1994
D	bearer	-	865 000	865 000	cash	5 September 1994	1 January 1994
Total numer 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 thousand and is divided into 3 895 000 shares with the nominal value of PLN 1 each. Total number of votes from all shares is 3 896 660.

The capital structure of the company is as follows:

- founding series – 1 817 500
- series B – 682 500
- series C – 530 000
- series D – 865 000

Total equity 3 895 000
In 2014, there were no changes in the share capital of the Issuer.

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	30.31	30.28
	Steven Tappan	510 000	13.09	13.09
2.	Otwarty Fundusz Emerytalny PZU „Złota Jesień“	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 oraz QUERCUS Absolutnego Zwrotu FIZ) managed by z Quercus Towarzystwo Funduszy Inwestycyjnych S.A.	204 198	5.24	5.24

In the period from the last annual report a change in the ownership structure of the substantial block of Issuer’s shares relates to:

1) On 7 June 2014 during the General Meeting of Shareholders, the Issuer has received the following notification of change in shareholding:
   • POROZUMIENIE PHC - increase by 1 163 shares, including:
   - Steven Tappan by 203 shares.
   • Otwarty Fundusz Emerytalny PZU "Złota Jesień" increase by 521 shares.
2) On 21 August 2014 Issuer was informed that as a result of the acquisition of shares of PROCHEM S.A. participation of the one of the funds managed by Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. i.e. Noble Funds Fundusz Inwestycyjny Otwarty exceeded 5% of the total number of votes in the company PROCHEM S.A., before the transaction, the Fund held 192 446 shares representing 4.94% of the share capital and 192 446 votes from these shares, representing 4.94% of the total number of votes. After the transaction, the Fund holds 198 446 shares of the company PROCHEM S.A., representing 5.09% of the share capital and 198 446 votes from these shares, representing 5.09% of the total number of votes.
3) On 21 October 2014 the Issuer was informed that as a result of the transaction on the regulated market, investment funds (QUERCUS Parasolowy SFIO, QUERCUS Absolute Return FIZ and QUERCUS Absolunego Zwrotu FIZ) managed by Quercus Towarzystwo Funduszy Inwestycyjnych SA exceeded 5% of the total number of votes at the General Meeting. Before the transaction, the Funds held total 193 994 of PROCHEM S.A. shares, representing 4.98% of the share capital and 193 994 votes from these shares, representing 4.98% of the total number of votes. After the transaction the Funds jointly hold 204 198 shares, representing 5.24% of the Company’s share capital and 204 198 votes from these shares, representing 5.24% of the total number of votes.
4) On 9 February 2015 the Issuer was informed that in result of the sale of shares by the fund Noble Funds Funduszu Inwestycyjnego Otwartego managed by Noble Funds Towarzystwo Funduszy Inwestycyjnych S.A. (hereinafter the Fund) fell below the threshold of 5% of the total number of votes in the Company. Prior to the change the Fund held 199,908 shares of the Company representing 5.13% of share capital and 5.13% of the total number of votes. After the change, the Fund holds 193,595 of the Company’s shares representing 4.97% of the Company’s share capital and 4.97% of the total number of votes.

Note No. 12 - Revaluation reserve

	As at 31 December 2014	As at 31 December 2013
As at opening balance	950	1 086
Revaluation of PPE	223	-
Foreign exchange translation differences	229	-56
Actuarial losses on valuation of provisions for employee benefits	-141	-73
Other changes	-	-7
As at closing balance	**1 261**	**950**

Note No. 13 - Retained earnings

	As at 31 December 2014	As at 31 December 2013
Spare capital	15 730	15 730
Other capital reserve	52 932	46 289
Profit of the period	5 009	6 643
Total	**73 671**	**68 662**

Note No. 14 – Provision for retirement and similar benefits

The Company implemented the post-employment benefits programme, 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 under the current remuneration policy. 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 (%)	**In 2014**	**In 2013**
Discount rate	2.6%	4.5%
Average anticipated annual increase in the base for calculation of the retirement and pension benefits in 2015-2024; in 2012 in 2014-2023	2.1%	2.1%
Weighted average index of employee mobility	5.58%	6.4%
Increase in the base of retirement benefits::		
- the year 2014 in 2015, the year 2013 in 2014	3.0%	3.0%
- the year 2014 in the years 2016-2024, the year 2013 in the years 2015-2023	2.0%	2.0%
- in other years	2.5%	2.5%

Post-employment benefits, retirement and pension benefits

(in PLN thousands)		**In 2014**	**In 2013**
Liabilities as at the beginning of the period		**562**	**432**
Current employment costs		31	24
Cost of interest		25	21
Actuarial gains and losses recognized in other comprehensive income		174	96
Benefits paid		-41	-11
Liabilities as at the end of the period, including:		**751**	**562**
- current liabilities	note 19	40	31
- non-current liabilities		711	531

Book value of liabilities under employee benefits as at 31 December 2014 and as at 31 December 2013 are the same as the current value.

