



ZUE S.A.

**SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

**Prepared in Accordance with the International Financial Reporting
Standards as Endorsed by the European Union.**

Cracow, 10 March 2016

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Abbreviations and definitions:

| | |
|---------------------------------|---|
| ZUE, Company, Issuer | ZUE S.A. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000135388, share capital of PLN 5,757,520.75 paid up in full. Parent company of the ZUE Capital Group. |
| BIUP | Biuro Inżynierskich Usług Projektowych Sp. z o.o. with registered office in Cracow, entered into the National Court Register under entry number KRS 0000332405. On 29 May 2015, BIUP acquired BPK Poznań and changed its name to BPK Poznań. For the purposes of this report, the company has been described under the name BPK Poznań (after merger). |
| RTI | Railway Technology International Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000397032, share capital of PLN 50,000 paid up in full. Subsidiary of ZUE. |
| RTI Germany | Railway Technology International Germany GmbH with registered office in Hamburg, Germany, entered into the German Register of Entrepreneurs (<i>Handelsregister B, HRB</i>) maintained by the District Court in Hamburg (<i>Amtsgericht Hamburg</i>) under entry number HRB 125764. Share capital of EUR 25,000 paid up in full. Subsidiary of Railway Technology International Sp. z o.o. with registered office in Cracow. |
| BPK Poznań | Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań, entered into the National Court Register maintained by the District Court Poznań Nowe Miasto i Wilda, VIII Commercial Division of the National Court Register, under entry number KRS 0000160302, share capital of PLN 2,170,000 paid up in full. Former subsidiary of BIUP. On 29 May 2015, BIUP acquired BPK Poznań. |
| BPK Gdańsk | Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji with registered office in Gdańsk, entered into the National Court Register maintained by the District Court Gdańsk-Północ, VII Commercial Division of the National Court Register, under entry no. KRS 0000273363, share capital of PLN 1,000,000 paid up in full. Former associate of ZUE. Validly deleted from the National Court Register on 30 May 2015. |
| Railway gft | Railway gft Polska Sp. z o.o. with registered office in Cracow, entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry number KRS 0000532311, share capital of PLN 300,000 paid up in full. |
| BPK Poznań (after merger) | Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. with registered office in Poznań (former BIUP), entered into the National Court Register maintained by the District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry number KRS 0000332405, share capital of PLN 5,866,600 paid up in full. Subsidiary of ZUE. |
| ZUE Group, Group, Capital Group | ZUE Capital Group including ZUE, BPK Poznań (after merger), Railway gft, RTI and RTI Germany. |
| PLN | Polish złoty. |
| EUR | Euro. |
| Act | Polish Companies Act (Journal of Laws 2000, no. 94, item 1037, as amended). |

Share capital details as at 31 December 2015.

Selected financial data translated into EUR

Rules adopted to translate selected financial data into EUR:

| Item | Exchange rate | Exchange rate on 31 Dec 2015 | Exchange rate on 31 Dec 2014 | Exchange rate on 31 Dec 2013 |
|--|---|------------------------------|------------------------------|------------------------------|
| Items of assets, equity and liabilities | Mid exchange rate prevailing at the end of the reporting period | 4.2615 | 4.2623 | n/a |
| Items of statement of profit or loss and statement of cash flows | Arithmetic mean of mid exchange rates quoted by the National Bank of Poland on the last day of each month of the period | 4.1848 | 4.1893 | n/a |
| "Cash at the beginning of the year" and "Cash at the end of the year" items in the statement of cash flows | Mid exchange rate prevailing at the end of the reporting period | 4.2615 | 4.2623 | 4.1472 |

Key items of the statement of financial position translated into EUR:

| | As at 31-12-2015 | | As at 31-12-2014 | |
|-------------------------------------|------------------|---------------|------------------|---------------|
| | PLN '000 | EUR '000 | PLN '000 | EUR '000 |
| Non-current assets | 140,377 | 32,941 | 130,999 | 30,734 |
| Current assets | 267,827 | 62,848 | 271,177 | 63,622 |
| Total assets | 408,204 | 95,789 | 402,176 | 94,356 |
| Equity | 215,611 | 50,595 | 202,963 | 47,618 |
| Non-current liabilities | 27,695 | 6,499 | 23,169 | 5,435 |
| Current liabilities | 164,898 | 38,695 | 176,044 | 41,303 |
| Total equity and liabilities | 408,204 | 95,789 | 402,176 | 94,356 |

