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Polenergia S.A.

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE YEAR ENDED 31 DECEMBER 2014

INCLUDING INDEPENDENT AUDITOR'S OPINION

Zbigniew Prokopowicz – President of the Management Board

Jacek Głowacki – Vice President of the Management Board

Michał Kozłowski – Vice President of the Management Board

Anna Kwarcińska – Vice President of the Management Board

Agnieszka Grzeszczak – Director of Accounting Department

Warsaw, 11 March 2015

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(in PLN thousand)

1. Balance sheet

As at 31 December 2014

Assets

	Notes	31.12.2014	31.12.2013
I. Non-current assets		1 253 065	655 040
Property, plant and equipment	16	2 761	1 293
Intangible assets	15	1 252	946
Investment property	17	2 803	2 698
Financial assets	18	1 236 903	646 650
Long-term receivables	20	3 203	3 453
Deferred tax assets	25.2	6 143	-
II. Current assets		285 943	86 403
Inventories	19	17 500	17 492
Trade receivables	20	18 688	25 585
Income tax receivables	20	-	293
Other short-term receivables	20	3 516	5 144
Prepayments	21	4 449	2 933
Short-term financial assets	22	25 343	253
Cash and cash equivalents	23	216 447	34 703
Total Assets		1 539 008	741 443

Equity and Liabilities

	Notes	31.12.2014	31.12.2013
I. Equity		1 263 111	493 765
Share capital	24.1	90 887	42 628
Share premium		802 909	78 521
Capital reserve from valuation of share based payments		13 207	13 207
Other capital reserve		372 199	372 199
Net loss		(16 091)	(12 790)
II. Long-term liabilities		2 846	239 263
Loans and borrowings	27	1 000	238 196
Deferred tax liabilities	25.2	-	130
Long-term provisions	26	1 187	617
Other long-term liabilities		659	320
III. Short- term liabilities		273 051	8 415
Loans and borrowings	29	259 264	-
Trade payables	28	1 033	1 586
Other short-term liabilities	28	1 702	2 013
Short-term provisions	26	2 042	1 197
Accruals	30	9 010	3 619
Total Equity and Liabilities		1 539 008	741 443

(in PLN thousand)

2. Profit and loss statement

For the year ended 31 December 2014

	Notes	For the year ended 31.12.2014	For the year ended 31.12.2013	Q4 2014	Q4 2013
Sales revenue	32	20 589	62 884	15 377	57 667
Cost of sales	33	(16 972)	(55 954)	(16 623)	(55 339)
Gross profit (loss) on sales		3 617	6 930	(1 246)	2 328
Other operating income	34	197	33	24	32
General and administrative expenses	33	(11 916)	(12 425)	(145)	(3 498)
Other operating costs	35	(1 313)	(2 130)	(1 218)	(1 462)
Financial income	36	22 382	17 897	5 827	4 542
including dividends		16 006	9 097	2 911	8
Financial costs	37	(35 331)	(27 558)	(18 184)	(14 373)
Gross loss		(22 364)	(17 253)	(14 942)	(12 431)
Income tax	25.1	6 273	4 463	844	1 632
Net loss		(16 091)	(12 790)	(14 098)	(10 799)

3. Statement of other comprehensive income

For the year ended 31 December 2014

	For the year ended 31.12.2014	For the year ended 31.12.2013	Q4 2014	Q4 2013
Net loss	(16 091)	(12 790)	(14 098)	(10 799)
Other comprehensive income	-	-	-	-
TOTAL COMPREHENSIVE INCOME	(16 091)	(12 790)	(14 098)	(10 799)

(in PLN thousand)

4. Statement of changes in equity

For the year ended 31 December 2014

	Share capital	Share premium	Capital reserve from valuation of share based payments	Other capital reserve	Retained earnings	Net loss	Total equity
Equity as at 1 January 2014	42 628	78 521	13 207	372 199	(12 790)	-	493 765
Total comprehensive income for the period							
Profit for the year	-	-	-	-	-	(16 091)	(16 091)
Distribution of prior year result	-	(12 790)	-	-	12 790	-	-
Transactions with shareholders, recognised directly in equity							
Shares issue (Note 24)	48 259	737 178	-	-	-	-	785 437
Equity as at 31 December 2014	90 887	802 909	13 207	372 199	-	(16 091)	1 263 111

(in PLN thousand)

For the year ended 31 December 2013

	Share capital	Share premium	Capital reserve from valuation of share based payments	Other capital reserve	Retained earnings	Net loss	Total equity
Equity as at 1 January 2013	42 628	78 521	13 207	237 938	134 261	-	506 555
Total comprehensive income for the period							
Net loss	-	-	-	-	-	(12 790)	(12 790)
Distribution of prior year result	-	-	-	134 261	(134 261)	-	-
Equity as at 31 December 2013	42 628	78 521	13 207	372 199	-	(12 790)	493 765

(in PLN thousand)

5. Statement of cash flows

For the year ended 31 December 2014

	Notes	31.12.2014	31.12.2013
A. Cash flows from operating activities			
I. Gross loss		(22 364)	(17 253)
II. Total adjustments		18 192	25 744
1. Depreciation and amortisation	33	1 505	1 243
2. Loss on foreign exchange differences		(1)	(1)
3. Interest and dividends		4 142	4 566
4. Loss on investing activities		13 003	11 022
5. Income tax		293	8 337
6. Change in provisions		1 415	222
7. Change in inventories		(8)	51 387
8. Change in receivables	38	5 162	(7 163)
9. Change in liabilities excluding loans and borrowings	38	369	(43 587)
10. Change in prepayments and accruals	38	(7 688)	(4 151)
11. Other adjustments	38	-	3 869
III. Net cash flows from operating activities (I+/-II)		(4 172)	8 491
B. Cash flows from investing activities			
I. Proceeds		41 847	125 796
1. From financial assets, including:		37 049	125 796
- disposal of financial assets		-	-
- dividends		16 006	9 097
- repayment of long-term loans granted		577	7 361
- interest received		7 298	1 094
- other proceeds from financial assets	38	13 168	108 244
2. Other	38	4 798	-
II. Disbursements		95 461	286 068
1. Purchase of property, plant and equipment and intangible assets		3 806	2 621
2. For financial assets, including:		89 805	278 646
- purchase of financial assets		74 545	261 494
- long-term loans granted		15 260	17 152
3. Other	38	1 850	4 801
III. Net cash flows from investing activities (I-II)		(53 614)	(160 272)

(in PLN thousand)

C. Cash flows from financing activities			
I. Proceeds		240 000	80 000
1. Shares issue and other capital instruments	24	240 000	-
2. Loans and borrowings		-	80 000
II. Disbursements		471	42 642
1. Repayment of loans and borrowings		-	42 300
2. Finance lease		471	342
III. Net cash flows from financing activities (I-II)		239 529	37 358
D. Total net cash flows (A.III+/-B.III+/-C.III)		181 743	(114 423)
E. Net increase (decrease) in cash and cash equivalents, including:		181 744	(114 423)
- effect of foreign exchange rate differences, net		1	1
F. Cash and cash equivalents at the beginning of the period		34 703	149 126
G. Cash and cash equivalents at the end of the period (F+/- E), including:		216 447	34 703
- restricted cash		50	44

Presentation of cash flows from external financing - loans and borrowings (statement of cash flows)		
C.I.2 Proceeds from loans and borrowings	-	80 000
C.II.4 Repayment of loans and borrowings	-	(42 300)
Net cash flows from external financing, including	-	37 700
proceeds/repayment of loans and borrowings, net	-	37 700

(in PLN thousand)

6. General information

Polenergia S.A., formerly Polish Energy Partners S.A. (the business name was changed based on National Court Register enrolment dated on 11 September 2014), ("the Company") was founded on the basis of the Notary Deed of 17 July 1997. The Company is registered in the National Court Register for the capital city of Warsaw, XIII Commercial Department, under no. KRS 0000026545, REGON no. 012693488. The registered office of the Company is in Warsaw, ul. Krucza 24/26.

The Company's scope of business activities according to the National Court Register comprises:

- production and distribution of electricity (PKD 40.10),
- production and distribution of heat (steam and hot water) (PKD 40.30),
- general construction and civil engineering (PKD 45.21),
- construction installations (PKD 45.3),
- other credit granting, with the exception of actions for the implementation of which one is required to obtain a license or permit, or which are reserved for banks (PKD 65.22),
- research and development on natural sciences and engineering (PKD 73.10),
- purchase and sale of real estates (PKD 70.11),
- management of real estate on a fee or contract basis (PKD 70.32),
- accounting and bookkeeping activities (PKD 74.12),
- construction, urban, technological project activities (PKD 74.20),
- business and other management consultancy activities (PKD 74.14),
- other commercial activity, not elsewhere classified (PKD 74.84),
- other forms of education, not elsewhere classified (PKD 80.42),
- wholesale of solid fuels, liquid, gas and related products (PKD 51.51).

6.1. Duration of the Company

Duration of the Company is unlimited.

6.2. Reporting period

The financial statements have been prepared for the year ended 31 December 2014 and comprised of comparative information for the year ended 31 December 2013.

6.3. Management Board and Supervisory Board members

As at 31 December 2014 the Management Board comprises of:

Zbigniew Prokopowicz	President of the Management Board
Jacek Głowacki	Vice President of the Management Board
Anna Kwarcińska	Vice President of the Management Board
Michał Kozłowski	Vice President of the Management Board

(in PLN thousand)

As at 31 December 2014 the Supervisory Board comprises of:

Tomasz Mikołajczak	Chairman of the Supervisory Board
Łukasz Rędziniak	Vice Chairman of the Supervisory Board
Marek Gabryjelski	Member of the Supervisory Board
Mariusz Nowak	Member of the Supervisory Board
Arkadiusz Jastrzębski	Member of the Supervisory Board
Rafał Andrzejewski	Member of the Supervisory Board

7. Going concern

The financial statements have been prepared under the assumption that the Company will continue to operate as a going concern in the foreseeable future namely at least in the period of 12 months from the reporting date i.e. 31 December 2014.

8. Information on consolidated financial statements

The Company prepared consolidated financial statements for the year ended 31 December 2014, which were authorised for issue on 11 march 2015.

9. Authorisation of the financial statements

These financial statements were authorised for issue by the Management Board on 11 March 2015.

10. Investments

On 27 September 2014 the Company received 100% of shares in Neutron Sp. z o.o. in exchange for its shares. Neutron Sp. z o.o. is a holding company with shares in the following entities:

The name of the entity	Registered office	Line of business	% share in equity and voting rights
Elektrociepłownia Nowa Sarzyna Sp. z o.o.	Nowa Sarzyna, ul. Ks. J.Popiełuszki 2	Services in the energy sector	100%
Polenergia Kogeneracja Sp. z o.o.	Warsaw, ul. Krucza 24/26	Distribution and sale of natural gas	100%
Polenergia Elektrownia Północ Sp. z o.o.	Warsaw, ul. Krucza 24/26	Development of coal plant	100%
Polenergia Dystrybucja Sp. z o.o.	Warsaw, ul. Krucza 24/26	Distribution and sale of electricity	100%
Polenergia Obrót Sp. z o.o.	Warsaw, ul. Krucza 24/26	Trade of electricity, gas and certificates	100%

(in PLN thousand)

Natural Power Association Sp. z o.o.	Warsaw, ul. Krucza 24/26	Holding	100%
Polenergia Bałtyk I S. A.	Warsaw, ul. Krucza 24/26	Development of wind farm	100%
Polenergia Bałtyk II Sp. z o.o.	Warsaw, ul. Krucza 24/26	Development of wind farm	100%
Polenergia Bałtyk IIII Sp. z o.o.	Warsaw, ul. Krucza 24/26	Development of wind farm	100%
PPG Pipeline Projektgesselschaft GmbH	Hamburg, Stadthausbrücke 1-3	Development of gas main	100%
PPG Polska Sp. z o.o.	Warsaw, ul. Krucza 24/26	Development of gas main	100%
GEO Kletnia Sp. z o.o.	Warsaw, ul. Krucza 24/26	Development of wind farm	20%

Subsidiaries of the Company are as follows.

As at 31 December 2014:

The name of the entity	**Registered office**	**Line of business**	**% share in equity and voting rights**
Dipol Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Interpep EC Zakrzów Sp. z o.o. Sp. Komandytowa	Warsaw, ul. Krucza 24/26	Production of heat and electricity	100%
Mercury Energia Sp. z o.o. i Wspólnicy, Sp. Komandytowa	Warsaw, ul. Krucza 24/26	Production of heat and electricity	94.1%
Interpep Sp. z o.o.	Warsaw, ul. Krucza 24/26	Business consulting	100%
Energopep Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production of heat and electricity	100%
Mercury Energia Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of heat and electricity	100%
Interpep EC Zakrzów Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of heat and electricity	100%
Grupa PEP – Finansowanie Projektów Sp. z o.o.	Warsaw, ul. Krucza 24/26	Financing services	98.5%
Grupa PEP – Biomasa Energetyczna Północ Sp. z o.o.	Warsaw, ul. Krucza 24/26	Wholesale of solid, liquid and gas fuels and related products	10,9%
Grupa PEP – Biomasa Energetyczna Południe Sp. z o.o.	Warsaw, ul. Krucza 24/26	Wholesale of solid, liquid and gas fuels and related products	100%
Grupa PEP – Biomasa Energetyczna Wschód Sp. z o.o.	Warsaw, ul. Krucza 24/26	Wholesale of solid, liquid and gas fuels and related products	100%

(in PLN thousand)

Grupa PEP – Bioelektrownia 2 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Holding company	100%
Grupa PEP – Bioelektrownia 2 Sp. z o.o. S.K.	Warsaw, ul. Krucza 24/26	Services in the energy sector	99.9%
Grupa PEP – Uprawy Energetyczne Sp. z o.o.	Warsaw, ul. Krucza 24/26	Cultivation of non-perennial crops	100%
Grupa PEP – Farma Wiatrowa 1 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 3 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 4 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 5 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 6 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 7 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Polenergia Farma Wiatrowa Grabowo Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 9 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 10 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 11 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 12 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 13 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 14 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 15 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Farma Wiatrowa 16 Sp. z o.o. previously: Morka Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa 17 Sp. z o.o. previously: Juron Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa 18 Sp. z o.o. previously: Zonda Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%

(in PLN thousand)

Grupa PEP – Farma Wiatrowa 19 Sp. z o.o. previously: Nauto Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa 20 Sp. z o.o. previously: Erato Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa 21 Sp. z o.o. previously: Jugo Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa 22 Sp. z o.o. previously: Autan Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa 23 Sp. z o.o. previously: Solano Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Amon Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Talia Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Grupa PEP Development Projektów Sp. z o.o., previously: Polish Energy Partners SA Development Projektów SKA	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	51%
Grupa PEP - Finansowanie Projektów 1 Sp. z o.o., previously: Polish Energy Partners SA Finansowanie Projektów SKA	Warsaw, ul. Krucza 24/26	Financing services	39%
Grupa PEP Aktywa Finansowe Sp. z o.o.	Warsaw, ul. Krucza 24/26	Financing services	16%
Grupa PEP – Projekty Energetyczne 1 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Obrót 1 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Grupa PEP – Obrót 2 Sp. z o.o.	Warsaw, ul. Krucza 24/26	Services in the energy sector	100%
Pepino Sp. z o.o.	Szczecin, Al. Wojska Polskiego 156	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa Piekło Sp. z o.o. previously: Bise Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa Wierzbinik/Jankowice Sp. z o.o. previously: Euros Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa Mycielin Sp. z o.o. previously: Monsun Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%

(in PLN thousand)

Grupa PEP – Farma Wiatrowa Bądecz Sp. z o.o. previously: Karif Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Grupa PEP – Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. previously: Mistral Sp. z o.o.	Warsaw, ul. Krucza 24/26	Production and distribution of electricity	100%
Neutron Sp. z o.o.	Warsaw, ul. Krucza 24/26	Holding	100%

11. Applied accounting principles (policies)

These financial statements have been prepared in accordance with the same accounting principles (policies) as those described in the financial statements of the Company for the year ended 31 December 2013.