Historical information

As at	Current value of liabilities arising from above benefits
31 December 2014	711
31 December 2013	562
31 December 2012	432
31 December 2011	445
31 December 2010	397

Employee benefit costs are included in general and administrative expenses. In 2014 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 2014 amounts to PLN 56 thousand.

In PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Current employment costs	31	24
Interest charges	25	21
Benefits paid	-41	-
Total costs	**15**	**45**

Note No. 15 – Other non-current liabilities

	As at 31 December 2014	As at 31 December 2013
liability under the transformation against payment of perpetual usufruct right to right of ownership	20	24

Note No. 16 – Current bank loans

	As at 31 December 2014	As at 31 December 2013
- credits in bank account	9 448	-

As at 31 December 2014, the Company has three credit lines totaling PLN 15 million. Commitment as at the balance sheet date amounted to PLN 9 448.

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 payment
mBank SA	Warsaw	6,000 Credit in overdraft	3 708	WIBOR for O/N deposits in PLN + margin	30 June 2015	Promissory note in blank
mBank SA	Warsaw	6,000 Revolving working capital loan	3 000	WIBOR for 1 month deposits in PLN + margin	30 June 2015	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft	2 740	WIBOR for 1 month deposits in PLN + margin	16 November 2015	Statement on submission to execution

Note No. 17 – Current loans

	As at 31 December 2014	As at 31 December 2013
- received borrowings	957	-

Note No. 18 – Trade payables

	As at 31 December 2014	As at 31 December 2013
a) to subsidiaries	3 403	749
- for supplies and services with maturity:	3 403	749
- up to 12 months	3 359	101
- more than 12 months	44	648
b) to associated companies and jointly-controlled entities	12	-
- for supplies and services with maturity:	12	-
- up to 12 months	12	-
- more than 12 months	-	-
c) to other entities	22 001	17 018
- for supplies and services with maturity:	22 001	17 018
- up to 12 months	20 197	14 295
- more than 12 months	1 804	2 723
Total trade payables	**25 416**	**17 767**

Note No. 19 – Other liabilities

	As at 31 December 2014	As at 31 December 2013
a) to other entities	1 554	990
- due to taxes, duties, insurance and other benefits	1 482	948
- due to remuneration	22	4
-other (by type)	50	38
• liabilities to employees	27	30
• to shareholders	2	2
• liability under the transformation against payment of perpetual usufruct right to right of ownership	3	3
• other	18	3
b) other short-term provisions	2 546	2 021
- provision for loss on contracts	431	372
- provision for future costs (the moving part of the remuneration and contract of mandate)	842	512
- audit costs	60	90
- short-term provision for retirement benefits	40	31
- provision for unused annual leaves	1 173	1 016
c) special funds	-	6
Total other liabilities	**4 100**	**3 017**

Note No. 20 – Deferred income

	As at 31 December 2014	As at 31 December 2013
Deferred income, including:	19 837	25 717
- deferred income – downpayments received	18 153	25 565
- amounts due to the ordering parties under long-term contracts	1 684	152
Deferred income as at the end of the period, including:	**19 837**	**25 717**
Non-current liabilities	**1 827**	**19 338**
Current liabilities	**18 010**	**6 379**

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 2014 the related liabilities amount to PLN 17 385 thousand.

Note No. 21 - Revenues from sale of services

Revenues from sale of services (type of service and type of activity))	Period ended 31 December 2014	Period ended 31 December 2013
- Revenues from sale of services, including:	128 322	82 889
- from related entities	18 300	21 671

Revenues from sales (territorial structure)	Period ended 31 December 2014	Period ended 31 December 2013
Domestic market	68 063	73 770
- including from related entities	18 300	21 671
Eksports	60 259	9 119

Revenues under contracts for construction services (general contracting) and other services are presented in note 31.
The gross amount due from ordering parties/buyers for the work under the contracts was presented in note 10.
Information on the main customers of the total value of revenues from sales of services exceeding 10% of the entity's total revenue for 2014 years, are included 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)	Period ended 31 December 2014	Period ended 31 December 2013
- revenues from sale of goods	12	451
- including from related entities	-	194

Revenues from sale of goods and materials (territorial structure	Period ended 31 December 2014	Period ended 31 December 2013
Domestic market	12	451
- including from related entities	-	194

Note No. 23 – cost of services

Costs by type	**Period ended 31 December 2014**	**Period ended 31 December 2013**
a) amortization and depreciation	826	817
b) consumption of materials and energy	3 995	946
c) outsorcing	87 004	53 538
d) taxes and levies	129	92
e) remuneration	20 519	19 640
f) social security and other benefits	3 408	3 274
g) other types of costs (by category)	3 686	2 499
- property and personal insurance	633	539
- business trips	603	476
- State Fund for Rehabilitation of Disabled Persons (PFRON)	232	207
- other	2 218	1 277
Total costs by type	**119 567**	**80 806**
Change in inventories, goods and accruals and prepayments	930	646
General and administrative expenses (negative value)	-9 463	-7 901
Cost of services	**111 034**	**73 551**

