WIKANA S.A.

Financial statements

for the period 01.01.2015-31.12.2015

Contents:

1. Statement of comprehensive income

For the period 1 January 2015 - 31 December 2015 *in PLN 000s*	Note	1 Jan 2015 31 Dec 2015	1 Jan 2014 31 Dec 2014
Continuing operations			
Revenue from sales	*6.2*	16 513	27 105
Cost of sales	*6.4*	(16 515)	(25 310)
Gross profit (loss) on sales		**(2)**	**1 795**
Selling costs	*6.4*	(575)	(904)
Administrative expenses	*6.4*	(1 979)	(3 770)
Other operating revenue	*6.3*	1 586	4 612
Other operating expenses	*6.5*	(327)	(10 603)
Gain (loss) on investments	*6.6*	1 259	1 182
Operating profit (loss)		**(38)**	**(7 688)**
Finance costs	*6.7*	(3 121)	(5 932)
Profit (loss) before tax		**(3 159)**	**(13 620)**
Income tax	*6.8*	-	-
Net profit (loss) on continuing operations for the year		**(3 159)**	**(13 620)**
Discontinued operations		-	-
Net profit (loss)		**(3 159)**	**(13 620)**
Other comprehensive income Other comprehensive income subject to reclassification to profit or loss		358	-
Revaluation of available-for-sale assets		358	-
Other comprehensive income (net)		**358**	**-**
Total comprehensive income		**(2 801)**	**(13 620)**
Profit (loss) per share			
Basic (PLN)	*6.21*	**(0.16)**	**(0.77)**
Diluted (PLN)	*6.21*	**(0.16)**	**(0.77)**

Robert Pydzik
/President of the Management Board/

Agnieszka Maliszewska
/Member of the Management Board/

Bożena Wincentowicz
/Person responsible for bookkeeping/

Lublin, 21 March 2016

Additional information and explanations to the financial statements constitute an integral part thereof.

2. Statement of financial position

At 31 December 2015			
in PLN 000s	**Note**	**31 Dec 2015**	**31 Dec 2014**
Assets			
Non-current assets			
Property, plant and equipment	*6.9*	110	161
Intangible assets	*6.10*	82	308
Investment properties	*6.11*	5 332	9 365
Loans issued	*6.13*	22 020	25 199
Other non-current investments	*6.12*	10 031	9 716
Other non-current assets	*6.14*	3 441	-
Deferred income tax assets	*6.16*	-	-
Total non-current assets		**41 016**	**44 749**
Current assets			
Inventory	*6.17*	23 564	32 007
Trade and other receivables	*6.18*	19 227	25 508
Cash and cash equivalents	*6.19*	154	81
Total current assets		**42 945**	**57 596**
Total assets		**83 961**	**102 345**

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At 31 December 2015 *in PLN 000s*	**Note**	**31 Dec 2015**	**31 Dec 2014**
Equity and liabilities			
Equity			
Share capital	*4*	40 030	40 030
Own shares	*4*	-	(1)
Revaluation reserve	*4*	358	-
Supplementary capital	*4*	67 067	67 068
Retained earnings	*4*	(69 404)	(66 245)
Total equity		**38 051**	**40 852**
Liabilities			
Credit and loan liabilities	*6.22*	13 982	3 045
Bond liabilities	*6.23*	7 612	19 789
Provisions	*6.26*	7	4
including employee benefit provision	*6.26*	*7*	*4*
Deferred income tax provision	*6.16*	-	-
Other liabilities	*6.27*	2 138	779
Total non-current liabilities		**23 739**	**23 617**
Credit and loan liabilities	*6.22*	6 067	8 842
Bond liabilities	*6.23*	10 857	9 011
Income tax liabilities		-	-
Trade and other payables	*6.27*	4 111	17 663
Provisions	*6.26*	1 066	1 386
including employee benefit provision	*6.26*	*106*	*140*
Deferred revenue	*6.25*	70	974
including grants	*6.25*	*70*	*215*
Total current liabilities		**22 171**	**37 876**
Total liabilities		**45 910**	**61 493**
Total equity and liabilities		**83 961**	**102 345**

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3. Statement of cash flows

For the period 1 January 2015 - 31 December 2015 *in PLN 000s*	**Note**	**1 Jan 2015** **31 Dec 2015**	**1 Jan 2014** **31 Dec 2014**
Cash flows from operating activities			
Net loss for the period		**(3 159)**	**(13 620)**
Income tax paid		-	-
Deferred income tax	6.16	-	-
Adjustments			
Depreciation	6.4	301	382
Interest income		(1 665)	(962)
Change in fair value of investment properties		(123)	(87)
Deferred income tax assets	6.16	-	-
Deferred income tax provision	6.16	-	-
Finance costs		2 523	4 197
Gain (loss) on investing activities		-	57
Change in inventories		8 443	22 748
Change in trade and other receivables		(6 466)	2 667
Change in provisions	6.26	(317)	(2 760)
Change in current and other liabilities, excluding borrowings		(5 850)	8 725
Change in deferred revenue		(904)	(18 073)
Net cash from operating activities		**(7 217)**	**3 274**
Cash flows from investing activities			
Proceeds from sale of intangible assets and property, plant and equipment		(24)	201
Proceeds from sale of investment properties		4 228	748
Purchase of other financial assets		-	(787)
Sale of other financial assets		394	535
Purchase of intangible assets and property, plant and equipment		-	(208)
Interest received		859	134
Loans issued		(2 789)	(6 485)
Loans repaid		6 792	852
Net cash from investing activities		**9 460**	**(5 010)**
Cash flows from financing activities			
Net proceeds from share issues		-	6 443
Net proceeds from bond issues		-	(461)
Bond buyback		(4 106)	-
Purchase of own shares		-	(5)
Borrowings incurred		9 381	412
Outflows on repayment of borrowings		(5 268)	(3 210)
Repayment of finance lease liabilities		-	(48)
Interest paid		(2 177)	(1 663)
Net cash from financing activities		**(2 170)**	**1 468**

Total net cash flows	**73**	**(268)**
Cash and cash equivalents as at the beginning of period	81	349
Effect of changes in exchange differences on cash and cash equivalents	-	-
Cash and cash equivalents as at the end of period	**154**	**81**
Restricted cash and cash equivalents at the end of period	**-**	**-**

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4. Statement of changes in equity

For the period 1 January 2015 - 31 December 2015

in PLN 000s	**Share capital**	**Own shares**	**Supplementary capital**	**Revaluation reserve**	**Retained earnings (losses)**	**Total equity**
Equity as at 1 January 2014	**33 533**	**-**	**61 225**	**-**	**(52 625)**	**42 133**
Comprehensive income	-	-	-	-	(13 620)	(13 620)
– *Result for the period*	-	-	-	-	*(13 620)*	*(13 620)*
– *Other income*	-	-	-	-	-	-
Share issuance	6 497	-	5 847	-	-	12 344
Purchase of own shares for redemption	-	(1)	(4)	-	-	(5)
Equity as at 31 December 2014	**40 030**	**(1)**	**67 068**	**-**	**(66 245)**	**40 852**
Equity as at 1 January 2015	**40 030**	**(1)**	**67 068**	**-**	**(66 245)**	**40 852**
Comprehensive income	-	-	-	358	(3 159)	**(2 801)**
– *Result for the period*	-	-	-	-	*(3 159)*	*(3 159)*
– *Other income*	-	-	-	*358*	-	*358*
Disposal of own shares		1	(1)	-	-	-
Equity as at 31 December 2015	**40 030**	**-**	**67 067**	**358**	**(69 404)**	**38 051**

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Lublin, 21 March 2016

Additional information and explanations to the financial statements constitute an integral part thereof.

5. Additional information and explanations

5.1. Company information

WIKANA S.A. ("Company") is a public limited company (*spółka akcyjna*) registered in Poland. The Company's registered office is located in Lublin (22-703), ul. Cisowa 11.

The Company was founded in January 1994 under the name ZPO ELPO S.A. and was entered into the register maintained by the District Court in Legnica, 5th Commercial Division, under number RHB 1085. In August 1999, the Company changed its name to Masters S.A. On 20 January 2003, the Company was registered at the District Court in Lublin, 11th Commercial Department of the National Court Register, under number KRS 0000144421. Pursuant to a resolution of Masters S.A.'s Extraordinary General Meeting on 12 January 2009, a merger was arranged between Masters S.A., registered at the District Court in Lublin, 11th Commercial Division, under KRS number 0000144421, and Wikana S.A., registered at the District Court in Lublin, 11th Commercial Division, under KRS number 0000296052. Pursuant to a resolution of Masters S.A.'s Extraordinary General Meeting on 12 January 2009 on the merger of Masters S.A. and WIKANA S.A., the Company changed its name to WIKANA S.A. The District Court in Lublin, 11th Commercial Division, registered the merger on 30 January 2009. The Company is established for an indefinite time and operates pursuant to the articles of association of 13 January 1994, as amended. Currently, the Company's documentation are located in the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register.

According to the Company's articles of association, its economic activities are as follows:

• activities of head offices and holding companies, except for financial holdings
• development of building projects
• renting and operating of own or leased real estate
• accounting and bookkeeping

These financial statements are prepared for the reporting period ending 31 December 2015 and contain comparative data for the financial year ended 31 December 2014.

5.2. Statement of compliance with IFRS

These financial statements are prepared in accordance with International Financial Reporting Standards, as endorsed by the European Union, hereinafter the "EU IFRS," with application of the same principles for the current and comparative reporting periods.

The financial statements are prepared on the assumption that the Company will continue operating as a going concern for at least 12 months from the end of the reporting period. Despite a net loss recorded by the Company in 2015, during the reporting period and until the date on which these financial statements were prepared, the Management Board did not identify any significant indications of a threat to the Company's going concern.

The Company's Management Board assessed the risks and threats concerning the Company's ability to continue as a going concern, including the ability to repay its current liabilities. Details of the analysis are presented in note 6.28 (point "Liquidity risk") of additional information and explanations.

5.3. Standards and interpretations endorsed by the EU and pending endorsement

Effect of new accounting standards and changes in accounting policy

The accounting principles (policy) used in preparing the financial statements for 2015 are consistent with those used to prepare the entity's annual financial statements for 2014, except for the following amendments to standards and new interpretations issued by the IASB and endorsed by the EU, effective for annual periods beginning on or after 1 January 2015:

Changes resulting from IFRS amendments

The following new or amended standards and interpretations issued by the IASB are effective from 1 January 2015:

- Amendments to various standards resulting from Annual Improvements 2010-2012;
- Amendments to various standards resulting from Annual Improvements 2011-2013;
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions;
- IFRIC 21 Public Levies.

Application of the above amendments to standards did not have an impact on the Company's results and financial situation, and only resulted in changes to the adopted accounting principles or expansion of the scope of mandatory disclosures or change in terminology.

The main consequences of applying the new regulations are as follows:

- Amendments to various standards resulting from Annual Improvements 2010-2012

On 12 December 2013, amendments to seven standards were published, resulting from a draft proposal to amend IFRSs, published in May 2012. The amendments are usually effective for annual periods beginning on or after 1 July 2014.

The following small amendments to seven standards were introduced as a result of the IFRS review:

- IFRS 2 Share-based Payments: clarifies the definition of "vesting conditions" and "market condition" and added two new definitions: "performance condition" and "service condition" - in IFRS 3 Business Combinations: clarifies that contingent consideration that is classified as an asset or a liability shall be measured at fair value at each reporting date, and measurement recognised in profit or loss,
- IFRS 8 Operating Segments: requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, as referred to in par. 12 IFRS 8, together with a short description of these segments and the indicators used to show that the aggregated segments have similar economic characteristics,
- IFRS 13 Fair Value Measurement: introduces clarifications to the basis of conclusions for IFRS 13, explaining that removal from IFRS 9 and IAS 39 paragraphs B5.4.12 and AG79, respectively, should not be incorrectly interpreted as intention by the Board to remove the ability to measure short-term receivables and payables at their invoice amounts,
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: clarifies that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount,
- IAS 24 Related Party Disclosures: clarifies the definition of establishing relations between entities.

The application of the above standards has no material impact on the Company's financial statements.

- Amendments to various standards resulting from Annual Improvements 2011-2013

On 12 December 2013, amendments to four standards were published, resulting from a draft proposal to amend IFRSs, published in November 2012. The amendments are usually effective for annual periods beginning on or after 1 July 2014.

The following small amendments to seven standards were introduced as a result of the IFRS review:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

The application of the above standards has no material impact on the Company's financial statements.

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendment was published on 21 November 2013 and is effective for annual periods beginning on or after 1 July 2014. The amendments clarify the accounting requirements for contributions from employees or third parties for defined benefit plans.

The application of the above amended standard has no effect on the Company's financial statements due to the lack of a defined benefit plan that would be linked to employee contributions.

- IFRIC 21 Public Levies

The interpretation provides guidance on when to recognise in the entity's accounts a liability for a levy imposed by a government, other than those covered by existing IFRSs, e.g. IAS 12 Income Taxes. In certain jurisdictions, settlements regarding select levies indicate a dependence between the obligation to pay a levy and occurrence of specific events. Given the complex nature of these regulations, entities did not always have clarity as to when to recognise a liability for a levy. The new interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. For example, if the obligation to pay a levy is dependent on revenue generation in the current period, then the obligating event is revenue generation in the current period. As the IFRIC noted, the entity does not have a customary obligation to pay a liability in connection with its future activities despite the fact that the entity has no actual chance of discontinuing the operations in the future. It emphasised that the obligation to pay a levy should be recognised successively if the obligating event is occurring for a certain period of time.

The application of this interpretation has no impact on the Company's financial statements.

Standards not in effect (new standards and interpretations)

In these financial statements, the Company did not decide on the early application of any published standards or interpretations before their entry into force.

The following standards and interpretations were issued by the IASB but were not yet effective as of the balance sheet date:

- IFRS 9 Financial Instruments

The new standard was published on 24 July 2014 and is effective for annual periods beginning on or after 1 January 2018. The standard aims to clarify the classification of financial assets and introduce a new impairment model for all financial instruments. The standard also introduces a new general hedge accounting model in order to streamline rules for presenting information on risk management in financial statements.

The Company will apply the new standard from 1 January 2018.

At the date on which these financial statements were prepared, a reliable assessment of the impact of this new standard was not possible. The Company began analysing the effects of introducing the new standard.

- IFRS 14 Regulatory Deferral Accounts

The new standard was published on 30 January 2014 and is effective for annual periods beginning on or after 1 January 2016. The new standard is temporary given the IASB's work on means of accounting when prices are subject to rate regulation. The standard introduces rules for recognising assets and liabilities arising on transactions at a price that is subject to rate regulation when the entity decides to adopt IFRSs.

The Company will apply the new standard from 1 January 2016.

The application of the amended standard will have no material impact on the Company's financial statements.

- IFRS 15 Revenue from Contracts with Customers

The new harmonised standard was published on 28 May 2014 and is effective for annual periods beginning on or after 1 January 2018, and early application is permitted. The standard sets out a framework for recognising revenue and contains rules that will supersede most of the detailed revenue recognition guidance currently found in IFRS, particularly in IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. After the end of the reporting period, the IASB published a draft amendment for the standard, deferring the effective date by one year.

At the date on which these financial statements were prepared, a reliable assessment of the impact of this new standard was not possible. The Company began analysing the effects of introducing the new standard.

- IFRS 16 Leases

The new standard was published on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019, and early application is permitted (on the condition that IFRS 15 is also applied). The standard supersedes existing regulations regarding leases (including IAS 17) and substantially changes the approach to lease contracts of different types, requiring lessees to recognise assets and liabilities from lease contracts on their balance sheets, regardless of their type.

At the date on which these financial statements were prepared, a reliable assessment of the impact of this new standard was not possible. The Company has begun analysing the effects of introducing the new standard.

- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 were published on 6 May 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendments aim to clarify the approach to account for the acquisition of an interest in a joint operation that is a business. The amendments require application of the same principles as in the case of business combinations.

The application of the amended standard will have no material impact on the Company's financial statements.

- Amendments to IAS 16 and IAS 38 Acceptable methods of depreciation and amortisation

The amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets were published on 12 May 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendment provides further explanation as to the permitted amortisation methods. The aim of the amendment is to show that a revenue-based method is not considered to be appropriate for property, plant and equipment, but for intangible assets it can be appropriate under certain circumstances.

The application of the amended standard will have no material impact on the Company's financial statements.

- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments to IAS 16 and IAS 41 were published on 30 June 2014 and are effective for annual periods beginning on or after 1 January 2016. The change clarifies that bearer plants should be recognised as property, plant and equipment under IAS 16. Therefore, bearer plants should be incorporated into IAS 16 instead of IAS 41. Agricultural produce from bearer plants remain subject to IAS 41.

The application of the amended standard will have no material impact on the Company's financial statements.

- Amendments to IAS 27: equity method in separate financial statements

The amendments to IAS 27 were published on 12 August 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendments reinstate to the IFRS the choice of using the equity method for the measurement of investments in subsidiaries, joint ventures and associates. If this method is chosen, it must be applied for each investment within a given category.

The application of the amended standard will have no material impact on the Company's financial statements.