11.1. New standards and interpretations published, not yet effective

The following standards and interpretations have been published by International Accounting Standards Board (IASB) or Standing Interpretation Committee (SIC) but are not effective as at 1 January 2014:

- **IFRIC Interpretation 21 Levies, effective for periods beginning on 17 June 2014 (the IASB effective date is 1 January 2014)**

  The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognition of the liability to pay a levy imposed by government.

  In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs.

  The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

  If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.

  The Company does not expect IFRIC 21 to have a material impact on the financial statements, since it does not result in a change in the Company‘s accounting policy regarding levies imposed by governments.

- **Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions, effective for periods beginning on 1 February 2015 (the IASB effective date is 1 July 2014)**

  The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

  The Company does not expect amendments to IAS 19 to have a material impact on the financial statements of the Company.

- **Improvements to IFRS (2010-2012), effective for periods beginning on 1 February 2015 (the IASB effective date is 1 July 2014)**

  The Improvements to IFRS (2010-2012) contains 8 amendments to 7 standards, with consequential amendments to other standards and interpretations. The main changes were to:

  - clarify the definition of 'vesting conditions' in Appendix A of IFRS 2 Share-based Payment by separately defining a 'performance condition' and a 'service condition'

  - clarify certain aspects of accounting for contingent consideration in a business combination

  - amend paragraph 22 of IFRS 8 to require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. This is to supplement the current disclosure requirements in paragraph 22(a) of IFRS 8

  - amend paragraph 28(c) of IFRS 8 Operating Segments to clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker. This proposed amendment is consistent with the requirements in paragraphs 23 and 28(d) in IFRS 8

  - clarify the IASB's rationale for removing paragraph B5.4.12 of IFRS 9 Financial Instruments and paragraph AG79 of IAS 39 Financial Instruments: Recognition and Measurement as consequential amendments from IFRS 13 Fair Value Measurement

  - clarify the requirements for the revaluation method in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets to address concerns about the calculation of the accumulated depreciation or amortisation at the date of the revaluation

  - make an entity providing management personnel services to the reporting entity a related party of the reporting entity.

  The Company does not expect improvements to IFRS (2010-2012) to have a material impact on the financial statements of the Company.

- **Improvements to IFRS (2011-2013), effective for periods beginning on 1 January 2015 (the IASB effective date is 1 July 2014)**

  The Improvements to IFRS (2011-2013) contains 4 amendments to standards, with consequential amendments to other standards and interpretations. The main changes were to:

  - clarify the meaning of 'each IFRS effective at the end of an entity's first IFRS reporting period' as used in paragraph 7 of IFRS 1 First-time Adoption of IFRS

  - clarify that the scope exemption in paragraph 2(a) of IFRS 3 Business Combinations:

    a) excludes the formation of all types of joint arrangements as defined in IFRS 11 Joint Arrangements from the scope of IFRS 3; and

    b) only applies to the financial statements of the joint venture or the joint operation itself

  - clarify that the portfolio exception included in paragraph 48 of IFRS 13 applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

  - clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3 and that this judgment is based on the guidance in IFRS 3.

The Company does not expect improvements to IFRS (2011-2013) to have a material impact on the financial statements of the Company.

11.2. Standards and interpretations not yet endorsed by the EU

- **IFRS 9 Financial Instruments (2014), effective for periods beginning on 1 January 2018**

The new standard replaces the guidance included in IAS 39 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets, including a model for calculating impairment. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables used to classify financial assets.

Under the new standard, financial assets are to be classified on initial recognition into one of three categories:

- financial assets measured at amortised cost;

- financial assets measured at fair value through profit and loss; or

- financial assets measured at fair value through other comprehensive income (OCI).

A financial asset is classified as being subsequently measured at amortised cost if the following two conditions are met:

- the assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

Otherwise, e.g. in the case of equity instruments of other entities, a financial asset will be measured at fair value.

Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit and loss, other than assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets – such remeasurement gains and losses are recognised in OCI.

In addition, at initial recognition of an equity investment that is not held for trading, an entity may irrevocably elect to present all fair value changes from the investment in OCI. The election is available on an individual share-by-share basis. No amount recognised in OCI in relation to the above-described remeasurement is ever reclassified to profit and loss at a later date.

The new standard retains almost all of the existing requirements in IAS 39 on the classification and measurement of financial liabilities and on derecognition of financial assets and financial liabilities. However, IFRS 9 requires that the portion of the gain or loss on a financial liability designated at initial recognition as fair value through profit and loss that is attributable to changes in its credit risk be presented in OCI, with only the remaining amount of the total gain or loss included in profit and loss. However, if this requirement creates or enlarges an accounting mismatch in profit and loss, or if the financial liability is a loan commitment or a financial guarantee contract, the entire fair value change is presented in profit and loss.

In respect of the financial assets impairment requirements, IFRS 9 replaces the “incurred loss” impairment model in IAS 39 with an “expected credit loss” model. Under the new approach, which aims to address concerns about “too little, too late” provisioning for impairment losses, it will no longer be necessary for a loss event to occur before an impairment allowance is recognised.

In short, the expected credit loss model uses a dual measurement approach, under which the loss allowance is measured as either:

- 12-month expected credit losses, or

- lifetime expected credit losses.

The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. If the credit risk of a financial asset has not increased significantly since initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit loss. If, however, its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses, thereby increasing the amount of impairment recognised. The standard contains a rebuttable presumption that the condition for recognising lifetime expected credit losses is met when payments are more than 30 days past due.

The Company does not expect the new Standard to have material impact on the financial statements of the Company. The classification and measurement of the Company's financial assets are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial assets that it holds.

- **IFRS 14 Regulatory Deferral Accounts, effective for periods beginning on 1 January 2016**

  The interim Standard:

  - permits first time adopters of IFRS to continue to use its previous GAAP to account for regulatory deferral account balances both on initial adoption of IFRS and in subsequent financial statements;

  - requires entities to present regulatory deferral account balances and movements therein as separate line items on the face of the financial statements; and

  - requires specific disclosures to identify clearly the nature of, and risks associated with, the rate regulation that has resulted in the recognition of regulatory deferral account balances in accordance with this interim Standard.

  It is expected that the interim Standard will not have a material impact on the financial statements of the Company as only first time adopters of IFRS are within the scope of the standard.

- **Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11 Joint Arrangements), effective for periods beginning on 1 January 2016**

  The Amendments provide guidance on the accounting for the acquisition of an interest in a joint operation that constitutes a business. The acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3 Business Combinations, is required to apply all of the principles on business combinations accounting in IFRS 3 and other IFRSs except for those principles that conflict with the guidance in IFRS 11. In addition, the acquirer shall disclose the information required by IFRS 3 and other IFRSs for business combinations.

  The Company does not expect the Amendments to have material impact on the financial statements since it is not a party to any joint arrangements.

- **Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets), effective for periods beginning 1 January 2016**

  The Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

  The Amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

  The Company does not expect the Amendments to have a material impact on its financial statements once applied. The Company does not use revenue-based depreciation and amortisation methods.

- **IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2017**

  The Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Specifically, it replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Under the new standard, entities will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

Included in the Standard are new qualitative and quantitative disclosure requirements to enable financial statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company does not expect the Standard to have a material impact on its financial statements once applied.

- **Agriculture: Bearer Plants (Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture), effective for periods beginning on 1 January 2016**

The Amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. IAS 41 Agriculture currently requires all biological assets related to agricultural activity to be measured at fair value less cost to sell. Under the new requirements, bearer plants should be accounted for in the same way as property, plant and equipment in IAS 16, because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

The Company does not expect the Amendments to have a material impact on its financial statements once applied as it does not conduct business activities involving bearer plants.

- **Equity Method in Separate Financial Statements (Amendments to IAS 27 Separate Financial Statements), effective for periods beginning on 1 January 2016**

The Amendments introduce an option for the entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements, in addition to the existing cost and fair value options.

The Company does not expect the Amendments to have a material impact on its separate financial statements once applied as the entity plans to continue to account for investments in subsidiaries, joint ventures and associates in the financial statements at cost.

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates), effective for periods beginning on 1 January 2016**

The Amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. While IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture, IFRS 10 requires full profit and loss recognition on the loss of control of subsidiary.

The Amendments require a full gain or loss to be recognised when the assets transferred meet the definition of a business under IFRS 3 Business Combinations (whether it is housed in a subsidiary or not). A partial gain or loss (only to the extent of unrelated investors' interests) shall be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Company does not expect the Amendments to have a material impact on its financial statements once applied as the entity does not anticipate entering into transactions covered by the revised guidance.

- **Improvements to IFRS (2012-2014), effective for periods beginning on 1 July 2016**

  The Improvements to IFRSs (2012-2014) contains 4 amendments to standards, with consequential amendments to other standards and interpretations. The main changes were to:

  - clarify that paragraphs 27-29 of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (dealing with the accounting for assets that are no longer classified as held for sale) will also apply to assets that cease to be classified as held for distribution. This, however, will not apply if an entity reclassifies an asset (or disposal group) without any time lag from held for sale to held for distribution (or vice versa). Such changes in classification are considered a continuation of the original plan of disposal;

  - explain how an entity should apply the guidance in paragraph 42C of IFRS 7 Financial Instruments: Disclosures to a servicing contract to determine whether the contract represents 'continuing involvement' for the purposes of the disclosure requirements in paragraphs 42E-42H of IFRS 7;

  - clarify that the additional disclosures required by Disclosures-Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) are not specifically required for inclusion in condensed interim financial statements for all interim periods. However, they are required if the general requirements of IAS 34 Interim Financial Reporting require their inclusion;

  - amend IAS 19 Employee Benefits to clarify that the high-quality corporate bonds or government bonds used in determining the discount rate for post-employment benefit obligations should be issued in the same currency in which the benefits are to be paid. Consequently, the assessment of the depth of the market for high quality corporate bonds should be made at the currency level and not at the country level;

  - clarify the meaning of the term 'elsewhere in the interim financial report' per IAS 34 and add to IAS 34 a requirement to include a cross-reference from the interim financial statements to the location of this information.

  The Company does not expect the Improvements to have a material impact on its financial statements once applied.

- **Disclosure initiative (Amendments to IAS 1 Presentation of Financial Statements), effective for periods beginning on 1 January 2016**

  Key clarifications resulting from the Amendments include the following:

  - an emphasis on materiality. Specific single disclosures that are not material do not have to be presented – even if they are a minimum requirement of a standard.

  - the order of notes to the financial statements is not prescribed. Instead, companies can chose their own order, and can also combine, for example, accounting policies with notes on related subjects.

  - It had been made explicit that companies:

    - should disaggregate line items in the statement of financial position and in the statement of profit and loss and other comprehensive income (OCI) if this provides helpful information to users; and

    - can aggregate line items in the statement of financial position if the line items specified by IAS 1 are immaterial.

  - specific criteria are provided for presenting subtotals in the statement of financial position and in the statement of profit and loss and OCI, with additional reconciliation requirements for the statement of profit and loss and OCI.

  - the presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method follows the standard’s approach of splitting items that may, or that will never, be reclassified to profit and loss.

  The Company does not expect the Amendments to have a material impact on its financial statements once applied.

The Company has not used the option of early adoption of new Standards and Interpretations already published but not yet effective.

11.3. Basis for preparation of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union („EU").

IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretation Committee ("IFRIC").

These financial statements for the year ended 31 December 2014 with comparative data for the year ended 31 December 2013 according to Polish law were subject to audit performed by independent auditor. Financial information for the fourth quarter of 2014 and comparative data for the fourth quarter of 2013 were not subject to an audit performed by the independent auditor.

These financial statements have been prepared on the historical costs basis, except for material balance sheet captions: loans and borrowings measured at amortised cost.

11.4. Critical judgments and accounting estimates

Some of the information presented in these financial statements is based on critical judgments and accounting estimates of the Company. Thus obtained values may not coincide with actual results.

11.5. Significant accounting estimates

Presented below are the main assumptions concerning the future and other key uncertainties as at the reporting date posing the risk of material adjustment of the carrying amount of assets and liabilities in the next financial year:

- impairment allowances for development of wind farms (Note 19),
- depreciation rates – depreciation rates are established based on estimated useful life of tangible and intangible fixed assets. Each year the useful life of tangible and intangible assets is subject to verification based on the actual estimates of the Company,
- impairment allowances for trade receivables (Note 20),
- provisions for holiday accruals and litigations,
- deferred tax,
- impairment of assets – the Company performed impairment tests on fixed assets. During tests, the recoverable amount of cash-generating unit to which the assets belong was determined. Identification of the recoverable amount involved establishing future cash flows of the cash-generating unit and establishing discount rate used in calculating the assets' value in use.

In the year ended 31 December 2014 there were no changes in significant accounting estimates which would have material impact on information presented in these financial statements. The amounts representing significant accounting estimates are presented in the notes as described above.

11.6. Presentation and functional currency

The functional currency of the Company and presentation currency of these financial statements is Polish Zloty („PLN").

11.7. Intangible assets

Intangible assets acquired in the separate transaction or generated (if they meet the recognition criteria for the development costs) are measured initially at purchase price or at cost. The purchase price of intangible assets acquired by the merger equates to its fair value as at the transaction date. After the initial recognition intangible assets are measured at purchase price or at cost less accumulated amortisation and accumulated impairment losses. Expenditures on internally generated intangible assets, except for development expenses, are not capitalised and they are recognised in the profit and loss as incurred.

The Company defines whether the useful lives are defined or indefined. Intangible assets with determined useful life are amortised over the period of their estimated useful life and tested for impairment each time when impairment indications occur. The period and method of amortisation of intangible assets with determined useful life are verified at least at the end of each financial year. Changes in the expected useful life or the manner of consuming the economic benefits derived from a given intangible asset are recognised as the change of amortisation period or method and regarded as changes in the estimated values. Amortisation charges of intangible assets with determined useful life are recognised in profit and loss in an appropriate cost category corresponding to the function of a given intangible asset item.

Intangible assets with indefined useful life and those unused are tested for impairment annually, in relation to individual assets or the cash-generating unit.

The average useful life periods are as follows:

Patents and licenses	1 year
Software	2-5 years
Other intangible assets	5 years

Expenditure on research activities is recognised in profit and loss as incurred. Expenditures for development activities for the venture are transferred for the following period, when it could be proved that they could be recovered in future. After the initial recognition as development activities, the cost model is applied which requires that the assets are recognised at cost less accumulated amortisation and accumulated impairment losses. All expenditures transferred to the next period are depreciated throughout the estimated period of gaining the profit from the sales of this venture.

The development costs are tested annually for impairment - when they are not used or more often - if there are indications during the financial period that carrying amount is not recoverable.

Gain or loss resulting from the disposal of intangible assets from the balance sheet are measured as the difference between income from net sales and carrying amount of the asset and are recognised in profit and loss when they are disposed from the balance sheet.

11.8. Property, plant and equipment

Property, plant and equipment are measured at cost less depreciation charges and impairment losses. Perpetual usufruct of land is recognised at purchase price (price specified in a decision issued by the municipality at the time of its granting).

The initial value of property, plant and equipment includes their cost increased by all expenses directly related to the purchase and bringing the asset to a usable condition. The cost includes also maintenance and repair of machines and devices if the criteria are met. Costs incurred after the date of commissioning, such as costs of maintenance and repair, are charged to profit and loss, when incurred.

