POLENERGIA

Polenergia S.A.

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

FOR THE YEAR ENDED DECEMBER 31ST 2016

WITH THE AUDITOR'S OPINION

Jacek Głowacki – Vice President of the Management Board

Bartłomiej Dujczyński – Member of the Management Board

Michał Michalski – Member of the Management Board

Agnieszka Grzeszczak – Head of Accounting

Warsaw, February 16th 2017

Table of contents

(PLN '000)

1. Statement of financial position

As at Dec 31 2016

Assets

	Notes	Dec 31 2016	restated Dec 31 2015
I. Non-current assets		**1,055,369**	**1,299,273**
Property, plant and equipment	17	1,631	2,708
Intangible assets	16	734	886
Investment property	18	-	2,312
Financial assets	19	1,042,709	1,285,232
Non-current receivables	21	2,854	2,941
Deferred tax asset	26.2	7,434	5,180
Prepayments and accrued income		7	14
II. Current assets		**227,227**	**128,864**
Inventories	20	10,362	12,089
Trade receivables	21	21,295	33,547
Current tax asset	21	-	6
Other current receivables	21	315	714
Prepayments and accrued income	22	2,125	5,669
Current financial assets	23	25,866	16,433
Cash and cash equivalents	24	167,264	60,406
Total assets		**1,282,596**	**1,428,137**

Equity and liabilities

	Notes	Dec 31 2016	restated Dec 31 2015
I. Equity		**1,196,933**	**1,304,687**
Share capital	25.1	90,887	90,887
Share premium		765,438	786,134
Capital reserve from valuation of options		13,207	13,207
Other capital reserves		349,478	372,199
Capital from business combination	15	89,782	89,782
Retained deficit		(26,826)	(43,068)
Net loss		(85,033)	(4,454)
II. Non-current liabilities		**65,292**	**96,890**
Bank and other borrowings	28	57,000	87,000
Provisions	27	21	1,187
Other liabilities		8,271	8,703
III. Current liabilities		**20,371**	**26,560**
Bank and other borrowings	29	13,386	9,928
Trade payables	29	441	825
Other liabilities	29	1,090	4,497
Provisions	27	717	1,936
Accruals and deferred income	30	4,737	9,374
Total equity and liabilities		**1,282,596**	**1,428,137**

(PLN '000)

2. Statement of profit or loss

For the year ended December 31st 2016

	Notes	For 12 months ended	restated	unaudited For 3 months ended	unaudited
		Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
Revenue	32	23,738	31,997	6,102	11,521
Revenue		**23,738**	**31,997**	**6,102**	**11,521**
Cost of sales	33	(19,842)	(28,039)	(4,516)	(11,613)
Gross profit/(loss)		**3,896**	**3,958**	**1,586**	**(92)**
Other income	34	3,807	1,297	1,859	60
Administrative expenses	33	(8,437)	(13,350)	(1,007)	(3,465)
Other expenses	35	(12,584)	(597)	(9,738)	(327)
Finance income	36	39,505	10,137	3,093	5,848
including dividends		30,240	2,699	-	2,699
Finance costs	37	(113,474)	(6,618)	(69,583)	(5,119)
Profit (loss) before tax		**(87,287)**	**(5,173)**	**(73,790)**	**(3,095)**
Income tax	26.1	2,254	719	(1,888)	(2,273)
Net profit (loss)		**(85,033)**	**(4,454)**	**(75,678)**	**(5,368)**

3. Statement of other comprehensive income

For the year ended December 31st 2016

	For 12 months ended	restated	unaudited For 3 months ended	unaudited
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
Net profit/(loss) for period	**(85,033)**	**(4,454)**	**(75,678)**	**(5,368)**
TOTAL COMPREHENSIVE INCOME FOR PERIOD	**(85,033)**	**(4,454)**	**(75,678)**	**(5,368)**

(PLN '000)

4. Statement of changes in equity

For the year ended December 31st 2016

	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Capital from business combination	Retained earnings/(deficit)	Net loss	Total equity
As at Jan 1 2016	**90,887**	**786,134**	**13,207**	**372,199**	**89,782**	**(47,522)**	**-**	**1,304,687**
Total comprehensive income for period								
Net profit for reporting period	-	-	-	-	-	-	(85,033)	(85,033)
Transactions with owners of the parent recognised directly in equity								
Allocation of profit	-	(20,696)	-	-	-	20,696	-	-
Payment of dividend	-	-	-	(22,721)	-	-	-	(22,721)
As at Dec 31 2016	**90,887**	**765,438**	**13,207**	**349,478**	**89,782**	**(26,826)**	**(85,033)**	**1,196,933**

(PLN '000)

For the year ended December 31st 2015

restated

`	Share capital	Share premium	Capital reserve from valuation of options	Other capital reserves	Capital from business combination	Retained earnings/(deficit)	Net loss	Total equity
As at Jan 1 2015	**90,887**	**802,909**	**13,207**	**372,199**	**-**	**(16,091)**	**-**	**1,263,111**
Total comprehensive income for period								
Net profit for reporting period	-	-	-	-	-	-	(20,696)	(20,696)
Transactions with owners of the parent recognised directly in equity								
Business combination	-	-	-	-	89,782	(43,068)	16,242	62,956
Share issue	-	(684)	-	-	-	-	-	(684)
Allocation of profit	-	(16,091)	-	-	-	16,091	-	-
As at Dec 31 2015	**90,887**	**786,134**	**13,207**	**372,199**	**89,782**	**(43,068)**	**(4,454)**	**1,304,687**

(PLN '000)

5. Statement of cash flows

For the year ended December 31st 2016

	Notes	For 12 months ended Dec 31 2016	restated Dec 31 2015
A. Cash flows from operating activities			
I. Loss before tax		**(87,287)**	**(5,173)**
II. Total adjustments		**87,454**	**6,451**
Depreciation and amortisation	33	1,344	1,707
Foreign exchange losses		(4)	1
Interest and profit distributions (dividends)		(48,876)	(71,425)
Loss on investing activities		64,021	7,898
Income tax		6	7
Change in provisions		(2,385)	(84)
Change in inventories		1,727	5,654
Change in receivables	38	12,941	(3,706)
Change in current liabilities (net of borrowings)	38	(3,283)	(863)
Change in accruals and deferrals	38	(1,086)	(1,547)
Other adjustments	38	63,049	68,809
III. Net cash from operating activities (I+/-II)		**167**	**1,278**
B. Cash flows from investing activities			
I. Cash receipts		**156,849**	**46,811**
1. Disposal of intangible assets and property, plant and equipment		442	-
2. Disposal of investments in property and intangible assets		1,514	-
3. Proceeds from financial assets, including:		154,893	44,964
- disposal of financial assets		3,921	110
- dividends and other profit distributions		65,240	28,049
- repayment of non-current loans advanced		-	14,107
- interest		1,542	150
- other proceeds from financial assets	38	84,190	2,548
4. Other cash receipts related to investing activities	38	-	1,847
II. Cash payments		**26,503**	**218,855**
1. Acquisition of intangible assets and property, plant and equipment		505	894
2. Payments for financial assets, including:		25,998	217,961
- acquisition of financial assets		22,181	196,329
- non-current loans advanced		3,817	21,632
III. Net cash from investing activities (I-II)		**130,346**	**(172,044)**
C. Cash flows from financing activities			
I. Cash receipts		**-**	**2,960**
1. Proceeds from borrowings		-	2,960
II. Cash payments		**23,659**	**653**
1. Dividends and other distributions to owners		22,721	-
2. Payment of finance lease liabilities		938	653
III. Net cash from financing activities (I-II)		**(23,659)**	**2,307**
D. Total net cash flows (A.III+/-B.III+/-C.III)		**106,854**	**(168,459)**
E. Net increase/decrease in cash, including:		**106,858**	**(168,460)**
- effect of exchange rate fluctuations on cash held		**4**	**(1)**
F. Cash at beginning of period		**60,406**	**228,866**
G. Cash at end of period (F+/- E), including:		**167,264**	**60,406**
- restricted cash	38	24	27

External financing sources - borrowings (statement of cash flows)			
item C.I. Proceeds from borrowings		-	2,960
Change in external financing sources, including:		**-**	**2,960**
net increase/decrease in borrowings		-	2,960

(PLN '000)

6. General information

Polenergia S.A., formerly Polish Energy Partners S.A. (the name was changed by entry to the National Court Register on September 11th 2014), (the "Company") was established under a Notary Deed of July 17th 1997. The Company is entered in the National Court Register maintained by the District Court for the Capital City of Warsaw, 12th Commercial Division of the National Court Register, under KRS No. 0000026545. The Company's Industry Identification Number (REGON) is 012693488. The Company's registered office is at ul. Krucza 24/26 in Warsaw.

The Company's business comprises:

- production and distribution of electricity (PKD 40.10),
- production and distribution of heat (steam and hot water) (PKD 40.30),
- construction and civil engineering (PKD 45.21),
- construction installation activities (PKD 45.3),
- other credit granting, excluding licensed activities and activities reserved for banks (PKD 65.22),
- research and development of natural sciences and engineering (PKD 73.10),
- development and sale of own real estate (PKD 70.11),
- operating of real estate on a fee or contract basis (PKD 70.32),
- accounting and bookkeeping activities (PKD 74.12),
- construction and process design, urban planning (PKD 74.20),
- business and management consultancy activities (PKD 74.14),
- other commercial activities n.e.c. (PKD 74.84),
- other education n.e.c. (PKD 80.42),
- wholesale of solid, liquid and gaseous fuels and related products (PKD 51.51).

6.1. Duration of the Company

The Company has been established for an indefinite time.

6.2. Periods covered by these separate financial statements

These separate financial statements cover the year ended December 31st 2016 and contain comparative data for the year ended December 31st 2015.

6.3. Composition of the Management and Supervisory Boards

As at December 31st 2016, the composition of the Company's Management Board was as follows:

Jacek Głowacki	Vice President of the Management Board
Bartłomiej Dujczyński	Member of the Management Board
Michał Michalski	Member of the Management Board

On April 27th 2016, Zbigniew Prokopowicz, Anna Kwarcińska and Michał Kozłowski resigned from the Company's Management Board.

(PLN '000)

On April 28th 2016, the Company's Supervisory Board appointed Bartłomiej Dujczyński as Member of the Management Board and delegated Jacek Głowacki to manage the work of the Management Board.

On November 8th 2016, the Company's Supervisory Board appointed Michał Michalski as Member of the Management Board.

As at December 31st 2016, the composition of the Company's Supervisory Board was as follows:

Tomasz Mikołajczak	Chairman of the Supervisory Board
Łukasz Rędziniak	Deputy Chairman of the Supervisory Board
Mariusz Nowak	Member of the Supervisory Board
Arkadiusz Jastrzębski	Member of the Supervisory Board
Brian Bode	Member of the Supervisory Board
Orest Nazaruk	Member of the Supervisory Board
Dawid Jakubowicz	Member of the Supervisory Board
Dominik Libicki	Member of the Supervisory Board
Dagmara Gorzelana-Królikowska	Member of the Supervisory Board

7. Going concern

These separate financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future, that is for at least 12 months after the reporting date, i.e. December 31st 2016.

8. Identification of consolidated financial statements

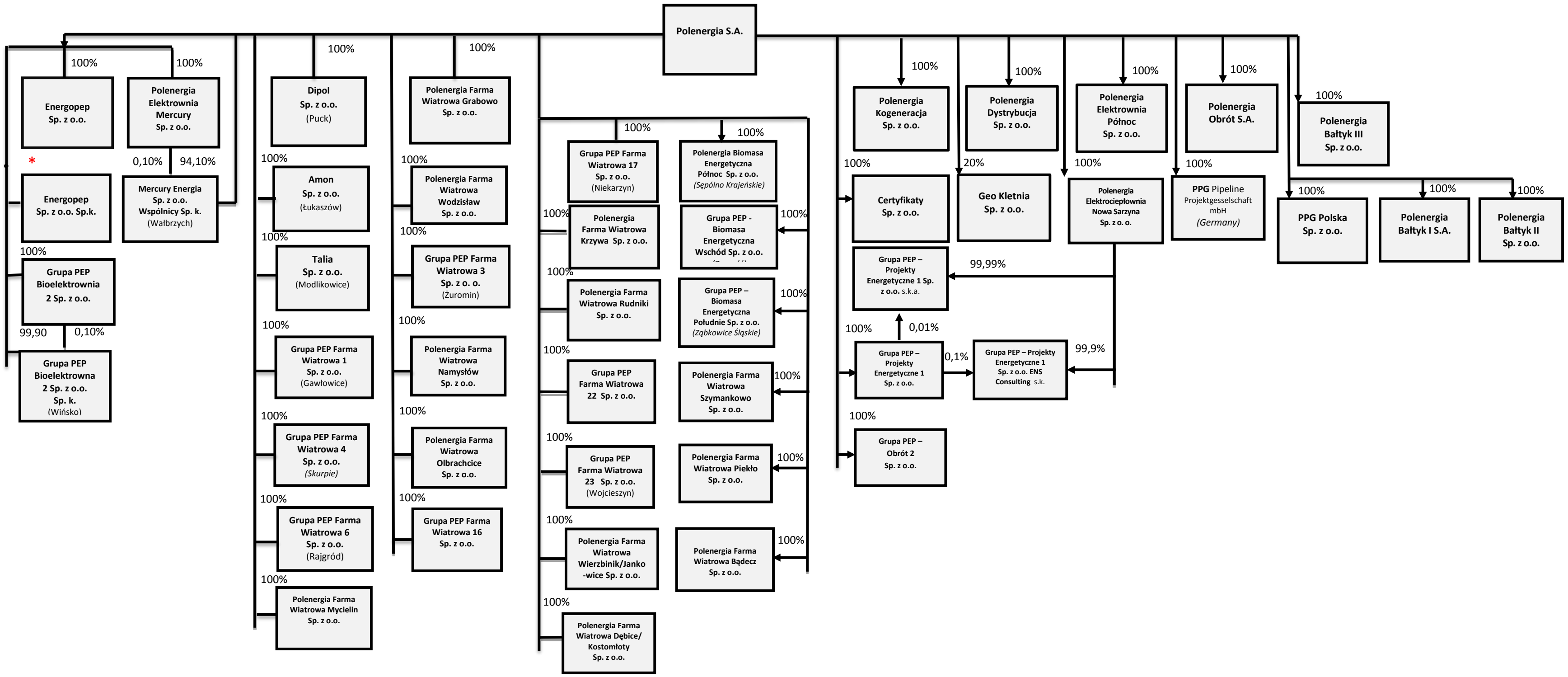
The Company prepared consolidated financial statements for the year ended December 31st 2016, which were authorised for issue on February 16th 2017.

9. Authorisation of the financial statements

These financial statements were authorised for issue by the Management Board on February 16th 2017.

10. The Company's investments

As at December 31st 2016, the Company had investments in the following subsidiaries:



* 0.1% held by Energopep Sp. z o.o., 33.9% held by POL-SA, 33% held by POL-D, 33% held by Dipol.