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 were published on 11 September 2014 and are effective for annual periods beginning on or after 1 January 2016. The amendments clarify recognition for transactions where the parent loses control over a subsidiary that does not constitute a business as defined in IFRS 3 Business Combinations through the sale of all or some shares in that subsidiary to an equity-accounted associate or joint venture.

At the date on which these financial statements were prepared, a reliable assessment of the impact of this new standard was not possible.

- Amendments to various standards resulting from Annual Improvements 2012-2014

The following small amendments to four standards were introduced on 25 September 2014 as a result of the IFRS review:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, as regards reclassification of an asset or group for disposal from held for sale to held for distribution or vice versa;

- IFRS 7 Financial Instruments: Disclosures, clarifies the applicability of the amendments to IFRS 7 on offsetting disclosures to condensed interim financial statements;
- IAS 19 Employee Benefits, as regards the currency of "high quality corporate bonds" used in estimating the discount rate;
- IAS 34 Interim Financial Reporting, clarifies means for presenting that the disclosures required by par. 16A IAS 34 were presented elsewhere in the interim report.

The amendments are usually effective for annual periods beginning on or after 1 January 2016. The Company will apply the amended standards, in the amended scope, from 1 January 2016, unless a different effective date is provided. The Company considers that the application of the amended standards will not have material impact on its financial statements, except for the amendment to IAS 34, which might result in additional disclosures in the Company's interim financial statements.

- Amendments to IAS 1: Disclosure Initiative

Amendments to IAS 1 were published on 18 December 2014 as part of an overall disclosure initiative aimed at improving presentation and disclosures in financial reports. These amendments are aimed at further encouraging entities to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments clarify that materiality applies to the whole financial statements and that irrelevant information can obscure relevant financial disclosures. Furthermore, they make it clear that preparers should exercise judgement in determining where and in what order to present information in disclosures.

The amendments are accompanied by a draft amendment to IAS 7 Statement of Cash Flows, which increases the disclosure obligations concerning the entity's cash flows from financing activities and cash and cash equivalents.

The amendments can be adopted immediately, and are mandatory for annual periods beginning on or after 1 January 2016. The Company has began analysing the effects of introducing the amendments. The Company will apply the amendments by 1 January 2016 at the latest, and their impact might include a change in the scope and/or form of disclosures presented in financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10, IFRS 12 and IAS 28 were published on 18 December 2014 and are effective for annual periods beginning on or after 1 January 2016. Their aim is to clarify the accounting requirements for investment entities.

The Company considers that the application of the amended standards will have no material impact on its financial statements.

- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments to IAS 12 were published on 19 January 2016 and are effective for annual periods beginning on or after 1 January 2017. Their aim is to clarify requirements for recognising deferred tax assets that are related to debt instruments measured at fair value.

The Company considers that the application of the amended standard will have no material impact on its financial statements.

IFRSs as approved by the EU do not meaningfully differ from the regulations adopted by the IASB, except for the following standards, interpretations and amendments, which were not yet adopted by the EU as of the date on which these financial statements were approved:

- IFRS 9 Financial Instruments, published on 24 July 2014;
- IFRS 14 Regulatory Deferral Accounts, published on 30 January 2014;
- IFRS 15 Revenue from Contracts with Customers, published on 28 May 2014;
- IFRS 16 Leases, published on 13 January 2016;
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, published on 11 September 2014;
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception, published on 18 December 2014;
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses, published on 19 January 2016.

5.4. Basis for preparing the financial statements

Basis for measurement

These financial statements are prepared using the historic cost concept, with the exception of goodwill and investment properties, which are measured at fair value.

The measurement methods for fair value are presented in note 5.6.

Functional and presentation currency

Data in these financial statements is presented in PLN, rounded to full thousands. The Company's functional currency is the zloty (PLN).

Judgements and estimates

Professional judgements

Data in PLN 000s, unless stated otherwise

When a transaction is not regulated by any standard or interpretation, the Company's Management Board in its subjective view determines and applies an accounting policy that will ensure that the financial statements contain correct and reliable information and that it will:

- correctly, clearly and reliably depict the Company's asset position, financial standing, results and cash flows,
- reflect the transaction's economic characteristics,
- be objective,
- be prepared with the application of prudent valuation,
- be complete in all significant aspects.

Subjective assessment was exercised as at 31 December 2015 with regard to contingent liabilities (note 6.31), investment and contractual liabilities (note 6.30), classification of lease contracts (note 6.29) and classification of properties by expected use (note 6.11).

Uncertainty of estimates

In preparing financial statements the Company's Management Board is required to make estimates because a lot of the information contained in the financial statements cannot be valued in a precise manner. The Management Board verifies the adopted estimates based on changes in the factors taken into consideration when making the estimate, new information and past experience. Therefore, estimates made as at 31 December 2015 might be subject to change in the future.

The key estimates are described in the following notes (brackets contain the type of information disclosed):

- Notes 6.9 and 6.10 - property, plant and equipment and intangible assets (period of useful economic life and depreciation method are verified at least at the end of each financial year, as are indications of impairment and assumptions adopted in determining recoverable value in impairment tests);
- Note 6.11 - investment property (assumptions adopted in valuing properties using the income approach);
- Note 6.16 - deferred tax (assumptions for identifying deferred tax assets);
- Note 6.17 - inventory (write down to recoverable value);
- Note 6.18 - trade and other receivables (impairment of receivables);
  Note 6.26 - provisions, including employee benefit provisions (discount rates, inflation, wage growth, expected average period of employment, turnover).

Date on which the financial statements were approved for publication

These financial statements were approved for publication by the Management Board on 21 March 2016.

5.5. Description of the main accounting principles

The accounting principles below were applied to all of the reporting periods presented in the Company's financial statements, except for changes resulting from new standards in effect since 1 January 2015, with no retrospective application.

Foreign currencies

- **Foreign-currency transactions**

Transactions expressed in foreign currencies are recognised on the transaction date in PLN, using the bid or sell exchange rate for the transaction date from the bank that the entity uses. Monetary items in assets and equity and liabilities expressed in foreign currencies are translated on the balance sheet date according to the average exchange rate published by the National Bank of Poland for a given currency, effective on that date. Exchange differences resulting from settlement of foreign-exchange currencies and measurement of foreign-currency monetary assets and equity and liabilities are recognised in the consolidated statement of comprehensive income. Foreign-currency non-monetary items in assets and equity and liabilities measured at historic cost are translated using the average exchange rate published by the National Bank of Poland on the transaction date.

The following exchange rates were used for balance sheet measurement purposes:

in PLN	Exchange rate at 31.12.2015	Exchange rate at 31.12.2014	Average exchange rate in period 01.01 – 31.12. 2015	Average exchange rate in period 01.01 – 31.12. 2014
EUR	4.2615	4.2623	4.1848	4.1893
USD	3.9011	3.5072	3.7730	3.1537

Financial instruments

- **Financial assets**

Investments are recognised on the acquisition date and derecognised from the financial statements on the sale date - if the agreement requires delivery within a deadline specified by the relevant market - and they are initially measured at fair value less transactions costs, with the exception of assets that are classified as financial assets initially recognised at fair value through profit or loss. Financial assets are classified as: financial assets carried at fair value through profit or loss, investments held to maturity, available-for-sale financial assets and loans and receivables. Classification depends on the features and objective of the financial asset and is specified at initial recognition.

Financial assets at fair value through profit or loss

This group includes financial assets held for sale and financial assets carried at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling them in the near future or they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking or they are derivatives other than effective hedging instruments.

Financial assets other than those held for trading may be classified as carried at fair value through profit or loss at initial recognition if:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- it belongs in a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or the Company's investment strategy, and information about the group is provided internally on that basis; or
- it constitutes part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement allows for the entire contract (asset or liability) to be classified as measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are recognised at fair value, and profit or loss is recognised in the statement of comprehensive income. The net profit or loss recognised in the statement of comprehensive income includes dividends or interest generated on that asset.

Held-to-maturity investments

Investments and other financial assets, excluding derivatives, with fixed or negotiable payment terms and fixed maturities that the Company wants to and can hold until maturity are classified as investments held to maturity. They are recognised at amortised cost using effective interest rates, less impairment, and income is recognised using the effective income approach.

Available-for-sale financial assets

Shares and redeemable bonds not listed on a market that the Group holds and those that are traded on an active market are classified as available-for-sale assets and recognised at fair value. Gains and losses on changes in fair value are recognised directly in equity, in the revaluation reserve, except for impairment, interest charged using the effective interest rate and negative and positive exchange differences concerning cash flows, which are recognised directly in the statement of comprehensive income. On a sale of an investment or recognition of impairment, cumulative gain or loss previously recognised in the revaluation reserve is recognised in the statement of comprehensive income for the period. Dividends on available-for-sale equity instruments are recognised in comprehensive income when the Group’s right to receive payment is established. The fair value of available-for-sale monetary assets denominated in foreign currencies is established after translating such currencies at the spot exchange rates on the balance sheet date. Changes in fair value allocated to exchange differences resulting from changes in a given asset's amortised historic cost are recognised in comprehensive income, while other changes are recognised in equity. Investment certificates are recognised at purchase price. Upon redemption of investment certificates pursuant to a redemption order, they are valued on redemption date at fair value, and the measurement result is recognised in the revaluation reserve.

Loans and receivables

Trade receivables, loans and other receivables with fixed or determinable payments that are not quoted on an active market are classified as loans and receivables. They are measured at amortised cost, using the effective interest rate method and taking into consideration impairment. Interest income is recognised using the effective interest rate method, except for current receivables, where recognising interest is immaterial.

Impairment of financial assets

Financial assets, except for those measured at fair value through profit or loss, are tested for impairment at each balance sheet date. Financial assets are considered to have been impaired when there are objective indications that events taking place after initial recognition of a given asset have had a negative impact on the related estimated future cash flows. In the case of shares not listed on a market, classified as available-for-sale, a substantial or long-term loss in fair value of securities below their cost is considered to be an objective proof for impairment.

Receivables are revaluated at the balance sheet date, taking into consideration the likelihood of their repayment, by creating impairment losses with respect to: receivables from debtors that are subject to liquidation or bankruptcy - up to the amount of the receivable that is not covered by a guarantee or other security and which was submitted to the liquidator or the court receiver in bankruptcy proceedings; receivables from debtors whose requests for bankruptcy were dismissed if their property is insufficient to cover the cost of bankruptcy proceedings; receivables that are disputed by the debtor and that are overdue and, according to an assessment of the debtor's property and financial situation, repayment of the contractual amount is unlikely; receivables that are overdue by more than 360 days from the payment deadline - up to the amount of the receivable that is not covered by a guarantee or other security. Impairment of receivables is recognised in other operating expenses or finance costs, respectively - depending on the type of receivable that it concerns.

In the case of financial assets carried at amortised cost, the amount of impairment constitutes the difference between the asset's balance sheet value and the present value of estimated discounted future cash flows, calculated using the asset's effective interest rate. The carrying amount of a financial asset is decreased by impairment, directly for all assets of this type, except for trade receivables, the carrying amount of which is reduced using an account to adjust their initial value. If trade receivables are deemed irrecoverable, they are written-off in an impairment account. If previously written-off amounts are later recovered, they are reversed in the impairment account. Changes in the carrying amount of the impairment account are recognised in the statement of comprehensive income, in other operating revenue or other operating expenses. Except for available-for-sale financial instruments, if the amount of impairment decreases in the subsequent reporting period, and the decrease may be rationally assigned to an event taking place after recognition of impairment, the previous amount of impairment is reversed in comprehensive income, provided that the investment's carrying amount on the reversal date does not exceed the amortised cost that would arise if impairment had not been recognised. Impairment of equity instruments held for trading that were initially recognised through profit or loss is not subject to reversal through profit or loss. Any increases in fair value after impairment are recognised directly in equity.

Reclassification of financial assets

Available-for-sale financial assets may be reclassified to:

– loans and receivables, if on the date of reclassification these assets would meet the definition of loans and receivables and the entity intends to and is capable of holding the asset in the future or to maturity.

Non-derivative financial assets at fair value through profit and loss and assets at fair value using the option of measurement at fair value may be reclassified according to the following principles:

– Reclassified to available-for-sale assets if (a) the instrument is no longer available for sale or redemption in the near future, (b) on the date of reclassification, this asset would meet the definition of loans and receivables and (c) the entity intends to and is capable of holding the asset in the future or to maturity,
– If an instrument does not meet the definition of loans and receivables, reclassification to available-for-sale assets or assets held to maturity is possibly only in rare circumstances, understood as a documented incidental situation that was not likely to arise in the future or on a regular basis.

The above reclassifications are at fair value on the date of reclassification. Available-for-sale financial assets may also be subject to reclassification to the category assets held to maturity, and vice versa.

Derecognition of financial assets

The Company derecognises financial assets only when rights to the cash flows generated by such assets expire or when substantially all risks and rewards connected with the assets have been transferred to another entity. If the Company does not transfer or retain substantially all risks and rewards connected with the asset, and continues to assume control over the asset, it recognises the retained share of the asset and the associated liabilities on potential rewards. However, if the Company retains substantially all risks and rewards, then it continues to recognise the financial asset.

– **Financial liabilities and equity instruments issued by the Company**

Debt and equity instruments are classified as financial liabilities or equity, depending on contractual arrangements.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised in the amount of proceeds received, less direct issue costs. Financial instruments with a put option may be presented as equity only if all of the following conditions are met:

(a) the owner has the right to a proportionate share of the entity's net assets in the event of its liquidation;

(b) the instrument belongs to the class of instruments most subordinated, and all instruments in this class have identical features;

(c) the instrument does not have any other features that would meet the definition of a financial liability; and

(d) the sum of estimated cash flows generated by this instrument during its repayment period is based mainly on the financial result, change in the net assets recognised or change in the fair value of the entity's recognised and unrecognised net assets (excluding the effects of the instrument). The financial result or change in the identified net assets is measured in accordance with the relevant IFRSs. The entity cannot hold any other instruments that would significantly tighten or establish a fixed rate of return for the holder of the financial instrument with a sell option.

The criteria to classify as equity the instruments that require their holder to transfer a proportionate share of the entity's net assets in the event of liquidation are based on the same principles as presented above, except for points (c) and (d), which do not apply. If a subsidiary issued this type of instrument that is then held by an entity that does not have control over it, and it was not recognised as equity in that company's financial statements, it is recognised in the consolidated financial statements as a liability because it will not be the most subordinated instrument in the Company.

Instruments containing embedded derivatives

The components of instruments issued by the Company are classified separate as financial liabilities and equity, in accordance with the content of the executed contract. The fair value of the components constituting the liability as at the issue date is estimated using the dominant market interest rate applicable to similar, non-convertible instruments. This amount is recognised as a liability at amortised cost, using the effective interest rate method, until conversion of such instrument or until its maturity date. The equity component is established by subtracting the amount of liability from the overall fair value of such an instrument. This value is recognised in equity.

Liabilities resulting from financial guarantee agreements

Liabilities resulting from financial guarantee agreements are measured initially at fair value and subsequently at the higher of two amounts: the contractual liability, established in accordance with IAS 37 — Provisions, Contingent Liabilities and Contingent Assets, and the initially recognised amount, less depreciation recognised in accordance with the principles for revenue recognition.

Financial liabilities

Financial liabilities are classified as carried at fair value through profit or loss or as other financial liabilities.

Liabilities carried at fair value through profit or loss

This group includes financial liabilities held for trading and financial liabilities carried at fair value through profit or loss. A financial liability is classified as held for sale if:

- they were incurred primarily in order to be redeemed short-term;
- constitute a part of a specific portfolio of financial instruments that the Company collectively manages in accordance with the current and actual template for generating short-term profits; or
- are derivatives unclassified and not used as hedges.

Financial liabilities other than those held for trading may be classified as carried at fair value through profit or loss at initial recognition if:

- such classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- it belongs in a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or the Company's investment strategy, and information about the group is provided internally on that basis; or
- is part of a contract containing one or more embedded derivatives, and IAS 39 allows classification of the entire contract (component of assets or liabilities) as items measured at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are recognised at fair value, while gain or loss is recognised in comprehensive income, including interest paid on a given financial liability.

Other financial liabilities

Other financial liabilities, including credits and loans, are initially measured at fair value, less transaction costs. Subsequently, they are measured at historic amortised cost, using the effective interest rate method, and interest costs are recognised using the effective income method. The effective interest rate method is used to calculate the liability's amortised cost and to allocate interest costs to the relevant period. The effective interest rate is a rate actually discounting future cash payments in the expected period of use of a given liability or, if necessary, in a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities only if the relevant liabilities are exercised, annulled or expired.

- **Equity**

Share capital

Share capital is recognised at the nominal value of registered shares, which is specified in the Company's articles of association and its entry in the National Court Register.

Supplementary capital

In accordance with the Polish Commercial Companies Code, the Company is required to create supplementary capital to cover losses, to which it transfer at least 8% of annual profit until such time as supplementary capital amounts to at least one-third of share capital. Transferred to supplementary capital are also any share premiums left over after covering share issue costs.

Use of supplementary capital must be approved by the General Meeting, however the part of supplementary capital that amounts to 1/3 of the share capital may only be used to cover losses recorded in the financial statements.