Property, plant and equipment by the acquisition are separated for items with significant value, which could be identified with separate useful life. The overhauls are the component.

Property, plant and equipment, excluding the land, are depreciated on the straight line basis over the estimated useful life of each asset.

Buildings, premises and civil and water engineering structures	20 years
Technical equipment and machinery	2.5 - 20 years
Vehicles	2.5 - 5 years
Other tangible assets	5 – 7 years

Residual value, useful life, depreciation rate and method are verified annually and if necessary – adjusted with the effect from the beginning of the ended year.

Property, plant and equipment are recognised separately and depreciated throughout their useful lives.

An item of property, plant and equipment may be derecognised from the balance sheet after its disposal or when the entity does not expect any economic benefits from the further use of the asset. All gains or losses arising from derecognition of an asset from the balance sheet (calculated as difference between potential income from net sales and carrying amount of particular position) are recognised in profit and loss in the period of such derecognition.

11.9. Construction in progress

Construction in progress is measured at cost directly related to the acquisition or production, less impairment losses. Construction in progress includes also investment materials. Construction in progress is not depreciated until completion of the construction and commissioning.

11.10. Borrowing costs

Borrowing costs from loans and borrowings resulting from the received loans and borrowings denominated in the foreign currency which may be directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as the part of purchase price or the production costs of this item. External borrowing costs include interests and gain and losses from exchange differences to the extent that they are regarded as an adjustment to interest costs.

11.11. Impairment of non-financial non-current assets

At each reporting date, the Company evaluates whether any circumstances indicating impairment of non-financial non-current assets have occurred. Should such evidence be detected, or should an annual impairment test be required, the Company estimates the recoverable amount of the given asset or cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit item corresponds to the higher of fair value less costs to sell of the asset or respectively of the cash-generating unit or its value in use. The recoverable amount is determined for each asset except for assets not generating cash flows independent of those generated by other assets within the given asset group. If the carrying amount of an asset exceeds its recoverable amount, impairment occurs and the amount of the asset is reduced to the recoverable amount determined. When estimating the value in use, projected cash flows are discounted to the current value with the discount rate not including tax effects, which reflects current market estimates of time value of money and risk typical for the given type of assets. Impairment losses on assets used in continuing operations are charged to the classes of expenses corresponding to the function of the given impaired asset.

At each reporting date, the Company evaluates whether any circumstances indicating that the impairment loss recognised in previous periods for the given asset is redundant or requires reduction. If such evidence occurs, the Company estimates the recoverable amount of the asset. The previously recognised impairment loss is reversed only when, after recognition of the latest impairment loss, the estimates used to calculate the recoverable value of the asset have changed. In such a case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount of the asset to be calculated (after reduction of accumulated depreciation) if in previous years no impairment loss was recognised for this asset. Reversal of the impairment loss is immediately recognised as revenue in profit and loss. Following the reversal of an impairment loss, in subsequent periods, the depreciation charge on the given asset is adjusted in a manner allowing regular write-down of its reviewed carrying amount reduced by the residual value over the remaining useful life of the asset.

11.12. Investment property

Investment properties are initially recognised at cost, including transaction costs. If the recognition criteria are met, the carrying value of investment properties include the cost of replacing part of an investment property at the time it is incurred. The carrying amount does not include the costs of current maintenance of the property.

After initial recognition, investment properties are recognised at their cost less accumulated depreciation and impairment losses. Investment properties are derecognised from the balance sheet when they are permanently withdrawn from use and no future economic benefits are expected from their sale. All gains and losses arising from derecognition of investment properties from the balance sheet are recognised in profit and loss in the period of such derecognition.

The reclassification to investment properties requires change in use, evidenced by the end of use of the investment property by its owner, entering into operating lease agreement or finishing construction of the investment property. If assets are not used by their owner (the Company) they are classified as investment properties. The Company applies policy described in the note on property, plant and equipment until the change of use of investment properties.

After acquisition investment properties are separated into items with significant value, which could be identified with separate useful life. The overhauls are the component.

Investment properties, except for land, are depreciated using the straight-line method over the estimated useful life of each investment property.

Buildings, premises and civil and water engineering structures	14 years
Technical equipment and machinery	2.5 - 14 years

Residual value, useful lives and depreciation rates are periodically reassessed with appropriate adjustments to depreciation rates recognised on a prospective basis in subsequent financial years.

Investment properties are recognised separately and depreciated throughout their useful lives.

11.13. Shares in subsidiaries, jointly controlled entities and associates

Investments in subsidiaries, jointly controlled entities and associates consider shares with no active market therefore it is impossible to reliably determine their fair value. These shares are recognised at cost less impairment losses.

11.14. Financial assets

Financial assets are classified into:

• assets held-to-maturity,

• financial assets measured at fair value through profit and loss,

• loans and receivables,

• assets available-for-sale.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity, other than:

• determined by the initial recognition as measured at fair value through profit and loss,

• determined as available for sale,

• meeting the criteria of loans and receivables.

Assets held-to-maturity are measured at measured at amortised cost using the effective interest method. Assets held to maturity are classified as long-term if their maturity exceeds 12 months from the reporting date.

Assets qualified as financial assets measured at fair value through profit and loss meet one of the following conditions:

a) they are qualified as held for trading. Financial assets are qualified as held for trading if:

- they have been acquired principally for the purpose of being sold in the short term;

- they are a part of a portfolio of defined financial instruments managed as a group and probable to generate profit in a short term; or

- they are derivatives except for those classified as hedges and financial guarantees;

b) in accordance with IAS 39, they have been qualified as such upon initial recognition.

Financial assets measured at fair value through profit and loss are measured at fair value taking into account their market price at the reporting date and excluding transactional expenses. Changes in the value of financial instruments are recognised in the profit and loss statement as financial income or costs. If the host contract includes one or more embedded derivative, the whole host contract may be classified as assets qualified as financial assets measured at fair value through profit and loss. It does not relate to the situations, when the embedded derivative does not influence significantly on the cash flows from the host contract or on the separation of the embedded derivative is prohibited. Upon initial recognition, financial assets may be qualified as assets measured at fair value through profit and loss if the following criteria are met: (i) it eliminates or significantly reduces a measurement or recognition inconsistency, that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or (ii) assets are the part of a group of financial assets managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or (iii) financial assets include embedded derivatives that shall be recognised separately.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified into current assets unless their maturity does exceed 12 months from the reporting date. Loans and receivables with the maturity above 12 months from the reporting date are classified into non-current assets.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit and loss. Financial assets available for sale are measured at fair value without reducing the sale transaction costs, including the market value as at the reporting date. Assets not quoted on an active market and whose fair value cannot be reliably measured by the alternative methods, are measured at cost adjusted by impairment loss. Positive and negative difference between fair value of available-for-sale financial assets (if the market price quoted on the active market exists or which fair value may be measured otherwise reliably) and their cost of purchase after deducting by the deferred tax, is recognised in other comprehensive income. The decline of available-for-sale financial assets' value is recognised as the financial cost.

The purchase and sales of financial assets are recognised as at the transaction date. Upon initial recognition the financial asset is measured at fair value, increased in case of the asset not classified as financial assets at fair value through profit and loss, by the transaction costs, which may be directly assigned to the purchase.

The financial asset is derecognised from the balance sheet when the Company lost the contractual rights comprising to the financial instrument. Usually it happens when the instrument is sold or when cash flows dedicated to the instrument are transferred to an independent third party.

11.15. Impairment of financial assets

As at the reporting date, the Company checks if any objective evidence of impairment of financial assets or groups of financial assets exists.

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on loans granted and receivables measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future losses due to irrecoverable receivables that have not been incurred yet) discounted at the original effective interest rate (i.e. the interest rate computed at initial recognition). The carrying amount of the asset is reduced directly or through an impairment loss. The amount of the loss is recognised in profit and loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and objective evidence of impairment that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is derecognised. The reversal is recognised in profit and loss to the extent the carrying amount of the asset does not exceed its amortised cost as of the reversal date.

Financial assets carried at cost

If there is objective evidence of impairment of an unquoted equity instrument which is not measured at fair value as the fair value cannot be determined reliably or a derivative that is linked to and must be settled by delivery of such unquoted equity instrument, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

Financial assets available for sale

If there is objective evidence for impairment of a financial asset available for sale, the amount being the difference between the asset's cost (less any principal and interest repaid) and its present fair value, less any impairment losses on the asset recognised previously in profit and loss, is derecognised from equity and reclassified to profit and loss. A reversal of impairment loss on equity instruments classified as available for sale may not be recognised in profit and loss. If, in a subsequent period, the fair value of a debt instrument available for sale increases and the increase may be related objectively to an event occurring after the impairment was recognised in profit and loss, the amount of the reversed loss is reclassified to profit and loss.

11.16. Leasing

The Company as a lessor

Lease agreements, including rent agreements, which do not transfer substantially all the risks and rewards incidental to ownership are classified as operating leases. Cost and revenue connected with operating lease agreements are recognised in profit and loss.

The Company as a lessee

Finance lease agreements transferring substantially all the risks and rewards incidental to ownership, are recognised in the balance sheet at the inception of the lease in lower of: fair value of the leased tangible asset which is the leasing subject or present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The financial charges are recognised directly in profit and loss.

Tangible assets used based on the finance lease agreement are depreciated over the shorter of the lease term and its useful life.

Lease agreements not transferring substantially all the risks and rewards incidental to ownership of an asset are classified as operating lease agreement. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

11.17. Inventories

Inventories are measured at the lower of: cost or the net realisable value. Costs incurred in order to bring each inventory item to its current location and condition are recognised in the value of inventories and release of inventories is measured using the weighted average method.

The costs of conversion of finished goods and work in progress include costs of direct materials and labour and reasonable part of indirect costs of production, based on the normal capacity of the production facilities.

Net selling price is realisable at the reporting date selling price less value added tax and duty tax, deducted by trade discounts, rebates and other similar items and costs incurred before it is ready for sale and sale process.

Inventories comprise materials, merchandise and advances for development of wind farms, which suitability for use is considered probable.

11.18. Long- and short-term receivables

Trade receivables are recognised at the principal amounts less any impairment losses.

Receivables are adjusted by an allowance for doubtful debtors taking into consideration the likelihood of collection. The allowance is recorded either as other operating costs or as financial costs – depending on the nature of the receivable to which it relates.

Redeemed, overdue or irrecoverable receivables reduce previously recognised allowances for doubtful debts.

Redeemed, overdue or irrecoverable receivables, not covered by the allowance, are classified into other operating costs or financial costs.

State receivables are presented as other short-term receivables, excluding corporate income tax receivables which are presented in the balance sheet as a separate caption.

If the effect of the time value of money is material, receivables value is measured at estimated future cash flows discounted to current value at the gross discount rate reflecting current market rate of the time value of money. If the discount method was applied, the receivables increase due to the passage of time are recognised as financial income.

11.19. Foreign currency transactions

Foreign currency transactions denominated in foreign currencies are translated into PLN at the exchange rate applicable as at the transaction date.

As at the reporting date cash, loans and other monetary assets and equity and liabilities denominated in foreign currencies other than PLN are translated into PLN at the average exchange rate published by the National Bank of Poland. Exchange differences from translation are recognised in the financial income or costs.

(in PLN thousand)

Non-monetary items measured at cost and denominated in foreign currencies are translated at the exchange rate of the initial transaction date. Non-monetary assets and liabilities measured at fair value are translated at the exchange rate of the fair value determining date.

Exchange rates applied for the purpose of balance sheet measurement:

	31.12.2014	31.12.2013
USD	3.5072	3.0120
EUR	4.2623	4.1472
GBP	5.4648	4.9828

11.20. Cash and cash equivalents

Cash and cash equivalents position, also presented in statement of cash flows, include cash in hand, bank deposits, investment funds shares, government bills and bonds, which were not classified as the investment operations.

11.21. Prepayments and accruals

The Company recognises prepayments if they concern future periods. The accruals are determined in the amount of probable liabilities pertaining to the current reporting period.

11.22. Share capital

Share capital is recognised in the amount determined in the Company's Statute and recorded in the court register. The surplus between the fair value of received payment and nominal value of shares are recognised in the share premium. As for the repurchase of shares, the amount of the consideration paid is recognised in the equity and presented in the balance sheet as the own shares. Declared but not submitted capital contribution is presented as share capital not paid.

11.23. Provisions

Provisions are recognised in the balance sheet when the Company has an obligation (legal or constructive) as a result of a past events and when it is certain or highly probable that the settlement of this obligation will require the outflow of economic benefits and the amount of the obligation can be measured with sufficient reliability.

If the Company expects that costs covered by the provision may be reimbursed, e.g. due to insurance agreement, the return is recognised as the separate asset only if it is virtually certain that reimbursement will be received. Costs of the provision are presented net of the amount recognised for a reimbursement in the profit and loss. If the effect of the time value of money is material, the provision value is measured by the discounting cash flows to current value at the gross discount rate reflecting current market rate of the time value of money and possible risk related to the liability. If the discounting method was applied, the increase of provision is presented as the financial cost.

11.24. Provision for jubilee benefits and post-employment benefits

In accordance with the Company's remuneration plan the employees of the Company are entitled to jubilee benefits and post-employment benefits. Post-employment benefits are paid as a lump sum at the time of retirement. Value of jubilee benefits and post-employment benefits depends on years of service and average employee remuneration. The company creates the provision for future jubilee benefits and post-employment benefits to allocate the costs to the periods when applied. According to IAS 19 jubilee benefits are other long-term employee benefits, whereas the payments on retirement are the programs of defined post-employment benefits. Accrued liabilities are equal to discounted payments which will be settled in the future including employee turnover and concern the period from the reporting date. Demographic information and information about the employee rotation are based on the historical data.

11.25. Loans and borrowings

Upon initial recognition all loans and borrowings are measured at fair value less costs of receiving the loan or borrowing.

After the initial recognition the loans and borrowings are measured at amortised cost using the effective interest method.

By measuring the amortised cost it shall be included costs associated to receiving the loan or borrowing and discount or bonus obtained in relation to payables.

Income and costs are recognised in profit and loss while derecognition of liabilities and due to the settlement at effective interest method.

11.26. Trade payables and other liabilities

Short - term trade payables are presented at the amounts due. Financial liabilities at the reporting date are valued at fair value through profit and loss. Financial liabilities include financial liabilities held for trading and financial liabilities initially recognised at fair value through profit and loss. Financial liabilities are classified as held for trading, they are acquired principally for the purpose of selling them in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading, unless they are recognised as effective hedging instrument. Initially, financial liabilities can be recognised at fair value through profit and loss, if the following criteria are met: (I) classification as recognised at fair value through profit and loss eliminates or significantly reduced incoherence of treatment when both the measurement and principles of recognition of losses and profits are subject to other regulations; or (II) liabilities are part of the financial liabilities of the Company, which are managed and valued on the basis of fair value, according to documented risk management strategy; or (iii) financial liabilities include embedded derivatives, which should be presented separately.

Other financial liabilities, which are not classified as financial instruments at fair value through profit and loss, are recognised at amortised cost with the use of effective interest method.

The Company derecognises a financial liability from the balance sheet when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amounts arising on the exchange is recognised in the profit and loss statement.

Other non-financial liabilities comprise in particular value added tax liabilities, personal income tax liabilities, social security creditors and advance payments liabilities that will be settled at the delivery of property, plant and equipment. Other non-financial liabilities are presented at the amounts due.

11.27. Revenue recognition

Revenue from sales is recognised when it is probable that the economic benefits associated with the sale transaction will flow to the Company and the amount of the revenues can be measured reliably. The revenue is recognised at fair value after deducting value added tax (VAT), excise and discounts. When recognising the revenue, the criteria specified below are also taken into account.