On June 30th 2016, Grupa PEP Finansowanie Projektów 1 Sp. z o.o., Grupa PEP Development Projektów Sp. z o.o. and Grupa PEP Aktywa Finansowe Sp. z o.o. were merged with Grupa PEP Finansowanie Projektów Sp. z o.o. On June 16th 2016, Polenergia EC Zakrzów Sp. z o.o. and Polenergia EC Zakrzów Sp. z o.o. Spółka Komandytowa were sold. On December 29th 2016, Grupa PEP Finansowanie Projektów Sp. z o.o., Grupa PEP Uprawy Energetyczne Sp. z o.o. and Neutron Sp. z o.o. were merged with Polenergia Sp. z o.o. The Group is in the process of streamlining its organisational structure.

11. Applied accounting policies

The accounting policies applied in preparing these financial statements are consistent with the policies applied in preparing the Company’s full-year financial statements for the year ended December 31st 2015.

11.1. Application of new and amended standards and interpretations

In these financial statements, the following new and amended standards and interpretations effective as of January 1st 2016 were applied for the first time:

a) Amendments to IAS 19 *Defined Benefit Plans: employee contributions*

Amendments to IAS 19 *Defined Benefit Plans: employee contributions*, issued by the International Accounting Standards Board in November 2013. Pursuant to the amendments, an entity may recognise employee contributions as a reduction in the service cost in the period in which the related service is rendered by an employee rather than allocate such contributions to periods of service, provided that the contribution amount is independent of the number of years of service rendered by the employee.

It is expected that at the time of initial application, the changes will have no material effect on the Company’s separate financial statements.

b) IFRS Annual Improvements cycle 2010−2012

In December 2013, the International Accounting Standards Board issued ‘Annual Improvements to IFRSs cycle 2010−2012’, containing amendments to seven standards. The amendments include changes in the presentation, recognition, measurement and terminology, as well as editorial changes.

It is expected that at the time of initial application, the changes will have no material effect on the Company’s separate financial statements.

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

The amendments require that certain bearer plants, such as grape vines, rubber trees and oil palms (i.e. plants that crop for many years, are not for sale as seedlings and are not harvested), be recognised in accordance with IAS 16 *Property, Plant and Equipment*, as their cultivation is analogous to production. Therefore, pursuant to the amendments, such plants are included in the scope of IAS 16 rather than IAS 41, while their crop remains under IAS 41.

It is expected that at the time of initial application, the changes will have no material effect on the Company’s separate financial statements.

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

Pursuant to the amended IFRS 11, the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, is required to apply all of the principles of accounting for business combinations in accordance with IFRS 3 and other IFRSs with the exception of those principles that conflict with the guidance in IFRS 11.

It is expected that at the time of initial application, the changes will have no material effect on the Company’s separate financial statements.

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

The amendments clarify that revenue-based depreciation and amortisation is inappropriate, as revenue generated from operating a business that uses particular assets also reflects factors other than consumption of economic benefits generated by the assets.

It is expected that at the time of initial application, the changes will have no material effect on the Company’s separate financial statements.

f) IFRS Annual Improvements cycle 2012−2014

In September 2014, the International Accounting Standards Board issued ‘Annual Improvements to IFRSs cycle 2012−2014’, containing amendments to four standards: IFRS 5, IFRS 7, IAS 19 and IAS 34.

It is expected that at the time of initial application, the changes will have no material effect on the Company’s separate financial statements.

g) Amendments to IAS 1

In December 2014, as part of its disclosure initiative, the International Accounting Standards Board issued an amendment to IAS 1. The aim of the amendment is to explain the concept of materiality and to clarify that if an entity deems certain information immaterial, such information should not be disclosed even if its disclosure is required under a different IFRS. The amended IAS 1 clarifies that items presented in the statement of financial position and the statement of profit or loss and other comprehensive income may be aggregated or disaggregated depending on materiality. Additional guidelines are also introduced regarding presentation of subtotals in these statements.

It is expected that at the time of initial application, the changes will have no material effect on the Company’s separate financial statements.

h) Amendments to IAS 27 concerning the equity method in an entity’s separate financial statements

IAS 27 permits the use of the equity method as one of optional methods of accounting for investments in subsidiaries, associates and jointly controlled entities in separate financial statements.

It is expected that at the time of initial application, the changes will have no material effect on the Company’s separate financial statements.

i) Amendments to IFRS 10, IFRS 12 and IAS 28 related to the consolidation exception

The amendment to IFRS 10, IFRS 12 and IAS 28 entitled *Investment entities: applying the consolidation exception* clarifies the requirements applicable to investment entities and facilitates certain other matters.

The standard provides that an entity should measure all investment entity subsidiaries at fair value through profit or loss. The standard also clarifies that where a higher-tier parent prepares and publishes financial statements, the consolidation exception applies irrespective of whether its subsidiaries are consolidated or measured at fair value through profit or loss, in accordance with IFRS 10, as part of the financial statements of a higher-tier or ultimate parent.

It is expected that at the time of initial application, the changes will have no material effect on the Company's separate financial statements.

11.2. New standards and interpretations issued but not yet effective

In these financial statements, the Company resolved not to early adopt the following issued standards, interpretations or amendments to existing standards prior to their effective date:

a) IFRS 9 *Financial Instruments*

IFRS 9 is intended to replace IAS 39. The standard is effective for annual periods beginning on or after January 1st 2018.

The standard introduces a single model that has only two classification categories for financial assets: measurement at fair value or at amortised cost. Assets are classified on initial recognition depending on an entity's financial instrument management model and the characteristics of contractual cash flows from such instruments.

IFRS 9 introduces a new impairment recognition model based on expected credit losses.

The majority of requirements under IAS 39 concerning classification and measurement of financial liabilities were incorporated into IFRS 9 unchanged. The key change is the new requirement that entities present in other comprehensive income changes in their own credit risk related to financial liabilities designated to be measured at fair value through profit or loss.

Changes were also made to the hedge accounting model to factor in risk management.

The Company does not expect the new standard to have a material effect on its separate financial statements. Due to the nature of the Company's business and the type of its financial assets, the classification and measurement of financial assets are not expected to change under IFRS 9.

b) IFRS 14 *Regulatory Deferral Accounts*

The standard permits an entity which is a first-time adopter of the IFRSs (on or after January 1st 2016) to continue to account for rate-regulated activities in accordance with its previous accounting policies. To ensure better comparability with entities which already use IFRS and do not account for such activities, in accordance with the issued IFRS 14, amounts from rate-regulated activities should be presented as a separate item in the statement of financial position, statement of profit or loss, and statement of comprehensive income.

Under the European Union's decision, IFRS 14 will not be endorsed.

c) IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* is effective for annual periods beginning on or after January 1st 2018.

The provisions of IFRS 15 will apply to all contracts giving rise to revenue. The fundamental rule provided for in the new standard is that revenue is to be recognised upon transfer of goods or services to a customer at a transaction price. Any goods or services sold in bundles that are separately identifiable as part of the bundle are to be recognised separately, and any discounts and rebates on the transaction price should be applied to specific bundle items. Where a contract contains elements of variable consideration, under the new standard such variable consideration is recognised as revenue only if it is highly probable that the revenue will not be reversed in the future as a result of revaluation. Furthermore, in accordance with IFRS 15, the cost of obtaining and securing a contract with a customer should be capitalised and amortised over the period in which the contract's benefits are consumed.

The Company does not expect the new standard to have a material effect on its separate financial statements.

d) Clarifications to IFRS 15 *Revenue from Contracts with Customers*

Clarifications to IFRS 15 *Revenue from Contracts with Customers* were issued on April 12th 2016 and apply to financial statements prepared after January 1st 2018.

The clarifications to IFRS 15 provide additional information and explanations concerning the main points of MSSF 15, such as identification of individual performance obligations in the contract, determination whether the entity is an agent or a principal under the contract, or accounting for revenue from licences.

Besides additional clarifications, also exemptions and simplifications for first-time adopters were introduced.

The Company does not expect the new standard to have a material effect on its separate financial statements.

As at the date of these financial statements, clarifications to IFRS 15 had not been endorsed by the European Union.

e) Amendments to IFRS 10 and IAS 28 concerning sale or contribution of assets between an investor and its associate or joint venture

The amendments address the current inconsistency between IFRS 10 and IAS 28. The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business.

Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the investor recognises a partial gain or loss, excluding the part corresponding to other investors' interests.

The amendments were issued on September 11th 2014. The effective date of the amended regulations was not set by the International Accounting Standards Board.

The Company will apply the amended regulations from their effective date set by the International Accounting Standards Board.

The Company does not expect the new standard to have a material effect on its separate financial statements.

As at the date of these financial statements, endorsement of the amendments had been postponed by the European Union.

f) IFRS 16 *Leases*

IFRS 16 *Leases*, issued by the International Accounting Standards Board on January 13th 2016, is effective for annual periods beginning on or after January 1st 2019.

The new standard establishes principles for the recognition, measurement, presentation and disclosure of leases. Upon commencement of any lease, a lessee is required to recognise a right-of-use asset and a lease liability. Thus, IFRS 16 abolishes the operating and finance lease classification under IFRS 17 and provides a single lessee accounting model requiring lessees to recognise (a) assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value and (b) amortisation of the leased asset separately from interest on lease liability in the statement of profit or loss.

IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Lessors continue to classify leases as operating or finance, with each of them subject to different accounting treatment.

The Company will apply IFRS 16 following its endorsement by the European Union.

The Company does not expect the new standard to have a material effect on its separate financial statements.

As at the date of preparation of these financial statements, the amendments had not been endorsed by the European Union.

g) Amendments to IAS 12 related to recognition of deferred tax assets for unrealised losses

The amendments to IAS 12 clarify the requirements concerning recognition of a deferred tax asset for unrealised losses on debt instruments. An entity will be required to recognise a deferred tax asset for unrealised losses if they result from discounting cash flows related to debt instruments using a market interest rate, also if it intends to hold such debt instruments to maturity and the collection of the principal does not trigger any tax payments. The economic benefit embodied in the related deferred tax asset results from the ability of the holder of the debt instruments to achieve future gains (by unwinding the discount) without paying taxes on those gains.

The amendments are effective for annual periods beginning on or after January 1st 2017.

The Company will apply the amendments as of January 1st 2017.

The Company does not expect the new standard to have a material effect on its separate financial statements.

As at the date of preparation of these financial statements, the amendments had not been endorsed by the European Union.

h) Amendments to IAS 7 − disclosure initiative

The amendments to IAS 7 are effective for annual periods beginning on or after January 1st 2017. Entities will be required to disclose a reconciliation of changes in liabilities arising from financing activities.

The Company will apply the amendments as of January 1st 2017.

The Company does not expect the new standard to have a material effect on its separate financial statements.

As at the date of preparation of these financial statements, the amendments had not been endorsed by the European Union.

i) Amendments to IFRS 2 − *Classification and measurement of share-based payment transactions*

The amendments to IFRS 2 are effective for annual periods beginning on or after January 1st 2018. The amendments provide guidance on measurement at fair value of a liability under cash-settled share-based payment transactions, reclassification from cash-settled share-based payment transactions to equity-settled share-based payment transactions, and recognition of an employee's tax liability under share-based transactions.

The Company will apply the amendments as of January 1st 2018.

The Company does not expect the new standard to have a material effect on its separate financial statements.

As at the date of preparation of these financial statements, the amendments had not been endorsed by the European Union.

j) Amendments to IFRS 4 − *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*

The amendments to IFRS 4 *Insurance Contracts* address concerns about issues arising from implementing IFRS 9 *Financial Instruments*. The released amendments to IFRS 4 complement the options already existing in the standards and seek to prevent temporary fluctuations in insurance companies' results caused by adoption of IFRS 9.

The Company will apply the amendments as of January 1st 2018.

The Company does not expect the new standard to have a material effect on its separate financial statements.

As at the date of preparation of these financial statements, the amendments had not been endorsed by the European Union.

k) IFRS Annual Improvements cycle 2014−2016

In December 2016, the International Accounting Standards Board issued 'Annual Improvements to IFRSs cycle 2014−2016', containing amendments to three standards: IFRS 12 *Disclosure of Interest in Other Entities,* IFRS 1 *First-time Adoption of IFRS*, and IAS 28 *Investments in Associates and Joint Ventures*.

The improvements contain clarifications and changes to the scope of the standards, recognition and measurement, as well as terminological and editorial changes.

The Company will apply the amendments as of January 1st 2017 (amendments to IFRS 12)/ as of January 1st 2018 (amendments to IFRS 1 and IAS 28).

The Company does not expect the new standard to have a material effect on its separate financial statements.

As at the date of these financial statements, the amendments had not been endorsed by the European Union.

l) Amendments to IAS 40 − *Transfers of investment property*

Amendments to IAS 40 clarify the requirements for transfers to and from investment properties. The amendments are effective for annual periods beginning on or after January 1st 2018.

The Company will apply the amendments as of January 1st 2018.

The Company does not expect the new standard to have a material effect on its separate financial statements.

As at the date of preparation of these financial statements, the amendments had not been endorsed by the European Union.

m) IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 provides guidance applicable when an entity receives or pays consideration in advance in a foreign currency. The guidelines are effective for annual periods beginning on or after January 1st 2018.

The Company will apply the amendments as of January 1st 2018.

The Company does not expect the new standard to have a material effect on its separate financial statements.

As at the date of preparation of these financial statements, the amendments had not been endorsed by the European Union.

The Company has not elected to early adopt any of the standards, interpretations or amendments that have been issued but are not yet effective.

11.3. Basis of accounting

These financial statements have been prepared in accordance with the International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) endorsed by the European Union.

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

These financial statements for the year ended December 31st 2016, including the comparative data for the year ended December 31st 2015, were audited by a qualified auditor in accordance with the applicable laws. The data for Q4 2016 and the comparative data for Q4 2015 was not audited by a qualified auditor.

These financial statements have been prepared on the historical cost basis, except with respect to the following material items of the ?statement of financial position: loans and borrowings measured at amortised cost.

11.4. Significant accounting judgements

Certain information presented in these separate financial statements is based on the Company's estimates and professional judgement. The amounts determined in that manner may differ from actual results.

11.5. Significant estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period which carry a significant risk of a material adjustment being required to the carrying amounts of assets and liabilities in the next financial year are discussed below:

- Impairment losses on wind farm development projects (20),
- Deferred tax,
- Impairment of assets – for further information, see Note 11.10,
- Impairment of financial assets – for further information, see Note 11.14.

In the year ended December 31st 2016, the Company made no changes in its method of making estimates affecting the information presented in the separate financial statements, and the estimated amounts were presented in the notes referred to above.

11.6. Measurement currency and reporting currency of the financial statements

The Company's measurement currency and reporting currency of these separate financial statements is the Polish złoty.

11.7. Intangible assets

Intangible assets which are separately acquired or produced (if they meet the criteria for being recognised as development expenditure) are initially recognised at cost. Cost of intangible assets acquired in a business combination is equivalent to their fair value as at the date of the combination. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses, if any. With the exception of capitalised development expenditure, expenditure on intangible assets produced by the Company is not capitalised and is charged to expenses in the period in which it was incurred.