The Company creates supplementary capital from:

- profit deductions,
- share premium, less directly related costs,
- excess of the sale price of own shares over their purchase price.

Reserve capital

Other capital reserves are created in accordance with the articles of association. The general meeting decides on use of the reserve capital.

The Company classifies as reserve capital, among others, capitals created through a decision of the general meeting to purchase own shares.

Reserve capital also includes capital raised from share issues, less issue costs, until the share capital increase is registered by the Register Court. After registration, the nominal value of the registered shares is recognised as share capital, while the share premium that is left over after issue costs is recognised in supplementary capital.

Own shares purchased

Pursuant to general meeting resolutions, the Company carries out purchases of own shares. Own shares are measured at the purchase price and are recognised in equity as a negative value.

Comprehensive income

Total comprehensive income is a change in equity that took place during the reporting period as a result of transactions other than those executed with owners acting as shareholders. This includes all components of profits and losses and other comprehensive income.

Other comprehensive income includes the revenue and cost items (including reclassification adjustments) that were not recognised as profits or losses in accordance with what is required or allowed by other IFRSs.

Property, plant and equipment

– **Own property, plant and equipment**

Items of property, plant and equipment are recognised at the purchase price or cost to manufacture, less depreciation and impairment. The purchase price includes the price of the item and costs directly connected with the purchase and adaptation of the item to a usable state, together with transport, loading, unloading and storage costs. Rebates, discounts and other similar reductions and reimbursements reduce the cost of an asset.

On the date of transition to IFRS, i.e. on 1 January 2006, the Company measured property, plant and equipment at fair value, which replaced the estimated costs as at that date.

The cost of producing a component of non-current assets and non-current assets under construction encompasses all costs incurred by the entity during its construction, assembly, adjustment and improvement up to the date of the adoption of such an asset (or up to the balance sheet date, if a component has not yet been put into use). Manufacturing cost includes, where required, a preliminary estimate of the cost of dismantling and disposal of property, plant and equipment and restoring to their original state. Purchased software that is necessary for the proper functioning of its associated device is capitalised as part of the device.

In the event that a component of property, plant and equipment consists of separate and significant parts with different usable periods, these parts are treated as separate assets.

– **Reclassification to investment properties**

Components of property, plant and equipment produced in order to be used in the future as investment properties are classified as property, plant and equipment and recognised based on the production cost until such time as reliable measurement will be possible. At that point, they are reclassified to investment properties and measured at fair value. All profits and losses arising from fair-value measurement are recognised in the statement of comprehensive income as 'other comprehensive income.'

– **Subsequent expenditures**

Subject to capitalisation at a later date are the cost of replaced components of elements of property, plant and equipment that can be reliably estimated, and it is probable that the Company will obtain economic benefits associated with the replaced components of property, plant and equipment. Other capital expenditures are recognised on an on-going basis as costs in the statement of comprehensive income.

– **Depreciation**

Property, plant and equipment items, or their significant separate parts, are depreciated on a straight-line basis throughout the usable period, with consideration given to the net sale price of the remaining part of the asset upon liquidation (residual value). Land is not depreciated. The Company applies the following usable periods for the specific categories of property, plant and equipment:

- Buildings - from 10 to 66 years,
- Machinery and equipment - from 3 to 10 years,
- Means of transport - from 1 to 5 years,
- Furniture and fittings - from 1 to 5 years.

The correctness of the applied periods of use, depreciation methods and residual values of property, plant and equipment (if not negligible) is reviewed annually by the Company.

Intangible assets

- **Intangible assets**

  Intangible assets acquired by the Company are accounted for on the basis of their purchase price, less amortisation and impairment losses.

- **Subsequent expenditures**

  Subsequent expenditure on components of existing intangible assets is capitalised only if it increases the future economic benefits associated with the component. Other expenditures are recognised in comprehensive income when they are incurred.

- **Amortisation**

  Intangible assets are amortised on a straight-line basis, taking into account their usable periods, unless this is not specified. Goodwill and intangible assets with undefined usable periods are not amortised but are subject to impairment testing at each balance sheet date. Other intangible assets are amortised from the date on which they are available for use. The estimated usable periods are as follows:

  - software - from 2 to 10 years.

- **Investment properties**

  Initial recognition of investment properties is at cost, including transaction costs. The carrying amount of investment properties includes the replacement cost of a part of an investment property when it is incurred, provided that recognition criteria are met, and does not include on-going maintenance costs for such properties.

  After initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in the fair value of investment property must be included in net profit or loss for the period in which they arise.

  An investment property should be derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. All gains and losses resulting from derecognition of an investment property are recognised in profit or loss for the period in which it arises.

  Assets may be transferred to investment properties only when there is a change of use, i.e. end of owner-occupation or commencement of an operating lease to another party. If an asset is used by its owner - the Company, then it becomes an investment property, and the Company applies the principles described in the 'Property, plant and equipment' section until the day on which there is a change in use.

  For a transfer from inventories to investment property at fair value, any difference between the fair value at the date of transfer and its previous carrying amount should be recognised in comprehensive income.

  For a transfer from investment property carried at fair value to owner-occupied property or inventories, the fair value at the change of use is the 'cost' of the property under its new classification in accordance with IAS 16 or IAS 2.

  Recognition of a transfer from inventories to investment property is treated the same as a sale of inventories.

  When the Company completes construction / development of an investment property that will be carried at fair value, any difference between the fair value at the date of transfer and the previous carrying amount should be recognised in comprehensive income.

Property, plant and equipment used under lease contracts

A lease contract is classified as a finance lease if it transfers to the Company substantially all the risks and rewards incident to ownership of property, plant and equipment. Assets acquired under financial leasing are initially recognised at the lower of fair value of the asset and present value of the minimum lease payments, subsequently less depreciation and impairment.

Lease contracts other than finance lease contracts are treated as operating leases. Except for investment properties, assets used under operating leases are not recognised in the Company's balance sheet. Investment properties used pursuant to operating leasing are recognised in the balance sheet at fair value.

Inventory

Components of inventories are measured at purchase price or cost to manufacture, not higher than the net realisable sale price. The purchase price includes the purchase price, less direct costs to purchase and adapt the asset for use or introduction to trading. In the case of finished products and production in progress, costs include expenses connected with on-going development projects.

Project costs mainly include:

- land or rights to perpetual usufruct of land, costs concerning construction works performed by sub-contractors in connection with building residential premises,
- capitalised costs, containing finance costs (relating to financial liabilities incurred directly in connecting with financing the investment),

For a property investment, which constitutes production in progress, cost recording commences once the management board or other authorised entity at the company takes a decision to launch investment at the given location. Expenditures incurred prior to this date are classified as indirect costs and are recorded as administrative expenses in the current period. Transferring production in progress to finished products takes place after a use permit for the investment has been issued, however no later than upon execution of the first notarial deed.

Net realisable value is the difference between an estimated sale price in the ordinary course of business and estimated costs of completing and costs to sell.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition or manufacture of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of purchase or manufacture of that asset until such time as the asset is largely ready for its intended use or sale. Borrowing costs comprise interest and gains or losses on exchange differences up to the amount corresponding to the adjustment of interest cost.

Other borrowing costs are recognised in profit or loss when they are incurred.

Impairment of assets

- **Financial assets**

  Impairment losses on financial assets are recognised when there is objective evidence of events that may adversely affect the value of future cash flows of the asset.

  Impairment of financial assets carried at amortised cost is estimated as the difference between carrying amount and the present value of future cash flows discounted using the original effective interest rate.

  The carrying amount of individual financial assets of substantial value individually is subjected to assessment at each balance sheet date to determine whether there is any indication of impairment. Other financial assets are tested for impairment collectively, grouped according to the level of credit risk.

  Impairment losses are recognised in the statement of comprehensive income.

  Impairment losses are reversed if the subsequent increase in the recoverable amount can be objectively assigned to events taking place after recognition of impairment.

- **Non-financial assets**

  The carrying amount of non-financial assets, other than biological assets, investment properties, inventories and deferred income tax assets, is subject to impairment testing at each balance sheet date. In the event of such indications, the Company estimates the recoverable amount of individual assets. The recoverable amount of goodwill and the intangible assets that are not yet fit for use is estimated at each balance sheet date.

  Impairment is recognised when the carrying amount of an asset or cash generating unit exceeds its recoverable amount. A cash generating unit is defined as the smallest identifiable group of assets that generates cash independently of other assets or groups of assets. Impairment is recognised in profit or loss. Impairment of a cash generating unit is initially recognised as a decrease in the goodwill assigned to the unit (group of units) and subsequently as a decrease in the carrying amount of the other assets belonging to this unit (group of units) on a proportionate basis.

  The recoverable amount of an asset or cash-generating unit is defined as the greater of their net realisable value obtainable from sale and their value in use. In estimating value in use, future cash flows are discounted using the pre-tax interest rate that reflects current market assessments of time value of money and risk factors specific to the asset. In the case of assets that do not independently generate cash flows, value in use is estimated for the smallest identifiable cash-generating unit to which the asset belongs. As regards assets other than goodwill, impairment recognised in previous periods is subject to testing at each balance sheet date to find out whether a decrease of impairment or full reversal is in order.

  Impairment losses are reversed if the estimates used to establish the recoverable amount changed. An impairment loss is reversed only to the carrying amount of an asset (less depreciation) that would be reflected in a situation in which impairment were not recognised.

Employee benefits

- **Defined contribution plan**

  Under existing regulations, the Company is required to collect and pay contributions for employee pensions. In accordance with IAS 19, these benefits constitute a state programme and are part of a defined contribution plan. Accordingly, the Company's obligation for each period is estimated on the basis of the amounts to be contributed for the year.

- **Short-term employee benefits**

  Liabilities due to short-term employee benefits are measured without taking discount into consideration and are recognised as costs at the moment that benefits are provided.

Provisions

A provision is recognised if a present obligation has arisen as a result of a past event and payment is probable. In the event that time value of money is of significance, provisions are estimated by discounting the expected future cash flows using an interest rate before tax that reflects the current market changes in time value of money and risk connected with a given asset.

Onerous contracts

A provision for onerous contracts is created when the economic benefits from the contract expected by the Company are lower than the unavoidable costs of meeting contractual obligations. The amount of provisions is set based on the lower of: costs connected with terminating an agreement and costs of performing it. Prior to recognising a provision, the Company tests the assets connected with such agreement for impairment.

Revenue

- **Revenue from sale of residential properties and recognition of costs**

  Revenue from the sale of residential properties is recognised in accordance with IAS 18, i.e. if the significant risks and rewards of ownership have been transferred to the buyer.

  Revenue from sales and cost of sales are recognised when a property is transferred to the buyer (execution of a notarial deed concerning the sale). Revenue is the net amount specified in the notarial deed.

  The cost to manufacture unsold residential properties is recognised in inventories as production in progress - until a use permit is secured for the investment, and as finished products after securing such permit.

- **Revenue from product sales**

  Revenue from the sale of goods is recognised in an amount corresponding to the fair value of payments received, less the value of returns, discounts and rebates.

  Revenue from the sale of goods is recognised in the statement of comprehensive income if the significant risks and rewards of ownership have been transferred to the buyer. Revenue is not recognised if there is substantial uncertainty whether the economic benefits will flow to the seller, or concerning establishing the costs incurred and the possibility that products are returned, or if the Company is involved on a long-term basis in the management of the sold products.

- **Provision of services**

  Revenue from the provision of services is recognised in the statement of comprehensive income after such services are provided. If the value of the agreement cannot be reliably estimated, revenue from this agreement is recognised to a degree that it is likely that costs connected with the agreement will be covered. Costs connected with the agreement are recognised as costs in the period in which they are incurred. If there is a likelihood that costs of the agreement will exceed its revenue, the expected loss is immediately recognised as cost.

- **Rent income**

  Revenue from renting investment properties is recognised in the statement of comprehensive income on a straight-line basis throughout the term of the agreement.

- **Interest**

  Interest income is recognised successively as interest accrues (using the effective interest rate method to discount future cash flows for an estimated period of use for the financial instruments) to the net balance sheet value of the given item of financial assets.

Lease payments

Payments under the Company’s operating lease agreements are recognised in comprehensive income on a straight-line basis throughout the term of the lease. Special promotional offers received are recognised in comprehensive income together with leasing costs.

As regards finance leases, minimum lease payments are allocated to the part constituting financing costs and the part decreasing the liability. The part constituting financing costs is allocated to specific reporting periods throughout the term of the lease using the effective interest rate method. Contingent payments are recognised as an adjustment of the minimum lease payments over the remaining term of the lease when such adjustment is approved.

Gains on investments and finance costs

Gains on investments include interest on the Company's invested cash, and dividends. Interest income is recognised in the statement of comprehensive income on an accruals basis, using the effective interest method. Dividend income is recognised in the statement of comprehensive income when the Company acquires the right to receive it.

Finance costs include interest paid on debts. All interest costs are determined based on the effective interest rate.

Income tax

Income taxes recognised in the statement of comprehensive income consist of current and deferred tax. Income tax is recognised in the statement of comprehensive income, except for amounts relating to items accounted for directly in equity. In such a case, it is recognised in equity as 'other comprehensive income.'

Current tax is the tax liability in respect of taxable income for the year, determined using tax rates applicable at the balance sheet date, and tax adjustments relating to prior years. Deferred tax is calculated using the balance sheet liability method, based on temporary differences between the value of assets and liabilities as determined for accounting purposes, and their value as determined for tax purposes.

Provisions are not recognised in respect of the following temporary differences: initial recognition of assets or liabilities, except those that concern a business combination, do not have an impact on the accounting profit or profit before tax; and differences connected with investments in subsidiaries in as far as it is unlikely that they will be realised in the foreseeable future. Goodwill does not give rise to temporary differences, irrespective of tax effects. The amount of deferred tax recognised is based on expectations as to how to realise the carrying amounts of assets and liabilities, using prevailing tax rates or enacted at the balance sheet date.

Deferred income tax assets are recognised to the extent that it is likely that profits will be taxable, which will enable settlement of temporary differences. Deferred income tax assets are reduced to the extent that it is not likely to obtain taxable income sufficient to settle partial or temporary differences. Any such reduction shall be adjusted upward, in so far that the achievement of sufficient taxable income is probable.

Earnings per share

The Company presents basic and diluted earnings per ordinary share. Basic earnings per share are calculated by dividing the profit or loss attributable to holders of ordinary shares by the weighted average number of shares for the period. In contrast to the above, diluted earnings per share include in the calculation - aside from the profit attributable to holders of ordinary shares and the weighted average number of ordinary shares - also options granted to employees and convertible bonds.

Segment reporting

An operating segment is a separate part of the Company that deals with the supply of defined products or services (operating segment) or supply of products or services in a defined economic environment (geographical segment), which is subject to risks and derives benefits in a manner different from other segments. The Company's basic reporting format uses operating segments.

5.6. Fair value measurements

Establishing the fair value of financial assets and non-financial assets is required from the viewpoint of the Company’s accounting principles and disclosures in the financial statements. The methods for fair value measurements are presented below. In justified cases, additional information on the assumptions adopted to determine fair value is presented in notes regarding specific components of assets and liabilities.

Investment properties

The portfolio of investment properties is systematically measured by an external, independent appraiser with appropriate professional qualifications and current experience in appraisals, as well as the location and category of the property being appraised. Fair values are based on market prices, which are the estimated amounts for which a property could be exchanged between knowledgeable and willing participants in an arm's length transaction after appropriate marketing activities, where both parties are acting in a conscious, careful and not coerced manner.

Trade and other receivables, loans

The fair value of trade receivables, other receivables and loans is estimated using the present value of discounted future cash flows and the effective interest rate method at the balance sheet date.

Financial liabilities other than derivatives

For the purposes of recognition, fair value is measured at the balance sheet date based on the present value of future cash flows from return of principal and interest, discounted using the effective interest rate. As regards finance leases, market interest rates are estimated based on interest rates applicable to similar types of leasing agreements.

5.7. Other atypical events in the reporting period having impact on the financial statements

On 31 March 2015, the Company executed a sale agreement with CRH ŻAGIEL DOM Sp. z o.o., based in Lublin, pursuant to which it sold for PLN 4 156 000.00 net two properties located in Lublin, to be used in accordance with the City of Lublin's local zoning plan as public service areas - UPo, i.e.:

- a property constituting plots 37/14 and 38/6, for which the District Court for Lublin-Zachód in Lublin, 10th Land and Mortgage Division, maintains land and mortgage register no. LU1I/00283558/1,

- a property constituting plot 37/8, for which the District Court for Lublin-Zachód in Lublin, 10th Land and Mortgage Division, maintains land and mortgage register no. LU1I/00199196/9.

The value of the above assets, as recorded on the Issuer's books, was PLN 4 090 000.00.

5.8. Seasonality

The Company features volatility of revenue from sales throughout the financial year, determined by seasonality in the property development segment, which is linked to investment schedules as well as dependent on weather conditions, which affect the pace of construction work.

5.9. Changes in accounting principles

No changes were recorded since the annual financial statements were published, other than those described in point 5.3.

6. Additional information to the financial statements

6.1. Segment reporting

Segment reporting is presented by operating segments. The Company operates mainly in the south-eastern area of Poland. The main reporting pattern is operating segments, which results from the Company's management structure and internal reporting.