11.27.1. Revenue from sale of goods and merchandise

Revenue from sale of goods and merchandise is recognised in the profit and loss statement when the Company has transferred the significant benefits of ownership to the buyer and when it is possible to reliably measure the revenue.

11.27.2. Revenue from sale of services

Revenue from services rendered is recognised based on the stage of completion of the service. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, the Company recognises revenue only to the extent the expenses recognised are recoverable.

11.27.3. Interest income

Interest income is recognised as the interest accrues (using the effective interest method representing discount rate of future cash flows during the estimated period of financial assets recognition) in relation to the net carrying amount of the financial asset.

11.27.4. Dividends

Dividends are recognised when the right of shareholders or stakeholders to receive payment is established.

11.27.5. Rent revenue (operating lease)

Revenue from investment property lease is recognised in the profit and loss statement on a straight-line basis over the term of the lease.

11.27.6. Government grants

If there is a reasonable assurance that the government grant will be received and all the related conditions will be met, government grant is recognised at fair value.

If government grant compensates for expenses incurred, it is recognised in profit and loss as income on a systematic basis in the periods in which the expenses are recognised. Government grants related to assets are recognised initially as deferred income at fair value and are amortised to other operating income proportionally to the depreciation charges on these assets.

11.28. Taxes

11.28.1. Current tax

Income tax settlements for current period and for previous periods are recognised in the amount of the expected tax payment. Current income tax is calculated in accordance with the relevant tax rules and tax regulations at the reporting date.

11.28.2. Deferred tax

For the purposes of the financial reporting, deferred tax is calculated using the liability method in respect of temporary differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax amount used for the calculation of the tax base.

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss),
- taxable temporary differences associated with investments in subsidiaries, associates or joint ventures if investor or venturer is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from:

- the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss),
- deductible temporary differences associated with investments in subsidiaries, associates or joint ventures, where a deferred tax asset is recognised to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of a deferred tax asset and deferred tax liability is verified at each reporting date. The Company reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow deferred tax asset to be utilised partially or entirely. Deferred tax assets that are not recognised is analysed at each reporting date and it is recognised to the extent that it is probable that future taxable income will be available against which the temporary differences could be utilised.

Deferred tax assets and deferred tax liabilities are determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.
The deferred tax relating to transactions recognised directly in the equity is recognised in the equity, not in the statement of profit and loss.

Deferred tax assets and liabilities can be offset when the Company has an enforceable right to offset current income tax receivables and liabilities and when the deferred tax assets and liabilities relate to income tax imposed on the same taxpayer by the same tax authorities.

11.28.3. Value Added Tax

Revenue, costs, assets and liabilities are recognised net that is less VAT, apart from:

- transactions when VAT paid during purchase of assets and services is not recoverable; in these situations VAT is recognised as a part of purchase price or as a part of cost position respectfully and
- receivables and liabilities that are presented with the inclusion of VAT.

The net amount of VAT which is recoverable or due to be paid to tax authorities is presented in the balance sheet as a part of receivables or liabilities.

(in PLN thousand)

11.29. Earnings per share

Earnings per share are based on the net profit and weighted-average number of ordinary shares outstanding in the period.

Diluted earnings per share are based on the profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

11.30. Contingent assets and liabilities

A contingent liability is an obligation that will be confirmed only by the occurrence of specified events. Contingent liabilities are not presented in the balance sheet, however the Company discloses information about contingent liabilities in the financial statements. If the probability of the outflows of economic benefits is insignificant, contingent liabilities are not presented in the financial statements.

Contingent assets are not presented in the balance sheet, however the Company discloses information about contingent receivables in the financial statements if the inflow of economic benefits is probable.

12. Segment reporting

The Company operates as one operating segment.

13. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholders of the Company divided by weighted average number of issued ordinary shares outstanding during the period.

The calculation of diluted earnings per share is based on the profit attributable to the ordinary shareholders of the Company (after interest on redeemable, preference and convertible shares) divided by weighted average number of issued ordinary shares (after adjustment of the effects of all dilutive options and dilutive redeemable, preference and convertible shares) outstanding during the period.

Information about the values of profit and shares, which are used in the basic and diluted earnings per share calculation are presented below.

In the period between reporting date and the date of preparation of these financial statements there were no transactions concerning ordinary shares and potential ordinary shares.

	For the period ended 31.12.2014	For the period ended 31.12.2013
Net loss	(16 091)	(12 790)
Weighted average number of ordinary shares	29 357 160	21 313 967
Net loss per ordinary share (in PLN)	-0.55	-0.60

	For the period ended 31.12.2014	For the period ended 31.12.2013
Weighted average number of ordinary shares	29 357 160	21 313 967
Effect of dilution	-	-
Weighted average number of diluted ordinary shares	29 357 160	21 313 967

(in PLN thousand)

14. Distribution of profit

On 15 April 2014 the Ordinary General Meeting of the Company resolved that the net loss incurred by the Company in the financial year 2013 shall be covered entirely from reserve capital.

15. Intangible assets

INTANGIBLE ASSETS

31.12.2014	Concessions, patents, licences and other, including:	computer software	Total intangible assets
1. Gross carrying value at the beginning of the period	1 522	64	1 522
a) increases, including:	590	-	590
- purchase	590	-	590
2. Gross carrying value at the end of the period	2 112	64	2 112
3. Accumulated amortisation at the beginning of the period	(576)	(64)	(576)
- amortisation for the period	(284)	-	(284)
4. Accumulated amortisation at the end of the period	(860)	(64)	(860)
5. Impairment allowances at the beginning of the period	-	-	-
6. Impairment allowances at the end of the period	-	-	-
7. Net carrying value at the beginning of the period	946	-	946
8. Net carrying value at the end of the period	1 252	-	1 252

INTANGIBLE ASSETS

31.12.2013	Concessions, patents, licences and other, including:	computer software	Total intangible assets
1. Gross carrying value at the beginning of the period	690	64	690
a) increases, including:	832	-	832
- purchase	832	-	832
2. Gross carrying value at the end of the period	1 522	64	1 522
3. Accumulated amortisation at the beginning of the period	(440)	(64)	(440)
- amortisation for the period	(136)	-	(136)
4. Accumulated amortisation at the end of the period	(576)	(64)	(576)
5. Impairment allowances at the beginning of the period	-	-	-
6. Impairment allowances at the end of the period	-	-	-
7. Net carrying value at the beginning of the period	250	-	250
8. Net carrying value at the end of the period	946	-	946

(in PLN thousand)

16. Property, plant and equipment

PROPERTY, PLANT AND EQUIPMENT

31.12.2014	Buildings, premises and civil and water engineering structures	Technical equipment and machinery	Vehicles	Other property, plant and equipment	Construction in progress	Property, plant and equipment total
1. Gross carrying value at the beginning of the period	672	493	2 615	223	228	4 231
a) additions	447	196	1 116	493	-	2 252
- purchase	447	196	1 116	493	-	2 252
b) disposals	(26)	-	(754)	(70)	-	(850)
- sale and liquidation	-	-	(754)	(70)	-	(824)
- others	(26)	-	-	-	-	(26)
2. Gross carrying value at the end of the period	1 093	689	2 977	646	228	5 633
3. Accumulated depreciation at the beginning of the period	(249)	(357)	(1 883)	(221)	-	(2 710)
a) depreciation for the period	(54)	(67)	(473)	(164)	-	(758)
b) disposals	-	-	754	70	-	824
- sale and liquidation	-	-	754	70	-	824
4. Accumulated depreciation at the end of the period	(303)	(424)	(1 602)	(315)	-	(2 644)
5. Impairment allowances at the beginning of the period	-	-	-	-	(228)	(228)
a) additions	-	-	-	-	-	-
b) reversals	-	-	-	-	-	-
6. Impairment allowances at the end of the period	-	-	-	-	(228)	(228)
7. Net carrying value at the beginning of the period	423	136	732	2	-	1 293
8. Net carrying value at the end of the period	790	265	1 375	331	-	2 761

The carrying value of the vehicles leased by the Company as at 31 December 2014 amounts to PLN 1,375 thousand.

(in PLN thousand)

PROPERTY, PLANT AND EQUIPMENT

31.12.2013	Buildings, premises and civil and water engineering structures	Technical equipment and machinery	Vehicles	Other property, plant and equipment	Construction in progress	Property, plant and equipment total
1. Gross carrying value at the beginning of the period	249	400	2 243	206	228	3 326
a) additions	423	98	372	31	-	924
- purchase	423	98	372	31	-	924
b) disposals	-	(5)	-	(14)	-	(19)
- sale and liquidation	-	(5)	-	(14)	-	(19)
2. Gross carrying value at the end of the period	672	493	2 615	223	228	4 231
3. Accumulated depreciation at the beginning of the period	(249)	(298)	(1 568)	(203)	-	(2 318)
a) depreciation for the period	-	(63)	(315)	(30)	-	(408)
b) disposals	-	4	-	12	-	16
- sale and liquidation	-	4	-	12	-	16
4. Accumulated depreciation at the end of the period	(249)	(357)	(1 883)	(221)	-	(2 710)
5. Impairment allowances at the beginning of the period	-	-	-	-	(228)	(228)
a) additions	-	-	-	-	-	-
b) reversals	-	-	-	-		-
6. Impairment allowances at the end of the period	-	-	-	-	(228)	(228)
7. Net carrying value at the beginning of the period	-	102	675	3	-	780
8. Net carrying value at the end of the period	423	136	732	2	-	1 293

The carrying value of the vehicles leased by the Company as at 31 December 2013 amounted to PLN 732 thousand.

(in PLN thousand)

17. Investment property

INVESTEMENT PROPERTY

31.12.2014	Buildings, premises and civil and water engineering structures	Technical equipment and machinery	Investement property total
1. Gross carrying value at the beginning of the period	6 843	4 448	11 291
a) additions	568	-	568
- other	568		568
2. Gross carrying value at the end of the period	7 411	4 448	11 859
3. Accumulated depreciation at the beginning of the period	(4 496)	(2 807)	(7 303)
a) depreciation for the period	(275)	(188)	(463)
4. Accumulated depreciation at the end of the period	(4 771)	(2 995)	(7 766)
5. Impairment allowances at the beginning of the period	(466)	(824)	(1 290)
6. Impairment allowances at the end of the period	(466)	(824)	(1 290)
7. Net carrying value at the beginning of the period	1 881	817	2 698
8. Net carrying value at the end of the period	2 174	629	2 803

As at 31 December 2014 there is no significant differences between fair value of the investment properties and their carrying value.

In the year ended on 31 December 2014 total revenue from investment properties lease from EC Zakrzów project amounted to PLN 1,920 thousand.

As at 31 December 2014 no investment properties is a subject to a mortgage securing the repayment of loans.

INVESTEMENT PROPERTY

31.12.2013	Buildings, premises and civil and water engineering structures	Technical equipment and machinery	Investement property total
1. Gross carrying value at the beginning of the period	6 843	14 819	21 662
a) additions	-	-	-
b) disposals	-	(10 371)	(10 371)
- other (including finance lease)	-	(10 371)	(10 371)
2. Gross carrying value at the end of the period	6 843	4 448	11 291
3. Accumulated depreciation at the beginning of the period	(4 249)	(8 858)	(13 107)
a) depreciation for the period	(247)	(452)	(699)
b) disposals	-	6 503	6 503
- other (including finance lease)	-	6 503	6 503
4. Accumulated depreciation at the end of the period	(4 496)	(2 807)	(7 303)
5. Impairment allowances at the beginning of the period	-	(773)	(773)
- additions	(466)	(51)	(517)
6. Impairment allowances at the end of the period	(466)	(824)	(1 290)
7. Net carrying value at the beginning of the period	2 594	5 188	7 782
8. Net carrying value at the end of the period	1 881	817	2 698

(in PLN thousand)

As at 31 December 2013 there were no significant differences between fair value of the investment properties and their carrying value.

In the year ended on 31 December 2013 total revenue from investment properties lease from EC Zakrzów project amounted to PLN 1,920 thousand.

As at 31 December 2013 no investment property was a subject to mortgage securing the repayment of loans.

As at 31 December 2014 and as at 31 December 2013 future lease payments under operating lease agreements are as follows:

	31.12.2014	31.12.2013
Up to 1 year	1 920	1 920
1-5 years	9 600	9 600
Over 5 years	*)	*)
Total	11 520	11 520

*) contract for indefinite period

On 19 May 2005 the Company signed contract for indefinite period for the lease of buildings and premises of EC Zakrzów for the total net amount of PLN 2,803 thousand. Monthly fee amounts to PLN 160 thousand. The notice period is 18 months.

18. Long-term financial assets

	31.12.2014	31.12.2013
Long-term financial assets in subsidiaries, including	1 236 903	646 650
- shares in non-listed entities	1 232 760	627 383
- loans granted	3 730	18 854
- quarantees granted to subsidiaries	413	413
Total long-term financial assets	1 236 903	646 650

Detailed characteristics of long-term financial assets is presented in Note 40.3.

In the year ended 31 December 2014 the Company created an impairment allowance for shares in subsidiaries of PLN 12,842 thousand, presented in detail in Note 37.

19. Inventories

	31.12.2014	31.12.2013
- wind farms developments*)	17 500	17 492
Total inventories	17 500	17 492

*) The operating cycle of projects for sale may exceed 12 month period. The value of expenditures on development of wind farm should be analysed taking into account the level of expenditures stated in the consolidated financial statements of the Group.

No inventories were set as collateral for loans both in the year ended 31 December 2014 and in the year ended 31 December 2013. As at 31 December 2014 and as at 31 December 2013 no inventories were recognised at net realisable value.

(in PLN thousand)

20. Short-term receivables

	31.12.2014	31.12.2013
- trade receivables	18 688	25 585
- from related parties	18 641	24 107
- from third parties	47	1 478
- income tax receivables	-	293
- other receivables	3 516	5 144
- finance lease	292	294
- other	3 224	4 850
Total short-term receivables net	22 204	31 022
- allowances for trade receivables	1 154	-
Total short-term receivables gross	23 358	31 022

Related parties transactions are presented in Note 42.

Trade receivables do not bear interest. Their payment terms are usually between 7 and 45 days.

As at 31 December 2014 impairment allowances for trade receivables amounts to PLN 1,154 thousand (2013: PLN 0 thousand). Changes in the impairment allowances of trade receivables were as follows:

	31.12.2014	31.12.2013
Impairment allowances at the beginning of the period	-	451
Created during the year	1 154	-
Reversed during the year	-	(451)
Impairment allowances at the end of the period	1 154	-

The table below presents ageing of trade receivables which on 31 December 2014 and on 31 December 2013 where overdue but assessed collectible.

	Total	Current	Overdue but collectible				
			<30 days	30-60 days	60-90 days	90-120 days	>120 days
31.12.2014	18 688	16 354	382	180	563	351	858
31.12.2013	25 585	12 620	506	11 915	332	-	212

In the year ended 31 December 2013 property plant and equipment of PLN 3,869 thousand were leased under the finance lease agreement. As at 31 December 2014 long-term lease receivables amounts to PLN 3,203 thousand (2013: PLN 3,453 thousand).

(in PLN thousand)

21. Prepayments

PREPAYMENTS

	31.12.2014	31.12.2013
- insurance	139	137
- subscriptions	37	20
- unbilled revenue	4 176	-
- other *)	97	2 776
Total prepayments	4 449	2 933

Unbilled revenue recognised as at 31 December 2014 of PLN 4,176 thousand comes mainly from services rendered to subsidiaries.

As at 31 December 2013 expenses of PLN 2,751 thousand were incurred in connection with activities of the Company performed in order to expand the scope of its business by acquiring new projects (ongoing or in development stage) in new fields: offshore wind energy, conventional energy and energy trading. As a result of these actions, there was an increase of equity paid with cash and shares, for more details please refer to Note 24.