The Company determines whether intangible assets have definite or indefinite useful lives. Intangible assets with definite useful lives are amortised over their useful lives and tested for impairment each time there is an indication of impairment. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are disclosed by changing the amortisation period or amortisation method, as appropriate, and are accounted for as changes in accounting estimates. Amortisation charges on intangible assets with definite useful lives are recognised in profit or loss in the category that corresponds to the function of a given intangible asset.

Intangible assets with indefinite useful lives and those that are not used are tested for impairment annually at the level of the separate asset or the relevant cash generating unit.

Expected useful lives of intangible assets are as follows:

Patents, licences	1 year
Software	2-5 years
Other intangible assets	5 years

Expenditure on research activities is charged to the statement of profit or loss as incurred. Costs of development work performed with respect to a given project are carried forward if they are expected to be recovered in the future. After initial recognition of expenditure on development work, the historical cost model is applied, which requires that assets be disclosed at cost less accumulated depreciation/amortisation and impairment. Any expenditure carried forward is amortised over the period during which income is expected to be generated from the sale of a given project.

The carrying amount of development costs is reviewed for impairment annually if the asset is not yet in use, or more frequently if an indication of impairment has been identified during the reporting period, which may suggest that the carrying amount may not be recoverable.

Gains or losses from derecognition of an intangible asset are measured as the difference between net proceeds from the sale of the asset and its carrying amount, and are recognised in the statement of profit or loss upon derecognition of the asset.

11.8. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. In the case of perpetual usufruct right to land, cost is understood as the acquisition price specified in the relevant decision issued by the municipality when the right was granted.

The initial value of an item of property, plant and equipment is represented by its cost, which includes all costs directly related to its acquisition and bringing it to working condition for its intended use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred if relevant recognition criteria are fulfilled. Costs incurred after an item of property, plant and equipment has been placed in service, such as costs of maintenance or repair, are charged to profit or loss when incurred.

Upon acquisition, property, plant and equipment are divided into components of material value which can be assigned different economic useful lives. The cost of overhauls is also deemed a component.

Property, plant and equipment, other than land, are depreciated using the straight-line method over their estimated useful lives.

Buildings and structures	20 years
Plant and equipment	2.5−20 years
Vehicles	2.5−5 years
Other property, plant and equipment	5−7 years

Residual values, useful lives and methods of depreciation of assets are reviewed annually and, if necessary, adjusted with effect from the beginning of the financial year that has just ended.

Each item of property, plant and equipment is accounted for separately and depreciated over its useful life.

An item of property, plant and equipment can be derecognised on disposal or when no future economic benefits are expected from its further use. Any gains or losses on derecognition of an asset from the statement of financial position (calculated as the difference between net proceeds from its sale, if any, and the carrying amount of the asset) are disclosed in profit or loss of the period of derecognition.

11.9. Property, plant and equipment under construction

Property, plant and equipment under construction are measured at cost or aggregate cost incurred in the course of their production or acquisition, less impairment losses. Investment materials are carried as property, plant and equipment under construction. Property, plant and equipment under construction are not depreciated until completed and placed in service.

11.10. Impairment losses on non-financial non-current assets

An assessment is made at the end of each reporting period to determine whether there is any indication that any of non-financial non-current assets may be impaired. If the Company finds that there is such indication, or if the Company is required to perform annual impairment tests, it estimates the recoverable amount of a given asset or the cash-generating unit to which a given asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of the asset’s or cash-generating unit’s fair value less costs to sell and its value in use. The amount is determined for individual assets, unless a given asset does not generate separate cash flows largely independent from those generated by other assets or asset groups. If the carrying amount of an asset is higher than its recoverable amount, the value of the asset is impaired and an impairment loss is recognised, reducing the asset’s carrying amount to the established recoverable amount. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the expense categories consistent with the function of the impaired asset.

The Company assesses at the end of each reporting period whether there is any indication that previously recognised impairment losses on an asset no longer exist or should be reduced. If such indication exists, the Company estimates the asset’s recoverable amount. A recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased up to its recoverable amount. The increased value may not exceed the carrying amount of the asset that would have been determined (after accumulated amortisation/depreciation) if no impairment losses had been recognised on that asset in the previous years. Reversal of an impairment loss is immediately recognised as income in profit or loss. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to a given asset is adjusted so that its revised carrying amount, less residual value, can be regularly written off over the remaining useful life of the asset.

11.11. Investment property

Investment property is initially measured at cost, including the transaction costs. The carrying amount of investment property includes the cost of replacement of component parts of the property at the moment it is incurred, provided the recognition criteria are met, but does not include day-to-day maintenance costs.

Following initial recognition, the value of investment property is reduced by cumulative depreciation and impairment.

Investment property is derecognised on disposal or when the property is permanently withdrawn from use and no future economic benefits from its disposal are expected. Any gains or losses arising from derecognition of investment property are taken to profit or loss in the period of the derecognition.

Assets are reclassified to investment property only when there is a change in their use, as evidenced by the end of owner-occupancy, execution of an operating lease, or completion of construction/production of the investment property. If owner-occupied property (where the Company is the owner) becomes investment property, the Company accounts for such property in accordance with the policy described in the 'Property, plant and equipment' section, up to the date of the change in use.

Upon acquisition, items of investment property are divided into components of material value which can be assigned different economic useful lives. The cost of overhauls is also deemed a component.

Items of investment property, other than land, are depreciated using the straight-line method over their estimated useful lives.

Buildings and structures	14 years
Plant and equipment	2.5−14 years

Residual values, useful lives and methods of depreciation of investment property are reviewed annually and, if necessary, adjusted with effect from the beginning of the financial year that has just ended.

Each item of investment property is accounted for separately and depreciated over its useful life.

11.12. Investments in subsidiaries, jointly-controlled entities and associates

Investments in subsidiaries, jointly-controlled entities and associates relate to interests in entities which are not listed on any active market, hence their fair value cannot be reliably determined. Such interests are disclosed in the statement of financial position at historical cost less impairment, if any.

11.13. Financial assets

Financial assets are classified into the following categories:

- Financial assets held to maturity,
- Loans and receivables,
- Financial assets available for sale.

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

- Financial assets that have been designated at fair value through profit or loss upon initial recognition,
- Financial assets designated as available for sale,
- Financial assets that qualify as loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate method. Financial assets held to maturity are classified as non-current assets if they mature more than 12 months after the end of the reporting period.

A financial asset at fair value through profit or loss is a financial asset that meets any of the following conditions:

a) It is classified as held for trading. Financial assets are classified as held for trading if they:
   - Have been acquired principally for the purpose of being sold in the near future,
   - Are part of a portfolio of identified financial instruments that are managed together and for which there is probability of profit-taking in the near future,
   - Are derivative instruments (except for those which are part of hedge accounting or financial guarantee contracts).

b) It has been assigned to this category on initial recognition, in accordance with IAS 39.

Financial assets at fair value through profit or loss are measured at fair value, based on their market value as at the end of the reporting period, without reflecting costs to sell. Any changes in the value of these financial instruments are recognised directly in the statement of profit or loss as finance income or costs. An entire contract can be designated as financial asset at fair value through profit or loss if it contains one or more embedded derivative instruments. This does not apply to situations where an embedded derivative does not materially affect the cash flows of the contract or its separation is prohibited. Financial assets may be designated as financial assets at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation 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, (ii) the assets are part of a group of financial assets that are managed and measured based on fair value, according to a documented risk management strategy, or (iii) the financial assets contain embedded derivative instruments which should be presented 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 as current assets if their maturity does not exceed 12 months after the end of the reporting period. Loans and receivables with maturities exceeding 12 months from the end of the reporting period are classified as non-current assets.

Financial assets available for sale are non-derivative financial assets which have been classified as available for sale, or which do not belong to any of the previous three categories. Financial assets available for sale are recognised at fair value (without deducting the transaction costs), determined by reference to their market value as at the reporting date. If quoted market prices from an active market are not available and the fair value cannot be reliably measured using alternative methods, available-for-sale financial assets are measured at cost less impairment losses, if any. The positive or negative difference between the fair value of available-for-sale financial assets (if they have a market price derived from an active regulated market or their fair value can be otherwise established in a reliable manner) and their cost is recognised net of deferred tax in other comprehensive income. Impairment losses on available-for-sale financial assets are recognised in finance costs.

Any purchase or sale of financial assets is recognised at the transaction date. On initial recognition, financial assets are recognised at fair value plus – in the case of financial assets other than those at fair value through profit or loss – transaction costs directly attributable to the purchase.

Financial assets are derecognised if the Company loses control of the contractual rights that constitute a given financial instrument, which usually takes place upon sale of the instrument or where all cash flows attributable to the given instrument are transferred to a third party.

11.14. Impairment of financial assets

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that the value of loans and receivables measured at amortised cost has been impaired, an impairment loss is recognised in the amount equal to the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition). The carrying amount of the asset is reduced directly or by recognising an impairment loss, which is charged to profit or loss.
The Company first determines whether there exists an objective indication of impairment with respect to each financial asset that is deemed material, and with respect to financial assets that are not deemed material individually. If the analysis shows that there is no objective evidence of impairment for an individually assessed financial asset, regardless of whether it is significant or not, the Company includes the asset in a group of financial assets with similar credit risk characteristics and collectively tests them for impairment. Assets that are individually tested for impairment and for which an impairment loss has been recognised or it has been concluded that the previously recognised impairment loss will not change, are not taken into account in collective testing of assets for impairment.
If an impairment loss decreases in a subsequent period, and the decrease may be objectively associated with an event that occurred after the impairment loss recognition, the recognised impairment loss is reversed. Reversal of an impairment loss is recognised in profit or loss in so far as the carrying amount of the asset does not exceed its amortised cost as at the reversal date.

Financial assets carried at cost

If there exists an objective indication of impairment of a non-traded equity instrument which is not carried at fair value since such value cannot be reliably determined, or of a related derivative instrument which must be settled by delivery of such non-traded equity instrument, the amount of impairment loss is established as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted with the market rate applicable to similar financial assets prevailing at a given time.

Financial assets available for sale

If there exists an objective indication of impairment of a financial asset available for sale, the amount of the difference between the cost of that asset (less any principal payments and, for financial assets measured at amortised cost using the effective interest rate method, less amortisation) and its current fair value, reduced by any impairment losses previously recognised in profit or loss, is removed from equity and taken to profit or loss. Reversals of impairment losses on equity instruments classified as available for sale may not be recognised in the statement of profit or loss. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively attributed to an event that occurred after the impairment loss was recognised in profit or loss, the impairment loss is reversed and the reversal amount is recognised in profit or loss.

11.15. Leases

The Company as a lessor

Leases (including rental agreements) under which the lessor retains substantially all risks and rewards resulting from the ownership of the leased asset are classified as operating leases. Lease costs are expensed as incurred, while income from a leased asset is recognised as income for the period.

The Company as a lessee

Finance leases, which transfer substantially all the risks and rewards incidental to the ownership of a leased asset to the Company, are recognised in the statement of financial position at the inception of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge is taken directly to profit or loss.

Non-current assets used under finance leases are depreciated/amortised over the shorter of their estimated useful life and the lease term.

Leases under which the lessor retains substantially all risks and rewards resulting from the ownership of the leased asset are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss over the lease term on a straight-line basis.

11.16. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs incurred in bringing materials inventories to their present location and condition are included in the cost of the inventories and measured at cost determined using the weighted average cost formula.

The cost of finished goods and work-in-progress includes the cost of direct materials and labour and an appropriate portion of indirect production costs, established on the basis of normal capacity utilisation.

Net realisable value is the selling price realisable as at the reporting date, net of VAT and excise duty, less any rebates, discounts and other similar items, and less estimated costs to complete and costs to sell.

Items disclosed under inventories include materials and merchandise, prepaid deliveries and expenditure on wind farm development projects where their serviceability is assessed as probable.

11.17. Current and non-current receivables

Trade receivables are measured at amounts due less impairment losses.

Receivables are remeasured to account for the probability of their payment and impairment losses are recognised where necessary. Impairment losses on receivables are charged to other expenses or finance costs, depending on the nature of the receivables.

Receivables that have been cancelled, have become time-barred or unrecoverable reduce the amount of any impairment losses previously recognised on such receivables.

Receivables which have been cancelled, have become time-barred or unrecoverable, for which no impairment losses have been recognised (or where recognised impairment losses do not cover the full amount receivable), are posted to other expenses or finance costs, as appropriate.

Receivables from the state budget are presented as other current receivables, except for corporate income tax receivable, disclosed as a separate item of the statement of financial position.

If the effect of the time value of money is material, the receivable is measured by discounting expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money. If the discount method is applied, any increase in the amount of the receivables reflecting the passage of time is recognised as finance income.

11.18. Foreign currency transactions

Transactions denominated in currencies other than the Polish zloty are translated into the Polish zloty at the rate of exchange prevailing on the transaction date.

(PLN '000)

Cash, bank borrowings and other monetary assets and liabilities denominated in foreign currencies are translated into the złoty as at the reporting date at the mid-market exchange rate quoted by the National Bank of Poland. Currency translation differences are recognised in finance income or costs, as appropriate.

Non-monetary assets and liabilities recognised at historical cost in a foreign currency are disclosed at the historical exchange rate from the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are translated at the exchange rate effective on the date of determining the fair value.

The following exchange rates were used to determine the carrying amounts:

	Dec 31 2016	Dec 31 2015
USD	4.1793	3.9011
EUR	4.4240	4.2615
GBP	5.1445	5.7862

11.19. Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of cash flows comprise cash in hand, bank deposits, investment fund units, treasury bills and bonds not classified as investing activities.

11.20. Accruals and deferrals

The Company recognises costs and income as prepayments and accrued income where they relate to future reporting periods. Accrued expenses are recognised at probable amounts of current-period liabilities.

11.21. Share capital

Share capital is disclosed at its amount defined in the Company's Articles of Association and entered in the national court register. Any difference between the fair value of consideration received and the par value of shares is recognised in statutory reserve funds under share premium account. Amounts paid for share repurchases are charged to equity and disclosed in the statement of financial position as treasury shares. Declared but outstanding contributions to equity are disclosed under called-up share capital not paid.

11.22. Provisions

Provisions are recognised if the Company has a legal or constructive obligation resulting from a past event and when it is certain or highly probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where expenditure required to settle the obligation is expected to be reimbursed by another party (e.g. under an insurance agreement), the reimbursement is recognised as a separate asset when, and only when, it is virtually certain that it will be actually received. Cost related to a given provision is recognised in profit or loss net of any recoveries. If the effect of the time value of money is material, the amount of a provision is determined by discounting the projected future cash flows to their present value, using a pre-tax discount rate reflecting the current market estimates of the time value of money, as well as any risk associated with a given obligation. If the discount method is applied, an increase in the provision as a result of the passage of time is recognised as finance costs.

11.23. Provisions for retirement gratuity and jubilee benefits

In accordance with the Company's remuneration systems, its employees are entitled to retirement gratuity benefits. Retirement gratuity benefits are one-off benefits, paid out when the employee retires. The amounts of such benefits depend on the length of service and average remuneration of the employee. The Company recognises a provision for future retirement gratuity obligations in order to allocate costs to the periods to which they relate. According to IAS 19, retirement gratuity benefits are classified as defined post-employment benefit plans. The calculated value of the obligations is equal to the amount of discounted future payments, taking into account employee turnover, and relate to the period ending on the reporting date. Information on demographics and employee turnover is based on historical data.