Note No. 24 - Other operating income

	Period ended 31 December 2014	**Period ended 31 December 2013**
a) gain on sale of non-financial non-current assets	86	146
b) grants	112	-
c) reversal of impairment allowance (due to)	359	68
- for receivables	359	68
d) other, including:	543	3 569
- reimbursement of litigation costs	22	9
- received compensation, fines and penalties	119	409
- revenues from car rental	89	89
- impairment allowance for receivables past due	300	2 846
- other	13	216
Total other operating income	**1 100**	**3 783**

Note No. 25 - Other operating expenses

	Period ended 31 December 2014	**Period ended 31 December 2013**
a) impairment allowance (due to)	1 148	2 233
- for receivables	1 148	2 233
b) other, including:	237	616
- litigation costs	69	173
- impairment allowance for receivables past due	-	1
- paid compensation, fines and penalties	168	203
- other	50	239
Total operating costs	**1 435**	**2 849**

Note No. 26 - Financial income

	Period ended 31 December 2014	Period ended 31 December 2013
a) income from dividends and profit sharing	53	304
- from related entities	53	304
b) interest on granted loans	778	735
- from subsidiaries	497	435
- from jointly-controlled entities	281	300
c) other interest	17	63
- from other entities	17	63
d) surplus of foreign exchange gains	-	381
e) other, including:	212	1 357
- valorisation of remuneration	15	93
- income from discounted non-current liabilities	195	1 195
- other	2	69
Total financial income	**1 060**	**2 840**

Note No. 27 - Finance costs

	Period ended 31 December 2014	Period ended 31 December 2013
a) interest on bank loans	271	305
b) interest on loans received	16	-
- for subsidiaries	16	-
c) other interest	10	185
- for other entities	10	185
d) surplus of foreign exchange losses	437	-
d) other, due to :	1 484	1 262
- commission on bank guarantees	454	534
- commission on loans	37	53
- commission on letter of credit	16	130
- write-down of interest	-	207
- costs due to discount of financial assets	642	338
- costs related to Representation Office in Belarus	335	-
Total finance costs	**2 218**	**1 752**

Note No. 28 – Income tax

Current income tax	Period ended 31 December 2014	Period ended 31 December 2013
1. Gross profit	**6 333**	**8 554**
2. The difference between gross profit and taxable income base (by category)	**-2 696**	**-5 718**
a) income, not classified as tax revenue	**-6 005**	**-14 187**
i) temporary		
- accrued interest on loans granted and bank deposits	-779	-730
- received and accrued revenues from the work-in-progress	-4 697	-11 889
- income from the discount	-195	-1 196
ii) permanent		
- release of provision for receivables not constituting tax deductible expenses in the previous periods	-347	-68
- dividends received	-53	-304
- revenue for the previous periods - reimbursement of costs which were recognized as purchase	-119	-
- other revenues relating to the Representation (income tax)	185	-
b) tax revenues recognized in the books as income brought forward	**11 939**	**10 339**
i) temporary		
- received interest accrued in the previous years	50	54
- income from contracts completed in such a part, which in the previous year did not constitute an income	11 889	10 285
c) income tax revenues	**3**	**-**
d) costs not being tax deductible expenses	**-927**	**5 512**
i) permanent		
- depreciation of fixed assets not classified as a tax deductible expenses e.g. depreciation from the revalued amounts , depreciation of fixed assets co-financed with EU funds	138	139
- State Fund for Rehabilitation of Disabled Persons (PFRON)	232	207
- membership fees	22	21
- car insurance in excess of the set limit	2	7
- costs of Representation of the Company in Belarus	-	876
- other costs which are not classified as tax expenses	268	572
- penalties and damages paid	168	-
- interest paid to the budget	2	-
- costs of purchases for the Representation in Belarus	51	-
ii) temporary		
- other costs of supplementary payroll (BFP) – paid in next period	192	273
- provision for the balance sheet audit	70	115
- provision to employee benefits (retirement, unused annual leaves)	14	331
- provision for future costs (bonuses, holidays and contracts)	1 225	334
- impairment of receivables	1 148	2 212
- provision for financial operations	-	207
- expenses from the discount of long-term cash flows	642	323
- work-in-progress in the country taxed in the previous year	-8 782	-8 231
- work-in-progress in the country as at the end of the period - is not constituting tax deductible costs in the current year	4 434	8 782
- costs, not being tax deductible expenses in the previous periods	-780	-680

- costs of benefits not paid to employees	27	24
e) deductions from taxable income	**-7 706**	**-7 382**
loss brought forward	-1 772	-7 382
tax exempt on the territory of the Republic of Poland	-5 934	-
3. Income tax base on the territory of the Republic of Poland	**3 637**	**2 836**
4. Income tax base on the territory of Belarus	**5 934**	**-**
4. Income tax at the rate of 19% on the territory of the Republic of Poland	**691**	**539**
5. Income tax – the Representation Office in Belarus 18%	**1 068**	**24**
6. Income tax - a lump sum from the dividend	**1**	**1**
7. Income tax – total current tax	**1 760**	**564**