22. Short-term financial assets

	31.12.2014	31.12.2013
- in related parties	24 412	100
- loans granted	24 302	-
- bills of exchange	110	100
- in third parties	931	153
- loans granted	931	153
Short-term financial assets total	25 343	253

23. Cash and cash equivalents

	31.12.2014	31.12.2013
Cash and cash equivalents, including:	216 447	34 703
- cash in hand and at bank	216 447	34 703
Cash and cash equivalents total	216 447	34 703

Cash at bank earns interest at variable interest rates, the amount of which depends on the interest rate for overnight bank deposits. Short-term deposits are made for varying periods ranging from one day to one month, depending on the Company's current demand for cash.

As at 31 December 2014 restricted cash amounts to PLN 50 thousand (2013: PLN 44 thousand).

(in PLN thousand)

24. Share capital and other capital reserves

24.1. Share capital (structure)

31.12.2014

31.12.2014

SHARE CAPITAL (STRUCTURE)

Series	Type of shares	Number of shares	Nominal value of series
A	bearer shares	2 213 904	4 428
B	bearer shares	2 304 960	4 610
C	bearer shares	515 256	1 031
D	bearer shares	566 064	1 132
E	bearer shares	1 338 960	2 678
F	bearer shares	544 800	1 090
G	bearer shares	683 376	1 367
H	bearer shares	288 000	576
I	bearer shares	856 704	1 713
J	bearer shares	3 835 056	7 670
K	bearer shares	1 640 688	3 281
L	bearer shares	3 144 624	6 289
M	bearer shares	182 359	365
N	bearer shares	69 922	140
O	bearer shares	70 908	142
P	bearer shares	89 500	179
R	bearer shares	37 560	75
S	bearer shares	147 026	294
U	bearer shares	125 300	251
W	bearer shares	143 200	286
T	bearer shares	945 800	1 891
Y	bearer shares	1 570 000	3 140
Z	bearer shares	24 129 580	48 259
Shares total		45 443 547	
Share capital total			90 887
Nominal value of share in PLN			2

On 27 August 2014 a transaction („Closing”), provided for in the investment agreement dated 18 July 2014 between the Company and Capedia Holdings Limited seated in Nicosia, Cyprus, was finalised (“Investor”) (“Agreement”).

As part of the Closing:

1) Investor took-up 7,266,122 new-issue shares of the Company at the issue price of PLN 33.03 per share and paid up a cash contribution of PLN 240,000,009.66.

2) Elektron Sp. z o.o. seated in Warsaw took-up 16,863,458 new-issue shares of the Company at the issue price of PLN 33.03 per share and paid up a contribution in kind of 100% of shares in Neutron Sp. z o.o. seated in Warsaw (subsidiary of Polenergia Holding S.a.r.l seated in Luxembourg that is controlled by Kulczyk Investments S.A.) in the total amount of PLN 557,000,017.74 (“Contribution”);

The Contribution in kind made in exchange for contribution shares (“Contribution”) represents 100% shares in Neutron Sp. z o.o. that is a holding entity owning shares in the below entities:

- 100% of shares in Elektrociepłownia Nowa Sarzyna Sp. z o.o. – operator of „Nowa Sarzyna” gas fired heat and power plant with electricity production capacity of 116 MWe and heat production capacity of 70 MWt;
- 100% of shares Polenergia Kogeneracja Sp. z o.o. – entity operating as a natural gas distributor and trader and formerly entity conducting cogeneration activities;
- 100% of shares in Elektrownia Północ Sp. z o.o. – entity developing a system coal power plant with total planned capacity of app. 1600 (2*800) MWe;
- 100% of shares in Polenergia Dystrybucja Sp. z o.o. – entity operating as an electricity distributor and seller;
- 100% of shares in Polenergia Obrót S.A. – entity specialising in trading of electricity, gas and certificates;
- 100% of shares in Natural Power Association Sp. z o.o. that is the only shareholder of Bałtyk Północny S.A., Bałtyk Środkowy II Sp. z o.o., Bałtyk Środkowy III Sp. z o.o. - entities developing a project of offshore wind power plants with total capacity of 1200 MWe, including 600 MWe until 2022 (“Green Group”);
- 100% shares in PPG Pipeline Projektgesselschaft mbH;
- 100% shares in PPG Polska Sp. z o.o. – entity developing a project of pipeline construction linking gas mains in Poland and Germany;
- 20% of shares in GEO Kletnia Sp. z o.o. – entity developing a project of wind power plant construction with an app. capacity of 40 MW.

(in PLN thousand)

31.12.2013

SHARE CAPITAL (STRUCTURE)

Series	Type of shares	Number of shares	Nominal value of series
A	bearer shares	2 213 904	4 428
B	bearer shares	2 304 960	4 610
C	bearer shares	515 256	1 031
D	bearer shares	566 064	1 132
E	bearer shares	1 338 960	2 678
F	bearer shares	544 800	1 090
G	bearer shares	683 376	1 367
H	bearer shares	288 000	576
I	bearer shares	856 704	1 713
J	bearer shares	3 835 056	7 670
K	bearer shares	1 640 688	3 281
L	bearer shares	3 144 624	6 289
M	bearer shares	182 359	365
N	bearer shares	69 922	140
O	bearer shares	70 908	142
P	bearer shares	89 500	179
R	bearer shares	37 560	75
S	bearer shares	147 026	294
U	bearer shares	125 300	251
W	bearer shares	143 200	286
T	bearer shares	945 800	1 891
Y	bearer shares	1 570 000	3 140
Shares total		21 313 967	
Share capital total			42 628
Nominal value of share in PLN			2

24.2. Significant shareholders

No.	Shareholder	Number of shares	Number of votes	% share
1	Kulczyk Investment S.A.*	29 811 757	29 811 757	65,60%
2	China - Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF**	7 266 122	7 266 122	15,99%
3	Generali OFE	2 943 731	2 943 731	6,48%
4	Aviva OFE	3 060 872	3 060 872	6,74%
5	Other	2 361 065	2 361 065	5,20%
	Total	**45 443 547**	**45 443 547**	

* through subsidiary Mansa Investments Sp. z o.o.
** through subsidiary Capedia Holdings Limited with its registered office in Nicosia, Cyprus

24.3. Other capital reserve

Other capital reserve results from statutory allocation of profits generated in previous reporting periods.

(in PLN thousand)

24.4. Retained earnings and restrictions on dividend payments

According to the regulations of the Commercial Companies Code, the Company is obliged to create reserve capital to cover potential losses. At least 8% of the profit for the reporting year recognised in the financial statements of the Company is transferred to reserved capital, until this capital amounts to at least one third of share capital. The General Meetings decide on the use of the reserve capital. Nevertheless, the part of reserve capital which amounts to one third of share capital can only be used to cover losses recognised in the financial statements and cannot be distributed for other purposes. The net loss for financial year 2013 was covered from reserve capital, i.e. share premium.

As at 31 December 2014 there are no restrictions concerning the payment of the dividend.

25. Income tax

25.1. Income tax

	31.12.2014	31.12.2013	Q4 2014	Q4 2013
Current tax	-	-	-	288
Current tax	-	-	-	288
Deferred tax	(6 273)	(4 463)	(844)	(1 920)
Changes due to creation and reversal of temporary differences	(6 273)	(4 463)	(844)	(1 920)
Income tax in profit and loss	(6 273)	(4 463)	(844)	(1 632)

25.2. Deferred tax

	Balance sheet		Profit and loss	
Deferred tax	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Deferred tax liability				
Fixed assets	572	382	190	(10)
Receivables	-	-	-	(554)
Loans	660	2 842	(2 182)	(3 513)
Lease liabilities	664	712	(48)	712
Revenue	793	-	793	-
Deferred tax liability gross	2 689	3 936	(1 247)	(3 365)
Deferred tax assets				
Fixed assets	1 459	1 587	(128)	807
Receivables	-	-	-	(134)
Loans	2 791	-	2 791	(184)
Liabilities	375	126	249	(110)
Provisions	2 796	1 200	1 596	(174)
2013 net loss	743	893	(150)	893
2014 net loss	668	-	668	-
Deferred tax assets	8 832	3 806	5 026	1 098
Deferred tax			(6 273)	(4 463)
Deferred tax (assets)/liabilities	(6 143)	130		

(in PLN thousand)

25.3. Effective tax rate

A reconciliation of the calculation of income tax on result before tax at the statutory tax rate and income tax calculated according to the effective tax rate	31.12.2014	31.12.2013
Income tax in profit and loss:	(6 273)	(4 463)
Current tax	-	-
Deferred tax	(6 273)	(4 463)
Gross loss before taxation	**(22 364)**	**(17 253)**
Income tax according to the statutory tax rate of 19% (2013: 19%)	(4 249)	(3 278)
Curent tax of limited partnership companies	(11)	(165)
Deferred income tax (change) of limited partership companies	443	(126)
Non-taxable costs:	**1 478**	**253**
- other permanent differences	1 478	253
Non-taxable income	**3 070**	**1 729**
- dividends	3 041	1 729
- other	29	-
Income tax at effective tax rate	**(6 273)**	**(4 463)**

26. Provisions

	31.12.2014	31.12.2013
Long-term provisions		
Retirement provision	21	21
Provision for restoration costs	1 166	596
Total long-term provisions	1 187	617

Short-term provisions		
Retirement provision	12	12
Holiday provision	2 030	1 185
Total short-term provisions	2 042	1 197

Change in long-term and short-term provisions

Balance at the beginning of the period	1 814	1 592
provisions created	1 415	276
provision released	-	(54)
Balance at the end of the period	3 229	1 814

27. Long-term loans and borrowings

As at 31 December 2014

The name (firm) of the entity, including legal form	Headquarters	Loan/borrowing amount according to the contract		Remaining amount of loan/borrowing to be repaid		Interest	Maturity date
		PLN thousand	currency	PLN thousand	currency		
Grupa PEP Uprawy Energetyczne Sp. z o.o.	Warsaw	1 000	PLN	1 000	PLN	7 %	December 2017
Total				1 000	PLN		

As at 31 December 2013

The name (firm) of the entity, including legal form	Headquarters	Loan/borrowing amount according to the contract		Remaining amount of loan/borrowing to be repaid		Interest	Maturity date
		PLN thousand	currency	PLN thousand	currency		
Grupa PEP Development Projektów Sp. z o.o. formerly: Polish Energy Partners S.A. Development Projektów SKA	Warszawa	15 855	PLN	14 753	PLN	Wibor 3M plus margin 6,09%	December 2015
Grupa PEP Finansowanie Projektów 1 Sp. z o.o., formerly:Polish Energy Partners S.A. Finansowanie Projektów SKA	Warsaw	197 999	PLN	185 256	PLN	Wibor 3M plus margin 6,09%	December 2015
Group PEP Finansowanie Projektów 1 Sp. z o.o., formerly: Polish Energy Partners S.A. Finansowanie Projektów SKA	Warsaw	80 000	PLN	37 187	PLN	Wibor 3M plus margin 6,09 %	December 2015
Grupa PEP Uprawy Energetyczne Sp. z o.o.	Warsaw	1 000	PLN	1 000	PLN	7 %	December 2017
Total				238 196	PLN		

28. Short-term liabilities

	31.12.2014	31.12.2013
- loans and borrowings	259 264	-
- trade payables	1 033	1 586
- due to related parties	3	-
- due to third parties	1 030	1 586
- other liabilities	1 702	2 013
- taxation, custom duties and social security liabilities	893	1 448
- other financial liabilities	475	258
- payroll	11	2
- special funds	27	10
- other	296	295
Total short-term liabilities	261 999	3 599

Related party transactions are presented in Note 42.

Trade payables do not bear interest. Payment dates of trade payables are usually 14 days.

Other liabilities do not bear interest.

29. Short-term loans and borrowings

As at 31 December 2014

The name (firm) of the entity, including legal form	Headquarters	Loan/borrowing amount according to the contract		Remaining amount of loan/borrowing to be repaid		Interest	Maturity Date
		PLN thousand	currency	PLN thousand	currency		
Grupa PEP Development Projektów Sp. z o.o. formerly: Polish Energy Partners S.A. Development Projektów SKA	Warsaw	15 855	PLN	16 149	PLN	Wibor 3M plus margin 6,09%	December 2015
Grupa PEP Finansowanie Projektów 1 Sp. z o.o., formerly:Polish Energy Partners S.A. Finansowanie Projektów SKA	Warsaw	197 999	PLN	201 669	PLN	Wibor 3M plus margin 6,09%	December 2015
Grupa PEP Finansowanie Projektów 1 Sp. z o.o., formerly: Polish Energy Partners S.A. Finansowanie Projektów SKA	Warsaw	80 000	PLN	41 446	PLN	Wibor 3M plus margin 6,09 %	December 2015
Total				259 264	PLN		

As at 31 December 2013 there were no loans or borrowings.

30. Accruals

	31.12.2014	31.12.2013
- future bonuses and salaries costs	5 933	2 014
- external services expenses	2 268	798
- other	809	807
Total short-term accruals	9 010	3 619

31. Contingent liabilities

31.1. Guaranties and sureties granted

Grupa PEP – Farma Wiatrowa 1 Sp. z o.o.

On 7 August 2013 the Company granted to Siemens Sp. z o.o. ('Siemens') a surety for the liabilities of Grupa PEP – Farma Wiatrowa 1 Sp. z o.o. (FW1) under the agreement concerning delivery of 18 wind turbines. The total estimated value of the agreement amounted to EUR 58,987 thousand including VAT. The surety expires after the complete repayment of all FW1 liabilities concerning the above mentioned agreement, but no later than on 31 December 2015.

As at 31 December 2014 there were no FW1 liabilities due to Siemens from delivered goods.

On 28 November 2013 the Company granted a contingent surety for the loan liabilities of FW1 which is effective upon the occurrence of the events specified in the agreement. No such events occurred as at 31 December 2014. The surety expires after the complete repayment of loan liabilities.

Grupa PEP – Farma Wiatrowa 6 Sp. z o.o.

On 20 December 2012 mBank S.A. issued on behalf of the Company a guarantee in favour of PGE Dystrybucja S.A for payment of Grupa PEP – Farma Wiatrowa 6 Sp. z o.o. ("FW6") liabilities arising from the agreement on connection to the power grid. The guarantee became effective on 31 December 2012.

The guarantee expires on 31 December 2019.

The guarantee amount decreases with the settlement of the contract and as at 31 December 2014 amounted to PLN 3,069 thousand.

On 7 August 2013 the Company granted to Siemens Sp. z o.o. ('Siemens') a surety for the liabilities of Grupa PEP – Farma Wiatrowa 6 Sp. z o.o. (FW6) arising from the agreement on delivery of 18 wind turbines. The total value of the agreement amounted to EUR 37,160 thousand including VAT. The surety expires after the complete repayment of all FW6 liabilities from execution of the above mentioned agreement, but no later than on 31 December 2015.

As at 31 December 2014 there were no FW6 liabilities due to Siemens from delivered goods.

On 28 November 2013 the Company granted a contingent surety for the loan liabilities of FW6 which is effective upon the occurrence of the events specified in the agreement. No such events occurred as at 31 December 2014. The surety expires after the complete repayment of loan liabilities.

Grupa PEP – Farma Wiatrowa 4 Sp. z o.o.

On 29 April 2014 MBANK S.A. issued on behalf of the Company a guarantee to the amount of PLN 573.1 thousand in favour of Energa Operator S.A. for payment of Grupa PEP – Farma Wiatrowa 4 Sp. z o.o. ("FW4") liabilities arising from the agreement on connection to the power grid that expires on 30 June 2015.