11.24. Interest-bearing borrowings and other debt instruments

All borrowings and other debt instruments are initially recognised at fair value net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing borrowings and other debt instruments are measured at amortised cost using the effective interest rate method.

Amortised cost includes the cost of obtaining the funding as well as any discounts or premiums obtained in connection with the liability.

Any gains or losses are taken to profit or loss when the liability is derecognised or accounted for using the effective interest rate method.

11.25. Trade and other payables

Current trade payables are reported at nominal amounts payable. Financial liabilities at fair value through profit or loss include financial liabilities held for trading, and financial liabilities initially designated as financial liabilities at fair value through profit or loss. Financial liabilities are classified as held for trading if they have been acquired for the purpose of being sold in the near future. Derivative financial instruments, including separated embedded derivatives, are also classified as held for trading, unless they are considered as effective hedges. Financial liabilities may be designated as financial liabilities at fair value through profit or loss on initial recognition if the following criteria are met: (i) such designation 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, (ii) the liabilities are part of a group of financial liabilities that are managed and measured based on fair value, according to a documented risk management strategy, or (iii) the financial liabilities contain embedded derivative instruments which should be presented separately.

Financial liabilities other than financial instruments at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

The Company derecognises a financial liability when it is extinguished, that is when the obligation specified in the contract is either discharged or cancelled or expires. When a debt instrument between the same parties is replaced by another instrument whose terms are substantially different, the Company treats such replacement as if the former financial liability was extinguished and recognises a new liability. Similarly, material modifications to the terms of a contract concerning an existing financial liability are presented as extinguishment of the former and recognition of a new financial liability. Any differences in the respective carrying amounts arising in connection with the replacement are charged to profit or loss.

Other non-financial liabilities include in particular value added tax payable to tax authorities and liabilities under prepayments received, to be settled by supplying merchandise or property, plant and equipment or by rendering of services. Other non-financial liabilities are recognised at amounts due.

11.26. Recognition of revenue

Revenue is recognised to the extent it is probable that the Company will receive economic benefits which can be reliably measured. Revenue is recognised at fair value of the consideration received or receivable, net of value added tax (VAT), excise tax and discounts. Revenue recognition is also subject to the criteria presented below.

11.26.1. Sale of merchandise and products

Revenue is recognised when significant risks and rewards incidental to the ownership of merchandise or products have been transferred to the customer, and if the revenue amount can be reliably estimated.

11.26.2. Rendering of services

Revenue from rendering of services is based on the percentage of service completion. When the outcome of the contract cannot be estimated reliably, revenue under the contract is recognised only up to the amount of costs incurred that the Company expects to recover.

11.26.3. Interest

Interest income is recognised gradually as it accrues (using the effective interest rate method, the effective interest rate being one that discounts future cash flows over the estimated period of maintaining the financial instrument) relative to the net carrying amount of a given financial asset.

11.26.4. Dividends

Dividends are recognised when the shareholder's right to receive payment is established.

11.26.5. Income from (operating) leases

Income from lease of investment property is recognised over the lease term on a straight-line basis.

11.26.6. Grants

If there is reasonable certainty that a grant will be received and that all related conditions will be fulfilled, grants are recognised at fair value.

If a grant concerns a cost item, it is recognised as income in matching with the expenses it is to compensate for. Where the grant relates to an asset, its fair value is credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset in equal annual instalments.

11.27. Taxes

11.27.1. Current income tax

Current tax asset and income tax payable for the current period and for previous periods are measured at the amount expected to be paid to (or recovered from) tax authorities, using the tax rates and tax legislation that have been enacted or substantively enacted at the end of the reporting period.

11.27.2. Deferred tax

For the purposes of financial reporting, the Company calculates deferred tax using the balance-sheet liability method in relation to temporary differences existing as at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts as disclosed in the financial statements.

A deferred tax liability is recognised for all taxable temporary differences:

- Except where the deferred tax liability arises from the initial recognition of goodwill or 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 the accounting profit nor taxable profit or loss, and
- In the case of taxable temporary differences associated with investments in subsidiaries or associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences, as well as unused tax credits and unused tax losses brought forward, to the extent it is probable that taxable income will be available against which the deductible temporary differences, tax credits and tax losses can be utilised:

- Except to the extent that the deferred tax asset related to deductible temporary differences arises from 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 before tax nor taxable income (tax loss), and
- In the case of deductible temporary differences associated with investments in subsidiaries or associates and interests in joint ventures, deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed as at the end of each reporting period and is reduced to the extent it is no longer probable that sufficient taxable income will be generated to allow the deferred tax asset to be realised in full or in part. As at the end of each reporting period, any unrecognised deferred tax asset is reassessed and recognised to the extent that it is probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred tax asset and deferred tax liability are calculated using tax rates expected to be effective at the time of realisation of the asset or liability, based on tax rates (and tax legislation) effective at the end of the reporting period or tax rates (and tax legislation) which at the reporting date are certain to be effective in the future.

Income tax on items posted directly to equity is recognised in equity rather than in profit or loss.

Deferred tax asset and deferred tax liability are offset by the Company if and only if it has a legally enforceable right to offset current tax asset and income tax payable, and the deferred tax relates to the same tax payer and the same taxation authority.

11.27.3. Value added tax

Revenue, expenses, assets and liabilities are recognised net of VAT, except in the following cases:

- Where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities; in such a case it is recognised in the cost of a given asset or as part of the cost item, and
- In the case of receivables and payables which are recognised inclusive of the VAT.

The net amount of the value added tax which is recoverable from or payable to tax authorities is carried in the statement of financial position under receivables or liabilities, as appropriate.

11.28. Earnings per share

Earnings per share for a reporting period are calculated by dividing the net profit for the period by the weighted average number of shares outstanding in the period.

Diluted earnings per share for a reporting period are calculated by dividing net profit for the period, adjusted for the dilutive effect of all potential ordinary shares, by the expected weighted average number of shares.

11.29. Contingent assets and liabilities

A contingent liability is understood as an obligation to make a payment or provide a service which may arise upon the occurrence or non-occurrence of certain future events. Contingent liabilities are not recognised in the statement of financial position, however information on contingent liabilities is disclosed, unless the likelihood of the outflow of resources embodying economic benefits is negligible.

Contingent receivables are not recognised in the statement of financial position, but information on them is disclosed if the inflow of resources embodying economic benefits is likely to occur.

12. Operating segments

The Company operates in a homogeneous operating segment.

13. Earnings per share

Basic earnings per share are calculated as the quotient of net profit for the period attributable to holders of ordinary shares in the Company and the weighted average number of ordinary shares outstanding in the period.

Diluted earnings per share are calculated as the quotient of net profit for the period attributable to holders of ordinary shares (net of interest on redeemable preference shares convertible into ordinary shares) and the weighted average number of ordinary shares outstanding in the period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

In the period from the reporting date to the date of these financial statements, there were no transactions involving ordinary shares or potential ordinary shares.

(PLN '000)

Presented below is data on the net profit and shares used to calculate basic and diluted earnings per share:

	For 12 months ended	
	Dec 31 2016	Dec 31 2015
Net profit (loss)	**(85,033)**	**(4,454)**
Weighted average number of ordinary shares	45,443,547	45,443,547
Earnings (loss) per ordinary share (PLN)	(1.87)	(0.10)

	For 12 months ended	
	Dec 31 2016	Dec 31 2015
Weighted average number of ordinary shares	45,443,547	45,443,547
Dilutive effect	-	-
Diluted weighted average number of ordinary shares	**45,443,547**	**45,443,547**

14. Distribution of profit

On March 24th 2016, the Company's Annual General Meeting resolved to distribute a part of the capital reserve created from the Company's profits earned in prior years (PLN 22,721 thousand) as dividends to the shareholders.

15. Combination of entities under common control

The merger was completed under Art. 492.1.1 of the Commercial Companies Code between Neutron Sp. z o.o. (acquired company), Grupa PEP Finansowanie Sp. z o.o. (acquired company), Grupa PEP Uprawy Energetyczne Sp. z o.o. (acquired company) and Polenergia S.A. (acquiring company) by way of transfer of all the assets and obligations of the acquired companies to Polenergia S.A. (merger through acquisition). The merger was accounted for with the uniting of interests method, without closing the accounting records. The merger of the companies was effected pursuant to a resolution of the Extraordinary General Meeting of November 30th 2016. The date of the merger was assumed to be December 29th 2016, i.e. the day when the merger was entered in the National Court Register relevant for the acquiring company.

Acquisitions and mergers of business entities are primarily regulated under IFRS 3 *Business Combinations*. However, the standard does not apply to transactions between entities under common control. The cases where a given transaction or economic event is required to be disclosed in financial statements prepared in accordance with IFRSs, but is not regulated by the individual standards, are provided for in
Paragraphs 10−12 of IAS 8. These provisions require an entity preparing financial statements in accordance with IFRSs to select and apply accounting policies consistently for similar transactions.

The Company has selected the method based on historical data to account for the combination of entities under common control. The method is founded on the assumption that the merging entities are controlled by the same shareholder both before and after the transaction, and the transaction does not materially affect cash flows related to the net assets acquired. Based on our assessment, the transaction has no economic substance. Accordingly, the financial statements reflect the continued common control, but do not reflect measurement of net assets at fair value (or recognition of new assets) or measurement of goodwill, because none of the combining entities is actually acquired.

Thus, to account for the business combination, the Company applied the following method based on historical data:

Merger of Grupa PEP Finansowanie Projektów Sp. z o.o. and Grupa PEP Uprawy Energetyczne Sp. z o.o.:
The transaction was accounted for by aggregating the values of corresponding items of the statements of financial position, income and expenses, as well as profits and losses of the merging entities as of the merger date. The following were eliminated: the carrying amount of shares in Grupa PEP Finansowanie Projektów Sp. z o.o. and Grupa PEP Uprawy Energetyczne Sp. z o.o. held by Polenergia S.A., with a total par value of PLN 156,535 thousand, and (in the matching entries) the share capital, share premium and other capital reserves of the acquired companies (PLN 156,535 thousand, PLN 300,075 thousand and PLN 127,145 thousand, respectively). After the transaction was accounted for, PLN 89,781 thousand was recognised as capital from spin-off transaction.

Merger with Neutron Sp. z o.o.:
Neutron Sp. z o.o. was a holding company, not pursuing any business activities but holding shares in Polenergia Group companies. Neutron Sp. z o.o. was a subsidiary of Polenergia Holding Sarl and, following a transaction made in Q3 2014, became a subsidiary of the Polenergia Group.

In connection with the merger between Polenergia S.A. and Neutron Sp. z o.o., Polenergia S.A. came to hold shares in the following companies:

- 100% of shares in Polenergia Elektrociepłownia Nowa Sarzyna Sp. z o.o.;
- 100% of shares in Polenergia Kogeneracja Sp. z o.o.;
- 100% of shares in Elektrownia Północ Sp. z o.o.;
- 100% of shares in Polenergia Dystrybucja Sp. z o.o.;
- 100% of shares in Polenergia Obrót S.A;
- 100% of shares in Polenergia Bałtyk I S.A;
- 100% of shares in Polenergia Bałtyk II Sp. z o.o.;
- 100% of shares in Polenergia Bałtyk III Sp. z o.o.;
- 100% of shares in PPG Pipeline Projektgesselschaft mbH;
- 100% of shares in PPG Polska Sp. z o.o.;
- 100% of shares in Certyfikaty Sp. z o.o.;
- 20% of shares in GEO Kletnia Sp. z o.o.

The merger of Neutron Sp. z o.o. with Polenergia S.A. was a combination of entities under common control and its sole purpose was to reorganise the Group's structure. As the transaction had no economic substance, it produced no gain or loss.

Consequently, as at the merger date, the net assets of the acquired company Neutron Sp. z o.o. were recognised at initial carrying amount representing the value of shares in Neutron Sp. z o.o. held by Polenergia S.A., i.e. PLN 585,511 thousand.

(PLN '000)

The initial carrying amount of the acquired net assets was as follows:

Shares in Polenergia S.A. held by Neutron Sp. z o.o. prior to the merger	585,511
Carrying amount of shares in Neutron Sp. z o.o.'s subsidiaries	608,553
Cash	47,374
Liabilities	70,416
Acquired net assets	585,511

The table below presents the value of shares allocated to each company in connection with the merger of Polenergia S.A. with Neutron Sp. z o.o:

Allocation of acquired shares in Neutron Sp. z o.o.'s subsidiaries	
Polenergia Kogeneracja Sp. z o.o.	3,627
Polenergia Bałtyk I S.A.	25,400
Polenergia Bałtyk II Sp. z o.o.	78,002
Polenergia Bałtyk III Sp. z o.o.	218,662
Polenergia Dystrybucja Sp. z o.o.	68,819
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	78,591
Polenergia Obrót S.A.	51,556
Polenergia Elektrownia Północ Sp. z o.o.	81,875
Certyfikaty Sp. z o.o.	2,021
Total	**608,553**

The acquired companies' financial highlights as at the merger date are presented below:

Dec 29 2016	Polenergia S.A.	Polenergia S.A.	Grupa PEP Finansowanie Projektów Sp. z o.o.	Grupa PEP Uprawy Energetyczne Sp. z o.o.	Neutron Sp. z o.o.	Adjustments
	Before merger	After merger				
Non-current assets	1,055,367	1,277,796	1,541	1,000	608,553	(833,523)
Current assets	227,227	173,729,	320,952	193	47,374	(315,021)
Share capital	90,887	90,887	156,530	5	-	(156,535)
Share premium	765,439	765,438	300,076	-	-	(300,075)
Capital reserve from valuation of options	13,207	13,207	-	-	-	-
Other capital reserves	349,478	349,478	(129,097)	1,952	-	127,145
Capital from spin-off transaction	89,781	-	-	-	-	89,781
Retained earnings/(deficit)	(26,826)	-	(26,104)	(722)	-	-
Net profit/(loss)	(85,034)	(71,309)	(13,683)	(42)	-	-
Liabilities	85,662	303,824	34,771	-	70,416	(323,349)

In connection with the merger described above, in these financial statements, for the purpose of presentation of comparative data in the statement of financial position, statement of profit or loss and notes to the financial statements as at December 31st 2015 and for the financial year then ended, the approved data as at the end of the financial year ended December 31st 2015 was restated. Data presented in the tables show changes relating to the effects of the merger.

The comparative data in these financial statements was disclosed as if the merger was completed at the beginning of the previous financial year; however, the individual items of equity as at the end of the previous year were disclosed as the sums of corresponding items of equity of individual companies, with transactions among the companies involved in the merger excluded.