Deferred income tax recognized in profit and loss account	**Period ended 31 December 2014**	**Period ended 31 December 2013**
- decrease (increase) due to the arising and reversal of temporary differences	-436	1 347
Total deferred income tax expense	**-436**	**1 347**

Establishment of the effective tax rate

(in PLN thousands)

Profit for the period	5 009	6 643
Income tax	1 324	1 911
Profit before tax	6 333	8 554
income tax at the applicable rate of 19%	1 203	1 625
income, not classified as tax revenue	-63	-71
costs not being tax deductible expenses	168	346
other	16	11
Income tax	**1 324**	**1 911**

Note No. 29 – Factors and events which have a significant impact on the financial results achieved in the current reporting period

In 2014 there were no unusual factors and events that would have a significant impact on the financial result of the current reporting period.

Note No. 30 – Additional disclosures to the statement of cash flows

Operating activities include basic activity and turnover from other operating activity .
Investing activities include the turnover 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	**-14 316**	
Receivables as at 1 January 2014	39 407	
Other assets as at 1 January 2014	10 548	
Receivables from sale of non-current assets	-75	
Receivables from prepayment for purchase of investment property	-396	
Opening balance after adjustments	**49 484**	
Receivables as at 31December 2014	59 810	
Other assets as at 31 December 2014	4 433	
Receivables from sale of non-current assets	-47	
Receivables from prepayment for purchase of investment property	-396	
Closing balance sheet after adjustments	**63 800**	
Change in current liabilities (except for borrowings, loans and special funds)	**8 625**	
Liabilities as at 1 January 2014	17 767	
Other liabilities as at 1 January 2014	3 017	
Provision to retirement benefit obligations	-31	
Provision to unused annual leaves	-1 016	
Provision to audit of statements	-90	
Provision for other costs	-372	
Investment commitments	-124	
Liabilities for discount of non-current liabilities	285	
Liabilities to shareholders	-2	
Opening balance after adjustments	**19 434**	
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 for other costs	-431	
Liabilities for discount of non-current liabilities	249	
Investment commitments	-	
Lioabilities to shareholders	-2	
Closing balance sheet after adjustments	**28 059**	

	Period ended 31 December 2014	**Period ended 31 December 2013**
Change in other adjustments	**4 110**	**16 603**
Change in deferred income - advances received	-7 411	25 554
Security deposit being a collateral for the bank guarantee of return of advance payment*	1 721	- 8 763
amounts due to the ordering parties under long-term contracts	1 532	-
Other adjustments	48	- 188

*) In connection with the implementation of the investment project in Belarus, the Company in order to secure the return of advance payment has provided a bank guarantee of advance refund for the amount of EUR0 7,230 thousand. As the security of the guarantee, the Company under a contract of a security deposit in cash has placed a security deposit to the bank in 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 of the contract on the security deposit was determined as at 12 April 2016.. As of 31 December 2014 the discounted and unsettled part of the security deposit was presented in the statement of financial position in the item - other financial assets non-current and current respectively in the amount of PLN 2,084 thousand and PLN 4,957 thousand (Notes Nos. 6 and

9), and as on 31 December 2013 respectively in the amount of PLN 7,084 thousand and PLN 1,679 thousand.

Note No. 31 – 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 managing purposes were divided into the four main sectors of operation, such as: construction management(general contracting), design services and other engineering services (supervisions along with the project manager service), the lease of the construction equipment and other activity including among others the income from the sublet, sale of photocopy services and other.
Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and PPE less provisions and impairment losses.
Some assets in the joint use are assigned to the segments based on reasonable weights.

In 2014 revenues from activities achieved by the Issuer outside Poland and recognized in separate profit and loss account amounted to PLN 60,259 thousand, what represents 47% of revenue from sale. In the analoguous period of the previous year such revenues amounted to PLN 9,119 thousand what constitutes 11% of revenues from sale.

Information on major customers of the Issuer, which share in the sales revenue was recognized in the consolidated profit and loss account for 2014 and exceeded 10% of total revenues from sale:

- Belarusian client – revenues in the amount of PLN 60,259 thousand what represents 47 % share in the total revenues from the sale, which has been shown in the segment "General Contracting" and "Design services and other engineering services";
- Irydion Sp. z o.o., a jointly controlled company – revenues in the amount of PLN 17,951 thousand what constitutes 14% share in the revenues from the sale, which has been shown in the segment "General Contracting" and "Design services and other engineering services ".
- Client - producer of rapeseed oil for technical purposes – revenues in the amount of PLN 19,566 thousand, what constitutes 15% of share in the revenues from the sale, which has been presented in the segment "General Contracting" and "Design services and other engineering services".

Assets of the Representation in Belarus as at 31 December 2014 do not exceed 10% of balance sheet amount disclosed in the separate statement of financial position.