Segment results, assets and liabilities include the items that are directly related, as well as those that are used jointly, which can be attributed to specific segments based on rational indications. Items not allocated to segments cover mainly: loans issued and cash, credit and loans incurred, together with related costs, as well as income tax assets and liabilities.

Capital expenditure within a segment constitutes the entire cost incurred to purchase property, plant and equipment and intangible assets, excluding goodwill.

Operating segments

The Company reports one operating segments: property development.

• Property development. The key criteria identifying this segment are as follows: sales (revenue from the sale of investment projects to subsidiaries, which develop them, are the main revenue category), assets (main asset items are land and expenditures on property development projects).

Segment reporting (continued)

Information on Geographic areas

in PLN 000s	Domestic market		Total	
Continuing operations	**2015**	**2014**	**2015**	**2014**
Total revenue	**16 513**	**27 105**	**16 513**	**27 105**

Non-current assets

Non-current assets other than financial assets, deferred income tax assets, post-employment benefits and rights resulting from insurance agreements, presented as either in the country where the entity is head quartered or in all other countries.

in PLN 000s	Domestic market		Total	
	31 Dec 2015	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Non-current assets	**5 524**	**9 834**	**5 524**	**9 834**

	2015	**2014**	**2015**	**2014**
Capital expenditure	**22**	**74**	**22**	**74**

Extent to which the Company is dependent on its key clients

In 2015, the Company recorded one-off revenue from the sale of an investment property located in Lublin, ul. Hetmańska, to an external entity for PLN 4 200 000, which constituted 25% of the Company's operating revenue.

In 2014, the Company did not record transactions with any individual external client that would exceed 10% of total revenue.

In 2015, revenue from sales at the investments Sky House B2 and B3 to subsidiary Wikana Meritum Sp. z o.o. Magnolia amounted to PLN 3 400 000, which constituted 21% of the Company's operating revenue. Furthermore, revenue from sales at the Zielone Tarasy investments, buildings E, F, L and N, to subsidiary Wikana Meritum Sp. z o.o. Sigma amounted to PLN 3 027 000, which constituted 18% of the Company's operating revenue.

In 2014, revenue from sale of the A3, A4 and A5 buildings at the Osiedle Marina investment to subsidiary Wikana Property Sp. z o.o. Larix amounted to PLN 5 600 000, which constituted 21% of the Company's operating revenue.

6.2. Revenue from sales

in PLN 000s	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**
Revenue from sale of property developments to subsidiaries	10 452	7 899
Revenue from sale of land	4 200	-
Revenue from provision of other services	1 596	942
Revenue from sale of apartments	240	18 264
Rent income	25	-
	16 513	**27 105**

6.3. Other revenue

in PLN 000s	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**
Revenue from non-statutory sales (re-invoicing)	624	874
Release of provisions for legal expenses	326	2 850
Revenue from compensation and contractual penalties	244	480
Grants	145	306
Revaluation of non-financial assets	61	-
Liabilities written-off	49	-
Revenue from reversal of impairment of receivables	23	-
Other operating revenue	114	102
	1 586	**4 612**

6.4. Expenses by nature

in PLN 000s	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**
Depreciation	301	382
Use of materials and energy	40	229
External services	3 879	14 825
Taxes and fees	200	460
Salaries	1 338	1 594
Social security and other benefits	230	264
Other expenses by nature	526	440
Expenses by nature	**6 514**	**18 194**
Change in inventory, products and prepayments	12 555	7 398
Selling costs	(575)	(904)
Administrative expenses	(1 979)	(3 770)
Value of goods sold	-	4 392
Cost of sales	**16 515**	**25 310**

6.5. Other operating expenses

in PLN 000s	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**
Provisions for legal expenses	(126)	-
Cost of non-statutory sales (re-invoicing)	(125)	(889)
Cost of receivables impairment and recognition of provisions	(48)	(3 826)
Donations	(1)	-
Cost of recognising impairment on inventories and property, plant and equipment	-	(3 226)
Compensation, penalties, fees	-	(50)
Court and enforcement fees	-	(2 517)
Loss on disposal of property, plant and equipment	-	(59)
Other	(27)	(36)
	(327)	**(10 603)**

6.6. Gain on investments

in PLN 000s	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**
Interest income on issued loans	787	1 094
Reversal of impairment losses on financial assets	404	-
Interest income on overdue debts	15	-
Revaluation of investment properties	-	88
Other	53	-
	1 259	**1 182**

6.7. Finance costs

in PLN 000s	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**
Interest cost on credit facilities and bonds	(1 803)	(2 863)
Other interest	(1 235)	(1 590)
Result on disposal of shares in subsidiary	(7)	-
Revaluation of financial assets	(19)	(917)
Other	(57)	(562)
	(3 121)	**(5 932)**

6.8. Income tax

in PLN 000s	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**
Current income tax	-	-
Income tax for the current year	-	-
Adjustment for previous years	-	-
Deferred tax	-	-
Recognition / reversal of temporary differences	-	-
Other changes	-	-
Income tax on continuing operations	-	-
Income tax on discontinued operations	-	-
Share in the tax of associates and jointly controlled entities	-	-
Income tax recognised in the statement of comprehensive income	-	-

in PLN 000s	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**
Effective tax rate		
Net profit for the financial year	(3 159)	(13 620)
Income tax	-	-
Profit before tax	**(3 159)**	**(13 620)**
Tax, based on the current tax rate	600	2 588
Temporary differences and tax losses for which no deferred tax asset was created	(457)	(1 865)
No recognition of assets in previous periods (overdue liabilities)	(21)	(147)
No recognition of assets in previous periods (release of provisions for legal expenses)	62	541
Temporary differences and tax losses for which no deferred tax asset was created (provision for legal expenses)	(14)	(1 067)
Permanent differences between tax and balance sheet costs and revenue	(170)	(50)
Income tax	**0**	**0**
Effective tax rate (%)	**0%**	**0%**

6.9. Property, plant and equipment

in PLN 000s **Gross value of property, plant and equipment**	**Land**	**Buildings and structures**	**Machinery and equipment**	**Means of transport**	**Other fixed assets**	**Fixed assets under construction**	**Advances for fixed assets**	**Total**
Gross value as at 1 January 2014		378	127	393	90			988
Acquisition		34	38	-	-			72
Transfer from fixed assets under construction		(137)	-	-	-			(137)
Disposal		-	-	(393)	-			(393)
Liquidation		-	(19)	-	(47)			(66)
Other		-	-	-	-			-
Gross value as at 31 December 2014		**275**	**146**	**0**	**43**			**464**
Gross value as at 1 January 2015		275	146	0	43			464
Acquisition		-	11	-	-			11
Transfer from fixed assets under construction		-	-	-	-			-
Disposal		-	-	-	-			-
Liquidation		-	-	-	-			-
Reclassification		-	-	-	-			-
Gross value as at 31 December 2015		**275**	**157**		**43**			**475**

in PLN 000s **Depreciation and impairment**	**Land**	**Buildings and structures**	**Machinery and equipment**	**Means of transport**	**Other fixed assets**	**Fixed assets under construction**	**Advances for fixed assets**	**Total**
Depreciation and impairment as at 1 January 2014		(277)	(68)	(239)	(86)			(670)
Depreciation for the period		(25)	(49)	(48)	(1)			(123)
Disposal		-	-	287	-			287
Impairment		-	-	-	-			-
Reversal of impairment		-	-	-	-			-
Liquidation		-	19	-	47			66
Reclassification		137	-	-	-			137
Depreciation and impairment as at 31 December 2014		**(165)**	**(98)**	**0**	**(40)**			**(303)**
Depreciation and impairment as at 1 January 2015		(165)	(98)	0	(40)			(303)
Depreciation for the period		(27)	(33)	-	(2)			(62)
Disposal		-	-	-	-			-
Impairment		-	-	-	-			-
Reversal of impairment		-	-	-	-			-

Data in PLN 000s, unless stated otherwise

Liquidation	-	-	-	-	-
Reclassification	-	-	-	-	-
Depreciation and impairment as at 31 December 2015	**(192)**	**(131)**	**-**	**(42)**	**(365)**
Net value					
At 1 January 2014	101	59	154	4	318
At 31 December 2014	**110**	**48**	**-**	**3**	**161**
At 1 January 2015	110	48	-	3	161
At 31 December 2015	**83**	**26**	**-**	**1**	**110**

Property, plant and equipment used under lease contracts

The Company held no fixed assets under leases at the end of 2015 and 2014.

Collateral

At both 31 December 2014 and 31 December 2014, no properties classified as property, plant and equipment served as collateral for bank loans or bonds (see note 6.22).

Fixed assets under construction

At the end of the reporting period, the value of fixed assets under construction was PLN 0 (31 December 2014: PLN 0).

Impairment of property, plant and equipment

As at 31 December 2015, property, plant and equipment items were subject to testing for impairment at the level of cash generating units. According to analysis as at the balance sheet date, there were no signs warranting an impairment test.

6.10. Intangible assets

in PLN 000s	**Software**
Gross value	
Gross value as at 1 January 2014	551
Acquisition	136
Disposal	-
Reclassification	-
Gross value as at 31 December 2014	**687**
Gross value as at 1 January 2015	687
Acquisition	8
Disposal	-
Reclassification	-
Gross value as at 31 December 2015	**695**
Amortisation and impairment	
Amortisation and impairment as at 1 January 2014	**(120)**
Amortisation and impairment for the period	(120)
Disposal	(259)
Amortisation and impairment as at 31 December 2014	**(379)**
Amortisation and impairment as at 1 January 2015	**(379)**
Amortisation and impairment for the period	(234)
Disposal	-
Amortisation and impairment as at 31 December 2015	**613**

in PLN 000s	**Software**
Net value	
At 1 January 2014	431
At 31 December 2014	308
At 1 January 2015	308
At 31 December 2015	82

Amortisation of intangible assets

Amortisation of intangible assets is recognised in amortisation costs.

6.11. Investment properties

The fair value of investment properties is classified as level 3 in the fair value hierarchy under a periodic measurement. Presented below are the opening and closing balances of fair value:

in PLN 000s	**Fair value**
Net value at the beginning of 2014	**9 278**
Change in fair value	87
Net value at the end of 2014	**9 365**
Net value at the beginning of 2015	**9 365**
Disposal of investment property	(4 090)
Change in fair value	57
Net value at the end of 2015	**5 332**

in PLN 000s	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**
Recognised in comprehensive income		
Rent income on investment properties	9	20
Direct operating expenses (together with the cost of construction, repairs and maintenance) concerning investment properties that yielded rent income during the reporting period	8	13
Direct operating expenses (together with the cost of construction, repairs and maintenance) concerning investment properties that did not yield rent income during the reporting period		25

Investment properties include:
- land located in Lublin, ul. Łukasza Rodakiewicza (land parcels 32/6, 33/6, 34/6, 35/6);
- two apartments located in Lublin, ul. Przyjaźni and ul. Nowy Świat.

On 31 March 2015, the Company executed an agreement to sell an investment property located in Lublin, ul. Hetmańska.

For the purposes of investment property valuation, the Company commissions independent appraisers with the relevant authorisations to prepare appraisal reports on market value.

In order to determine fair value, the appraiser establishes the optimal or most likely means of use for the property and selects an appropriate valuation method. The appraiser particularly takes into consideration the objective of the valuation, type and location of the property, target use in the local spatial development plan, level of technical infrastructure and available data about prices, income features and characteristics of similar properties.

In the valuation reports presented by appraisers, used by the Group for accounting purposes, the following methods of establishing the fair value of property are used:
- comparative approach by average price adjustment,

The following key assumptions were used in the comparative approach:

Key assumptions	**Values**	**Co-dependency between the key unobservable inputs and fair value**
Location	40%	
Surroundings and neighbourhood	15%	
Communication access	15%	Fair value increases/decreases as adjustment coefficient increases/decreases
Target use of land	15%	
Land area	10%	
Rights to property	5%	

Valuation methodology based on prices and other significant information from market transactions involving comparable (e.g. similar) assets, adjusted by several coefficients in order to ensure the comparability of transactions.

In the year ended 31 December 2015, no changes took place as to valuation methodologies for assets classified as level 3 in the fair value hierarchy.

At the end of the reporting period, the Company's investment properties worth PLN 0 constituted collateral for bank credits and finance leases (31 December 2014: PLN 4 090 000).

6.12. Other non-current investments

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
Loans issued	22 020	25 199
Shares in related parties	10 031	9 716
	32 051	**34 915**

Loans issued

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
Wikana Bioenergia Sp. z o.o.	4 437	3 536
Wikana Property Sp. z o.o. Komerc SKA	4 068	3 683
Wikana Property Sp. z o.o. ALBA SKA	822	5
Zielone Tarasy S.A.	314	159
Wikana Bioenergia Sp. z o.o. 01 S.K.A.	151	140
Wikana Property Sp. z o.o. Krosno SKA	2	316
Wikana Property Sp. z o.o. Legnica SKA	4 229	8 716
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	-	245
Wikana Project Sp. z o.o.	-	-
Wikana Property Sp. z o.o. 02 SKA	11	4
Wikana Property Sp. z o.o. 03 Miasteczko SKA	1	128
Wikana Nieruchomości Sp. z o.o. 05 Marina SKA	4	1 090
Wikana Property Sp. z o.o.	1 593	1 259
Wikana Meritum Sp. z o.o. PANORAMA S.K.A.	36	447
Wikana Property Sp. z o.o. Delta S.K.A.	9	10
Wikana Property Sp. z o.o. Zielone Tarasy S.K.A.	79	72
Wikana Meritum Sp. z o.o. Lamda SKA	5 446	5 311
Wikana Property Sp. z o.o. Omikron S.K.A.	1	20
Wikana Management Sp. z o.o.	393	58
Wikana Property Sp. z o.o. Salix SKA	107	-
Wikana Meritum Sp. z o.o. Alfa SKA	107	-
Wikana Property Sp. z o.o. 04 Osiedle SKA	30	-
Wikana Meritum Sp. z o.o. Larix SKA	138	-
Wikana Meritum Sp. z o.o. Magnolia SKA	12	-
Wikana Prim Sp. z o.o. Beta SKA	30	-
Total	**22 020**	**25 199**

The Company holds shares in subsidiaries. Stakes (%) in subsidiaries are presented in note 6.34.

Value of stakes in subsidiaries

in PLN 000s	31 Dec 2015	31 Dec 2014
Wikana Bioenergia Sp. z o.o.	201	201
Contributions to Wikana Bioenergia Sp. z o.o.'s capital	5 530	5 530
Wikana Project Sp. z o.o.	51	51
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	2 000	2 000
Capital contributions to WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji	2 000	2 000
Multiserwis S.A.	18 787	18 768
Wikana Property Sp. z o.o. ALBA SKA	51	51
Wikana Prim Sp. z o.o. Beta SKA	51	51
Towarzystwo Budownictwa Społecznego Nasz Dom Sp. z o.o.	355	355
Wikana Property Sp. z o.o.	52	52
Wikana Meritum Sp. z o.o. PANORAMA S.K.A.	50	50
Wikana Property Sp. z o.o. Podpromie SKA	50	50
Wikana Property Sp. z o.o. Zielone Tarasy S.K.A.	50	50
Wikana Property Sp. z o.o. SALIX SKA	50	50
Wikana Property Sp. z o.o. ACER S.K.A.	51	51
Wikana Meritum Sp. z o.o. Alfa SKA	51	51
Wikana Property Sp. z o.o. Betula S.K.A.	52	52
Wikana Meritum Sp. z o.o. CORYLUS S.K.A.	51	51
Wikana Property Sp. z o.o. Gamma S.K.A.	51	51
Wikana Property Sp. z o.o. Jota S.K.A.	51	51
Wikana Property Sp. z o.o. Kappa S.K.A.	51	51
Wikana Meritum Sp. z o.o. Lamda SKA	52	52
Wikana Meritum Sp. z o.o. Larix SKA	51	51
Wikana Property Sp. z o.o. Zeta S.K.A.	-	51
Wikana Meritum Sp. z o.o. Sigma SKA	51	51
Wikana Property Sp. z o.o. Rosa S.K.A.	51	51
Wikana Meritum Sp. z o.o. Magnolia SKA	51	51
Wikana Property Sp. z o.o. Omega S.K.A.	52	52
Wikana Property Sp. z o.o. Omikron S.K.A.	51	51
Wikana Management Sp. z o.o.	52	52
Wikana Meritum Sp. z o.o.	50	50
Wikana Property Sp. z o.o. Krosno SKA	529	-
Wikana Prim Sp. z o.o.	5	-
Wikana Property Sp. z o.o. w likwidacji 02 SKA	1	-
Wikana Nieruchomości Sp. z o.o. 05 Marina SKA	1	-
Wikana Property Sp. z o.o. Legnica SKA	1	-
Wikana Property Sp. z o.o. Komerc SKA	1	-
Wikana Bioenergia Sp. z o.o. 01 S.K.A.	2	-
WIKANA FIZ certificates	1 628	1 800
Impairment of shares in Multiserwis S.A.	(18 787)	(18 768)
Impairment of shares in Wikana Nieruchomości Sp. z o.o. w likwidacji	(3 446)	(3 445)
Total	**10 031**	**9 716**

6.13. Current financial assets (loans)

In 2014-2015 and as at the balance sheet dates ending these periods, the Company did not have any current financial assets in the form of loans.