(PLN '000)

Comparative data as at December 31st 2015:

Dec 31 2015	Polenergia S.A.	Polenergia S.A.	Grupa PEP Finansowanie Projektów Sp. z o.o.	Grupa PEP Uprawy Energetyczne Sp. z o.o.	Neutron Sp. z o.o.	Adjustments
	Before merger	After merger				
Non-current assets	1,299,273	1,433,343	32,603	1,000	664,254	(831,927)
Current assets	128,865	102,167	300,822	236	18,230	(292,589)
Share capital	90,887	90,887	156,530	5	-	(156,535)
Share premium	786,134	786,134	300,076	-	-	(300,076)
Capital reserve from valuation of options	13,207	13,207	-	-	-	-
Other capital reserves	372,199	372,199	(129,097)	1,952	-	127,145
Capital from spin-off transaction	89,782	-	-	-	-	89,782
Retained earnings/(deficit)	(43,068)	-	(42,544)	(524)	-	-
Net profit/(loss)	(4,454)	(20,696)	16,440	(198)	-	-
Liabilities	123,453	293,779	32,020	1	96,974	(299,321)

Dec 31 2015	Polenergia S.A.	Polenergia S.A.	Grupa PEP Finansowanie Projektów Sp. z o.o.	Grupa PEP Uprawy Energetyczne Sp. z o.o.	Adjustments
	After merger	Before merger			
Revenue	31,996	32,115	-	46	(165)
Cost of sales	(28,039)	(27,835)	(136)	(68)	-
Gross profit/(loss)	3,957	4,280	(136)	(22)	(165)
Other income	1,297	1,254	-	43	-
Administrative expenses	(13,349)	(13,348)	(166)	-	165
Other expenses	(597)	(322)	(46)	(219)	-
Finance income	10,137	9,191	21,868	2	(20,924)
Finance costs	(6,618)	(26,295)	(1,245)	(2)	20,924
Profit/(loss) before tax	(5,173)	(25,250)	20,275	(198)	-
Income tax	719	4,554	(3,835)	-	-
Net profit/(loss)	(4,454)	(20,696)	16,440	(198)	-

16. Intangible assets

Dec 31 2016	acquired permits, patents, licences and similar assets, including:		total intangible assets
		software	
1. Gross intangible assets at beginning of period	**2,122**	**64**	**2,122**
a) increase, including:	170	-	170
- acquisition	170	-	170
b) decrease, including:	(18)	(18)	(18)
- sale and retirement	(18)	(18)	(18)
2. Gross intangible assets at end of period	**2,274**	**46**	**2,274**
3. Cumulative amortisation at beginning of period	**(1,236)**	**(64)**	**(1,236)**
- amortisation for current period	(322)	-	(322)
- decrease, including:	18	18	18
- sale and retirement	18	18	18
4. Cumulative amortisation at end of period	**(1,540)**	**(46)**	**(1,540)**
5. Impairment losses at beginning of period	-	-	**-**
- increase	-	-	-
- decrease	-	-	-
6. Impairment losses at end of period	**-**	**-**	**-**
7. Net intangible assets at beginning of period	**886**	**-**	**886**
8. Net intangible assets at end of period	**734**	**-**	**734**

(PLN '000)

Dec 31 2015	acquired permits, patents, licences and similar assets, including:	software	total intangible assets
1. Gross intangible assets at beginning of period	2,112	64	2,112
a) increase, including:	10	-	10
- acquisition	10	-	10
2. Gross intangible assets at end of period	2,122	64	2,122
3. Cumulative amortisation at beginning of period	(860)	(64)	(860)
- amortisation for current period	(376)	-	(376)
4. Cumulative amortisation at end of period	(1,236)	(64)	(1,236)
5. Impairment losses at beginning of period	-	-	-
- increase	-	-	-
- decrease	-	-	-
6. Impairment losses at end of period	-	-	-
7. Net intangible assets at beginning of period	1,252	-	1,252
8. Net intangible assets at end of period	886	-	886

(PLN '000)

17. Property, plant and equipment

Dec 31 2016	buildings and structures	plant and equipment	vehicles	other property, plant and equipment	property, plant and equipment under construction	- prepayments for property, plant and equipment under construction	total property, plant and equipment
1. Gross property, plant and equipment at beginning of period	**1,093**	**717**	**3,252**	**662**	**228**	**64**	**6,016**
a) increase, including:	-	64	317	10	-	-	391
- acquisition	-	64	253	10	-	-	327
- transfer	-	-	64	-	-	-	64
b) decrease, including:	(248)	(326)	(2,015)	(23)	(228)	(64)	(2,904)
- sale and retirement	,	(326)	(1,551)	(23)	(228)	-	(2,128)
- other	(248)	-	(464)	-	-	-	(712)
- transfer	-	-	-	-	-	(64)	(64)
2. Gross property, plant and equipment at end of period	**845**	**455**	**1,554**	**649**	**-**	**-**	**3,503**
3. Cumulative depreciation at beginning of period	**(386)**	**(523)**	**(1,777)**	**(394)**	**-**	**-**	**(3,080)**
a) depreciation for current period	(83)	(90)	(521)	(88)	-	-	(782)
b) decrease, including:	248	322	1,397	23	-	-	1,990
- sale and retirement	-	322	933	23	-	-	1,278
- other	248	-	464	-	-	-	712
4. Cumulative depreciation at end of period	**(221)**	**(291)**	**(901)**	**(459)**	**-**	**-**	**(1,872)**
5. Impairment losses at beginning of period	**-**	**-**	**-**	**-**	**(228)**	**-**	**(228)**
a) increase	-	-	-	-	-	-	-
b) decrease	-	-	-	-	228	-	228
6. Impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
7. Net property, plant and equipment at beginning of period	**707**	**194**	**1,475**	**268**	**-**	**64**	**2,708**
8. Net property, plant and equipment at end of period	**624**	**164**	**653**	**190**	**-**	**-**	**1,631**

The carrying amount of vehicles used under lease agreements as at December 31st 2016 was PLN 617 thousand.

(PLN '000)

Dec 31 2015	buildings and structures	plant and equipment	vehicles	other property, plant and equipment	property, plant and equipment under construction	- prepayments for property, plant and equipment under construction	total property, plant and equipment
1. Gross property, plant and equipment at beginning of period	**1,093**	**689**	**2,977**	**646**	**228**	**-**	**5,633**
a) increase, including:	-	28	776	16	-	64	884
- acquisition	-	28	776	16	-	64	884
b) decrease, including:	-	-	(501)	-	-	-	(501)
- sale and retirement	-	-	(501)	-	-	-	(501)
2. Gross property, plant and equipment at end of period	**1,093**	**717**	**3,252**	**662**	**228**	**64**	**6,016**
3. Cumulative depreciation at beginning of period	**(303)**	**(424)**	**(1,602)**	**(315)**	**-**	**-**	**(2,644)**
a) Depreciation for current period	(83)	(99)	(579)	(79)	-	-	(840)
b) decrease, including:	-	-	404	-	-	-	404
- sale and retirement	-	-	404	-	-	-	404
4. Cumulative depreciation at end of period	**(386)**	**(523)**	**(1,777)**	**(394)**	**-**	**-**	**(3,080)**
5. Impairment losses at beginning of period	**-**	**-**	**-**	**-**	**(228)**	**-**	**(228)**
a) increase	-	-	-	-	-	-	-
b) decrease	-	-	-	-	-	-	-
6. Impairment losses at end of period	**-**	**-**	**-**	**-**	**(228)**	**-**	**(228)**
7. Net property, plant and equipment at beginning of period	**790**	**265**	**1,375**	**331**	**-**	**-**	**2,761**
8. Net property, plant and equipment at end of period	**707**	**194**	**1,475**	**268**	**-**	**64**	**2,708**

The carrying amount of vehicles used under lease agreements as at December 31st 2015 was PLN 1,373 thousand.

(PLN '000)

18. Investment property

Dec 31 2016	- buildings and structures	- plant and equipment	total investment property
1. Gross investment property at beginning of period	**7,411**	**4,448**	**11,859**
decrease, including:	(7,411)	(4,448)	(11,859)
- sale and retirement	(7,411)	(3,434)	(10,845)
- transfer	-	(1,014)	(1,014)
2. Gross investment property at end of period	**-**	**-**	**-**
3. Cumulative depreciation at beginning of period	**(5,076)**	**(3,181)**	**(8,257)**
a) Depreciation for current period	(122)	(118)	(240)
b) decrease, including:	5,198	3,299	8,497
- sale and retirement	5,198	2,488	7,686
- transfer	-	811	811
4. Cumulative depreciation at end of period	**-**	**-**	**-**
5. Impairment losses at beginning of period	**(466)**	**(824)**	**(1,290)**
- increase	-	-	-
- decrease	466	824	1,290
6. Impairment losses at end of period	**-**	**-**	**-**
7. Net investment property at beginning of period	**1,869**	**443**	**2,312**

On June 16th 2016, the Company finalised the sale of power generation assets comprising the Zakrzów CHP Plant project and two SPVs. The project was purchased by DP System Sp. z o.o. of Łódź. The transaction value was approximately PLN 6m.

(PLN '000)

Dec 31 2015	- buildings and structures	- plant and equipment	total investment property
1. Gross investment property at beginning of period	**7,411**	**4,448**	**11,859**
2. Gross investment property at end of period	**7,411**	**4,448**	**11,859**
3. Cumulative depreciation at beginning of period	**(4,771)**	**(2,995)**	**(7,766)**
a) Depreciation for current period	(305)	(186)	(491)
4. Cumulative depreciation at end of period	**(5,076)**	**(3,181)**	**(8,257)**
5. Impairment losses at beginning of period	**(466)**	**(824)**	**(1,290)**
- increase	-	-	-
- decrease	-	-	-
6. Impairment losses at end of period	**(466)**	**(824)**	**(1,290)**
7. Net investment property at beginning of period	**2,174**	**629**	**2,803**
8. Net investment property at end of period	**1,869**	**443**	**2,312**

As at December 31st 2015, the fair value of investment property did not differ materially from its net carrying amount.

In the year ended December 31st 2015, the Company recognised PLN 1,920 thousand in rental income on investment property relating to the Zakrzów CHP plant project.

As at December 31st 2015, no investment property was mortgaged to secure repayment of credit facilities.

(PLN '000)

19. Non-current financial assets

	Dec 31 2016	Dec 31 2015
- shares in non-listed companies	1,037,296	1,255,753
- loans advanced	5,000	29,066
- guarantees issued to subsidiaries	413	413
Total non-current financial assets	**1,042,709**	**1,285,232**

For information on non-current financial assets, see Note 40.2.

In the period ended December 31st 2016, the Company recognised impairment losses on shares in subsidiaries totalling PLN 93,944 thousand (2015: PLN 6,255 thousand), as described in more detail in Note 37.

20. Inventories

	Dec 31 2016	Dec 31 2015
- materials and merchandise	-	46
- wind farm development projects*)	10,362	12,043
Total inventories	**10,362**	**12,089**
inventory write-downs	1,681	-
Total inventories, gross	**12,043**	**12,089**

*) The operating cycle of a project for sale may be longer than 12 months.

No category of inventories served as loan collateral in the years ended December 31st 2016 and December 31st 2015. As at December 31st 2016 and December 31st 2015, no inventories were measured at net realisable value.

21. Current receivables

	Dec 31 2016	Dec 31 2015
- trade receivables	21,295	33,547
- from related entities	20,928	23,638
- from other entities	367	9,909
- income tax receivable	-	6
- other receivables	315	714
- from the state budget	-	48
- finance lease	308	294
- other	7	372
Total current receivables, net	**21,610**	**34,267**

For information on related-party transactions, see Note 42.

Trade receivables bear no interest and are typically payable within 7–45 days.

As at December 31st 2016 and December 31st 2015, no impairment losses were recognised on trade receivables. Below is an analysis of trade receivables that were past due as at December 31st 2016 and December 31st 2015, but not deemed unrecoverable.

(PLN '000)

	Total	Not past due	Past due but recoverable				
			Less than 30 days	30–60 days	60–90 days	90–120 days	Over 120 days
Dec 31 2016	21,295	17,571	83	57	3,078	59	447
Dec 31 2015	33,547	31,568	1,703	68	60	53	95

As at December 31st 2016, non-current finance lease receivables stood at PLN 2,854 thousand (2015: PLN 2,941 thousand).

22. Prepayments and accrued income

	Dec 31 2016	Dec 31 2015
- insurance	182	159
- subscriptions	16	17
- accrued income	1,862	5,315
- other	65	178
Total prepayments and accrued income	**2,125**	**5,669**

As at December 31st 2016, accrued income of PLN 1,862 thousand (2015: PLN 5,315 thousand) was recognised in connection with services provided to subsidiaries.

23. Current financial assets

	Dec 31 2016	Dec 31 2015
- in subsidiaries	25,230	16,149
- loans advanced	8,000	-
- promissory notes	17,230	16,149
- in other entities	636	284
- loans advanced	636	284
Total current financial assets	**25,866**	**16,433**

24. Cash and cash equivalents

	Dec 31 2016	Dec 31 2015
Cash and cash equivalents, including:	167,264	60,406
- cash in hand and at banks	167,264	60,406
Total cash and cash equivalents	**167,264**	**60,406**

Cash at banks earns interest at floating rates linked to interest rates for overnight deposits. Current deposits are placed for various periods, from one day to one month, depending on the Company's immediate cash requirement, and earn interest at agreed interest rates.

As at December 31st 2016, restricted cash totalled PLN 24 thousand (2015: PLN 27 thousand).

(PLN '000)

25. Share capital and capital reserves

25.1. Share capital (structure)

Dec 31 2016

SHARE CAPITAL (STRUCTURE)

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

(PLN '000)

Dec 31 2015

SHARE CAPITAL (STRUCTURE)

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

25.2. Significant shareholders

No.	Shareholder	Number of shares	Number of voting rights	% interest
1	Kulczyk Investment S.A.*	22,811,757	22,811,757	50.20%
2	China - Central and Eastern Europe Investment Co-operation Fund SCS SICAV-SIF**	7,266,122	7,266,122	15.99%
3	ING OFE	2,576,969	2,576,969	5.67%
4	Generali OFE	2,943,731	2,943,731	6.48%
5	Aviva OFE	3,060,872	3,060,872	6.74%
6	Others	6,784,096	6,784,096	14.93%
	Total	**45,443,547**	**45,443,547**	100.00%

* Through Mansa Investments Sp. z o.o., a subsidiary.
** Through Capedia Holdings Limited of Nicosia, Cyprus, a subsidiary.

(PLN '000)

25.3. Other capital reserves

Other capital reserves have been accumulated from statutory contributions from profits generated in previous financial years.

25.4. Undistributed profit and limitations on dividend payment

Under the Polish Commercial Companies Code, the Company is required to create statutory reserve funds to cover losses. After each financial year, at least 8% of net profit disclosed in the Company's financial statements should be contributed to statutory reserve funds, until the funds reach at least one-third of the Company's share capital. While it is the General Meeting that resolves how to use statutory reserve funds and capital reserves, a part of statutory reserve funds equal to one-third of the share capital may be used exclusively to cover a loss disclosed in the financial statements and may not be allocated for any other purpose. The 2015 loss was covered from statutory reserve funds, i.e. from share premium.

As at December 31st 2016, there were no other limitations on dividend payment.

On March 24th 2016, the Company's Annual General Meeting resolved to distribute a part of the capital reserve created from the Company's profits earned in prior years (PLN 22,721 thousand) as dividends to the shareholders. The dividend was PLN 0.50 per share, totalling PLN 22,721 thousand.