Detailed data on the activities of PROCHEM S.A. in the different segments is presented in the following tables. 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 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
Profit before tax	-	-	-	-	**6 333**	**6 333**
Income tax	-	-	-	-	1 324	1 324
Profit for the 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

The reporting period from 1 January to 31 December 2013

For the period from 1 January to 31 December 2013	General contracting	Design services and other engineering services	Rental of construction equipment	Other	Items not assigned	Total
Revenues	42 784	35 492	2 762	2 302	-	83 340
Total revenues of the segmenrt	**42 784**	**35 492**	**2 762**	**2 302**	**-**	**83 340**
Result						
Profit of the segment	**734**	**101**	**283**	**318**	**-**	**1 436**
Financial income	-	-	-	-	7 927	7 927
Finance costs	-	-	-	-	-1 752	-1 752
Net financial income	**-**	**-**	**-**	**-**	6 175	6 175
Profit on other operating activities	-	-	-	-	934	934
Profit before tax	-	-	-	-	8 554	8 554
Income tax	-	-	-	-	-1 911	-1 911
Profit for the period	**-**	**-**	**-**	**-**	**6 643**	**6 643**
Assets and liabilities						
Assets of the segment (related to activities)	25 726	10 388	3 844	776	-	40 734
Assets not assigned/unallocated (among others shares, stocks and other financial assets)	-	-	-	-	80 392	80 392
Total assets	**25 726**	**10 388**	**3 844**	**776**	**80 392**	**121 126**

Liabilities of the segment (related to activities)	41 822	457	665	540		43 484
Liabilities not assigned	-	-	-	-	4 135	4 135
Equity	-	-	-	-	73 507	73 507
Total equity and liabilities	**41 822**	**457**	**665**	**540**	**77 642**	**121 126**
Depreciation of property, plant and equipment	62	46	178		438	724
Amortization of intangible assets	-	-	-	-	93	93
Write-down of segment assets (receivables from supplies and services)	-54	-220	- 4 967	-555	-	-5 796

Information about the geographical areas

Geographical breakdown of sales revenues is presented according to country of the seat of the orderer.

	Note No.	2014	2013
Poland		68 040	73 769
Belarus		60 259	9 119
Other countries		23	1
	21	**128 322**	**82 889**

Geographical breakdown of non-current assets

	Note No.	2014	2013
Poland		1 883	2 171
Belarus		245	11
	1, 2	**2 128**	**2 182**

Note No. 32 - Profit per one share

Net profit per 1 share in trading as at the balance sheet day 31 December 2014 amounted to PLN 1.29; profit in 2013 amounted to PLN 1.71.

Note No. 33 - Distribution of profit

Pursuant to Resolution No. 5 of the Annual General Meeting of 7 June 2014 net profit of the Issuer for 2013 in the amount of PLN 6,643,123.89 was allocated in the full amount to the reserve capital.

Proposed distribution of profit for 2014

Net profit for 2014 in the amount of PLN 5,009,143.39 is proposed to divide as follows:

- for the dividend the amount of PLN 1,363,250 which gives PLN 0.35 per share;
- for the reserve capital the amount of PLN 3,645,893.39

Note No. 34 - Dividends

In the reporting period, the Issuer did not paid a dividend.

Note No.35 - Financial instruments and financial risk management

35.1 Categories and classes of financial instruments

Financial assets

As at 31December 2014

		Categories of financial instruments	
		Loans, receivables and other	**Total**
Classes of financial instruments	**Note No.**		
Receivables from supplies and services	8	59 334	59 334
Cash		2 962	2 962
other financial assets - the discounted security deposit, which constitutes a hedge for a bank guarantee of repayment of advance	6 and 9	7 041	7 041
Loans granted	6 and 9	44 377	44 377
Total		**113 714**	**113 714**

As at 31 December 2013

		Categories of financial instruments	
		Loans, receivables and other	**Total**
Classes of financial instruments	**Note No.**		
Receivables from supplies and services	8	38 870	38 870
Cash		3 725	3 725
other financial assets - the discounted security deposit, which constitutes a hedge for a bank guarantee of repayment of advance	6 and 9	8 763	8 763
Loans granted	6 and 9	37 449	37 449
Total		**88 807**	**88 807**

Financial liabilities

As at 31 December 2014

		Categories of financial instruments		
		Financial liabilities measured at amortized costs	**Liabilities excluded from IAS 39**	**Total**
Classes of financial instruments	Note No.			
Loans	16	9 448	-	9 448
Borrowings received	17	957	-	957
Trade payables	18	25 416	-	25 416
Total		**35 821**	**-**	**35 821**

As at 31 December 2013

		Categories of financial instruments		
(in PLN thousands)		**Financial liabilities measured at amortized costs**	**Liabilities excluded from IAS 39**	**Total**
Classes of financial instruments	nota			
Liabilities from supplies and services	18	17 767	-	17 767
Total		**17 767**	**-**	**17 767**

Impairment of financial assets by classes of financial instruments

(in PLN thousands)	As at	
Classes of financial instruments	**31 December 2014**	**31 December 2013**
Receivables from supplies and services	(5 515)	(5 796)
Other financial assets	(207)	(207)
Total	(5 722)	(6 003)

Write-downs of financial assets are provided in Notes 8 and 9.