On 28 November 2013 the Company granted a contingent surety for the loan liabilities of FW1 which is effective upon the occurrence of the events specified in the agreement. No such events occurred as at 31 December 2014. The guarantee expires after the complete repayment of loan liabilities.

On 25 July 2014 the Company granted to Siemens Sp. z o.o. ('Siemens') a surety for the liabilities of FW4 under the agreement concerning delivery of 16 wind turbines. The total estimated value of the agreement amounted to EUR 50,372 thousand including VAT. The surety expires after the complete repayment of all FW4 liabilities concerning the above mentioned agreement, but no later than on 31 December 2015.

As at 31 December 2014 there were no FW4 liabilities due to Siemens from delivered goods.

On 29 July 2014 the Company granted a contingent surety for FW4 VAT loan liabilities with maximum value PLN 50,000 thousand. The surety is effective upon the occurrence of the events specified in the guarantee agreement. No such events occurred as at 31 December 2014. The surety expires after the complete repayment of the loan liabilities but no later than 31 December 2019.

Grupa PEP – Biomasa Energetyczna Południe Sp. z o. o.

On 30 December 2014 the Company concluded the Amendment no. 5 to the surety agreement with mBank SA (mBank) dated 23 December 2009 regarding loans granted to Grupa PEP – Biomasa Energetyczna Południe Sp. z o.o. (GPBEPD). The amendment reduces the maximum amount of surety to the amount of PLN 11,500 thousand and removes the exemption conditions of surety.

The surety expires after complete repayment of the loan liabilities but no later than on 23 December 2021.

As at 31 December 2014 the loans liabilities of GPBEPD amounted to PLN 7,305 thousand.

Grupa PEP – Biomasa Energetyczna Północ Sp. z o. o.

On 28 May 2014 the Company signed an extension of the surety granted for the liabilities of Grupa PEP - Biomasa Energetyczna Północ Spółka z ograniczoną odpowiedzialnością (GPBEPN) arising from the revolving loan granted by Raiffeisen Bank Poland SA (Raiffeisen) to a maximum amount of PLN 7,500 thousand.

The surety expires on 27 March 2018.

As at 31 December 2014 the loans liabilities of GPBEPN amounted to PLN 0 thousand.

Grupa PEP – Biomasa Energetyczna Wschód Sp. z o. o.

On 9 November 2011, the Company granted to GDF SUEZ Bioenergia Spółka z ograniczoną odpowiedzialnością (GDF) a surety for the liabilities of Grupa PEP – Biomasa Energetyczna Wschód Sp. z o.o. (GPBEWSCH) in respect of contractual penalties pursuant to the biomass supply agreements No. 1/PP/B/2009. The surety amount is decreasing every year of the contract and in 2014 amounted to PLN 15.675 thousand.

The surety expires on 28 February 2018.

As at 31 December 2014 GDF has not charged Grupa PEP – Biomasa Energetyczna Wschód Sp. o.o. with any contractual penalties.

Amon Sp. z o.o. and Talia Sp. z o.o.

On 27 December 2012 the Company provided a surety of bill of exchange issued by Talia Sp. with o.o (Talia) in favour of "Agro-Tak" Zagrodno Bronislaw Tabisz Leszek Kachniarz sj. in respect of an existing lease agreement. The maximum value of the bill may not exceed PLN 500 thousand.

As at 31 December 2014 the contractual liabilities amounted to PLN 0 thousand.

On 25 April 2014 the Company provided a surety to repayment a loan granted to Amon Sp. z o.o and Talia Sp. z o.o by a consortium of banks (Raiffeisen Bank Poland SA, Bank Zachodni WBK, DNB BANK POLSKA SA, Powszechna Kasa Oszczędności Bank Polski S.A.), Amon Sp. z o. o. and Talia Sp. z o. o. to the total amount of PLN 6,757.7 thousand for both companies.

The surety will expire on 31 December 2029.

Dipol Sp. z o.o.

On 23 April 2014 the Company granted to Dipol Sp. z o.o. a surety for a maximum value of PLN 6,337.5 thousand for repayment of the loan granted by Raiffeisen Bank S.A.

The surety expires on 31 December 2024.

Grupa PEP – Farma Wiatrowa 3 Sp. z o.o.

On 10 April 2014 MBANK S.A. issued on behalf of the Company a guarantee in favour of Energa Operator S.A. in the total amount of PLN 699.1 thousand. The guarantee considers liabilities of Grupa PEP – Farma Wiatrowa 3 Sp. z o.o. arising from the agreement with Energa Operator S.A. on connection to the power grid. The guarantee expires on 31 December 2015.

Grupa PEP – Farma Wiatrowa Mycielin Sp. z o.o.

On 14 May 2014 MBANK S.A. issued on behalf of the Company a bank guarantee in favour of ENEA Operator Sp. z o.o. in the total amount of PLN 8,658.9 PLN thousand. The guarantee considers liabilities of Grupa PEP – Farma Wiatrowa Mycielin Sp. z o.o. arising from the agreement with Energa Operator S.A. on connection to the power grid. The guarantee expires on 28 February 2018.

(in PLN thousand)

31.2. Litigations

As at 31 December 2014 the Company was not a party in any litigation.

31.3. Tax settlements

Tax and other settlements (e.g. customs or foreign currency settlements) may be a subject to inspection by administrative bodies authorised to impose significant penalties and fines. The binding regulations are also unclear in some respects, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. The above circumstances mean that tax exposure is greater in Poland than in countries that have a more established taxation system.

Tax settlements may become subject to inspection by the tax authorities for a period of five years from the end of the calendar year in which tax payment was due. Accordingly, the tax settlements recognised in the financial statements of the Company's may be increased as a result of the final decision of the tax authorities controls. The Company believes that appropriate provisions have been raised with reference to probable and quantifiable liabilities as at 31 December 2014.

31.4. Capital commitments

As at 31 December 2014 the Company is committed to incur capital expenditure in 2015 for purchase of property, plant and equipment and capital investments in amount PLN 334.7 million. Resources received by subsidiaries are intended to be PESA's own contribution to new investments, especially development and construction of next wind power plants as well as investment projects brought within Neutron Group.

32. Sales revenue

	For the period ended 31.12.2014	For the period ended 31.12.2013	Q4 2014	Q4 2013
net revenue from consulting projects *)	18 619	59 526	14 888	55 749
revenue from grid rental and services of operator	-	1 403	-	1 403
net revenue from rent	1 951	1 955	488	515
other sales	19	-	1	-
Total sales	**20 589**	**62 884**	**15 377**	**57 667**

*) In the year ended 31 December 2014 sales revenue from wind farm development amounted to PLN 1,790 thousand (2013: PLN 50,461 thousand).

(in PLN thousand)

33. Expenses by nature

	For the period ended 31.12.2014	For the period ended 31.12.2013	Q4 2014	Q4 2013
depreciation and amortisation expense	1 505	1 243	472	209
raw materials and energy used	425	476	159	164
external services *)	13 373	59 221	10 742	57 334
taxes and charges	61	63	17	15
payroll	11 958	6 024	4 813	720
social security and other employee benefits	1 320	1 034	491	258
other expenditures by nature	246	318	74	137
Total expenses by nature	**28 888**	**68 379**	**16 768**	**58 837**
General and administrative expenses (negative value)	(11 916)	(12 425)	(145)	(3 498)
Cost of sales total	**16 972**	**55 954**	**16 623**	**55 339**

*) Including costs of wind farms development sold to special purpose vehicles

34. Other operating income

	For the period ended 31.12.2014	For the period ended 31.12.2013	Q4 2014	Q4 2013
- other, including:	197	33	24	32
- compensations and subsidies	-	24	-	24
- gain on disposal of non-financial non-current assets	154	1	9	1
- other	43	8	15	7
Other operating income total:	**197**	**33**	**24**	**32**

35. Other operating costs

	For the period ended 31.12.2014	For the period ended 31.12.2013	Q4 2014	Q4 2013
- impairment allowances, including:	1 154	1 826	1 154	1 826
- receivables	1 154	-	1 154	-
- inventories *)	-	1 309	-	1 309
- investment property **)	-	517	-	517
- other:	159	304	64	(364)
- grants	10	37	-	37
- other	149	267	64	(401)
Other operating costs total:	**1 313**	**2 130**	**1 218**	**1 462**

*) including impairment allowances of Wiadrów wind farm development of PLN 1,289 thousand

**) regards to impairment allowance of EC Zakrzów project

(in PLN thousand)

36. Financial income

	For the period ended 31.12.2014	For the period ended 31.12.2013	Q4 2014	Q4 2013
- dividends	16 006	9 097	2 911	8
- interest from deposits and loans	5 235	4 209	2 505	573
- interest from finance lease	174	-	42	-
- foreign exchange differences, including:	7	-	1	-
- unrealised	2	-	1	-
- realised	5	-	-	-
- other fees from guarantees	960	819	368	189
- disposal of shares in subsidiary	-	3 737	-	3 737
- other	-	35	-	35
Total financial income	22 382	17 897	5 827	4 542

37. Financial costs

	For the period ended 31.12.2014	For the period ended 31.12.2013	Q4 2014	Q4 2013
- interest paid*	22 186	18 222	5 309	5 133
- foreign exchange differences, including:	31	65	1	14
- unrealised	1	1	-	2
- realised	30	64	1	12
- commissions and other fees	43	61	13	16
- impairment allowances of shares**	13 001	9 055	12 842	9 055
- other	70	155	19	155
Total financial costs	35 331	27 558	18 184	14 373

*) including PLN 18,175 thousand of loans interest described in detail in Note 27 and 29

**) in 2014 the amount of PLN 12,842 thousand regards to impairment allowances of Interpep EC Zakrzów Sp. z o.o. i Wspólnicy SK (PLN 7,976 thousand), Grupa PEP Farma Wiatrowa 18 Sp. z o.o. (PLN 866 thousand) and Grupa PEP Biomasa Energetyczna Wschód Sp. z o.o. (PLN 4,000 thousand), in 2013 the amount of PLN 9,030 thousand regards to impairment allowances of Interpep Sp. z o.o. and Grupa PEP Biomasa Energetyczna Północ Sp. z o.o.

(in PLN thousand)

38. Cash Flows

Cash flows from operating activities - other adjustments

	31.12.2014	31.12.2013
Reclassification of property, plant and equipment to finance lease	-	3 869
Total other adjustmensts	-	3 869

Cash flow from investing activities - other investing proceeds

	31.12.2014	31.12.2013
Sale of bonds	4 798	-
Total	4 798	-

Cash flows from investing activities - other investing disbursements

	31.12.2014	31.12.2013
Purchase of bonds	1 850	4 801
Total	1 850	4 801

Cash flows from investing activities - other financial proceeds

	31.12.2014	31.12.2013
Repayment of financial assets	-	87 294
Return of contributions to equity	13 168	20 950
Total	13 168	108 244

Restricted cash

	31.12.2014	31.12.2013
Social Benefits Fund	50	44
Total	50	44

Explainations for differences between changes in balance sheet captions and changes presented in the statement of cash flows

Receivables:	31.12.2014	31.12.2013
Change in long-term and short-term receivables net	8 775	(11 960)
Change in investment receivables	(2 948)	4 797
Change in receivables from receivable to finance asset conversion	(665)	-
Change in receivables in the statement of cash flows	5 162	(7 163)

Liabilities:	31.12.2014	31.12.2013
Change in short-term liabilities, excluding loans and borrowings	(525)	(43 506)
Change in finance lease liabilities	471	342
Change in investment purchases	423	(423)
Change in liabilities in the statement of cash flows	369	(43 587)

Prepayments and accruals:	31.12.2014	31.12.2013
Change in prepayments and accruals	3 875	(4 151)
Cost of preparation of prospectus	(11 563)	-
Change in prepayments and accruals in the statement of cash flows	(7 688)	(4 151)

39. Objectives and principles of risk management

Financial instruments owned by the Company may cause the exposure of the Company to one or several significant risks.

The Company mainly uses financial instruments such as finance lease agreements and rent agreements with a purchase option, cash and short-term deposits. The primary goal of these financial instruments is to collect financial resources for Company's operations. The Company also uses other financial instruments, such as trade receivables and liabilities, which arise during the Company's day to day operations.

Main financial risk arising from financial instruments used by the Company comprise interest rate risk, currency risk, credit risk and liquidity risk. The Management Board verifies and reconciles the principles of financial risk management, which are described in detail in the following notes. The Company also monitors market risk which is applicable for all the financial instruments owned by the Company.

39.1. Interest rate risk

The exposure of the Company on interest rate risk involves mainly long-term financial liabilities and loans granted.

Period ended 31 December 2014	Increase/decrease by percentage points	Influence on the gross result of the Company in the following 12 months (in PLN thousand)
WIBOR 1M	1%	(2 516)
WIBOR 1M	-1%	2 516

The Company does not use hedge accounting.

39.2. Currency risk

The Company is exposed to very low foreign currency risk, due to the fact that only insignificant transactions are concluded in foreign currency. The Company does not have significant open foreign currency position in the balance sheet. At the same time most of the revenue and costs of the Company is realised in Polish Zloty.

39.3. Credit risk

The Company enters into transactions only with credible companies with high credit ratings. Credibility of all the clients of the Company, who wish to use trade credit, is verified in detail. Also, due to constant monitoring of receivables balances, the risk of uncollectible receivables is low.

As for other financial assets of the Company, such as cash and cash equivalents and financial assets available for sale, credit risk arises as a result of inability to make payments by Company's debtors. Maximum credit risk exposure is defined as the carrying value of these instruments. The Company enters into financial instruments transactions only with credible financial institutions.

There is no significant concentration of credit risk in the Company.

(in PLN thousand)

39.4. Liquidity risk

The Company monitors its liquidity risk using cash flows planning tool. The tool uses maturity dates of both investments and financial assets (i.eg. receivables, other financial assets) as well as forecasted cash flows from operating activities.

The main goal of the Company is to maintain balance between continuity and flexibility of financing by using various financing sources, such as overdrafts, loans, bonds, preference shares, finance lease agreements and rent agreements with buy option.

The table below presents liquidity analysis of financial liabilities of the Company as at 31 December 2014 and as at 31 December 2013 based on maturity dates of contractual non-discounted cash flows:

31.12.2014	Up to 3 months	3 to 12 months	1 to 5 years	Total
Loans and borrowings	-	259 264	1 000	**260 264**
Other liabilities	1 702	-	659	**2 361**
Trade payables and other liabilities	1 033	-	-	**1 033**

31.12.2013	Up to 3 months	3 to 12 months	1 to 5 years	Total
Loans and borrowings	-	-	238 196	**238 196**
Other liabilities	2 013	-	320	**2 333**
Trade payables and other liabilities	1 586	-	-	**1 586**

(in PLN thousand)

40. Financial instruments

40.1. Fair values of particular levels of financial instruments

The table below presents the comparison of fair values and carrying amounts of all financial instruments of the Company divided into separate classes and categories of assets and liabilities.