26. Income tax

26.1. Tax expense

	For 12 months ended		For 3 months ended	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
Current income tax	-	4	-	4
Current income tax expense	-	4	-	4
Deferred income tax	(2,254)	(723)	1,888	2,269
Related to temporary differences and their reversal	(2,254)	(723)	1,888	2,269
Tax expense recognised in profit or loss	**(2,254)**	**(719)**	**1,888**	**2,273**

(PLN '000)

26.2. Deferred income tax

Deferred income tax	Statement of financial position		Statement of profit or loss	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
Deferred tax liability				
Property, plant and equipment	318	556	(238)	(16)
Receivables	-	590	(590)	265
Loans	1,019	6,153	(5,134)	3,860
Lease receivables	601	615	(14)	(49)
Liabilities	-	252	(252)	252
Revenue	355	1,064	(709)	271
Gross deferred tax liability	**2,293**	**9,230**	**(6,937)**	**4,583**
Deferred tax asset				
Property, plant and equipment	1,011	1,347	(336)	(112)
Receivables	1	-	1	-
Loans	1,248	6,485	(5,237)	3,694
Liabilities	107	946	(839)	344
Provisions	1,221	2,802	(1,581)	5
Retained deficit	6,139	2,830	3,309	1,375
Gross deferred tax asset	**9,727**	**14,410**	**(4,683)**	**5,306**
Deferred tax expense			(2,254)	(723)
Net deferred tax (asset)/liability	(7,434)	(5,180)		

Tax losses for which a deferred tax asset was recognised expire in the following years:

Year	Value
2018	743
2019	412
2020	1,427
2021	3,557

(PLN '000)

26.3. Effective tax rate

Reconciliation of income tax on profit (loss) before tax at statutory tax rate to income tax at effective tax rate:	For 12 months ended Dec 31 2016	2015-12-31
Tax expense recognised in profit or loss, including:	(2,254)	(719)
Current income tax	-	3
Deferred tax	(2,254)	(723)
Loss before tax	**(87,287)**	**(5,173)**
Tax at the rate of 19% (2015: 19%)	(16,585)	(946)
Current tax of limited partnerships (spółka komandytowa)	134	(623)
Deferred tax (change) of limited partnerships (spółka komandytowa)	(189)	207
Non-tax-deductible costs:	**(21,865)**	**1,407**
- other permanent differences	(3,931)	1,325
- temporary difference on which no tax asset is recognised*	(17,849)	-
- deferred tax adjustment	(85)	82
Non-taxable income:	**7,589**	**(764)**
- dividends	5,746	(513)
- other	1,843	(251)
Tax at the effective tax rate	**(2,254)**	**(719)**

* Temporary difference related to impairment losses on shares which are not held for sale in the period.

27. Provisions

	Dec 31 2016	Dec 31 2015
Non-current provisions		
Provision for retirement and similar benefits	21	21
Provision for site restoration	-	1,166
Total non-current provisions	**21**	**1,187**
Current provisions		
Provision for retirement and similar benefits	12	12
Provision for accrued holiday entitlements	705	1,924
Total current provisions	**717**	**1,936**
Change in non-current and current provisions		
Provisions at beginning of period	3,123	3,229
Provisions reversed	(2,385)	(106)
Provisions at end of period	**738**	**3,123**

28. Non-current liabilities under borrowings

Dec 31 2016

Company name, form of incorporation	Outstanding amount			Interest rate	Maturity date
	currency	'000	currency		
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	PLN	57,000	PLN	3M WIBOR	April 2019
Total		**57,000**	**PLN**		

Dec 31 2015

Company name, form of incorporation	Outstanding amount			Interest rate	Maturity date
	currency	'000	currency		
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	PLN	87,000	PLN	3M WIBOR	April 2019
Total		**87,000**	**PLN**		

29. Current liabilities

	Dec 31 2016	Dec 31 2015
- bank and other borrowings	13,386	9,928
- trade payables	441	825
- to related entities	35	479
- to other entities	406	346
- other liabilities	1,090	4,497
- to the state budget	488	3,566
- other financial liabilities	291	483
- salaries and wages	1	135
- special accounts	8	17
- other	302	296
Total current liabilities	**14,917**	**15,250**

For information on related-party transactions, see Note 42.

Trade payables do not bear interest and are typically paid within 14 days.

Other liabilities do not bear interest.

30. Accruals and deferred income

	Dec 31 2016	Dec 31 2015
- future bonuses, salaries and wages	3,095	7,481
- services	888	1,076
- other	754	817
Total current accruals and deferred income	**4,737**	**9,374**

31. Contingent liabilities

31.1. Guarantees and sureties issued

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

On November 28th 2013, the Company issued a conditional surety for FW1's liabilities under a credit facility agreement (described in more detail in Note 26 to the consolidated financial statements) with the proviso that obligations under the surety may be performed no earlier than provided for in the original repayment schedule and only in accordance with that schedule. The surety takes effect upon the occurrence of events specified in the agreement; as at December 31st 2016, no such events had occurred.

As at December 31st 2015, the conditions concerning the requirement to place cash in the FW1 debt service reserve account were fulfilled. Using the option provided for in the credit facility agreement, the Company decided to issue a surety instead of placing cash in the debt service reserve account.

As at December 31st 2016, the surety amounted to PLN 4,368.9 thousand.

The surety expires on the date of final repayment of all liabilities under the credit facility agreement.

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

On December 20th 2012, at the request of the Company, mBank issued a guarantee, valid until December 31st 2012, for payment by Grupa PEP – Farma Wiatrowa 6 Sp. z o.o. ('FW6') of its liabilities to PGE Dystrybucja S.A. under the grid connection agreement.

The guarantee expires on December 31st 2019.

The guarantee amount is reduced gradually as the agreement is settled; as at December 31st 2015, it stood at PLN 3,069 thousand.

On November 28th 2013, the Company issued a conditional surety for FW6's liabilities under a credit facility agreement (described in more detail in Note 26 to the consolidated financial statements) with the proviso that obligations under the surety may be performed no earlier than provided for in the original repayment schedule and only in accordance with that schedule. The surety takes effect upon the occurrence of events specified in the agreement; as at December 31st 2016, no such events had occurred.

As at December 31st 2015, the conditions concerning the requirement to place cash in the FW6 debt service reserve account were fulfilled. Using the option provided for in the credit facility agreement, the Company decided to issue a surety instead of placing cash in the debt service reserve account.

As at December 31st 2016, the surety amounted to PLN 2,271.6 thousand.

The surety expires on the date of final repayment of all liabilities under the credit facility agreement.

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

On November 28th 2013, the Company issued a conditional surety for FW4's liabilities under a credit facility agreement (described in more detail in Note 26 to the consolidated financial statements) with the proviso that obligations under the surety may be performed no earlier than provided for in the original repayment schedule and only in accordance with that schedule. The surety takes effect upon the occurrence of events specified in the agreement; as at December 31st 2016, no such events had occurred.

On March 31st 2016, the conditions concerning the requirement to place cash in the FW4 debt service reserve account were fulfilled. Using the option provided for in the credit facility agreement, the Company decided to issue a surety instead of placing cash in the debt service reserve account.

As at December 31st 2016, the surety amounted to PLN 6,695.1 thousand.

The surety expires on the date of final repayment of all liabilities under the credit facility agreement.

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

On December 21st 2015, the Company signed annex No. 6 to the Surety Agreement concluded on December 23rd 2009 with mBank SA (mBank) with respect to the credit facilities advanced by mBank to Grupa PEP – Biomasa Energetyczna Południe Sp. z o.o. (GPBEPD). Under the annex, the maximum surety amount was reduced to PLN 7,800 thousand.

The surety expires on the date of final repayment of all liabilities under the credit facilities, but not later than on December 23rd 2021.

As at December 31st 2016, GPBEPD’s debt under the credit facilities amounted to PLN 1,744.7 thousand.

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

On November 9th 2011, the Company issued a surety for liabilities of Grupa PEP – Biomasa Energetyczna Wschód Sp. z o. o. (GPBEWSCH) under the contractual penalty provided for in Biomass Supply Agreement No. 1/PP/B/2009. The surety was issued for the benefit of GDF SUEZ Bioenergia Spółka z ograniczoną odpowiedzialnością (GDF). The surety amount is reduced in each consecutive year of the agreement’s term; in 2016, it stood at PLN 9,375 thousand.

The surety expires on February 28th 2018.

As at December 31st 2016, GDF had not charged any penalties as biomass is supplied in accordance with the agreement.

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

On December 27th 2012, the Company provided a surety for a blank promissory note issued by Talia Sp. z o.o. (Talia) to Agro-Tak Zagrodno Bronisław Tabisz Leszek Kachniarz sj. in connection with an existing lease agreement. The maximum amount of the promissory note is PLN 500 thousand.

As at December 31st 2016, the Company had no liabilities under the agreement.

On April 25th 2014, the Company signed a surety agreement for repayment of a credit facility advanced to Amon Sp. z o.o. (Amon) and Talia by a bank syndicate composed of Raiffeisen Bank Polska S.A., Bank Zachodni WBK S.A., DNB BANK POLSKA S.A. and Powszechna Kasa Oszczędności Bank Polski S.A., for an aggregate amount of PLN 6,757.7 thousand, covering the liabilities of the two companies. The Company’s Management Board is uncertain about the enforceability of the surety. However, as no explicit decision had been issued in that matter, it found it prudent to consider the Company potentially liable.

Under the agreement, the surety is to remain in effect no longer than until the fulfilment of the conditions specified in the surety agreement, but no longer than until December 31st 2029.

Given that the agreements on sale of electricity generated in a renewable energy source of December 23rd 2009 (the “PPA Agreements”) and the agreements on sale of property rights incorporated in certificates of origin for electricity generated in a renewable energy source of December 23rd 2009 (the “CPA Agreements”) with Polska Energia – Pierwsza Kompania Handlowa Sp. z o.o. w likwidacji (in liquidation) (“PKH”) as the Buyer are not being performed by PKH, the companies failed to meet the contractual financial covenants as at the end of 2016, which constitutes an event of default under the credit facilities agreement. As at the date of these financial statements, the syndicate refrained from exercising any of the rights available to it in the case of occurrence of an event of default under the credit facilities agreement.

Under Annex No. 5 to the credit facilities agreement dated November 20th 2015, the companies and the syndicate agreed to enter into negotiations in good faith with a view to making long-term arrangements that would comprehensively govern the mutual relations between the companies and the syndicate in connection with the non-performance of the PPA Agreements and the CPA Agreements by PKH, which will ultimately lead to executing a relevant annex to the credit facility agreement. The companies are currently negotiating possible restructuring of that debt.

On April 21st 2015, the Company provided a surety for a blank promissory note issued by Amon to Przedsiębiorstwo Rolne Łukaszów in connection with an existing lease agreement. The maximum amount of the promissory note is PLN 900 thousand.

As at December 31st 2016, the Company had no liabilities under the agreement.

Polenergia Farma Wiatrowa Mycielin Sp. z o.o.

On April 2nd 2015, the Company issued a conditional surety for FW Mycielin's liabilities under a credit facility agreement (described in more detail in Note 26 to the consolidated financial statements) with the proviso that obligations under the surety may be performed no earlier than provided for in the original repayment schedule and only in accordance with that schedule. In addition, the credit facility agreement stipulates certain conditions for cancellation of the guarantee. None of these conditions were fulfilled. The surety takes effect upon the occurrence of events specified in the agreement; as at December 31st 2016, no such events had occurred. The surety expires on the date of final repayment of all liabilities under the credit facility agreement.

As at June 30th 2016, the conditions concerning the requirement to place cash in the FW Mycielin debt service reserve account were fulfilled. The required amount was placed in cash, so the surety for the debt service reserve account was not used.

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

On April 10th 2014, at the request of the Company, mBank S.A. issued a bank guarantee for the benefit of ENERGA OPERATOR S.A. to secure repayment of the liabilities of Grupa PEP − Farma Wiatrowa 3 Sp. z o.o. (FW3) under a grid connection agreement executed with ENERGA OPERATOR S.A. The guarantee expired on December 31st 2015.

In 2016, the guarantee term was extended until February 15th 2019.

The guarantee amount is reduced gradually as the agreement is settled; as at December 31st 2016, it stood at PLN 699.2 thousand.

Polenergia Farma Wiatrowa Grabowo Sp. z o.o.

On June 8th 2015, at the request of the Company, mBank S.A. issued a bank guarantee for the benefit of PGE Dystrybucja S.A. to secure repayment of the liabilities of Polenergia Farma Wiatrowa Grabowo Sp. z o.o. (FW Grabowo) under a grid connection agreement executed with PGE Dystrybucja S.A.

The original expiry date of the guarantee was December 31st 2016, but it was extended until March 31st 2018.

The guarantee amount is reduced gradually as the agreement is settled; as at December 31st 2016, it stood at PLN 7,481.5 thousand.

31.2. Litigation

As at December 31st 2016, the Company was not party to any court proceedings.

(PLN '000)

31.3. Tax settlements

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by administrative bodies, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within public administration bodies and between those bodies and businesses, leading to uncertainty and conflicts. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements may be subject to inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities for the Company. The Company believes that as at December 31st 2016 it had recognised sufficient provisions for identified and calculable tax risk.

31.4. Capital expenditure

As at December 31st 2016, the Company planned to spend ca. PLN 33m on property, plant and equipment and equity investments in 2017. Funds received by the subsidiaries will include mainly PESA's equity contributions to new projects, in particular capital expenditure on the development of off-shore wind farms, biomass-fired power plant and other.

32. Revenue

	For 12 months ended		For 3 months ended	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
net revenue from consulting and advisory services	22,002	29,929	6,026	10,969
net revenue from sale of pellets	-	46	-	46
net rental income	1,703	1,946	74	484
other	33	76	2	22
Total net revenue	**23,738**	**31,997**	**6,102**	**11,521**

33. Expenses, by nature of expense

	For 12 months ended		For 3 months ended	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
depreciation and amortisation expense	1,344	1,707	236	440
raw materials and consumables used	314	662	80	205
services	8,361	15,485	2,201	8,605
taxes and charges	140	220	63	117
salaries and wages	16,084	20,333	2,649	5,127
social security and other benefits	1,845	2,432	251	436
other	191	550	43	148
Total expenses by nature	**28,279**	**41,389**	**5,523**	**15,078**
Administrative expenses (-)	(8,437)	(13,350)	(1,007)	(3,465)
Total cost of sales	**19,842**	**28,039**	**4,516**	**11,613**

(PLN '000)

34. Other income

	For 12 months ended		For 3 months ended	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
- reversal of impairment losses and write-downs, including:	1,808	1,154	1,808	-
- impairment losses on receivables	1,808	1,154	1,808	-
- provisions reversed, including:	1,166	-	-	-
- provision for site restoration	1,166	-	-	-
- other, including:	833	143	51	60
- settlement of grants	20	43	20	43
- gain on sale of non-financial non-current assets	541	52	29	15
- other	272	48	2	2
Total other income	**3,807**	**1,297**	**1,859**	**60**

35. Other expenses

	For 12 months ended		For 3 months ended	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
- impairment losses and write-downs, including:	12,474	-	9,711	-
- impairment losses on receivables	9,668	-	9,668	-
- inventory write-downs	1,724	-	43	-
- impairment losses on investment property	1,082	-	-	-
- other:	110	597	27	327
- donations	3	35	-	15
- other	107	562	27	312
Total other expenses	**12,584**	**597**	**9,738**	**327**

In the year ended December 31st 2016, the Company recognised:

An impairment loss of PLN 9,668 thousand on the amount receivable from sale of a wind farm project (the final instalment was to be paid upon obtaining the wind farm operation permit), after being notified of abandonement of the project.