6.14. Other non-current assets

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
Other receivables from trade in debt with subsidiaries	3 441	-
	3 441	**-**

6.15. Non-current assets held for sale

in PLN 000s	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**
Net value at the beginning of period	**-**	**-**
Increases	-	-
Decreases	-	-
Net value at the end of period	**-**	**-**

Gross value at the beginning of period	**-**	**5 204**
Impairment at the beginning of period	-	5 204
Change in impairment	-	(5 204)
Gross value at the end of period	**-**	**-**

Through a resolution of June 2012, the Company's Management Board decided to change the intended purpose of parking spaces built within the Tęczowe Osiedle investment in Rzeszów. The above assets were reclassified to property, plant and equipment in order to include them in the property lease offering. On 15 January 2013, the Company executed a preliminary agreement concerning sale of the above parking spaces. The parties to the agreement decided that the final agreement would be executed no later than 30 September 2013. This agreement was not executed, and the Company continues to seek opportunities to sell the parking spaces, therefore at the end of 2013 they were recognised as available-for-sale assets. In 2014, the Company's Management Board decided to reclassify the parking spaces to inventory.

On 29 August 2014, the Company sold the parking spaces to WIKANA PROPERTY Sp. z o.o. KAPPA SKA, a related party.

The relevant impairment loss was transferred to inventory.

6.16. Deferred tax

Deferred income tax assets and liabilities were created in respect of all temporary differences on the asset and liability items presented below:

	Assets		**Provisions**		**Net value**	
in PLN 000s	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Property, plant and equipment	-	-	(4)	(5)	(4)	(5)
Investment properties	-	-	(741)	(1 161)	(741)	(1 161)
Impairment of inventory and PP&E	26	513	-	-	26	513
Employee benefits	22	24	-	-	22	24
Impairment of receivables	351	453	-	-	351	453
Liabilities, provisions and the related assets	21	157	-	-	21	157
Shares	4 225	4 221	-	-	4 225	4 221
Unpaid remuneration	7	8	-	-	7	8
Contractual penalties charged	-	-	(156)	(156)	(156)	(156)
Interest due	-	-	(595)	(455)	(595)	(455)
Interest charged	355	473	-	-	355	473

Tax losses subject to deduction in future periods	4 876	3 858	-	-	4 876	3 858
Impairment of deferred tax assets	(8 387)	(7 930)	-	-	(8 387)	(7 930)
Deferred income tax assets / (liabilities)	1 496	1 777	(1 496)	(1 777)	-	-
Compensation	(1 496)	(1 777)	1 496	1 777	-	-
Deferred income tax assets / (liabilities) recognised in the balance sheet	-	-	-	-	-	-

Change in temporary differences during the period

in PLN 000s	**As at 31 Dec 2014**	**Change in temporary differences recognised in the statement of comprehensive income**	**As at 31 Dec 2015**
Property, plant and equipment	(5)	1	(4)
Investment properties	(1 161)	420	(741)
Liabilities	157	(136)	21
Receivables	453	(102)	351
Shares	4 221	4	4 225
Interest charged	473	(118)	355
Employee benefits	24	(2)	22
Unpaid remuneration	8	(1)	7
Impairment of inventory and PP&E	513	(487)	26
Contractual penalties charged	(156)	-	(156)
Interest due	(455)	(140)	(595)
Tax loss	3 858	1 018	4 876
Impairment of deferred tax assets	(7 930)	(457)	(8 387)
	-	-	-

Change in temporary differences during the period

in PLN 000s	**As at 31-12-2013**	**Change in temporary differences recognised in the statement of comprehensive income**	**As at 31-12-2014**
Property, plant and equipment	(31)	26	(5)
Leasing	9	(9)	-
Investment properties	(1 143)	(18)	(1 161)
Liabilities	-	157	157
Non-current assets held for sale	989	(989)	-
Receivables	194	259	453
Shares	3 945	276	4 221
Interest charged	328	145	473
Employee benefits	48	(24)	24
Provisions for property projects	-	-	-
Unpaid remuneration	41	(33)	8

Impairment of inventory and PP&E	442	71	513
Contractual penalties charged	(156)	-	(156)
Interest due	(362)	(93)	(455)
Tax loss	1 761	2 097	3 858
Impairment of deferred tax assets	(6 065)	(1 865)	(7 930)
	-	-	-

In 2012-2015, the Company generated a tax loss of PLN 25 663 000, which can be realised in future periods. The Company created a deferred tax asset on the tax loss of PLN 1 216 000. In its financial statements, the Company offsets the deferred tax asset with a deferred tax provision, and the excess is written off. In connection with the above, the Company's financial statements do not contain a tax loss asset that can be realised in future periods. The table below presents tax loss amounts by year

	2015	**2014**	**2013**	**2012**	**Total**
Loss amount	5 116	10 562	3 587	6 398	25 663

6.17. Inventory

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
Production in progress	22 948	31 378
Finished products	616	629
	23 564	**32 007**

As at 31 December 2015, PLN 236 000 in interest and commission on bank credit was capitalised on the Company's inventory (31 December 2014: PLN 36 000), including PLN 0 capitalised in 2015.

Inventory by category, as at 31 December 2015

in PLN 000s	**Production in progress**	**Finished products**
Osiedle Marina investment, Lublin	4 362	265
Niecała investment, Lublin	3 205	-
Sky House investment, Lublin	292	314
Osiedle Cetnarskiego investment, Łańcut	-	28
Zielone Tarasy investment, Rzeszów	1 930	-
Podpromie investment, Rzeszów	4 343	-
Osiedle Panorama investment, Rzeszów	-	9
Investment in Przemyśl	2 872	-
Al. Kraśnickie	5 881	-
Other	63	-
	22 948	**616**

The Management Board verified the value of land held by the Company as at 31 December 2015 and concluded that there was no impairment.

The Management Board verified the value of the Company's production in progress as at 31 December 2015 and concluded that there was no impairment due to the following:

1) the value of land recorded in the financial statements is below current market value,
2) the investments on-going on this land will deliver positive returns,

The Management Board verified the value of finished products as at 31 December 2015 and concluded that no impairment took place because the expected revenue from the investments will be higher than the costs incurred. At 31 December 2014, impairment on finished products was PLN 715 000.

In 2015, PLN 10 186 000 in costs of development investments was reclassified from inventory to operating expenses (31 December 2014: PLN 24 641 000).

Impairment of inventory in 2015 was PLN 137 000 (2014: PLN 1 550 000). In both 2014 and 2015, the Company did not reverse impairment losses due to an increase in the value of inventory. The change in value of inventory between the years results only from sales by the Company of inventory covered by impairment.

6.18. Trade and other receivables

in PLN 000s	31 Dec 2015	31 Dec 2014
Trade receivables	17 262	22 074
Other receivables	1 821	3 139
Tax receivables	94	236
Prepayments	50	59
	19 227	**25 508**

The 'other receivables' item includes, among others, a receivable from WIKANA FIZ amounting to PLN 901 000 and receivables purchased from subsidiaries worth PLN 586 000.

Receivables denominated in currencies other than the functional currency as at 31 December 2015 amounted to PLN 0 (31 December 2014: PLN 0).

Impairment of trade and other receivables at 31 December 2015 amounted to PLN 1 598 000, including PLN 1 259 000 concerning trade receivables (at 31 December 2014: PLN 1 391 000). Detailed information on the impairment of receivables is presented in note 6.28.

6.19. Cash and cash equivalents

in PLN 000s	31 Dec 2015	31 Dec 2014
Cash on hand and in bank accounts	154	81
Trustee accounts		
Other		
	154	**81**

Cash in bank accounts was held in accounts payable on demand and in overnight and term deposits.

As of 31 December 2015 and 31 December 2014, the Company hold no restricted cash.

There are no differences between the balance sheet classification of cash and cash equivalents and their classification for the purposes of the statement of cash flows.

6.20. Shares and shareholders

Share capital

	Shares	
	31 Dec 2015	**31 Dec 2014**
Number of shares at the beginning of period (fully paid-in)	20 014 797	167 665 596
- including own shares	293	2 930-
Purchase of own shares	-	15 000
Share cancellation	-	(7)
Disposal of own shares	(293)	12 070*
Nominal value per share (in PLN)	2.00	0.20
Capital increase	-	32 482 381
Nominal value per share (in PLN)	-	0.20
Number of shares before share consolidation	-	200 147 970
Share consolidation	-	1:10
Number of shares at the end of period (fully paid-in)	20 014 797	20 014 797
Nominal value per share (in PLN)	2.00	2.00

*** Adjustment for consolidation shortages**

Share capital increase

On 29 August 2014, WIKANA S.A.'s Extraordinary General Meeting passed resolution 4/VIII/2014 regarding an increase in the Company's share capital by PLN 6 496 476.20 (i.e. from PLN 33 533 119.20 to PLN 40 029 595.40) by way of issue of 32 482 381 ordinary bearer shares series H, with a nominal value of PLN 0.20 each, with the issue being carried out via a private subscription. The above change in amount and structure of the Company's share capital was registered by the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register, on 18 September 2014.

Share consolidation

On 24 November 2014, the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register, registered another change in the amount and structure of the Company's share capital, made pursuant to an Extraordinary General Meeting resolution of 5 November 2014, regarding:

– cancellation of seven own shares purchased by the Company for cancellation,
– reduction in the Company's share capital by PLN 1.40, i.e. from PLN 40 029 595.40 to PLN 40 029 594.00, in connection with the cancellation of own shares.
– consolidation of the Company's shares by establishing a new nominal value for all of the Company's shares at PLN 2.00, along with a proportionate decrease in the total number of shares from 200 147 970 to 20 014 797, whilst retaining the same amount of the Company's share capital.

Shareholding structure at 31 December 2015

Shareholder	Number of shares	Number of votes at GM	Nominal value per share	Stake in share capital	Stake in GM votes
AGIO RB FIZ*	6 320 124	6 320 124	12 640 248	31.58%	31.58%
Ipnihome Limited**	4 935 222	4 935 222	9 870 444	24.66%	24.66%
Dekra Holdings Limited***	3 027 026	3 027 026	6 054 052	15.12%	15.12%
Other entities	5 732 425	5 732 425	11 464 850	28.64%	28.64%
TOTAL:	**20 014 797**	**20 014 797**	**40 029 594**	**100.00%**	**100.00%**

* according to information received from the shareholder on 4 December 2014, taking into consideration the share consolidation procedure that took place in the fourth quarter of 2014.

** according to information received from the shareholder on 5 December 2014, taking into consideration the share consolidation procedure that took place in the fourth quarter of 2014.

** Entity controlled by Adam Buchajski (aggregate number of shares owned directly and indirectly by Adam Buchajski: 5 460 037, entitling to 5 460 037 votes at the Company's general meeting and constituting a 27.28% share of capital/votes).

*** according to information received from the shareholder on 23 September 2014, taking into consideration the share consolidation procedure that took place in the fourth quarter of 2014.

The Company's share capital amounts to PLN 40 029 594.00 and is divided into 20 014 797 ordinary bearer shares series G and H, with a nominal value of PLN 2.00 each.

Changes in WIKANA S.A.'s shareholding structure during and after the reporting period

In the period from publication of the preceding quarterly report, i.e. 13 November 2015, to the date on which this report was published, the Company's shareholding structure did not change.

Dividends paid

During the period 1 January - 31 December 2015 and until this report was published, the Company did not pay a dividend.

Change in capital - supplementary capital

in PLN 000s	31 Dec 2015	31 Dec 2014
As at the beginning of period	67 068	61 225
Increases	-	5 847

Decreases	(1)	(4)
As at the end of period	**67 067**	**67 068**

Increase in supplementary capital in 2014 resulted from inclusion of share premium of PLN 5 847 000. Decrease in supplementary capital results from a purchase of shares for cancellation.

6.21. Earnings per share

Earnings per share for the period ended 31 December 2015

Basic earnings per share as at 31 December 2015 were calculated based on net profit for the year attributable to the Company's common shareholders in the following amounts:

	1 Jan 2015 31 Dec 2015	1 Jan 2014 31 Dec 2014
Profit / (loss) per share	(3 159)	(13 620)

and the weighted average number of shares as at the date on which the consolidated financial statements were prepared, as below:

Weighted average number of ordinary shares

	31 Dec 2015	31 Dec 2014
Number of ordinary shares as at the beginning of period	20 014 797	167 665 596
Capital increase	-	32 482 381
Share cancellation	-	(7)
Number of shares before share consolidation	-	200 147 970
Number of shares at the end of period (fully paid-in)	**20 014 797**	**20 014 797**

	31 Dec 2015	31 Dec 2014
Weighted average number of ordinary shares during the period	20 014 797	17 692 085
Weighted average (diluted) number of ordinary shares at the end of period	**20 014 797**	**17 692 085**

Basic profit (loss) per share in PLN	**(0.16)**	**(0.77)**
Diluted profit (loss) per share in PLN	**(0.16)**	**(0.77)**

On 24 November 2014, consolidation of the Company's shares by establishing a new nominal value for all of the Company's shares at PLN 2.00, along with a proportionate decrease in the total number of shares from 200 147 970 to 20 014 797, was registered.

6.22. Credit and loan liabilities

Breaches of deadlines for principal and interest payments as well as other credit agreement terms did not occur during the period covered by this report.

Borrowings by type	**31 Dec 2015**	**31 Dec 2014**
in PLN 000s		
Credit facilities	**-**	**726**
Loans	**20 049**	**11 161**
including:		
Short-term part	6 067	8 842
Long-term part	13 982	3 045

Long-term borrowings with repayment period from the balance sheet date	**31 Dec 2015**	**31 Dec 2014**
in PLN 000s		
up to 12 months	6 067	8 842
from 1 to 3 years	794	3 045
from 3 to 5 years	13 188	-

over 5 years	-	-
Total borrowings	**20 049**	**11 887**

Borrowings (currency structure)	**31 Dec 2015**	**31 Dec 2014**
in PLN 000s		
in PLN	20 049	11 887
in foreign currencies	-	-
Total borrowings	**20 049**	**11 887**

List of loans

Lender	**Agreement date**	**Issued amount in PLN 000s**	**Amount of liability in PLN 000s**	**Repayment date**	**Interest**	**Collateral**
Agnieszka Buchajska	05.07.2013	300	361	31.12.2016	Variable	Own promissory note issued by the borrower
Renale Management Limited	13.09.2013	3 530	3 196	31.12.2016	Variable	Own promissory note issued by the borrower
	04.03.2014	150	165	31.03.2016	Variable	Own promissory note issued by the borrower
Ipnihome Limited	30.10.2012	1 300	1 146	31.12.2016	Variable	In-blanco own promissory note issued by the borrower
	04.03.2014	100	110	31.03.2016	Variable	In-blanco own promissory note issued by the borrower
Sanwil Holding S.A.	21.11.2013	700	794	31.01.2017	Variable	Own promissory note issued by the borrower
	03.07.2013	357	414	31.12.2016	Variable	Own promissory note issued by the borrower
AGIO RB FIZ	13.09.2014	6 040	456	30.06.2016	Variable	Own promissory note issued by the borrower
Other		219	219			n/a
Total		**12 696**	**6 861**			

Loans from group entities

Lender	Agreement date	Loan limit in PLN 000s	Amount of liability in PLN 000s	Interest	Repayment date	Collateral
Wikana Property Sp. z o.o. Omega S.K.A.	01.07.2014	15 000	5 078	Variable	31.12.2020	in-blanco promissory note
Wikana Meritum Sp. z o.o. Sigma SKA	01.07.2014	15 000	47	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. Delta S.K.A.	01.07.2014	15 000	10	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. Krosno SKA	01.07.2014	15 000	992	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. Beta S.K.A.	01.07.2014	15 000	5	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. Salix SKA	01.07.2014	15 000	67	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. Betula S.K.A.	01.07.2014	15 000	1	Variable	31.12.2020	in-blanco promissory note
Wikana Meritum Sp. z o.o. CORYLUS S.K.A.	01.07.2014	15 000	5 332	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. ACER S.K.A.	01.07.2014	15 000	1 387	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. Gamma S.K.A.	01.07.2014	15 000	36	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. Kappa S.K.A.	01.07.2014	15 000	1	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. Rosa S.K.A.	01.07.2014	15 000	5	Variable	31.12.2020	in-blanco promissory note
Wikana Meritum Sp. z o.o. Magnolia SKA	01.07.2014	15 000	1	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. ALBA SKA	01.07.2014	15 000	2	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. 03 Miasteczko SKA	01.07.2014	15 000	149	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. 04 Osiedle SKA	01.07.2014	15 000	56	Variable	31.12.2020	in-blanco promissory note
Wikana Property Sp. z o.o. Legnica SKA	01.07.2014	15 000	19	Variable	31.12.2020	in-blanco promissory note
Total		**255 000**	**13 188**			

6.23. Bond liabilities

in PLN 000s	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**
Bond liabilities at the beginning of period	**28 800**	**29 260**
Issuance costs at the beginning of period	460	-
Proceeds from bond issues	-	-
Issuance costs in the period	-	-
Net proceeds from bond issues	-	-
Cost of bond issues settled over time	(66)	(460)
Interest recognised as finance costs	1 788	2 439
Repayment of interest accrued in previous periods	(1 118)	(1 118)
Repayment of interest accrued in current period	(1 130)	(1 321)
Bond buyback	(10 265)	-
Total	**18 469**	**28 800**
Short-term part	10 857	9 011
Long-term part	7 612	19 789
Bond liabilities at the end of period	**18 469**	**28 800**

Debt instruments by type

	Nominal amount	Terms of interest	Guarantees / collateral	Maturity date
Series A ordinary bonds issued by Wikana S.A.	10 265	WIBOR 6M + margin	Contractual mortgage up to PLN 46 800 000	18.07.2016
Series B ordinary bonds issued by Wikana S.A.	7 612	WIBOR 6M + margin	Unsecured	18.01.2017

Bond liabilities by maturity

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
up to 12 months	10 857	9 011
from 1 to 3 years	7 612	19 789
from 3 to 5 years	-	-
over 5 years	-	-
Bond liabilities	**18 469**	**28 800**

6.24. Finance lease liabilities

In 2014 and 2015, the Company held no finance lease liabilities.