The fair value of financial instruments - does not differ from the book value.

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 under the agreement once a year is indexed by the Harmonized Index of Growth of Consumer Goods Price in the European Union (index), published two months before the date of indexation.
Part of leased office space is subleased. The lease and sublease agreements expire in 2015.
Over the year in profit and loss account for 2014 was recognized an amount of PLN 3,684 thousand as the cost of fees, in 2013 this amount was PLN 3,961thousand.
Revenue from sublease is recognized in operating income.
In 2014 in profit and loss account was recognized an amount of PLN 348 thousand as income from the sublease, in 2013 the amount was PLN 756 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 2012 lease agreements cover 48 company cars.
Over the year in profit and loss account in 2014 was recognized an amount PLN 843 thousand as the cost relating to rental of cars, and in 2013 PLN 816 thousand.
Minimal payments under non-cancellable operating leases are as follows:

Operating lease agreement in which the Company is the lessee

In PLN thousands	**2014**	**2013**
Up to 1 year	3 923	3 412
1-5 years	234	2 128
More than 5 years	-	-

Operating lease agreement in which the Company is the lessor

In PLN thousands	**2014**	**2013**
Up to 1 year	178	314
1-5 years	-	147
More than 5 years	-	-

35.2. 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 sales 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 and security deposits.
For the improvement of the current liquidity, in order to release the receivables retained by investors for proper security for the implemented contracts and statutory warranty in relation to construction work and assembly work, the Company grants bank guarantee and the insurance guarantee within the guarantee lines which were launched for this purpose.

The credit risk connected with cash and with bank deposits is considered by the company to be 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 with the short-term credit credibility of the first class.

The credit risk, resulting from loans granted inside the group is regarded by the Company to be low, due to the fact that the loans are designed for a specific purpose such as the purchase of investment property. In some cases when the subordinated entity 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 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 write-downs for their value. Information on the impairment allowance 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 2014 and 31 December 2013, the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.53 and 2.24.
Detailed information regarding loans is disclosed in note 16.
Analysis of maturity of the liabilities in notes 14, 15, 16, 17,18 and 19.
The Company realized in 2014 sales revenues in the amount of PLN 128,334 thousand, including PLN 60,259 thousand (47%) concerned the Belarusian Client. Consequently, the Group has recorded in the statement of financial position following financial instruments related to this client.

Classes of financial instruments	As at 31 December 2014	% of share in total assets
Financial assets		
Receivables from supplies and services	22 442	16%
Other financial assets (the discounted security deposit, which constitutes a hedge for a bank guarantee of repayment of advance)	7 041	5%
Total financial assets	**29 483**	**21%**
Financial liabilities		
Payables	7 086	5%
Total financial liabilities	**7 086**	**5%**

The Management Board of the Company constantly monitors the progress of work on the contract, including the cash flows generated by the project and is personally responsible for direct contact with the investor. Key decisions related to contract (e.g. a provider of technology and of main components of the installation) are taken in consultation with the Investor. On the basis of existing cooperation with the Client and analysis of the current performance of the contract in relation to the budget and work schedule which were agreed with the Client - The Management Board of PROCHEM S.A. considers that the risk associated with realization of the financial instruments which were recognized in the statement of financial position as at 31 December 2014 is low.

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 2014

(in PLN thousands)	EURO	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**

Exposure to currency risk as at 31 December 2013

(in PLN thousands)	EURO	USD	NOK	BYR	Total after translation into PLN
Financial assets					
Receivables from supplies and services	1 172	-	-	839 958	5 126
Cash	272	1	88	21 960	1 180
Other financial assets	2 113	-	-	-	8 763
Total	**3 557**	**1**	**88**	**861 918**	**15 069**
Financial liabilities					
Payables	434	-	-	226 828	1 872
Deferred income (advanced payments received)	6 164	-	-	-	25 565
Total	**6 598**	**-**	**-**	**226 828**	**27 437**

Analysis of sensitivity to currency risk as at 31 December 2014

(in PLN thousands)	Increase in exchange rate	Total impact on profit before tax	Drop in the exchange rate	Total impact on profit before tax
EURO/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**

Analysis of sensitivity to currency risk as at 31 December 2013

(in PLN thousands)	Increase in exchange rate	Total impact on profit before tax	Drop in the exchange rate	Total impact on profit before tax
EURO/PLN	15%	-1 892	15%	1 892
NOK/PLN	15%	7	15%	-7
BYR/PLN	15%	30	15%	-30
Total impact		**-1 855**	**0**	**1 855**

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 2014, on the gross financial result in connection with hypothetical change in foreign currency exchange rates compared to the Polish zloty/functional currency.

Revenues and expenses concerning PROCHEM S.A. are primarily denominated in Polish currency. Revenues in foreign currency, achieved in the currency in the years 2014 and 2013 were as follows:

currency	revenues		Average exchange rate for sales		expenses		Average exchange rate for purchases	
(in thousands)	2014	2013	2014	2013	2014	2013	2014	2013
EURO	14 307	2 719	4.2119	4.1713	7 703	968	4.1846	4.2355
USD	-	-	-	-	555	11	3.4370	3.1750
BYR	-	-	-	-	10 463 354	524 650	0.0003	0.0003

In the reporting period EURO and BYR were the main currencies.