A write-down of PLN 1,724 thousand (capital expenditure on wind farm development) following the coming into force, on July 15th 2016, of the Act on Wind Farm Projects, whose provisions regulating the minimum distance between a wind farm and buildings led to the suspension of the project.

An impairment loss of PLN 1,082 thousand on investment property following the sale of Zakrzów CHP Plant (see Note 18).

36. Finance income

	For 12 months ended		For 3 months ended	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
- finance income from dividends and other profit distributions	30,240	2,699	-	2,699
- income from interest on deposits and loans	3,969	5,237	2,595	2,334
- interest on finance leases	150	163	36	40
- unrealised	-	-	4	-
- realised	-	-	(4)	-
- other charges under sureties	2,131	1,811	462	551
- disposal of shares in a subsidiary	3,015	-	-	-
- other	-	227	-	224
Total finance income	**39,505**	**10,137**	**3,093**	**5,848**

(PLN '000)

In the period ended December 31st 2016, the Company received dividends from the following companies:

Neutron Sp. o.o. − PLN 17,000 thousand,

Grupa PEP Farma Wiatrowa 1 Sp. z o.o. − PLN 5,299 thousand,

Grupa PEP Farma Wiatrowa 6 Sp. z o.o. − PLN 4,241 thousand,

Dipol SP. z o.o. − PLN 3,700 thousand.

37. Finance costs

	For 12 months ended		For 3 months ended	
	Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
- interest expense	56	66	6	15
- foreign exchange losses, including:	13	46	13	16
- unrealised	4	1	4	1
- realised	9	45	9	15
- fees and commissions	81	88	29	9
- cost of discount	-	2	-	2
- impairment loss on financial assets	113,243	6,255	69,517	5,031
- other	81	161	18	46
Total finance costs	**113,474**	**6,618**	**69,583**	**5,119**

In connection with the Act on Wind Farm Projects (the "Act"), which came into force on July 15th 2016, the Company recognised an impairment loss on its shares in special purpose vehicles carrying out wind farm projects under development, i.e. wind farm construction projects with respect to which a building permit had not been obtained or building permit procedure had not been initiated. The provisions of the Act regulating the minimum distance between a wind farm and residential buildings make continued development of these projects impossible. The Company monitors the changing regulatory environment on an ongoing basis, including changes resulting from the amended Act on Renewable Energy Sources and from secondary legislation thereto, which has not yet been enacted, as well as the effect of those regulations on the Company's operations and its financial results. As at the date of these financial statements, given the lack of secondary legislation to the Act, it was not possible to comprehensively assess the effect of the new regulations on the Company and to determine whether it would be necessary to recognise further impairment losses. The impairment losses, totalling PLN 44m, are presented in finance costs.

On December 7th 2016, the Company's Management Board decided to recognise impairment losses on shares in wind farms in operation because of persistently low prices of green certificates and uncertain price growth prospects. This situation was attributable, among other things, to the provisions of the Minister of Energy's regulation of October 17th 2016 on changing the quantitative share of total electricity under redeemed certificates of origin confirming electricity generation from renewable energy sources in 2017, under which the requirement to redeem the certificates is 15.4% in 2017, which is insufficient considering the current oversupply of green certificates. Additionally, there is still no information available on auctions for the existing wind farms. The impairment losses, totalling PLN 33.8m, are presented in finance costs.

On December 20th 2016, given the negative amount of net assets, the Company's Management Board decided to recognise impairment losses − of PLN 16m on shares in Energopep Sp. o.o. Spółka Komnadytowa and of PLN 19m on a loan granted to that company.

(PLN '000)

38. Cash flows

Cash flows from operating activities – other adjustments	Dec 31 2016	Dec 31 2015
Gain/(loss) on business combination	63,049	68,809
Total other adjustments	**63,049**	**68,809**

Cash flows from investing activities – Other cash receipts from investing activities	Dec 31 2016	Dec 31 2015
Sale of bonds/notes	-	1,847
Total	**-**	**1,847**

Cash flows from investing activities - Other cash receipts from financing activities	Dec 31 2016	Dec 31 2015
Refund of additional equity contributions	84,190	2,548
Total	**84,190**	**2,548**

Restricted cash	Dec 31 2016	Dec 31 2015
Cash of the Social Benefits Funds	24	27
Total	**24**	**27**

Receivables:	Dec 31 2016	Dec 31 2015
Change in net current and non-current receivables in the statement of financial position	12,738	(3,393)
Change in lease receivables	203	-
Change in investment receivables	-	(313)
Change in receivables in the statement of cash flows	**12,941**	**(3,706)**

Liabilities:	Dec 31 2016	Dec 31 2015
Change in current liabilities (net of borrowings) in the statement of financial position	(4,223)	6,484
Change in finance lease payables	940	653
Change in liabilities under guarantees issued	-	(8,000)
Change in liabilities in the statement of cash flows	**(3,283)**	**(863)**

Accruals and deferrals:	Dec 31 2016	Dec 31 2015
Change in accruals and deferrals in the statement of financial position	(1,086)	(843)
Cost of the prospectus	-	(684)
Other	-	(20)
Change in accruals and deferrals in the statement of cash flows	**(1,086)**	**(1,547)**

39. Objectives and policies of financial risk management

Financial instruments held or issued by the Company may give rise to one or more types of significant risk.

The main financial instruments used by the Company include finance leases and lease contracts with a purchase option, cash and short-term deposits. Their primary purpose is to secure financial resources to finance the Company's operations. The Company also holds other financial instruments, such as trade payables and receivables arising in connection with its activities.

The key risks connected with the Company's financial instruments include the interest rate risk, currency risk, credit risk and liquidity risk. The Management Board verifies and establishes rules for managing each of these types of risk; the rules are briefly discussed below. The Company also monitors the risk of market prices with respect to the financial instruments it holds.

39.1. Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to its non-current financial liabilities and loans advanced.

Period ended Dec 31 2016	Increase/decrease (percentage points)	Effect on profit/loss before tax over 12 consecutive months (PLN '000)
1M WIBOR	1%	302
1M WIBOR	-1%	(302)

The Company does not use derivative financial instruments to hedge the interest rate risk.

39.2. Currency risk

Due to the fact that only transactions of insignificant value are executed in foreign currencies, the currency risk is very low. The Company has no significant open foreign currency position, and the majority of its revenue and expenses are denominated in the Polish złoty.

39.3. Credit risk

The Company executes transactions only with reputable companies with a sound credit standing. Every customer who wishes to trade on credit is subject to detailed procedures to assess their creditworthiness. Moreover, thanks to ongoing monitoring of receivables, the Company's exposure to the risk of unrecoverable receivables is insignificant.

With respect to the Company's other financial assets, such as cash and cash equivalents and financial assets available for sale, the credit risk is related to the counterparty's inability to pay, and the maximum exposure to this risk is equal to the carrying amount of such instruments. The Company enters into transactions in financial instruments only with reputable financial institutions.

There is no material concentration of credit risk at the Company.

(PLN '000)

39.4. Liquidity risk

The Company monitors the risk of its funds being insufficient to pay liabilities as they fall due using periodic liquidity planning. This planning takes into consideration the maturities of investments and financial assets (e.g. receivables, other financial assets) and forecast cash flows from operating activities.

The Company aims to balance financing continuity and flexibility by using different financing sources, including account overdrafts, credit facilities, bonds, preference shares, finance leases and lease contracts with a purchase option.

The table below presents the Company's financial liabilities by maturity as at December 31st 2016 and December 31st 2015, based on undiscounted contractual payments.

Dec 31 2016	up to 3 months	from 3 to 12 months	from 1 year to 5 years	Total
Interest-bearing borrowings	715	15,572	60,855	**77,142**
Other liabilities	1,090	-	8,271	**9,361**
Trade and other payables	441	-	-	**441**

Dec 31 2015	up to 3 months	from 3 to 12 months	from 1 year to 5 years	Total
Interest-bearing borrowings	1,102	13,258	97,292	**111,652**
Other liabilities	4,497	-	8,703	**13,200**
Trade and other payables	825	-	-	**825**

(PLN ‘000)

40. Financial instruments

40.1. Loans advanced

The Company advanced the following loans:

As at December 31st 2016

Borrower	Date	Outstanding receivables	Interest rate	Start of repayments
Polenergia Farma Wiatrowa Szymankowo Spółka z ograniczoną odpowiedzialnością (formerly: PEPINO Spółka z ograniczoną odpowiedzialnością)	Feb 1 2016	3,800	3M WIBOR + 4.5%	After commencement of the borrower's operations
Inwestycje Rolne Spółka z ograniczoną odpowiedzialnością	Apr 22 2013	1,048	1M WIBOR + 2%	On first demand of the lender
Polenergia Dystrybucja Spółka z ograniczoną odpowiedzialnością	Nov 20 2014	730	fixed, 8.12%	Dec 31 2026
Mecury Energia Spółka z ograniczoną odpowiedzialnością, Spółka komandytowa	Dec 1 2006	8,000	1M WIBOR + 2.21%	Dec 31 2017
Other	Mar 26 2013 Feb 3 2015	58	1M WIBOR + 2%	On first demand of the lender
		13,636		

(PLN '000)

As at December 31st 2015

Borrower	Date	Outstanding receivables	Interest rate	Start of repayments
Polenergia Farma Wiatrowa Szymankowo Spółka z ograniczoną odpowiedzialnością (formerly: PEPINO Spółka z ograniczoną odpowiedzialnością)	Jan 22 2008 Jan 27 2009 Mar 12 2009 Mar 30 2009 Oct 29 2009 Mar 2 2010 Mar 2 2010 May 25 2010 May 28 2010 Nov 26 2010 Mar 23 2011 May 6 2011 Feb 17 2012 Apr 24 2012 Aug 10 2012	3,628	fixed, 8.4%	After commencement of the borrower's operations
Mecury Energia Spółka z ograniczoną odpowiedzialnością, Spółka komandytowa	Dec 1 2016	9,228	1M WIBOR + 2.21%	Dec 31 2017
Energopep Energia Spółka z ograniczoną odpowiedzialnością, Spółka komandytowa (formerly: Interpep Sp. z o.o.)	Oct 1 2015	15,160	3M WIBOR	Sep 30 2018
Inwestycje Rolne Spółka z ograniczoną odpowiedzialnością	Apr 22 2013	706	1M WIBOR + 2%	On first demand of the lender
Polenergia Dystrybucja Spółka z ograniczoną odpowiedzialnością	Nov 20 2014	580	fixed, 8.12%	Dec 31 2026
Other	Mar 26 2013	48	1M WIBOR + 2%	On first demand of the lender
		29,350		

40.2. Financial assets

In 2016, the Company subscribed for/purchased shares in and made contributions to equity of the companies listed below, totalling PLN 16,271 thousand.

- Grupa PEP Farma Wiatrowa 23 Sp. z o.o. – PLN 32 thousand
- Grupa PEP Farma Wiatrowa 16 Sp. z o.o. – PLN 295 thousand
- Polenergia Farma Wiatrowa Piekło Sp. z o.o. – PLN 850 thousand
- Grupa PEP Farma Wiatrowa 17 Sp. z o.o. – PLN 400 thousand
- Grupa PEP Farma Wiatrowa 22 Sp. z o.o. – PLN 40 thousand
- Polenergia Farma Wiatrowa Wierzbniki/Jankowice Sp. z o.o. – PLN 400 thousand
- Polenergia Farma Wiatrowa Krzywa Sp. z o.o. – PLN 200 thousand
- Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. – PLN 750 thousand
- Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. – PLN 2,900 thousand
- Polenergia Farma Wiatrowa Mycielin Sp. z o.o. – PLN 1,592 thousand
- Polenergia Farma Wiatrowa Bądecz Sp. z o.o. – PLN 4,000 thousand
- Grupa PEP Farma Wiatrowa 3 Sp. z o.o. – PLN 4,500 thousand
- Polenergia Farma Wiatrowa Namysłów Sp. z o.o. – PLN 250 thousand
- Energopep Sp. z o.o. – PLN 15 thousand
- Polenergia Elektrownia Mercury Sp. z o.o. – PLN 15 thousand
- Grupa PEP Bioelektrownia 2 Sp. z o.o. – PLN 10 thousand
- Grupa PEP Projekty Energetyczne 1 Sp. z o.o. – PLN 12 thousand
- Grupa PEP Obrót 2 Sp. z o.o. – PLN 10 thousand

In 2016, the Company received PLN 84,190 thousand as a refund of equity contributions from the following companies:

- Grupa PEP Farma Wiatrowa 1 Sp. z o.o. – PLN 40,807 thousand
- Grupa PEP Farma Wiatrowa 4 Sp. z o.o. – PLN 18,383 thousand
- Grupa PEP Farma Wiatrowa 6 Sp. z o.o. – PLN 22,300 thousand
- Polenergia Farma Wiatrowa Wodzisław Sp. z o.o. – PLN 150 thousand
- Polenergia Farma Wiatrowa Olbrachcice Sp. z o.o. – PLN 550 thousand
- Polenergia Biomasa Energetyczna Północ Sp. z o.o. – PLN 2,000 thousand

In 2015, the Company subscribed for/purchased shares in and made contributions to equity of the companies listed below, totalling PLN 184,731 thousand.

- Energopep Sp. z o.o., Sp.k. – PLN 8,000 thousand
- Interpep EC Zakrzów Sp. z o.o. Sp.k. – PLN 3,500 thousand
- Grupa PEP Farma Wiatrowa 23 Sp. z o.o. – PLN 150 thousand
- Grupa PEP Farma Wiatrowa 18 Sp. z o.o. – PLN 200 thousand
- Polenergia Farma Wiatrowa Piekło Sp. z o.o. – PLN 1,710 thousand
- Grupa PEP Farma Wiatrowa 17 Sp. z o.o. – PLN 7 thousand
- Polenergia Farma Wiatrowa Rudniki Sp. z o.o. – PLN 170 thousand
- Polenergia Farma Wiatrowa Wierzbniki/Jankowice Sp. z o.o. – PLN 490 thousand
- Polenergia Farma Wiatrowa Krzywa Sp. z o.o. – PLN 180 thousand
- Polenergia Farma Wiatrowa Szymankowo Sp. z o.o. – PLN 1,055 thousand
- Polenergia Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o. – PLN 600 thousand
- Polenergia Farma Wiatrowa Mycielin Sp. z o.o. – PLN 108,212 thousand
- Polenergia Farma Wiatrowa Bądecz Sp. z o.o. – PLN 770 thousand
- Grupa PEP Farma Wiatrowa 1 Sp. z o.o . – PLN 13,149 thousand

(PLN '000)

- Grupa PEP Farma Wiatrowa 3 Sp. z o.o. – PLN 3,850 thousand
- Grupa PEP Farma Wiatrowa 4 Sp. z o.o. – PLN 11,595 thousand
- Polenergia Farma Wiatrowa Grabowo Sp. z o.o. – PLN 11,221 thousand
- Grupa PEP Farma Wiatrowa 9 Sp. z o.o. – PLN 50 thousand
- Polenergia Farma Wiatrowa Namysłów Sp. z o.o. – PLN 340 thousand
- Grupa PEP Farma Wiatrowa 11 Sp. z o.o. – PLN 170 thousand
- Polenergia Farma Wiatrowa Klukowo Sp. z o.o – PLN 195 thousand
- Grupa PEP Finansowanie Projektów Sp. z o.o. – PLN 67 thousand
- Neutron Sp. z o.o. – PLN 19,010 thousand
- Energopep Sp. z o.o. – PLN 20 thousand
- Mercury Energia Sp. z o.o. – PLN 10 thousand
- Grupa PEP Projekty Energetyczne 1 Sp. z o.o. – PLN 10 thousand

In 2015, the Company received PLN 2,538 thousand as a refund of equity contributions from the following companies:

- Polenergia Biomasa Energetyczna Północ Sp. z o.o. – PLN 2,000 thousand
- Dipol Sp. z o.o. – PLN 538 thousand

40.3. Interest rate risk

The table below presents the carrying amounts of the Company's financial instruments exposed to the interest rate risk, by maturity.