	IAS 39 category	Carrying amount		Fair value	
		31.12.2014	31.12.2013	31.12.2014	31.12.2013
Financial assets					
Long-term receivables - lease	LR	3 203	3 453	-*)	-*)
Trade receivables and other receivables	LR	23 328	30 729	-*)	-*)
Other financial assets (long-term)	LR	3 730	18 854	-*)	-*)
Cash and cash equivalents	LR	216 447	34 703	216 447	34 703
Financial liabilities					
Loans ad borrowings, including:	OL	260 264	238 196	260 264	238 196
- long-term loans and borrowings	OL	1 000	238 196	1 000	238 196
- short-term loans and borrowings	OL	259 264	-	259 264	-
Other liabilities (long-term), including:	OL	659	320	-*)	-*)
- finance lease liabilities		659	320	-*)	-*)
Trade payables and other liabilities	OFL	2 735	3 599	-*)	-*)
- cash flow hedges					

Abbreviations used:
LR – Loans and receivables
OL – Other liabilities measured at amortised cost
OFL – Other financial liabilities
*) there are no significant differences between fair values of receivables and liabilities presented above and their carrying values

40.2. Loans granted

The Company granted the following loans:

(in PLN thousand)

As at 31 December 2014

Borrower	Date of loan	Receivables balance	Interest	Date of commencement of repayments
PEPINO Spółka z ograniczoną odpowiedzialnością	22.01.2008 27.01.2009 12.03.2009 30.03.2009 29.10.2009 02.03.2010 02.03.2010 25.05.2010 28.07.2010 26.11.2010 23.03.2011 06.05.2011 17.02.2012 24.04.2012 10.08.2012	3 411	fixed, 8,4%	After the start of business activity by borrower
Grupa PEP Development Projektów Sp. z o.o. formerly: Polish Energy Partners SA Development Projektów SKA	17.12.2013	17 002	Wibor 3M plus margin 6,09%	31.12.2015
Inwestycje Rolne Spółka z ograniczoną odpowiedzialnością	22.04.2013	224	Wibor 1M plus 2%	On first demand of the lender
EPA WIND Spółka z ograniczoną odpowiedzialnością	20.12.2013	688	fixed, 4,00%	30.12.2014
Polenergia Dystrybucja Spółka z ograniczoną odpowiedzialnością	20.11.2014	7 619	fixed, 8,12%	31.12.2026
Other	26.03.2013	19	Wibor 1M plus 2%	On first demand of the lender
		28 963		

(in PLN thousand)

As at 31 December 2013

Borrower	Date of loan	Receivables balance	Interest	Date of commencement of repayments
PEPINO Spółka z ograniczoną odpowiedzialnością	22.01.2008 27.01.2009 12.03.2009 30.03.2009 29.10.2009 02.03.2010 02.03.2010 25.05.2010 28.07.2010 26.11.2010 23.03.2011 06.05.2011 17.02.2012 24.04.2012 10.08.2012	3 191	fixed 8-10%	After the start of business activity by borrower
Grupa PEP Development Projektów Sp. z o.o. formerly: Polish Energy Partners SA Development Projektów SKA	17.12.2013	15 663	Wibor 3M plus margin	31.12.2015
Inwestycje Rolne Spółka z ograniczoną odpowiedzialnością	22.04.2013	148	Wibor 1M plus margin	On first demand of the lender
Other	26.03.2013	5	Fixed 8-10%	On first demand of the lender
		19 007		

The above presented loans are unsecured.

40.3. Financial assets

In 2014, the Company acquired shares or made contribution to equity in the total amount of PLN 631,545 thousand in the following companies:

- Grupa PEP Farma Wiatrowa 1 Sp. z o.o. PLN 26,102 thousand
- Grupa PEP Farma Wiatrowa 3 Sp. z o.o. PLN 5,550 thousand
- Grupa PEP Farma Wiatrowa 4 Sp. z o.o. PLN 1,795 thousand
- Grupa PEP Farma Wiatrowa 6 Sp. z o.o. PLN 18,071 thousand
- Grupa PEP Farma Wiatrowa 8 Sp. z o.o. PLN 740 thousand
- Grupa PEP Farma Wiatrowa 9 Sp. z o.o. PLN 100 thousand
- Grupa PEP Farma Wiatrowa 10 Sp. z o.o. PLN 215 thousand

- Grupa PEP Farma Wiatrowa 11 Sp. z o.o. PLN 175 thousand
- Grupa PEP Farma Wiatrowa 12 Sp. z o.o. PLN 180 thousand
- Grupa PEP Farma Wiatrowa 13 Sp. z o.o. PLN 440 thousand
- Grupa PEP Farma Wiatrowa 16 Sp. z o.o. PLN 25 thousand
- Grupa PEP Farma Wiatrowa 17 Sp. z o.o. PLN 565 thousand
- Grupa PEP Farma Wiatrowa 18 Sp. z o.o. PLN 240 thousand
- Grupa PEP Farma Wiatrowa 19 Sp. z o.o. PLN 196 thousand
- Grupa PEP Farma Wiatrowa 20 Sp. z o.o. PLN 100 thousand
- Grupa PEP Farma Wiatrowa 21 Sp. z o.o. PLN 720 thousand
- Grupa PEP Farma Wiatrowa 22 Sp. z o.o. PLN 20 thousand
- Grupa PEP Farma Wiatrowa 23 Sp. z o.o. PLN 630 thousand
- Grupa PEP Farma Wiatrowa Piekło Sp. z o.o. PLN 415 thousand
- Grupa PEP Farma Wiatrowa Wierzbnik /Jakowice Sp. z o.o. PLN 500 thousand
- Grupa PEP Farma Wiatrowa Dębice / Kosomłoty Sp. z o.o. PLN 730 thousand
- Grupa PEP Farma Wiatrowa Mycielin Sp. z o.o. PLN 600 thousand
- Grupa PEP Biomasa Energetyczna Południe Sp. z o.o. PLN 1,000 thousand
- Grupa PEP Biomasa Energetyczna Wschód Sp. z o.o. PLN 5,100 thousand
- Grupa PEP Bioelektrownia 2 Sp. z o.o. PLN 15 thousand
- Grupa PEP Projekty Energetyczne 1 Sp. z o.o. PLN 27 thousand
- Grupa PEP Obrót 1 Sp. z o.o. PLN 25 thousand
- Grupa PEP Obrót 2 Sp. z o.o. PLN 25 thousand
- Pepino Sp. z o.o. PLN 545 thousand
- Neutron Sp. z o.o. PLN 566,500 thousand
- Energopep Sp. z o.o. PLN 15 thousand
- Interpep EC Zakrzów Sp. z o.o. PLN 10 thousand
- Mercury Energia Sp. z o.o. PLN 15 thousand
- Arta Sp. z o.o. PLN 159 thousand.

In 2014, the Company received a refund of contribution to equity in the total amount of PLN 13,352 thousand in the following companies:

- Dipole Sp. z o.o. PLN 1,300 thousand
- Amon Sp. z o.o. PLN 6,063 thousand
- Talia Sp. z o.o. PLN 5,805 thousand
- Arta Sp. z o.o. PLN 184 thousand.

In 2014, the Company created impairment allowances of shares in the total amount of PLN 12,842 thousand in the following entities:

- Interpep EC Zakrzów Sp. z o.o . Spółka Komandytowa in the amount of PLN 7.976 thousand
- Grupa PEP Biomasa Energetyczna Wschód Sp. z o.o. in the amount of PLN 4.000 thousand
- Grupa PEP Farma Wiatrowa 18 Sp. z o.o. of PLN 866 thousand.

In 2013, the Company acquired/purchased shares or made contributions to equity in the total amount of PLN 261,393 thousand in the following companies:

- Grupa PEP Biomasa Energetyczna Południe Sp. z o.o. PLN 6,300 thousand
- Grupa PEP Bioelektrownia 2 Sp. z o.o. PLN 10 thousand
- Grupa PEP Projekty Energetyczne 1 Sp. z o.o. PLN 10 thousand
- Interpep EC Zakrzów Sp. z o.o. PLN 20 thousand
- Mercury Energia Sp. z o.o. PLN 30 thousand
- Grupa PEP Farma Wiatrowa 1 Sp. z o.o. PLN 105,983 thousand
- Grupa PEP Farma Wiatrowa 2 Sp. z o.o. PLN 400 thousand
- Grupa PEP Farma Wiatrowa 3 Sp. z o.o. PLN 900 thousand
- Grupa PEP Farma Wiatrowa 4 Sp. z o.o. PLN 2,850 thousand

(in PLN thousand)

- Grupa PEP Farma Wiatrowa 5 Sp. z o.o. PLN 1,200 thousand
- Grupa PEP Farma Wiatrowa 6 Sp. z o.o. PLN 75,230 thousand
- Grupa PEP Farma Wiatrowa 7 Sp. z o.o. PLN 3,010 thousand
- Grupa PEP Farma Wiatrowa 9 Sp. z o.o. PLN 140 thousand
- Grupa PEP Farma Wiatrowa 10 Sp. z o.o. PLN 230 thousand
- Grupa PEP Farma Wiatrowa 11 Sp. z o.o. PLN 320 thousand
- Grupa PEP Farma Wiatrowa 12 Sp. z o.o. PLN 270 thousand
- Grupa PEP Farma Wiatrowa 13 Sp. z o.o. PLN 700 thousand
- Grupa PEP Farma Wiatrowa 14 Sp. z o.o. PLN 70 thousand
- Grupa PEP Farma Wiatrowa 15 Sp. z o.o. PLN 70 thousand
- Grupa PEP Farma Wiatrowa 16 Sp. z o.o. PLN 527 thousand
- Grupa PEP Farma Wiatrowa 17 Sp. z o.o. PLN 726 thousand
- Grupa PEP Farma Wiatrowa 18 Sp. z o.o. PLN 601 thousand
- Grupa PEP Farma Wiatrowa 19 Sp. z o.o. PLN 1,663 thousand
- Grupa PEP Farma Wiatrowa 20 Sp. z o.o. PLN 160 thousand
- Grupa PEP Farma Wiatrowa 21 Sp. z o.o. PLN 1,974 thousand
- Grupa PEP Farma Wiatrowa 22 Sp. z o.o. PLN 706 thousand
- Grupa PEP Farma Wiatrowa 23 Sp. z o.o. PLN 1.016 thousand
- Grupa PEP Farma Wiatrowa Piekło Sp. z o.o. PLN 4,613 thousand
- Grupa PEP Farma Wiatrowa Wierzbnik/Jankowice Sp. z o.o. PLN 19,004 thousand
- Grupa PEP Farma Wiatrowa Bądecz Sp. z o.o. PLN 8,533 thousand
- Grupa PEP Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. PLN 8,541 thousand
- Grupa PEP Farma Wiatrowa Mycielin Sp. z o.o. PLN 15,034 thousand
- Pepino Sp. z o.o. PLN 501 thousand
- Grupa PEP – Development Projektów Sp. z o.o. PLN 25 thousand
- Grupa PEP – Finansowanie Projektów 1 Sp. z o.o. PLN 26 thousand.

In 2013, the Company received a refund of contributions to equity in the following companies:

- Grupa PEP – Finansowanie Projektów Sp. z o.o. PLN 20,950 thousand.

40.4. Interest rate risk

The table below presents an analysis of financial instruments based on interest rate and maturity of the assets.

31.12.2014

INTERES RATE RISK							
Variable interest rates	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Loans and borrowings	259 264	-	1 000	-	-	-	260 264
Fixed interest rates	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash assets	216 447	-	-	-	-	-	216 447
Finance lease	294	437	600	640	684	548	3 203

31.12.2013

INTERES RATE RISK							
Variable interest rates	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Loans and borrowings	152	253 859	-	-	-	-	254 011
Fixed interest rates	<1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash assets	34 703	-	-	-	-	-	34 703
Loans granted	-	-	-	3 192			3 192
Bills of exchange	100	-	-	-	-	-	100

(in PLN thousand)

Interest rates of financial instruments with variable interest rates is updated in periods under one year. Other financial instruments that are not presented in the tables above do not bear interest and are not subject to interest rate risk.

41. Capital management

The Company's main objective in capital management is to maintain good credit ratings and secure level of equity ratios which helps in the operating activities of the Company and increase the returns to the shareholders.

The Company manages capital structure and updates it according to changes in economic conditions. In order to maintain or correct capital structure, the Company can change planned dividend payments and return the capital to shareholders or issue new tranche of shares. In the year ended 31 December 2014 and 31 December 2013 there were no changes introduces as for goals, principles and processes in capital management.

The Company is monitoring the level of leverage ratio, calculated as net debt divided by sum of net debt and equity. Net debt includes interest-bearing bank loans less cash and cash equivalents.

	31.12.2014	31.12.2013
Loans and borrowings	260 264	238 196
Minus cash and cash equivalents	(216 447)	(34 703)
Net debt	43 817	203 493
Equity	1 263 111	493 765
Total equity	1 263 111	493 765
Equity and net debt	1 306 928	697 258
Leverage ratio	3%	29%

42. Information on significant transactions with related parties

Significant related parties' transactions in 2014 and 2013 are presented in the tables below.

(in PLN thousand)

31.12.2014	Sales to related parties	Financial costs	Receivables from related parties	Financial revenues
Interpep EC Zakrzów Sp. z o.o., Spółka komandytowa	3 000	-	3 470	-
Mercury Energia Sp. z o.o. i Wspólnicy, Spółka komandytowa	178	-	166	-
Interpep Sp. z o.o.	527	-	779	-
GRUPA PEP-Biomasa Energetyczna Północ Spółka z o.o.	343	-	359	-
GRUPA PEP-Biomasa Energetyczna Południe Spółka z o.o.	488	-	505	-
GRUPA PEP-Biomasa Energetyczna Wschód Spółka z o.o.	703	-	735	-
GRUPA PEP-Uprawy Energetyczne Spółka z o.o.	-	-	-	-
GRUPA PEP-Finansowanie Projektów Spółka z o.o.	34	-	36	-
GRUPA PEP-Projekty Emergetyczne 1 Spółka z o.o.	-	-	-	-
GRUPA PEP-Bioelektrownia 2 Sp. z o.o., Spółka komandytowa	301	-	309	-
GRUPA PEP-Bioelektrownia 2 Spółka z o.o.	-	-	-	-
GRUPA PEP-Farma Wiatrowa 1 Sp. z o.o.	795	-	845	-
GRUPA PEP-Farma Wiatrowa 2 Sp. z o.o.	49	-	-	-
GRUPA PEP-Farma Wiatrowa 3 Sp. z o.o.	769	-	827	-
GRUPA PEP-Farma Wiatrowa 4 Sp. z o.o.	430	-	430	-
GRUPA PEP-Farma Wiatrowa 5 Sp. z o.o.	141	-	143	-
GRUPA PEP-Farma Wiatrowa 6 Sp. z o.o.	768	-	775	-
GRUPA PEP-Farma Wiatrowa 7 Sp. z o.o.	179	-	180	-
GRUPA PEP-Farma Wiatrowa 8 Sp. z o.o.	153	-	156	-
GRUPA PEP-Farma Wiatrowa 9 Sp. z o.o.	46	-	48	-
GRUPA PEP-Farma Wiatrowa 10 Sp. z o.o.	104	-	105	-
GRUPA PEP-Farma Wiatrowa 11 Sp. z o.o.	103	-	106	-
GRUPA PEP-Farma Wiatrowa 12 Sp. z o.o.	76	-	77	-
GRUPA PEP-Farma Wiatrowa 13 Sp. z o.o.	192	-	195	-
GRUPA PEP-Farma Wiatrowa 14 Sp. z o.o.	-	-	1	-
GRUPA PEP-Farma Wiatrowa 15 Sp. z o.o.	-	-	1	-
GRUPA PEP-Development Projektów Sp. z o.o.	33	1 397	34	1 339
GRUPA PEP-Finansowanie Projektów 1 Sp. z o.o.	33	20 671	34	-
Grupa PEP Aktywa Finansowe Sp z o.o.	33	-	34	-
Grupa PEP Obrót 1 Sp zo.o.	-	-	-	-
Grupa PEP Obrót 2 Sp zo.o.	-	-	-	-
Amon Sp. z o.o.	471	-	481	-
GRUPA PEP-Farma Wiatrowa 22 Sp. z o.o. (Autan Sp. z o.o.)	-	-	-	-
GRUPA PEP-Farma Wiatrowa Piekło Sp. z o.o. (Bise Sp. z o.o.)	250	-	202	-
Dipol Spółka z o.o.	341	-	352	-
GRUPA PEP-Farma Wiatrowa Wierzbnik/Jankowiec Sp. z o.o. (Euros Sp. z o.o.)	207	-	255	-
GRUPA PEP-Farma Wiatrowa 20 Sp. z o.o. (Erato Sp. z o.o.)	37	-	32	-
GRUPA PEP-Farma Wiatrowa 21 Sp. z o.o. (Jugo Sp. z o.o.)	138	-	136	-
GRUPA PEP-Farma Wiatrowa 17 Sp. z o.o. (Juron Sp. z o.o.)	136	-	134	-
GRUPA PEP-Farma Wiatrowa 16 Sp. z o.o. (Morka Sp. z o.o.)	-	-	-	-
GRUPA PEP-Farma Wiatrowa 19 Sp. z o.o. (Nauto Sp. z o.o.)	96	-	97	-
Pepino Sp. z o.o.	211	-	209	220
GRUPA PEP-Farma Wiatrowa 23 Sp. z o.o. (Solano Sp. z o.o.)	131	-	129	-
Talia Sp. z o.o.	390	-	399	-
GRUPA PEP-Farma Wiatrowa 18 Sp. z o.o. (Zonda Sp. z o.o.)	172	-	167	-
GRUPA PEP-Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. (Mistral Sp zo.o.)	234	-	228	-
GRUPA PEP-Farma Wiatrowa Mycielin Sp. z o.o. (Monsun Sp zo.o.)	2 056	-	2 421	-
GRUPA PEP-Farma Bądecz Sp. z o.o. (Karif Sp zo.o.)	222	-	216	-