In the reporting period EURO was the main currency.
Hypothetically assuming if Polish zloty weakened/strengthened by 1% against the Euro, the revenues in 2014 would have increased or decreased by PLN 603 thousand and in 2013 by PLN 113 thousand, which would have an impact on profit before tax, while the costs would increase/decrease in 2014 by PLN 322 thousand, and in 2013 by PLN 41 thousand.
Aforementioned deviations were calculated based on historical volatility for individual currencies and forecasts.
Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value of financial instruments and the potential book value at assuming increase / decrease of exchange rates.
For other currencies the sensitivity of financial instruments is irrelevant.

2. 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**	
	As at 31 December 2014	**As at 31 December 2013**	**As at 31 December 2014**	**As at 31 December 2013**
Financial assets				
Loans granted	35 413	35 080	6 000	-
Financial liabilities				
Loans	9 448	-	-	-
Borrowings received	-	-	957	-

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

	assumed WIBOR deviations				**impact (in PLN thousands)**			
	As at 31 December 2014		**As at 31December 2013**		**As at 31 December 2014**		**As at 31December 2013**	
	increase	**fall**	**increase**	**fall**	**increase**	**fall**	**increase**	**fall**
Financial assets								
Loans granted	+50 base point	-50 base point	+50 base point	-50 base point	177	(177)	175	(175)
Financial liabilities								
Loan	+50 base point	-50 base point	+50 base point	-50 base point	(48)	48	-	

3. Liquidity risk associated with the dispute in court with PERN SA

In view of the substantial prolongation of legal proceeding in a dispute with PERN SA which has begun in 2006, and currently is pending before the District Court in Warsaw on the accounting for the contract, which was interrupted on 10 of November 2005 and concerns investment project under the name of "Rurociąg w relacji ST-1 Adamowo - Baza Surowcowa Plebanka ", the risk exists of the need of fulfilling the commitments by PROCHEM in 2014 with respect to seized guarantee deposits of subcontractors, in the amount of PLN 2,928 thousand, as at the balance sheet date, before recovering the security deposits retained by PERN SA. The amounts due under the deposit to PROCHEM S.A. from PERN SA at 31 December 2014 amount to PLN 17 364 thousand. 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 is presented in note 39.

Note No. 36- Related party transactions

In 2014 the Members of Supervisory Board and Management Board did not conclude 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 construction services , assembly services and rental services as well as mutually granted 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

Data for the reporting period

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 current loan received with interest – PLN 957 thousand,
- Trade payables – PLN 3 405 thousand

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

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

Total income from those transactions amounted to – PLN 292 thousand.
Revenues from interest on loans amounted to – PLN 497 thousand
Remuneration under valorization of the contract value – PLN 15 thousand
Dividends received – PLN 53 thousand
Expense on interest on borrowings – PLN 16 thousand

The comparative period

As at 31 of December 2013 the settlements of the Issuer with subsidiaries directly and indirectly developed as follows:
Receivables from non-current loans – PLN 22 523 thousand,
Receivables from current loans – PLN 3 429 thousand,
Trade and other receivables – PLN 5 975 thousand,
Trade payables – PLN 733 thousand.

In the period from 1 January 2013 to 31 December 2013 the following transactions of the Issuer with subsidiaries directly and indirectly took place:

- sale and purchase of construction services,
- sale of goods and materials,
- sale of other services (rental of space) to subsidiaries.

Total income from those transactions amounted to – PLN 582 thousand.
Revenues from interest on loans amounted to – PLN 435 thousand.

Revenues from dividends received amounted to - PLN 304 thousand.

Remuneration under valorization of the contract value – PLN 93 thousand.

Financial income – profit on sale of shares of Elektromontaż Kraków S.A.– PLN 5 085 thousand.

Transactions with jointly-controlled and associated entities

The reporting period

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

- Receivables from non-current loans – PLN 11 524 thousand
- Receivables from 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 the following transactions of the Issuer with jointly-controlled and associated entities took place:

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

The comparative period

As at 31 December 2013 the settlements of the Issuer with jointly-controlled and associated entities developed as follows:

- Receivables under non-current loans PLN 11 299 thousand
- Trade and other receivables – PLN 722 thousand
- Trade payables – PLN 16 thousand.