6.25. Deferred revenue

Deferred revenue mainly comprises advances from counterparties concerning sale of land and grants.

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
Grants	70	227
Advance on sale of land	-	747
	70	**974**

6.26. Provisions

in PLN 000s	Legal	Liabilities	Employee	Total
Value at 1 January 2015	400	886	104	1 390
Increases / recognition	-	-	109	109
Decreases / use	(326)	-	(100)	(426)
Value at 31 December 2015	**74**	**886**	**113**	**1 073**
Long-term part			7	7
Short-term part	74	886	106	1 066
Value at 31 December 2014	**400**	**886**	**104**	**1 390**
Long-term part	-	-	4	4
Short-term part	400	886	100	1 386

The provision for legal liabilities covers the amounts of potential penalties that may be imposed on the Company due to executed agreements and that are more than 50% likely to occur (according to the Company's management), as well as court cases against the Company - if the likelihood of a positive ruling is less than 50% (according to the management).

The provisions were estimated using the Company's best knowledge and on the basis of historic experiences.

The exercise dates for the provisions for penalties, losses and court cases are not possible to estimate, however there is a high likelihood that this will happen within 12 months from the balance sheet date.

Court proceedings

The Company is a party to proceedings before common courts. At 31 December 2015 the Company estimated the risk of losing the on-going court proceedings on the basis of the state of the cases and the obtained evidence. Given the fact that disclosing the companies that are parties to the disputes, as well as their subjects and values, would weaken, in the management's assessment, the Company's negotiating position in the on-going proceedings, the Company decided not to disclose this data.

6.27. Trade and other payables

in PLN 000s	31 Dec 2015	31 Dec 2014
Other non-current liabilities	**2 138**	**779**
Retained deposits - long-term part	-	779
Other non-current liabilities	2 138	-
Current trade and other payables	**4 111**	**17 663**
Trade payables	2 998	16 690
Retained deposits - short-term part	618	-
Liabilities towards public authorities	314	276
Other liabilities	181	697
Total	**6 249**	**18 442**

Deposits are retained by the Company through an appropriately reduced payment to the general contractor for a three-year period from handover of the investment in order to secure any potential costs or claims that might arise in connection with repairs.

Other liabilities cover the Company's liabilities due to remuneration and other settlements with employees.

6.28. Financial instruments and currency risk management

Classification of assets into categories of financial instruments

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
Loans and receivables - related parties	**38 918**	**49 152**
Loans	22 020	25 199
Trade receivables	16 898	23 953
Loans and receivables - other entities	**518**	**(1 798)**
Trade receivables	364	(1 879)
Cash	154	81
Loans and receivables - total	**39 436**	**47 273**
Available-for-sale assets	**10 031**	**9 716**
Value of shares in related parties	10 031	9 716
Total	**49 467**	**57 070**

Classification of financial liabilities into categories of financial instruments

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
Financial liabilities measured at amortised cost	**42 134**	**58 156**
Credits and loans	20 049	11 887
Trade payables	2 998	16 690
Bonds	18 469	28 800
Deposits	618	779
Total	**42 134**	**58 156**

Revenue, cost, profit and loss items recognised in profit or loss, by category of financial instruments

31 Dec 2015	Loans and receivables					Financial liabilities measured at amortised cost					
in PLN 000s	Loans	Trade receivables	Deposits	Available-for-sale assets	Cash	Credits and loans	Trade payables	Bonds	Deposits	Leasing	**Total**
Interest income/costs recognised in:	801	-	-	-	-	(780)	(96)	(1 788)	-	-	(1 863)
Finance income	*801*	-	-	-	-	-	-	-	-	-	*801*
Finance costs	-	-	-	-	-	*(780)*	*(96)*	*(1 788)*	-	-	*(2 664)*
Measurement of investment certificates	-	-	-	358	-	-	-	-	-	-	358
Other comprehensive income	-	-	-	*358*	-	-	-	-	-	-	*358*
Recognition of impairment recognised in:		-	-	-	-	-	(48)	-	-	-	(48)
Other operating expenses	-	-	-	-	-	-	*(48)*	-	-	-	*(48)*
Reversal of impairment recognised in:	-	476	-	-	-	-	-	-	-	-	476
Other operating revenue	-	*72*	-	-	-	-	-	-	-	-	*72*
Finance income	-	*404*	-	-	-	-	-	-	-	-	*404*
Net profit / (loss) on continuing operations	**801**	**476**	**-**	**358**	**-**	**(780)**	**(144)**	**(1 788)**	**-**	**-**	**(1 077)**

31 Dec 2014	Loans and receivables				Financial liabilities measured at amortised cost					
in PLN 000s	Loans	Receivables	Deposits	Cash	Credits and loans	Trade payables	Bonds	Deposits	Leasing	**Total**
Interest income/costs recognised in:	1 094	19	-	-	(1 334)	(212)	(2 438)	-	(1)	(2 872)
Finance income	*1 094*	*19*	-	-	-	-	-	-	-	*1 112*
Finance costs	-	-	-	-	*(1 334)*	*(212)*	*(2 438)*	-	*(1)*	*(3 984)*
Measurement of investment certificates	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Recognition of impairment recognised in:	-	769	-	-	-	-	-	-	-	769
Other operating expenses	-	*769*	-	-	-	-	-	-	-	*769*
Reversal of impairment recognised in:	-	31	-	-	-	-	-	-	-	31
Other operating revenue	-	*31*	-	-	-	-	-	-	-	*31*
Net profit / (loss) on continuing operations	**1 094**	**819**	-	-	**(1 334)**	**(212)**	**(2 438)**	-	**(1)**	**(2 072)**

Financial risk management objectives and methodology

The Company manages all of the elements of financial risk described below, which could have a significant impact on future operations, paying particular attention to managing market risk, including interest rate risk, credit risk and liquidity risk. The objective of managing credit risk is limiting the Company's losses that could arise due to its customers' default. This objective is achieved by the on-going monitoring of creditworthiness of the clients that require lending over a certain amount. The objective of financial liquidity management is protecting the Company from default. This is being achieved through systematic projections of debt over a 3-year horizon, and subsequently through arranging appropriate sources of finance. Exposure to credit risk and interest rate risk arises in the ordinary course of the Company's business. The Company also does not hedge against foreign exchange risk.

Credit risk related to cash and bank deposits

The Company allocates free cash in accordance with financial liquidity and limited risk requirements and in order to protection capital.

The Company allocates funds to institutions operating in the financial sector. This means exclusively banks with appropriate equity and a strong and stable market position. The Company monitors credit risk on an on-going basis by verifying financial condition and maintaining an appropriately low level of concentration in financial institutions.

Credit risk relating to trade receivables

As at the reporting date, there was no substantial concentration of credit risk.

As at 31 December 2015 and 31 December 2014, analysis of overdue trade receivables was as follows:

		31 Dec 2015	
in PLN 000s	**Gross value**	**Impairment**	**Net value**
Not overdue	12 474		12 474
Overdue by:			
0-180 days	3 343		3 343
180-360 days	500		500
over 360 days	2 204	(1 259)	945
	18 521	**(1 259)**	**17 262**

		31 Dec 2014	
in PLN 000s	**Gross value**	**Impairment**	**Net value**
Not overdue	11 424		11 424
Overdue by:			
0-180 days	1 081		1 081
180-360 days	1 681	(198)	1 483
over 360 days	9 279	(1 193)	8 086
	23 465	**(1 391)**	**22 074**

Presented below are changes in the impairment of trade and other receivables in 2015 and 2014:

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
As at the beginning of period	1 391	969
Change in impairment	(132)	422
As at the end of period	**1 259**	**1 391**

Interest rate risk

The Company has credit, loan and bond liabilities for which interest is calculated based on variable interest rates, therefore it is exposed to interest rate risk from the moment the contract is signed. Given negligible changes in interest rates in the previous periods and no expectations as to sudden changes in the coming periods, the Group did not use interest rate hedging as at 31 December 2015, considering interest rate risk to be immaterial.

The following table presents credit, loan and bond liabilities at the end of the reporting periods analysed, broken down into instruments with fixed and variable interest.

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
Floating-rate credit	-	726
Fixed-rate loans	219	1 019
Floating-rate loans	19 830	10 142
Floating-rate bonds	18 469	28 800
Fixed-rate total	**219**	**1 019**
Floating-rate total	**38 299**	**39 668**

Analysis of the Company's sensitivity to interest rate changes

A 1pp change in interest rates would result in a change of profit before tax as presented below. The analysis is based on the assumption that other variables, especially exchange rates, remain intact.

in PLN 000s	**31 Dec 2015**		**31 Dec 2014**	
	up 1%	down 1%	up 1%	down 1%
Floating-rate instruments	**367**	**(367)**	**318**	**(318)**

Foreign exchange risk

Wikana S.A. is not exposed to foreign exchange risk. All transactions are executed in PLN. Issued loans and received credit facilities are also denominated in PLN. The Company does not have any receivables or liabilities denominated in foreign currencies. The Company does not have cash in foreign currencies.

Liquidity risk

The Company monitors liquidity risk on an on-going basis. This concerns the liquidity situation in both the next several days, as well as several years.

The Management Board of Wikana S.A. assessed the Company's liquidity situation for the 12 months from the date of the separate financial statements.

The main objective of this analysis was specifying the sources for repayment of the Company's current liabilities, resulting from, among others, credit facilities and trade payables (including overdue liabilities).

As at 31 December 2015, the total amount of Wikana S.A.'s liabilities due for repayment in 2016 (i.e. current liabilities), excluding provisions, was PLN 21 899 000. This item mainly comprises credit liabilities and trade payables. Within the total of PLN 22 965 000 in current liabilities, the Company will actually have to repay up to PLN 21 829 000, i.e. after subtracting the amount of provisions and deferred revenue, which according to the accounting methodology for development projects (as specified in IAS 18), will be recognised in revenue from the sale of apartments after delivery to clients. The repayment of these liabilities (deferred revenue) towards apartment buyers would be necessary in the event of non-performance of the executed apartment sales agreements, e.g. as a result of discontinuing or major delays in construction, which according to the management board will not occur.

As a result of the analysis, the Management Board specified the main repayment sources for current liabilities:

- The Company's Management Board estimates that in 2016 it will sell residential units, service units and parking spaces in buildings that have use permits.
- Excess cash generated from transactions with subsidiaries within Wikana Group Given the fact that the Company's debt, including mostly bond liabilities, is predominantly used to provide finance to subsidiaries (e.g. special purpose vehicles developing property projects), it is natural that they substantially participate in servicing the debt. Wikana will be raising finance for companies within the group, including loans.

According to the Management Board, no significant threat exists to the Company's operations in the course of the next 12 months from the date on which these financial statements were prepared. The Management Board believes that it will be able to provide sufficient capital to service financial and trade payables and to continue operations uninterrupted, including property development projects.

Description of the methods and significant assumptions used in measuring the fair value of financial assets and liabilities

The fair value of financial assets and liabilities is close to the balance sheet value as at 31 December 2015 and 31 December 2014.

Fair value is understood to be an amount for which a given asset could be exchanged and a liability settled on market conditions between interested and well-informed parties.

Capital management

The Company defines capital as the balance sheet value of equity. The key ratio used by the Company to monitor equity is equity-to-assets.

As at 31 December 2015, this ratio was 45.3% (31 December 2014: 39.9%). The Company manages capital in order to guarantee that its entities will be able to continue as a going concern, while simultaneously maximising shareholder returns through optimisation of the debt to equity profile.

In addition, the Company manages equity in a manner enabling it to maintain a safe equity to debt profile. During the last several years, the Company did not pay a dividend.

6.29. Operating leasing

Payments under irrevocable operating lease contracts are as follows:

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
up to 1 year	236	170
1 to 5 years	946	678
over 5 years	1 182	848
	2 364	**1 696**

The Company is a party to lease and rent contracts and pays fees on perpetual usufruct of land, which are qualified as operating leases.

The total amount of future payments under operating lease contracts as at 31 December 2015 included fees for perpetual usufruct of land of PLN 2 000 (31 December 2014: PLN 2 000).

During the period ended 31 December 2015, rent fees of PLN 197 000 were recognised as operating costs - costs to rent space / operating leasing (31 December 2014: PLN 230 000).

Operating lease contracts, where the Company is the lessor

The Company has rented out an investment property located in Lublin, ul. Przyjaźni and ul. Nowy Świat through operating leasing (see note 6.11). Payments under irrevocable lease contracts are as follows:

in PLN 000s	**31 Dec 2015**	**31 Dec 2014**
up to 1 year	18	79
1 to 5 years	34	79
over 5 years	42	98
	94	**256**

6.30. Investment and contractual obligations

These liabilities mainly concern future liabilities towards general contractors due to executed agreements and land procurement under executed preliminary agreements.

As at 31 December 2015, the total value of future liabilities on general contractor agreements, which have not yet been invoiced, was PLN 0 (31 December 2014: PLN 0). Property development investments are realised through special purpose vehicles.

6.31. Contingent liabilities

Regulations concerning tax on goods and services, corporate income tax and social security contributions are subject to frequent changes, resulting often in a lack of reference to consistent regulations or legal precedence. The binding regulations also contain inconsistencies that are caused by differences of opinion as regards legal interpretation of tax laws both between the various government authorities and between government authorities and companies. Tax and other settlements (for example, customs or cross-border) may be the subject of audits by tax authorities, which are authorised to impose substantial penalties, and the amounts of additional liabilities imposed as a result of such audits must be paid with interest. These circumstances cause tax risk in Poland to be higher than in countries with more developed tax systems. Tax settlements may be the subject of an audit for a period of five years. In effect, the amounts recognised in the financial statements may be subject to change at a later time, after establishing the final amounts by tax authorities. The Company's opinion is that there is no need for recognising provisions in this area.

Sureties and guarantees issued

On 19 December 2013, the Company issued a surety in the form of own promissory note up to PLN 1 370 000 to subsidiary Multiserwis S.A., covering existing and potential liabilities under an overdraft agreement between Multiserwis S.A. and Bank Pekao S.A. dated 14 December 2004. As at 31 December 2015, the credit liability was repaid by the subsidiary.

On 13 September 2012, the Company issued a surety in the form of own promissory note up to PLN 1 528 000 to subsidiary Wikana Bioenergia Sp. z o.o., covering existing and potential liabilities under an investment credit facility agreement between Wikana Bioenergia Sp. z o.o. and BOŚ S.A. dated 13 September 2013.

On 7 May 2012, the Company established a registered pledge on shares in Wikana Nieruchomości Sp. z o.o. and issued a surety in the form of own promissory note up to PLN 3 381 000 to subsidiary Wikana Nieruchomości Sp. z o.o. Alba S.K.A., covering existing and potential liabilities under an agreement to finance a commercial property between Wikana Nieruchomości Sp. z o.o. Alba S.K.A. and Deutsche Bank PBC S.A. dated 26 April 2012.

On 17 January 2013, the Company established a registered pledge on shares in Wikana Nieruchomości Sp. z o.o. and issued a surety in the form of own promissory note up to PLN 1 219 000 to subsidiary Wikana Nieruchomości Sp. z o.o. Alba S.K.A., covering existing and potential liabilities under an agreement to finance a commercial property between Wikana Nieruchomości Sp. z o.o. Alba S.K.A. and Deutsche Bank PBC S.A. dated 17 January 2013.

On 27 June 2012, the Company issued a surety in the form of own promissory note up to PLN 3 636 000 to subsidiary Wikana Nieruchomości Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under an operating lease agreement between Wikana Nieruchomości Sp. z o.o. Komerc S.K.A. and Bankowy Leasing Sp. z o.o. dated 27 June 2012.

On 16 December 2011, the Company issued a surety in the form of own promissory note up to PLN 4 466 000 to subsidiary Wikana Nieruchomości Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under a finance lease agreement between Wikana Nieruchomości Sp. z o.o. Komerc S.K.A. and BFL Nieruchomości Sp. z o.o. dated 16 December 2011.