Dec 31 2016

INTEREST RATE RISK							
Floating-rate interest	*Less than 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
Interest-bearing loans advanced	8,636	470	-	-	-	4,530	13,636
Interest-bearing loans received	13,386	-	57,000	-	-	-	70,386
Fixed-rate interest	*Less than 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
Cash assets	167,264	-	-	-	-	-	167,264
Promissory notes in issue	17,230	-	-	-	-	-	17,230
Finance leases	308	303	318	333	350	1,550	3,162

Dec 31 2015

INTEREST RATE RISK							
Floating-rate interest	*Less than 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
Interest-bearing borrowings advanced	284	24,858	-	-	-	4,208	29,350
Interest-bearing borrowings received	-	-	-	96,928	-	-	96,928
Fixed-rate interest	*Less than 1 year*	*1–2 years*	*2–3 years*	*3–4 years*	*4–5 years*	*Over 5 years*	*Total*
Cash assets	60,406	-	-	-	-	-	60,406
Promissory notes in issue	16,149	-	-	-	-	-	16,149
Finance leases	294	288	303	318	333	1,699	3,235

(PLN '000)

Interest rates for financial instruments earning interest at floating rates are updated in periods of less than one year. The other financial instruments held by the Company, not disclosed in the tables above, do not bear interest and, consequently, are not exposed to the interest rate risk.

41. Capital management

The primary objective behind the Company's capital management is to maintain good credit rating and safe capital ratios, in order to support the Company's operations and build shareholder value.

The Company manages its capital structure and modifies it in response to changes in the economic environment. To maintain or adjust its capital structure, the Company may introduce changes regarding dividend distribution, return capital to the shareholders, or issue new shares. In the years ended December 31st 2016 and December 31st 2015, there were no changes in the capital structure management objectives, policies and processes.

The Company monitors its capital position using the leverage ratio, calculated as the ratio of net debt to the sum of total equity and net debt. The Company's net debt includes interest-bearing borrowings less cash and cash equivalents.

	Dec 31 2016	Dec 31 2015
Interest-bearing borrowings	70,386	96,928
Less cash and cash equivalents	(167,264)	(60,406)
Net debt	**(96,878)**	**36,522**
Equity	1,196,933	1,304,687
Total equity	**1,196,933**	**1,304,687**
Equity and net debt	**1,100,055**	**1,341,209**
Leverage ratio	-9%	3%

(PLN '000)

42. Significant related-party transactions

The tables below present the Company's material related-party transactions:

RELATED-PARTY TRANSACTIONS

Dec 31 2016	Sales to related parties	Finance costs	Finance income	Receivables from related parties
Mercury Energia Sp. z o.o. i Wspólnicy, Spółka komandytowa	373	-	313	23
Polenergia Biomasa Energetyczna Północ Sp. z o.o. (GRUPA PEP – Biomasa Energetyczna Północ Spółka z o.o.)	593	-	-	67
GRUPA PEP – Biomasa Energetyczna Południe Spółka z o.o.	602	-	-	90
GRUPA PEP-Biomasa Energetyczna Wschód Spółka z o.o.	579	-	-	135
GRUPA PEP-Bioelektrownia 2 Sp. z o.o., Spółka komandytowa	757	-	1,081	896
GRUPA PEP – Farma Wiatrowa 1 Sp. z o.o.	1,278	-	-	459
Grupa PEP – Farma Wiatrowa 3 Sp. z o.o.	827	-	-	1,201
Grupa PEP – Farma Wiatrowa 4 Sp. z o.o.	1,325	-	-	665
GRUPA PEP – Farma Wiatrowa 6 Sp. z o.o.	917	-	-	274
Polenergia Farma Wiatrowa Wodzisław Sp. z o.o. (GRUPA PEP – Farma Wiatrowa 7 Sp. z o.o.)	104	-	-	178
Polenergia Farma Wiatrowa Grabowo Sp. z o.o. (Grupa PEP Farma Wiatrowa 8 Sp. z o.o.)	607	-	-	817
Polenergia Farma Wiatrowa Namysłów Sp. z o.o. (GRUPA PEP – Farma Wiatrowa 10 Sp. z o.o.)	89	-	-	123
Polenergia Farma Wiatrowa Olbrachcice Sp. z o.o. (GRUPA PEP – Farma Wiatrowa 13 Sp. z o.o.)	105	-	-	186
Amon Sp. z o.o.	622	-	-	253
Polenergia Farma Wiatrowa Piekło Sp. z o.o. (GRUPA PEP – Farma Wiatrowa Piekło Sp. z o.o.)	427	-	-	625
Dipol Spółka z o.o.	622	-	-	125
Polenergia Farma Wiatrowa Wierzbnik/ Jankowice Sp. z o.o. (GRUPA PEP – Farma Wiatrowa Wierzbnik/Jankowiec Sp. z o.o.)	136	-	-	209
Polenergia Farma Wiatrowa Rudniki Sp. z o.o. (Grupa PEP – Farma Wiatrowa 21 Sp. z o.o)	87	-	-	138
GRUPA PEP-Farma Wiatrowa 17 Sp. z o.o. (Juron Sp. z o.o.)	92	-	-	163
GRUPA PEP – Farma Wiatrowa 16 Sp. z o.o. (Morka Sp. z o.o.)	399	-	-	548
Polenergia Farma Wiatrowa Krzywa Sp. z o.o (GRUPA PEP – Farma Wiatrowa 19 Sp. z o.o.)	97	-	-	146
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o (Pepino Sp. z o.o.)	465	-	172	611
Talia Sp. z o.o.	542	-	-	175
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o (GRUPA PEP – Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.)	500	-	-	697
Polenergia Farma Wiatrowa Mycielin Sp. z o.o. (GRUPA PEP – Farma Wiatrowa Mycielin Sp. z o.o.)	1,313	-	-	521
Polenergia Farma Wiatrowa Bądecz Sp. z o.o. (GRUPA PEP – Farma Bądecz Sp. z o.o.)	510	-	-	663
Polenergia Kogeneracja Sp. z o.o.	735	-	-	145
Polenergia Bałtyk I S.A.	92	-	-	127
Polenergia Bałtyk II Sp. z o.o.	607	-	-	1,126
Polenergia Bałtyk III Sp. z o.o.	626	-	-	1,101
Polenergia Dystrybucja Sp. z o.o.	1,891	-	150	311
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	1,247	-	-	115
Polenergia Obrót S.A.	851	-	-	135
Polenergia Elektrownia Północ Sp. z o.o.	873	-	-	4,578
Polenergia Biogaz Sp. z o.o.	111	-	-	191
ENS Investment B.V.	-	-	-	-
Polenergia Holding S.à r.l	420	-	-	47
Polenergia International S.à r.l	1,830	-	-	1,783
PPG Pipeline Projektgesellschaft mbH	513	-	-	976
Other	491	-	-	303
Total	**24,255**	**-**	**1,716**	**20,926**

(PLN '000)

RELATED-PARTY TRANSACTIONS

Dec 31 2015	Sales to related parties	Finance costs	Finance income	Receivables from related parties
Interpep EC Zakrzów Sp. z o.o., Spółka komandytowa	3,007	-	-	1,009
Mercury Energia Sp. z o.o. i Wspólnicy, Spółka komandytowa	217	-	-	18
Polenergia Biomasa Energetyczna Północ Sp. z o.o. (GRUPA PEP – Biomasa Energetyczna Północ Spółka z o.o.)	373	-	-	62
GRUPA PEP – Biomasa Energetyczna Południe Spółka z o.o.	450	-	-	115
GRUPA PEP-Biomasa Energetyczna Wschód Spółka z o.o.	491	-	-	172
GRUPA PEP – Farma Wiatrowa 1 Sp. z o.o.	637	-	-	356
Grupa PEP – Farma Wiatrowa 3 Sp. z o.o.	1,350	-	-	1,622
Grupa PEP – Farma Wiatrowa 4 Sp. z o.o.	1,901	-	-	684
Polenergia Farma Wiatrowa Łomża Sp. z o.o. (GRUPA PEP – Farma Wiatrowa 5 Sp. z o.o.)	136	-	-	154
GRUPA PEP – Farma Wiatrowa 6 Sp. z o.o.	478	-	-	241
Polenergia Farma Wiatrowa Wodzisław Sp. z o.o. (GRUPA PEP – Farma Wiatrowa 7 Sp. z o.o.)	264	-	-	290
Polenergia Farma Wiatrowa Grabowo Sp. z o.o. (Grupa PEP Farma Wiatrowa 8 Sp. z o.o.)	777	-	-	830
Polenergia Farma Wiatrowa Namysłów Sp. z o.o. (GRUPA PEP – Farma Wiatrowa 10 Sp. z o.o.)	104	-	-	115
Polenergia Farma Wiatrowa Olbrachcice Sp. z o.o. (GRUPA PEP – Farma Wiatrowa 13 Sp. z o.o.)	294	-	-	323
GRUPA PEP – Development Projektów Sp. z o.o.	38	1,241	1,222	14
GRUPA PEP – Finansowanie Projektów 1 Sp. z o.o.	38	18,461	-	6
Amon Sp. z o.o.	867	-	-	49
Polenergia Farma Wiatrowa Piekło Sp. z o.o. (GRUPA PEP – Farma Wiatrowa Piekło Sp. z o.o.)	632	-	-	739
Dipol Spółka z o.o.	473	-	-	130
Polenergia Farma Wiatrowa Wierzbnik/ Jankowice Sp. z o.o. (GRUPA PEP – Farma Wiatrowa Wierzbnik/Jankowiec Sp. z o.o.)	338	-	-	380
Polenergia Farma Wiatrowa Rudniki Sp. z o.o. (Grupa PEP – Farma Wiatrowa 21 Sp. z o.o.)	207	-	-	237
GRUPA PEP – Farma Wiatrowa 17 Sp. z o.o. (Juron Sp. z o.o.)	233	-	-	247
Polenergia Farma Wiatrowa Krzywa Sp. z o.o (GRUPA PEP – Farma Wiatrowa 19 Sp. z o.o.)	174	-	-	187
Polenergia Farma Wiatrowa Szymankowo Sp. z o.o (Pepino Sp. z o.o.)	269	-	218	308
Talia Sp. z o.o.	679	-	-	52
Polenergia Farma Wiatrowa Dębice/ Kostomłoty Sp. z o.o (GRUPA PEP – Farma Wiatrowa Dębice/Kostomłoty Sp. z o.o.)	414	-	-	438
Polenergia Farma Wiatrowa Mycielin Sp. z o.o. (GRUPA PEP – Farma Wiatrowa Mycielin Sp. z o.o.)	2,045	-	-	2,169
Polenergia Farma Wiatrowa Bądecz Sp. z o.o. (GRUPA PEP – Farma Bądecz Sp. z o.o.)	319	-	-	365
Polenergia Kogeneracja Sp. z o.o.	798	-	-	265
Polenergia Bałtyk I S.A.	115	-	-	139
Polenergia Bałtyk II Sp. z o.o.	1,315	-	-	1,466
Polenergia Bałtyk III Sp. z o.o.	1,358	-	-	1,508
Polenergia Dystrybucja Sp. z o.o.	1,913	-	260	344
Polenergia Elekrociepłownia Nowa Sarzyna Sp. z o.o.	1,292	-	-	213
Polenergia Obrót S.A.	1,021	-	-	154
Polenergia Elektrownia Północ Sp. z o.o.	2,435	-	-	3,023
Neutron sp. z o.o.	138	-	-	23
Polenergia Biogaz Sp. z o.o.	153	-	-	40
Polenergia Holding S.à r.l	696	-	-	92
Polenergia International S.à r.l	575	-	-	557
PPG Pipeline Projektgesellschaft mbH	2,710	-	101	2,537
Ciech S.A.	1,194	-	-	1,230
Other	914	-	7	728
Total	**33,832**	**19,702**	**1,808**	**23,631**

For information on shares and loans advanced to related parties, see Note 19

For information on loans received from related parties, see Note 28

(PLN '000)

43. Workforce

The Company's workforce by employee groups as at December 31st 2016 and December 31st 2015:

	Dec 31 2016	Dec 31 2015
Management Board	3	4
Administrative division	57	74
Total headcount	**60**	**78**

The data includes employees on maternity leaves.

44. Total amount of remuneration and awards (in cash or in kind) paid to members of the Company's Management and Supervisory Boards

In 2016 and 2015, remuneration of the Company's Management and Supervisory Board members was as follows:

	Dec 31 2016	Dec 31 2015
Management Board	9,357	5,772
Supervisory Board	318	197

Certain Management Board members are party to a mutual agreement on termination of employment within the next 3–12 months. If a Management Board member being a party to such agreement resigns, the Company is required to pay a severance benefit equal to 100% of the remuneration received by such Management Board member over the last 12 months. Following their resignation as members of the Management Board, Mr Zbigniew Prokopowicz, Ms Anna Kwarcińska and Mr Michał Kozłowski received appropriate severance benefits.

45. Transactions with members of the Company's Management and Supervisory Boards, their spouses, siblings, ascendants, descendants, or other closely related persons

In the period ended December 31st 2016, no transactions were entered into with members of the Management and Supervisory Boards.

46. Fees paid or payable to the auditor or auditing firm

The table below presents fees paid or payable to qualified auditors of financial statements for the year ended December 31st 2016 and December 31st 2015, by type of service:

Type of service	Dec 31 2016	Dec 31 2015
Review and audit of financial statements	164	128

47. Events after the end of the reporting period

On January 17th 2017, the Extraordinary General Meeting of Grupa PEP Farma Wiatrowa 1 Sp. z o.o., Grupa PEP Farma Wiatrowa 4 Sp. z o.o., and Grupa PEP Farma Wiatrowa 6 Sp. z o.o. resolved to distribute dividend of PLN 18.8m.