In the period from 1 January 2013 to 31 December 2013 the following transactions of the Issuer with jointly-controlled and associated entities took place:

- Revenues from sale of services – PLN 21 283 thousand
- Financial income under interest on loan granted – PLN 299 thousand

Revenues from sale of services to jointly-controlled entities and associated companies in 2014 and 2013 totally relate to jointly-controlled entity 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. 37- Contingent liabilities and contingent assets and other security

Security granted

Security granted	**As at**	
	31 December 2014	**31 December 2013**
Bank guarantee of good performance	12 859	11 407
Payment guarantee	997	1 134
Tender guarantee	-	1 235
Advance payment guarantee	24 668	29 478
Total security granted	**38 524**	**43 254**
Contingent liabilities		
Guarantee securing obligations under statutory warranty and guarantee – granted on behalf of associated entity	247	-
Total security granted and contingent liabilities	**38 771**	**43 254**

Security received	As at	
	31 December 2014	31 December 2013
Bank guarantee of good performance	1 547	1 206
Bill of exchange for securing terms of contract	77	577
Total surety received	**1 624**	**1 783**

Contingent receivables from PERN were described in Note 39.

Note No. 38 – Events after reporting date

On 20 April 2015 the jointly-controlled entity IRYDION Sp. z o.o. signed an agreement of the mortgage loan for the construction to the amount of PLN 43 469 thousand for the implementation of development project (office building) under the name Astrum Business Park in Warsaw. Interest on the loan is established as follows: in the Phase of Developer(period for implementation of the project) according to a floating interest rate WIBOR 3M plus margin, in the Investment's Phase (after conversion of the loan) 3M EURIBOR plus a margin. The date of repayment date was set for 22 September 2031. The loan will be launched after the establishment of security. Collateral for loans are: the establishment of contractual mortgage, transfer of rights from the insurance policy of the project, transfer of receivables under lease contracts, the establishment by Shareholders of registered pledge on all shares in the share capital. The company PROCHEM S.A. issued a guarantee jointly-controlled entity Irydion Sp. z o.o. under the aforementioned loan agreement to the amount of PLN 21 735 thousand. (ie. 50% of the loan amount). Remuneration to have been granted guarantee has not been established. The guarantee was fixed until 20 September 2016.
On April 20, 2015, the company PROCHEM S.A. entered into an agreement pledge to 4 500 shares, with a nominal value of PLN1 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 entitle to 4 500 votes at the General Meeting of Partners. Registered pledge on shares provides for collateral of the aforementioned loan.

Note No. 39- 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 4 March 2015 the District Court in Warsaw has scheduled a hearing for 30 April 2015.

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 group of receivables does not exceed 10% of the equity of the Issuer.

Note No. 40 - 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 SA:

- 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.

In the period from the annual report for 2013 there was a change in the number of the Issuer's shares held by the members of the Management Board and the Supervisory Board:

4. Increase:
    - Krzysztof Marczak – 1000 shares
    - Marek Kiersznicki – 250 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 2014 the Issuer did not grant to other entity any guarantees or loan or borrowing sureties of this value.

In 2014 Issuer granted loans:

- a jointly-controlled company, based in Warsaw, current loans in the amount of PLN 6 000 thousand. The interests on loans has been set at 3% per annum.

Remuneration of the members of Management Board and Supervisory Board

Remuneration paid in 2014 in the Issuer's enterprise to the Members of Management Board:

1. Jarosław Stępniewski	PLN 510 thousand: including remuneration established on profit in 2013 – PLN 73 thousand,
2. Marek Kiersznicki	PLN 332 thousand: including remuneration established on profit in 2013 – PLN 66 thousand,
3. Krzysztof Marczak	PLN 332 thousand: including remuneration established on profit in 2013 – PLN 66 thousand,

Remuneration paid in 2014 in the Issuer's enterprise to the Members of the Supervisory Board:

1. Marek Garliński	PLN 198 thousand: including remuneration established on profit in 2013 – PLN 53 thousand,
2. Karczykowski Andrzej	PLN 83 thousand: including remuneration established on profit in 2013 – PLN 53 thousand,
3. Dariusz Krajowski-Kukiel	PLN 66 thousand: including remuneration established on profit in 2013 - PLN 53 thousand,
4. Krzysztof Obłój	PLN 83 thousand: including remuneration established on profit in 2013 – PLN 53 thousand,
5. Adam Parzydeł	PLN 66 thousand: : including remuneration established on profit in 2013 – PLN 53 thousand
6. Wiesław Kiepiel	PLN 17 thousand
7. Steven Tappan	PLN 17 thousand

Remuneration paid to Members of the Management Board in 2013 for performing the function in the Management Boards and Supervisory Boards of companies belonging to the capital group:

1. Jarosław Stępniewski	PLN 63 thousand
2. Marek Kiersznicki	PLN 172 thousand
3. Krzysztof Marczak	PLN 178 thousand

Note No. 40- Approval of financial statements

Financial statements of PROCHEM S.A. for 2013 were approved by the Management Board of PROCHEM S.A. on 24 April 2015.

Signatures of the Members of Management Board

24 April 2015	Jarosław Stępniewski	Chairman of the Board	....
date	first name and surname	position	signature
24 April 2015	Marek Kiersznicki	Vice Chairman	....
date	first name and surname	position	signature
24 April 2015	Krzysztof Marczak	Vice Chairman	....
date	first name and surname	position	signature

Signature of the person responsible for bookkeeping

24 April 2015	Barbara Auguścińska-Sawicka	Chief Accountant	....
date	first name and surname	position	signature