On 11 June 2012, the Company issued a surety in the form of own promissory note up to PLN 4 886 000 to subsidiary Wikana Nieruchomości Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under an operating lease agreement between Wikana Nieruchomości Sp. z o.o. Komerc S.K.A. and Bankowy Leasing Sp. z o.o. dated 11 June 2012.

On 27 June 2012, the Company issued a surety in the form of own promissory note up to PLN 6 675 000 to subsidiary Wikana Nieruchomości Sp. z o.o. Komerc S.K.A., covering existing and future liabilities under an operating lease agreement between Wikana Nieruchomości Sp. z o.o. Komerc S.K.A. and Bankowy Leasing Sp. z o.o. dated 27 June 2012.

On 26 November 2014, the Company issued a surety up to PLN 6 000 000 to subsidiary Wikana Property Sp. z o.o. Omega S.K.A., covering existing and potential liabilities connected with series A bonds issued by Wikana Property Sp. z o.o. Omega S.K.A. on 21 February 2014.

On 23 July 2014, the Company issued a surety up to PLN 9 000 000 to subsidiary Wikana Property Sp. z o.o. Omega S.K.A., covering existing and potential liabilities connected with series A bonds issued by Wikana Property Sp. z o.o. Omega S.K.A. on 23 July 2014.

On 23 December 2014, the Company issued a surety up to PLN 26 786 000 to subsidiary Wikana Meritum Sp. z o.o. Corylus S.K.A., covering existing and potential liabilities connected with series A bonds issued by Wikana Meritum Sp. z o.o. Corylus S.K.A. on 15 December 2015. The bond liability was repaid by the subsidiary by 31 December 2015.

On 30 October 2015, the Company issued a surety up to PLN 33 000 000 to subsidiary Wikana Meritum Sp. z o.o. Corylus S.K.A., covering existing and potential liabilities connected with series B bonds issued by Wikana Meritum Sp. z o.o. Corylus S.K.A. on 16 October 2015.

Legal disputes

According to the Issuer's best knowledge, on the date on which these financial statements were prepared, the Issuer and its subsidiaries were parties to on-going proceedings in court, arbitration body or public administration authority in aggregate worth PLN 11 008 661.11, of which:

- PLN 4 296 741.89 constituted the total value of proceedings concerning receivables due to the Issuer and its subsidiaries. The highest-value proceeding was instigated by Wikana S.A. on 17 March 2014 against ABM Greiffenberger Polska Sp. z o.o., based in Lublin. On 23 December 2014, the Company modified the suit's legal basis, demanding a refund from the suit company of PLN 4 188 951.46. The claim is viewed as justified.
- PLN 6 711 919.22 constituted the total value of proceedings concerning the Issuer's and its subsidiaries' liabilities. The largest item in this group is a lawsuit received on 30 January 2015 by WIKANA PROPERTY Sp. z o.o. 02 SKA, based in Lublin, and WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji, based in Lublin, for payment of the following amount: PLN 2 544 994.00 to a natural person carrying out economic activities (the Issuer is not disclosing details of the claimant due to personal data protection regulations). The claim is viewed as unjustified.

According to the Management Board, the risk of unfavourable outcomes of the above disputes relating to the Company's liabilities is lower than 50%, and therefore no provisions were recognised.

Information on contingent liabilities for which provisions are recognised is presented in note 6.26.

6.32. Remuneration for Management Board and Supervisory Board members

Aside from base salaries and social security contributions to ZUS (pension benefit contributions), the Company pays out remuneration to the management pursuant to agreements for provision of services and remuneration for serving on the Management Board.

Management Board remuneration

in PLN 000s	1 Jan 2015 31 Dec 2015	1 Jan 2014 31 Dec 2014
Robert Pydzik	24	16
Agnieszka Maliszewska	24	16
Sławomir Horbaczewski	-	21
Sylwester Bogacki	-	185
Krzysztof Szaliłow	-	32
Tomasz Demendecki	-	11
Management Board remuneration	**48**	**281**

Supervisory Board remuneration

in PLN 000s	1 Jan 2015 31 Dec 2015	1 Jan 2014 31 Dec 2014
Agnieszka Buchajska	51	30
Adam Buchajski	30	30
Tomasz Filipiak	4	30
Tomasz Dukała	30	28
Krzysztof Misiak	30	30
Piotr Zawiślak	-	2
Robert Buchajski	34	-
Jakub Leonkiewicz	26	-
Supervisory Board remuneration	**205**	**150**

6.33. Related-party transactions

Other related-party transactions

Related parties include entities controlled by shareholders, Management Board members and Supervisory Board members.

in PLN 000s	Transaction value during the period		Outstanding balance as at	
Sale of products and services	1 Jan 2015 31 Dec 2015	1 Jan 2014 31 Dec 2014	31 Dec 2015	31 Dec 2014
TBS "Nasz Dom" Sp. z o.o.	*186*	*54*	*224*	*290*
Wikana Nieruchomości Sp. z o.o. w likwidacji	*27*	*56*	*18*	*-*
Wikana Property Sp. z o.o. KROSNO S.K.A.	*58*	*48*	*17*	*764*
Wikana Property Sp. z o.o. LEGNICA S.K.A.	*45*	*29*	*32*	*18*
Zielone Tarasy S.A.	*40*	*42*	*147*	*173*
Multiserwis S.A.	*39*	*23*	*6*	*28*
Wikana Project Sp. z o.o.	*68*	*68*	*13*	*410*

Data in PLN 000s, unless stated otherwise

Wikana Management Sp. z o.o.	*22*	*15*	*7*	*67*
Wikana Property Sp. z o.o. 02 S.K.A.	*15*	*18*	*12*	*105*
Wikana Property Sp. z o.o. 03 MIASTECZKO S.K.A.	*103*	*28*	*40*	*3 125*
Wikana Property Sp. z o.o. 04 S.K.A.	*41*	*28*	*28*	*25*
Wikana Bioenergia Sp. z o.o.	*131*	*36*	*186*	*280*
Wikana Bioenergia Sp. z o.o. 01 S.K.A.	*12*	*10*	*35*	*23*
Wikana Property Sp. z o.o. KOMERC S.K.A.	*150*	*30*	*31*	*17*
Wikana Nieruchomości Sp. z o.o. w likwidacji 05 Marina SKA	*135*	*20*	*27*	*5 313*
Wikana Property Sp. z o.o. ALBA SKA	*58*	*28*	*13*	*5*
Wikana Property Sp. z o.o.	*67*	*347*	*288*	*289*
Wikana Prim Sp. z o.o. Beta SKA	*10*	*19*	*3*	*56*
Wikana Property Sp. z o.o. DELTA S.K.A.	*68*	*168*	*11*	*687*
Wikana Property Sp. z o.o. PODPROMIE S.K.A.	*10*	*3*	*7*	*5*
Wikana Property Sp. z o.o. Zielone Tarasy S.K.A.	*10*	*3*	*8*	*196*
Wikana Meritum Sp. z o.o. Lamda SKA	*1 584*	*71*	*1 584*	*-*
Wikana Meritum Sp. z o.o. PANORAMA S.K.A.	*1 180*	*20*	*6*	*409*
Wikana Property Sp. z o.o. SALIX S.K.A.	*9*	*2*	*6*	*2*
Wikana Meritum Sp. z o.o. ALFA S.K.A.	*49*	*45*	*49*	*-*
Wikana Property Sp. z o.o. ACER S.K.A.	*29*	*18*	*9*	*454*
Wikana Property Sp. z o.o. BETULA S.K.A.	*257*	*1 852*	*2 492*	*2 265*
Wikana Meritum Sp. z o.o. CORYLUS S.K.A.	*132*	*2*	*33*	*-*
Wikana Property Sp. z o.o. ZETA S.K.A.	*4*	*2*	*-*	*-*
Wikana Meritum Sp. z o.o. Sigma SKA	*3 720*	*2*	*6*	*-*
Wikana Property Sp. z o.o. ROSA S.K.A.	*1 757*	*2*	*1 749*	*-*
Wikana Property Sp. z o.o. GAMMA S.K.A.	*10*	*2*	*2*	*-*
Wikana Property Sp. z o.o. JOTA S.K.A.	*23*	*2*	*20*	*-*
Wikana Property Sp. z o.o. KAPPA S.K.A.	*40*	*4 115*	*3 933*	*4 443*
Wikana Meritum Sp. z o.o. Larix SKA	*152*	*5 620*	*2 647*	*4 427*

Wikana Meritum Sp. z o.o. Magnolia SKA	*4 508*	*2*	*3 149*	*-*
Wikana Property Sp. z o.o. OMEGA S.K.A.	*164*	*365*	*38*	*-*
Wikana Property Sp. z o.o. OMIKRON S.K.A.	*53*	*24*	*9*	*75*
Wikana Meritum Sp. z o.o.	*10*	*-*	*10*	*-*
Wikana Prim Sp. z o.o.	*6*	*-*	*5*	*-*
Agnieszka Buchajska	*-*	*11*	*2*	*2*
Sale of products and services	**14 982**	**13 230**	**16 902**	**23 953**

in PLN 000s	**Transaction value during the period**		**Outstanding balance as at**	
Purchase of products and services	**1 Jan 2015 31 Dec 2015**	**1 Jan 2014 31 Dec 2014**	**31 Dec 2015**	**31 Dec 2014**
Multiserwis S.A.	*-*	*-*	*-*	*2*
TBS "Nasz Dom" Sp. z o.o.	*112*	*-*	*-*	*-*
Wikana Bioenergia Sp. z o.o. 01 S.K.A.	*-*	*6*	*-*	*-*
Wikana Meritum Sp. z o.o. ALFA S.K.A.	*-*	*3*	*-*	*-*
Wikana Nieruchomości Sp. z o.o. w likwidacji	*-*	*120*	*-*	*39*
Wikana Project Sp. z o.o.	*1*	*88*	*-*	*113*
Wikana Management Sp. z o.o.	*292*	*41*	*35*	*39*
Wikana Property Sp. z o.o. 02 S.K.A.	*-*	*4*	*642*	*858*
Wikana Property Sp. z o.o. KOMERC S.K.A.	*-*	*5*	*-*	*1*
Wikana Property Sp. z o.o. LEGNICA S.K.A.	*-*	*-*	*-*	*91*
Wikana Property Sp. z o.o. 04 S.K.A.	*-*	*1*	*-*	*17*
Wikana Nieruchomości Sp. z o.o. w likwidacji 05 Marina SKA	*39*	*11 839*	*828*	*13 569*
Wikana Property Sp. z o.o. KROSNO S.K.A.	*-*	*4*	*-*	*1*
Wikana Property Sp. z o.o.	*87*	*199*	*6*	*25*
Wikana Meritum Sp. z o.o. PANORAMA S.K.A.	*-*	*-*	*-*	*20*
Wikana Property Sp. z o.o. JOTA S.K.A.	*7*	*1*	*4*	*-*
Wikana Meritum Sp. z o.o. Larix SKA	*1945*	*113*	*723*	*-*
Wikana Property Sp. z o.o. OMEGA S.K.A.	*-*	*-*	*-*	*70*
Agnieszka Buchajska	*-*	*230*	*-*	*449*
Purchase of products and services	**2 483**	**12 654**	**2 238**	**15 294**

	Outstanding balance as at	**Transaction value during the period**				**Outstanding balance as at**
Loans issued (principal and interest)	**31 Dec 2014**	**Issue**	**Repayment of principal**	**Accrual of interest**	**Repayment of interest**	**31 Dec 2015**
Wikana Bioenergia Sp. z o.o.	*3 536*	*713*	*-*	*189*	*-*	*4 437*
Wikana Property Sp. z o.o. ALBA SKA	*5*	*970*	*(177)*	*24*	*-*	*822*

Additional information and explanations to the financial statements constitute an integral part thereof.

Wikana Bioenergia Sp. z o.o. 01 S.K.A.	*140*	*7*	*-*	*5*	*-*	*152*
Wikana Property Sp. z o.o.	*1 259*	*298*	*(30)*	*66*	*-*	*1 593*
Wikana Management Sp. z o.o.	*58*	*405*	*(84)*	*15*	*-*	*394*
Wikana Property Sp. z o.o. KROSNO S.K.A.	*316*	*-*	*(274)*	*6*	*(47)*	*1*
Wikana Meritum Sp. z o.o. PANORAMA S.K.A.	*447*	*123*	*(545)*	*11*	*-*	*36*
Wikana Property Sp. z o.o. KOMERC S.K.A.	*3 683*	*4 894*	*(5 372)*	*864*	*-*	*4 069*
Wikana Property Sp. z o.o. LEGNICA S.K.A.	*8 716*	*-*	*(4 666)*	*178*	*-*	*4 229*
Wikana Nieruchomości Sp. z o.o. w likwidacji	*246*	*-*	*(183)*	*1*	*(63)*	*0*
Wikana Property Sp. z o.o. DELTA S.K.A.	*10*	*-*	*-*	*-*	*-*	*10*
Wikana Property Sp. z o.o. Zielone Tarasy S.K.A.	*72*	*15*	*(10)*	*1*	*-*	*78*
Zielone Tarasy S.A.	*159*	*144*	*-*	*11*	*-*	*314*
Wikana Property Sp. z o.o. 02 S.K.A.	*4*	*5*	*-*	*2*	*-*	*11*
Wikana Property Sp. z o.o. 03 MIASTECZKO S.K.A.	*128*	*-*	*(83)*	*2*	*(46)*	*1*
Wikana Property Sp. z o.o. 04 S.K.A.	*-*	*43*	*(20)*	*7*	*-*	*30*
Wikana Nieruchomości Sp. z o.o. w likwidacji 05 Marina S.K.A.	*1 090*	*345*	*(789)*	*61*	*(702)*	*5*
Wikana Property Sp. z o.o. SALIX S.K.A.	*-*	*96*	*-*	*11*	*-*	*107*
Wikana Property Sp. z o.o. OMEGA S.K.A.	*-*	*11*	*(11)*	*-*	*-*	*-*
Wikana Meritum Sp. z o.o. ALFA S.K.A.	*-*	*101*	*-*	*5*	*-*	*106*
Wikana Meritum Sp. z o.o. Lamda SKA	*5 311*	*82*	*(150)*	*202*	*-*	*5 445*
Wikana Meritum Sp. z o.o. Larix SKA	*-*	*135*	*-*	*3*	*-*	*138*
Wikana Meritum Sp. z o.o. Magnolia SKA	*-*	*12*	*-*	*-*	*-*	*12*
Wikana Prim Sp. z o.o. Beta SKA	*-*	*30*	*-*	*-*	*-*	*30*
Wikana Property Sp. z o.o. OMIKRON S.K.A.	*20*	*140*	*(159)*	*1*	*-*	*2*
Loans issued (principal and interest)	**25 199**	**8 569**	**(12 553)**	**1 665**	**(858)**	**22 020**

in PLN 000s	**Outstanding balance as at**	**Transaction value during the period**				**Outstanding balance as at**
Loans received (principal and interest)	**31 Dec 2014**	**Incurred**	**Repayment of principal**	**Accrual of interest**	**Repayment of interest**	**31 Dec 2015**
Wikana Project Sp. z o.o.	*381*	*-*	*(278)*	*3*	*(106)*	*-*
Wikana Property Sp. z o.o. LEGNICA S.K.A.	*19*	*-*	*-*	*-*	*-*	*19*
TBS "Nasz Dom" Sp. z o.o.	*7*	*-*	*(7)*	*-*	*-*	*-*

Data in PLN 000s, unless stated otherwise

Wikana Property Sp.z o.o. ALBA SKA	*46*	*-*	*(44)*	*-*	*-*	*2*
Wikana Property Sp.z o.o. 04 S.K.A.	*240*	*100*	*(182)*	*2*	*(103)*	*56*
Wikana Property Sp.z o.o. 03 MIASTECZKO S.K.A.	*-*	*246*	*(100)*	*3*	*-*	*149*
Wikana Property Sp.z o.o. KROSNO S.K.A.	*-*	*988*	*-*	*4*	*-*	*992*
Multiserwis S.A.	*1 243*	*-*	*(1 103)*	*36*	*(176)*	*-*
Wikana Prim Sp. z o.o. Beta SKA	*53*	*-*	*(48)*	*-*	*-*	*5*
Wikana Property Sp.z o.o. DELTA S.K.A.	*555*	*-*	*(550)*	*5*	*-*	*10*
Wikana Property Sp.z o.o. SALIX S.K.A.	*71*	*-*	*(6)*	*2*	*-*	*66*
Wikana Property Sp.z o.o. BETULA S.K.A.	*1*	*-*	*-*	*-*	*-*	*1*
Wikana Meritum Sp. z o.o. CORYLUS S.K.A.	*1*	*5 328*	*(126)*	*130*	*-*	*5 333*
Wikana Property Sp.z o.o. ACER S.K.A.	*1*	*1 924*	*(557)*	*22*	*(1)*	*1 389*
Wikana Property Sp.z o.o. GAMMA S.K.A.	*1*	*40*	*(8)*	*1*	*-*	*34*
Wikana Meritum Sp. z o.o. ALFA S.K.A.	*-*	*-*	*-*	*-*	*-*	*-*
Wikana Property Sp.z o.o. KAPPA S.K.A.	*2*	*-*	*-*	*-*	*-*	*2*
Wikana Property Sp.z o.o. JOTA S.K.A.	*15*	*-*	*(14)*	*-*	*(1)*	*-*
Wikana Property Sp.z o.o. ZETA S.K.A.	*11*	*-*	*(12)*	*-*	*-*	*-*
Wikana Property Sp.z o.o. OMIKRON S.K.A.	*-*	*155*	*(155)*	*4*	*(4)*	*-*
Wikana Property Sp.z o.o. ROSA S.K.A.	*15*	*-*	*(11)*	*-*	*-*	*4*
Wikana Meritum Sp. z o.o. Magnolia SKA	*13*	*-*	*(12)*	*-*	*-*	*1*
Wikana Meritum Sp. z o.o. Sigma SKA	*49*	*-*	*(4)*	*2*	*-*	*47*
Wikana Property Sp.z o.o. OMEGA S.K.A.	*321*	*5 410*	*(727)*	*74*	*-*	*5 079*
Agnieszka Buchajska	*338*	*-*	*-*	*23*	*-*	*361*
Adam Buchajski	*43*	*-*	*-*	*-*	*-*	*43*
Sanwil Holding S.A.	*1 116*	*579*	*(500)*	*12*	*-*	*1 207*
Renale Management Limited	*3 152*	*166*	*-*	*44*	*-*	*3 362*
Finsano Consumer Finance S.A.	*800*	*-*	*(800)*	*47*	*(47)*	*-*
Ipnihome Limited	*1 178*	*-*	*-*	*78*	*-*	*1 256*
AGIO RB FIZ	*1 314*	*-*	*(900)*	*42*	*-*	*456*
Loans received (principal and interest)	**10 986**	**14 936**	**(6 144)**	**534**	**(438)**	**19 874**

Data in PLN 000s, unless stated otherwise

6.34. Subsidiaries

Parent

WIKANA S.A.