(in PLN thousand)

Polenergia Kogeneracja Sp. z o.o.	422	-	86	-
Polenergia Bałtyk I S.A.	58	-	52	-
Polenergia Bałtyk II Sp. z o.o.	622	-	489	-
Polenergia Bałtyk III Sp. z o.o.	642	-	508	-
Natural Power Association Sp. z o. o.	56	-	24	-
Polenergia Dystrybucja Sp. z o.o.	589	-	134	317
Elekrociepłownia Nowa Sarzyna Sp. z o.o.	519	-	98	-
Polenergia Obrót S.A.	403	-	87	-
PPG Polska Sp. z o.o.	52	-	51	-
Polenergia Elektrownia Północ Sp. z o.o.	1 743	-	1 517	-
Neutron sp. z o.o.	8	-	3	-
Grupa PEP - Projekty Energetyczne 1 Sp. z o.o. SKA	5	-	2	-
Grupa PEP - Projekty Energetyczne 1 Sp. z o.o. ENS Consulting S.K.	5	-	2	-
Polskie Biogazownie S.A.	24	-	21	-
Polskie Biogazownie Energy Rzeczyce Sp. z o.o.	9	-	8	-
Polskie Biogazownie Energy Zalesie Sp. z o.o.	14	-	12	-
Polskie Biogazownie Energy Żórawina Sp. Z o.o.	25	-	22	-
Polenergia Biogaz Sp. z o.o.	86	-	30	-
ENS Investment B.V.	9	-	18	-
Ocorel Ltd	9	-	2	-
Polenergia Holding S. a r. l.	431	-	51	-
Polenergia International S. a r. l.	238	-	79	-
Crumbleton Limited	9	-	3	-
PPG Pipeline Projektgesellschaft mbH	884	-	549	-
Polenergia Usługi Sp. z o.o.	8	-	2	-
Mansa Investments Sp. z o.o.	21	-	9	-
Total	21 461	22 068	19 667	1 876

(in PLN thousand)

31.12.2013	Sales to related parties	Financial costs	Receivables from related parties	Financial revenues
Subjects effectively controlled by the Company or under significant influence of the Company				
Interpep EC Zakrzów Sp. z o.o., Spółka komandytowa	3 003	-	1 821	-
Mercury Energia Sp. z o.o. i Wspólnicy, Spółka komandytowa	236	-	268	-
Energopep Spółka z o.o.	3	-	-	
Interpep EC Zakrzów Spółka z o.o.	3	-	-	-
Mercury Energia Spółka z o.o.	3	-	-	-
Interpep Sp. z o.o.	200	-	444	-
GRUPA PEP-Biomasa Energetyczna Północ Spółka z o.o.	350	-	407	-
GRUPA PEP-Biomasa Energetyczna Południe Spółka z o.o.	400	-	456	-
GRUPA PEP-Biomasa Energetyczna Wschód Spółka z o.o.	404	-	459	-
GRUPA PEP-Uprawy Energetyczne Spółka z o.o.	8	-	6	-
GRUPA PEP-Finansowanie Projektów Spółka z o.o.	55	-	68	-
GRUPA PEP-Projekty Emergetyczne 1 Spółka z o.o.	9	-	13	-
GRUPA PEP-Bioelektrownia 2 Sp. z o.o., Spółka komandytowa	1 159	-	1 422	-
GRUPA PEP-Bioelektrownia 2 Spółka z o.o.	6	-	4	-
GRUPA PEP-Farma Wiatrowa 1 Sp. z o.o.	528	-	1 213	-
GRUPA PEP-Farma Wiatrowa 2 Sp. z o.o.	133	-	160	-
GRUPA PEP-Farma Wiatrowa 3 Sp. z o.o.	133	-	161	-
GRUPA PEP-Farma Wiatrowa 4 Sp. z o.o.	232	-	324	-
GRUPA PEP-Farma Wiatrowa 5 Sp. z o.o.	81	-	96	-
GRUPA PEP-Farma Wiatrowa 6 Sp. z o.o.	496	-	631	-
GRUPA PEP-Farma Wiatrowa 7 Sp. z o.o.	129	-	156	-
GRUPA PEP-Farma Wiatrowa 8 Sp. z o.o.	87	-	104	-
GRUPA PEP-Farma Wiatrowa 9 Sp. z o.o.	75	-	88	-
GRUPA PEP-Farma Wiatrowa 10 Sp. z o.o.	92	-	110	-
GRUPA PEP-Farma Wiatrowa 11 Sp. z o.o.	85	-	101	-
GRUPA PEP-Farma Wiatrowa 12 Sp. z o.o.	105	-	125	-
GRUPA PEP-Farma Wiatrowa 13 Sp. z o.o.	125	-	151	-
GRUPA PEP-Farma Wiatrowa 14 Sp. z o.o.	5	-	3	-
GRUPA PEP-Farma Wiatrowa 15 Sp. z o.o.	4	-	3	-
GRUPA PEP-Development Projektów Sp. z o.o.	6	1 309	5	52
GRUPA PEP-Finansowanie Projektów 1 Sp. z o.o.	6	16 867	5	-
Grupa PEP Aktywa Finansowe Sp z o.o.	6	-	4	-
Grupa PEP Obrót 1 Sp zo.o.	9	-	11	-
Grupa PEP Obrót 2 Sp zo.o.	9	-	11	-
Amon Sp. z o.o.	597	-	676	-
GRUPA PEP-Farma Wiatrowa 22 Sp. z o.o. (Autan Sp. z o.o.)	34	-	39	-
GRUPA PEP-Farma Wiatrowa Piekło Sp. z o.o. (Bise Sp. z o.o.)	3 302	-	870	-
Dipol Spółka z o.o.	292	-	337	-
GRUPA PEP-Farma Wiatrowa Wierzbnik/Jankowiec Sp. z o.o. (Euros Sp. z o.o.)	16 675	-	3 962	-
GRUPA PEP-Farma Wiatrowa 20 Sp. z o.o. (Erato Sp. z o.o.)	78	-	93	-
GRUPA PEP-Farma Wiatrowa 21 Sp. z o.o. (Jugo Sp. z o.o.)	1 723	-	467	-
GRUPA PEP-Farma Wiatrowa 17 Sp. z o.o. (Juron Sp. z o.o.)	75	-	89	-
GRUPA PEP-Farma Wiatrowa 16 Sp. z o.o. (Morka Sp. z o.o.)	85	-	103	-
GRUPA PEP-Farma Wiatrowa 19 Sp. z o.o. (Nauto Sp. z o.o.)	1 516	-	466	-
Pepino Sp. z o.o.	181	-	222	218
GRUPA PEP-Farma Wiatrowa 23 Sp. z o.o. (Solano Sp. z o.o.)	170	-	206	-
Talia Sp. z o.o.	532	-	616	-
GRUPA PEP-Farma Wiatrowa 18 Sp. z o.o. (Zonda Sp. z o.o.)	602	-	315	-
GRUPA PEP-Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. (Mistral Sp zo.o.)	6 920	-	1 754	-
GRUPA PEP-Farma Wiatrowa Mycielin Sp. z o.o. (Monsun Sp zo.o.)	12 808	-	3 122	-
GRUPA PEP-Farma Bądecz Sp. z o.o. (Karif Sp zo.o.)	7 972	-	1 935	-
Total	61 747	18 176	24 102	270

Shares and granted loans to subsidiaries are presented in Note 18.

(in PLN thousand)

Received loans from subsidiaries are presented in Note 27.

43. Employment

As at 31 December 2014 employment in the Company by group of employees (full time equivalent) was following:

	31.12.2014	31.12.2013
Management Board	4	3
Administration	81	48
Total employment	85	51

44. Information on remuneration and benefits of the management and supervisory personnel of the Company

In 2014 and in 2013 the remuneration of the Management Board members was as follows:

	31.12.2014	31.12.2013
Zbigniew Prokopowicz	1 495	1 512
Jacek Głowacki	140	-
Anna Kwarcińska	801	861
Michał Kozłowski	801	861
Total	3 237	3 234

Particular members of the Management Board are contracting parties of the mutual agreement concerning the termination of employment over next 6-12 months. In the event of resignation from Management Board Member position, the Company is obliged to pay severance payment of 50% of Management Board Member's remuneration received during last 12 months.

In 2014 and 2013 remuneration of members of Supervisory Board of the Company was following:

	31.12.2014	31.12.2013
Dariusz Mioduski	-	46
Jacek Głowacki	24	36
Arkadiusz Jastrzębski	36	36
Tomasz Mikołajczak	54	37
Mariusz Nowak	36	36
Marek Gabryjelski	36	36
Łukasz Rędziniak	36	2
Total	222	229

(in PLN thousand)

45. Transactions with members of Management Board and Supervisory Board, their spouses, siblings, descendants, ascendants or other relatives

In the year ended 31 December 2014 there were no transactions with members of the Management Board and with members of Supervisory Board.

46. Remuneration of the independent auditor

The table below presents remuneration of the entity authorised to audit financial statements paid or due for the year ended 31 December 2014 and for the year ended 31 December 2013:

Type of service	31.12.2014	31.12.2013
Audit and review of the financial stetements	380	125
Other services	-	91

47. Significant subsequent events

On 7 January 2015 subsidiary Grupa PEP – Farma Wiatrowa 4 Spółka z ograniczoną odpowiedzialnością (‘GPFW4’), amended with Siemens Sp. z o.o. (‘Siemens’) the agreement on wind turbines delivery and installation dated 24 July 2014 (‘Agreement’).

The Amendment refers to the extension of the scope of the Agreement by delivery, installation, commissioning and handing over to operation of 3 wind turbines of 2.3 MW each (6.9 MW in total).

The total estimated net value of the Amendment is EUR 8,210,000.00 (PLN 35,397,415.00).

The delivery and installation of the additional turbines is scheduled for the period from mid-July to the end of October 2015.

As a result of the Amendment, the installed capacity of Skurpie Wind Farm will increase from 36.8 MW up to 43.7 MW.

On 9th February 2015 subsidiary Grupa PEP – Farma Wiatrowa Mycielin Spółka z ograniczoną odpowiedzialnością (‘FW’), and Vestas-Poland Sp. z o.o. (‘Vestas’) concluded an agreement on delivery and installation of wind turbines as well as an agreement on servicing and availability of wind turbines for Mycielin Wind Farm. The first agreement refers to the delivery, installation, commissioning and start-up of 24 wind turbines of 2 MW each (48 MW in total), whereas the second one applies to the provision of their service for 5 years, including both scheduled and unscheduled inspections, supply of maintenance products and spare parts, remote monitoring and other related activities.

The estimated total value of the agreements is EUR 56,767,580.00 (PLN 237,061,414.08).

The delivery and installation of the turbines, followed by commissioning of Mycielin Wind Farm, is scheduled for August–December 2015.

In the case of delayed delivery, Vestas will be provided to pay contractual penalties in the total amount of not more than EUR 10,417,516.00 (PLN 43,503,546.82). If the supplied wind turbines do not meet the requirements for power curve or noise level, Vestas will pay a contractual penalty in the total amount of not more than EUR 10,417,516.00 (PLN 43,503,546.82). Vestas also guarantees an adequate level of availability of the wind turbines under the service agreement and in the case of failure to comply with these requirements, it will be required to pay a compensation to FW in the total amount of not more than EUR 4,680,000.00 (PLN 19,543,680.00). FW is not entitled to claim any supplementary compensation.

Furthermore, on 9 February 2015 the Company granted a guarantee in favour of Vestas for the liabilities of the FW arising from the agreement.

On 11 February 2015 subsidiary – Grupa PEP – Farma Wiatrowa Mycielin Spółka z ograniczoną odpowiedzialnością ('FW') – concluded an agreement with a consortium of entities: Erbud S.A. and Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A. ('Agreement'). The Agreement refers to execution by the contractors to the benefit of FW of construction of Mycielin Wind Farm with total capacity of 48 MW).

The value of the Agreement is PLN 72,548,990.00. The Agreement is to be performed by 3 March 2016. The total amount of stipulated penalties potentially due from the contractors under the Agreement shall not exceed 30% of the Agreement value.

On 18 February 2015 the Supervisory Board of the Company appointed Ms Anna Kwarcińska for the post of the Vice President of the Management Board for another term of office. On the same day the Supervisory Board of the Company appointed Mr Michał Kozłowski as the Vice President of the Management Board for another term of office.

On 7 January 2015 subsidiary Grupa PEP – Farma Wiatrowa 4 Spółka z ograniczoną odpowiedzialnością concluded with Siemens Sp. z o.o. („Siemens") an amendment in a total estimated net value of EUR 8,210,000.000. On 4 March 2014 subsidiary Grupa PEP – Farma Wiatrowa 1 Sp. z o.o. amended the agreement with Siemens Sp. z o.o. Obligation of the subsidiaries arising from the abovementioned amendments are guaranteed by the Company.

On 9 March 2015 the Company (as the so-called sponsor) and its subsidiaries: (i) Grupa PEP – Farma Wiatrowa 1 Spółka z ograniczoną odpowiedzialnością ('GPFW1'), (ii) Grupa PEP – Farma Wiatrowa 4 Spółka z ograniczoną odpowiedzialnością ('GPFW4'), (iii) Grupa PEP – Farma Wiatrowa 6 Spółka z ograniczoną odpowiedzialnością ('GPFW6'), and European Bank for Reconstruction and Development ('EBRD') and Bank Ochrony Środowiska ('BOŚ') signed an annex ('Annex') to the financial documents of 4 October 2013 ('Agreement'). Pursuant to the Annex, the value of the funds granted by EBRD under the Agreement increased by PLN 32.2 million, and the value of the funds granted by BOŚ increased by PLN 26.3 million. Furthermore, in accordance with the Annex, the value of the credit facility granted by BOŚ for VAT financing increased by PLN 4.5 million. Present liabilities and guarantees from the Agreement were extended for liabilities resulting from the Annex (including from VAT loan). Moreover, the Company granted the guarantees to BOŚ and EBRD, based on which if the proper authorities interrupt construction works of 3 additional wind turbines, the loan granted based on the Annex for the financing the construction of these three additional wind turbines is to be paid before the payment term from the own funds delivered by the Company.