Subsidiaries	**% share**	
	31 Dec 2015	**31 Dec 2014**
WIKANA BIOENERGIA Sp. z o.o.	100%	100%
WIKANA PROJECT Sp. z o.o.	100%	100%
Wikana Nieruchomości Sp. z o.o. w likwidacji(1)	100%	100%
Multiserwis S.A.(2)	94%	94%
WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A. (formerly Wikana Nieruchomości Sp. z o.o. KROSNO S.K.A.)(3)	100%	100%
WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A. (formerly Wikana Nieruchomości Sp. z o.o. LEGNICA S.K.A.)(3)	100%	100%
ZIELONE TARASY S.A.(4)	100%	100%
WIKANA PROPERTY Sp. z o.o. KOMERC S.K.A. (formerly Wikana Nieruchomości Sp. z o.o. KOMERC S.K.A.) (3)	100%	100%
WIKANA PROPERTY Sp. z o.o. 02 S.K.A. (formerly WIKANA PROPERTY Sp. z o.o. 02 S.K.A. (5)	100%	100%
WIKANA PROPERTY Sp. z o.o. 03 MIASTECZKO S.K.A. (d. Wikana Nieruchomości Sp. z o.o. 03 MIASTECZKO S.K.A.)(6)	100%	100%
WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A. (d. Wikana Nieruchomości Sp. z o.o. 04 OSIEDLE S.K.A.)(6)	100%	100%
WIKANA BIOENERGIA Sp. z o.o. 01 S.K.A.(7)	100%	100%
WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji 05 MARINA S.K.A. (formerly WIKANA PROPERTY Sp. z o.o. 05 MARINA S.K.A.) (8)	100%	100%
WIKANA PROPERTY Sp. z o.o. ALBA S.K.A. (formerly Wikana Nieruchomości Sp. z o.o. ALFA S.K.A.)(9)	100%	100%
WIKANA PRIM Sp. z o.o. BETA S.K.A.(10) (formerly WIKANA PROPERTY Sp. z o.o. BETA S.K.A.)	100%	100%
WIKANA PROPERTY Sp. z o.o. DELTA S.K.A.(11)	100%	100%
Towarzystwo Budownictwa Społecznego „Nasz Dom" Sp. z o.o. (formerly Towarzystwo Budownictwa Społecznego „Wikana" Sp. z o.o.(12)	100%	100%
WIKANA PROPERTY Sp. z o.o.(13)	100%	100%
WIKANA MERITUM Sp. z o.o. PANORAMA S.K.A. (formerly WIKANA PROPERTY Sp. z o.o. PANORAMA S.K.A.) (14)	100%	100%
WIKANA PROPERTY Sp. z o.o. PODPROMIE S.K.A.(15)	100%	100%
WIKANA PROPERTY Sp. z o.o. ZIELONE TARASY S.K.A.(15)	100%	100%
WIKANA PROPERTY Sp. z o.o. SALIX S.K.A. (formerly WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A.)(16)	100%	100%
WIKANA PROPERTY Sp. z o.o. ACER S.K.A.(15)	100%	100%

Data in PLN 000s, unless stated otherwise

WIKANA MERITUM Sp. z o.o. ALFA S.K.A. (formerly WIKANA PROPERTY Sp. z o.o. ALFA S.K.A.)(17)	100%	100%
WIKANA PROPERTY Sp. z o.o. BETULA S.K.A.(15)	100%	100%
WIKANA MERITUM Sp. z o.o. CORYLUS S.K.A. (formerly WIKANA PROPERTY Sp. z o.o. CORYLUS S.K.A.)(18)	100%	100%
WIKANA PROPERTY Sp. z o.o. GAMMA S.K.A.(15)	100%	100%
WIKANA PROPERTY Sp. z o.o. JOTA S.K.A.(15)	100%	100%
WIKANA PROPERTY Sp. z o.o. KAPPA S.K.A.(15)	100%	100%
WIKANA MERITUM Sp. z o.o. LAMDA S.K.A. (formerly WIKANA PROPERTY Sp. z o.o. LAMDA S.K.A.)(18)	100%	100%
WIKANA MERITUM Sp. z o.o. LARIX S.K.A. (formerly WIKANA PROPERTY Sp. z o.o. LARIX S.K.A.)(18)	100%	100%
WIKANA MERITUM Sp. z o.o. MAGNOLIA S.K.A.(14)	100%	100%
WIKANA PROPERTY Sp. z o.o. OMEGA S.K.A.(15)	100%	100%
WIKANA PROPERTY Sp. z o.o. OMIKRON S.K.A.(15)	100%	100%
WIKANA PROPERTY Sp. z o.o. ROSA S.K.A.(15)	100%	100%
WIKANA MERITUM Sp. z o.o. SIGMA S.K.A. (formerly WIKANA PROPERTY Sp. z o.o. SIGMA S.K.A.)(14)	100%	100%
WIKANA PROPERTY Sp. z o.o. ZETA S.K.A.(19)	0%	100%
WIKANA MANAGEMENT Sp. z o.o.(20)	100%	100%
WIKANA MERITUM Sp. z o.o.(21)	100%	100%
WIKANA PRIM Sp. z o.o.(22)	100%	0%

(1) On 30 September 2014, the District Court for Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register, made an entry in the company's register regarding commencement of liquidation proceedings pursuant to the company's request filed on 5 September 2014.
(2) The Company holds a total of 94.38% of shares in Multiserwis S.A., including 86.80% directly and 7.58% through Wikana Property Sp. z o.o. Delta S.K.A., an entity wholly owned by Wikana Project Sp. z o.o., which is wholly owned by Wikana S.A.
(3) Pursuant to a share sale agreement of 10 August 2015, the sole shareholder changed from WIKANA FIZ to the Company. The general partner is a wholly owned subsidiary of the Company - WIKANA PROPERTY Sp. z o.o.
(4) Indirectly owned by the Company through investment certificates issued by WIKANA FIZ, which owns 100% of the subsidiary's shares.
(5) Pursuant to a share sale agreement of 10 August 2015, the sole shareholder changed from WIKANA FIZ to the Company. On 6 November 2015, the general partner changed from WIKANA PROPERTY Sp. z o.o., based in Lublin, to WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji, based in Lublin. Along with the above, the company's name was also changed, and the change was registered by the relevant register court on 22 January 2016.
(6) Indirectly owned by the Company through investment certificates issued by WIKANA FIZ, which owns 100% of the subsidiary's shares. The general partner is a wholly owned subsidiary of the Company - WIKANA PROPERTY Sp. z o.o.
(7) Pursuant to a share sale agreement of 10 August 2015, the sole shareholder changed from WIKANA FIZ to the Company. The company's general partner is WIKANA BIOENERGIA Sp. z o.o., a wholly owned subsidiary of the Company.
(8) Pursuant to a share sale agreement of 10 August 2015, the sole shareholder changed from WIKANA FIZ to the Company. The general partner changed on 1 September 2015 from WIKANA PROPERTY Sp. z o.o., based in Lublin, to PRIM Sp. z o.o. (currently WIKANA PRIM Sp. z o.o.), based in Lublin, and on 6 November 2015 from PRIM Sp. z o.o. (currently WIKANA PRIM Sp. z o.o.), based in Lublin, to WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji, based in Lublin. Along with the above, the company's name was also changed, and the change was registered by the relevant register court on 17 December 2015.
(9) On 2014, the general partner was changed from WIKANA NIERUCHOMOŚCI Sp. z o.o. w likwidacji, a wholly owned subsidiary of the Company, to WIKANA PROPERTY Sp. z o.o., a wholly owned subsidiary of the Company. On 13 January 2015, the relevant register court registered the company's name change.
(10) On 6 November 2015, the general partner changed from WIKANA PROPERTY Sp. z o.o. to WIKANA PRIM Sp. z o.o. (formerly: PRIM Sp. z o.o.), an entity whose sole shareholder changed on 6 November 2015 from Multiserwis S.A. to the Company. Along with the above, the company's name was also changed, and the change was registered by the relevant register court on 8 December 2015.
(11) Indirect stake held by the Company via WIKANA PROJECT Sp. z o.o., a wholly owned subsidiary of the Company. The company's general partner is WIKANA PROPERTY Sp. z o.o., a wholly owned subsidiary of the Company.
(12) On 12 June 2014, the relevant register court registered a change of name from Towarzystwo Budownictwa Społecznego "Wikana" to Towarzystwo Budownictwa Społecznego "Nasz Dom" Sp. z o.o.
(13) Entity wholly owned by the Company, of which 24.94% is held directly by the Company, while 75.06% through subsidiary WIKANA PROPERTY Sp. z o.o. LEGNICA S.K.A. (formerly Wikana Nieruchomości Sp. z o.o. LEGNICA S.K.A.)
(14) In 2015, the National Court Register registered a change of name in connection with a change of general partner in 2015 from WIKANA PROPERTY Sp. z o.o., based in Lublin, to WIKANA MERITUM Sp. z o.o., based in Lublin.
(15) The general partner is Wikana Property Sp. z o.o., an entity 100% owned by Wikana S.A.

Additional information and explanations to the financial statements constitute an integral part thereof.

(16) On 19 November 2014, the relevant register court registered a change of name from WIKANA PROPERTY Sp. z o.o. KROSNO S.K.A. to WIKANA PROPERTY Sp. z o.o. SALIX S.K.A.
(17) In 2015, the National Court Register registered a change of name in connection with a change of general partner in 2014 from WIKANA PROPERTY Sp. z o.o., based in Lublin, to WIKANA MERITUM Sp. z o.o., based in Lublin. On 26 February 2016, the company was transformed into a general partnership.
(18) In 2015, the National Court Register registered a change of name in connection with a change of general partner in 2014 from WIKANA PROPERTY Sp. z o.o., based in Lublin, to WIKANA MERITUM Sp. z o.o., based in Lublin.
(19) On 2 April 2015, 100% of shares in this company were sold to an entity with no personal or capital links to the Group.
(20) Entity formed on 13 August 2014 by the Company, in which 100% of shares, held by the Company, was assigned as collateral to a subsidiary - WIKANA PROPERTY Sp. z o.o. 04 OSIEDLE S.K.A.
(21) Entity established by the Company on 5 December 2014.
(22) Entity registered at the National Court Register on 18 August 2014 under the name PRIM Sp. z o.o. Initially, 100% of shares had been acquired by Multiserwis S.A., based in Warsaw. On 6 November 2015, the sole shareholder changed from Multiserwis S.A., based in Warsaw, to WIKANA S.A., based in Lublin, in connection with which the company's name also changed, to WIKANA PRIM Sp. z o.o.

6.35. Selected financial data from the financial statements

The selected financial data is translated into EUR in accordance with the following principles:

Selected asset and equity and liability items - using the average exchange rate on 31 December 2015: EURPLN 4.2615 (31 December 2014: EURPLN 4.2623).

Items in the statement of comprehensive income for the presented periods - using the arithmetic mean of average exchange rates established by the National Bank of Poland as at the last day of each month in 2015: EURPLN 4.1848 (2014: EURPLN 4.1893).

Selected asset and equity and liability items

Balance sheet item *in 000s*	**31 Dec 2015**		**31 Dec 2014**	
	PLN	**EUR**	**PLN**	**EUR**
Total assets	**83 961**	**19 702**	**102 345**	**24 012**
Non-current assets	41 016	9 625	44 749	10 499
Current assets	42 945	10 077	57 596	13 513
Total equity and liabilities	**83 961**	**19 702**	**102 345**	**24 012**
Equity	38 051	8 929	40 852	9 584
Non-current liabilities	23 739	5 571	23 617	5 541
Current liabilities	22 171	5 203	37 876	8 887

Selected items from the statement of comprehensive income

Item in the Issuer's statement of comprehensive income *in 000s*	**1 Jan 2015 31 Dec 2015**		**1 Jan 2014 31 Dec 2014**	
	PLN	**EUR**	**PLN**	**EUR**
Revenue from sales	16 513	3 946	27 105	6 470
Cost of sales	(16 515)	(3 946)	(25 310)	(6 042)
Gross profit (loss) on sales	**(2)**	**(0)**	**1 795**	**428**
Selling costs	(575)	(137)	(904)	(216)
Administrative expenses	(1 979)	(473)	(3 770)	(900)
Other operating revenue	1 586	379	4 612	1 101
Other operating expenses	(327)	(78)	(10 603)	(2 531)
Gain on investments	1 259	301	1 182	283
Operating profit (loss)	**(38)**	**(9)**	**(7 688)**	**(1 835)**
Net finance costs	(3 121)	(746)	(5 932)	(1 416)
Profit (loss) before tax	**(3 159)**	**(755)**	**(13 620)**	**(3 251)**
Income tax	-	-	-	-
Net profit / (loss) on continuing operations	**(3 159)**	**(755)**	**(13 620)**	**(3 251)**
Net profit / (loss) on continuing operations	-	-	-	-
Net profit (loss)	**(3 159)**	**(755)**	**(13 620)**	**(3 251)**

6.36. Significant information about the Company's activities in the period 1 January - 31 December 2015 and until the date on which these financial statements were drafted

Aside from the significant atypical events during the reporting period, which have impact on the financial statements, as described in note 5.7 to these financial statements, the following events that took place in financial year 2015 and until these financial statements were prepared are considered by the Company to be of significance:

- appointment of Jakub Leonkiewicz to the Company's Supervisory Board (current report 6/2015);
- resignation of Tomasz Filipiak from the Company's Supervisory Board (current report 7/2015);
- appointment of Robert Buchajski to the Company's Supervisory Board (current report 10/2015);
- appointment of the Company's Management Board for a new term (current report 16/2015);
- early redemption of the Company's series A bonds (current report 26/2015);
- resignation of Robert Buchajski from the Company's Supervisory Board (current report 32/2015).

6.37. Remuneration of the entity authorised to audit financial statements

On 11 June 2015, the Supervisory Board of Wikana S.A., acting pursuant to art. 388 § 3 of the Polish Commercial Companies Code and § 29 sec. 2 and § 40 sec. 3 of the Company's Articles of Association, selected an entity authorised to audit financial statements. The selected entity was BDO Sp. z o.o., entered onto the list of entities authorised to audit financial statements, no. 37633557, held by the National Chamber of Statutory Auditors.

An agreement concerning audit was executed with BDO Sp. z o.o. on 15 June 2015. Fees for auditing Wikana S.A.'s separate financial statements for 2015 amount to PLN 43 500 (semi-annual review PLN 14 500, annual audit PLN 29 000).

On 31 January 2014, acting pursuant to § 30 of the Company's articles of association, Wikana S.A.'s Supervisory Board selected an entity authorised to audit financial statements. The selected entity authorised to audit financial statements was CSWP Audyt Sp. z o.o. Sp. k., based in Warsaw (00-336), ul. Kopernika 34, entered onto the list of entities authorised to audit financial statements, no. 3767, held by the National Chamber of Statutory Auditors.

The agreement with CSWP Audyt Sp. z o.o. Sp. k. concerning the audit was executed on 3 February 2014. Fees for auditing Wikana S.A.'s financial statements for 2014 amounted to PLN 60 000. Remuneration for other services was PLN 42 000.

Robert Pydzik
/President of the Management Board/

Agnieszka Maliszewska
/Member of the Management Board/

Bożena Wincentowicz
/Person responsible for bookkeeping/

Lublin, 21 March 2016