Key items of the statement of comprehensive income translated into EUR:

| | Year ended 31-12-2015 | | Year ended 31-12-2014 | |
|--|-----------------------|----------|-----------------------|----------|
| | PLN '000 | EUR '000 | PLN '000 | EUR '000 |
| Revenue | 509,586 | 121,771 | 637,976 | 152,287 |
| Cost of sales | 463,592 | 110,779 | 602,543 | 143,829 |
| Gross profit (loss) on sales | 45,994 | 10,991 | 35,433 | 8,458 |
| Profit (loss) on operating activities | 27,841 | 6,653 | 15,784 | 3,768 |
| Gross profit (loss) | 20,845 | 4,981 | 13,989 | 3,339 |
| Net profit (loss) from continuing operations | 15,349 | 3,668 | 10,622 | 2,535 |
| Total comprehensive income | 15,337 | 3,665 | 10,528 | 2,513 |

Key items of the statement of cash flows translated into EUR:

| | Year ended 31-12-2015 | | Year ended 31-12-2014 | |
|--------------------------------------|--------------------------|---------------|--------------------------|--------------|
| | PLN '000 | EUR '000 | PLN '000 | EUR '000 |
| Cash flows from operating activities | 119,294 | 28,506 | 72,441 | 17,292 |
| Cash flows from investing activities | -12,148 | -2,903 | -7,431 | -1,774 |
| Cash flows from financing activities | -8,139 | -1,945 | -43,536 | -10,392 |
| Total net cash flows | 99,007 | 23,658 | 21,474 | 5,126 |
| Cash at the beginning of the year | 71,116 | 16,685 | 49,645 | 11,971 |
| Cash at the end of the year | 169,795 | 39,844 | 71,116 | 16,685 |

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

(PLN)

| Continuing operations | Note no. | Year ended 31-12-2015 | Year ended 31-12-2014 |
|--|-----------------|----------------------------------|----------------------------------|
| Revenue | 5 | 509,585,520.56 | 637,975,785.32 |
| Cost of sales | 6 | 463,591,892.93 | 602,543,190.03 |
| Gross profit (loss) on sales | | 45,993,627.63 | 35,432,595.29 |
| General and administrative expenses | 6 | 17,609,327.37 | 17,067,362.54 |
| Other operating income | 7 | 5,991,789.42 | 3,806,033.91 |
| Other operating expenses | 8 | 6,534,797.80 | 6,387,538.21 |
| Operating profit (loss) | | 27,841,291.88 | 15,783,728.45 |
| Financial income | 9 | 852,689.94 | 1,332,882.43 |
| Financial expenses | 10 | 7,849,175.22 | 3,127,268.52 |
| Pre-tax profit (loss) | 11 | 20,844,806.60 | 13,989,342.36 |
| Corporate income tax | | 5,495,857.84 | 3,367,650.36 |
| Net profit (loss) from continuing operations | | 15,348,948.76 | 10,621,692.00 |
| Net profit (loss) | | 15,348,948.76 | 10,621,692.00 |
| Other net comprehensive income | | | |
| Items that will not be reclassified subsequently to profit or loss: | | -11,577.10 | -93,530.97 |
| Remeasurement of liabilities under employee benefits | | -11,577.10 | -93,530.97 |
| Other total net comprehensive income | | -11,577.10 | -93,530.97 |
| Total comprehensive income | | 15,337,371.66 | 10,528,161.03 |
| Weighted average number of shares | | 23,030,083 | 23,030,083 |
| Net profit (loss) per share (PLN) (basic and diluted) | 12 | 0.67 | 0.46 |
| Total comprehensive income per share (PLN) | 12 | 0.67 | 0.46 |

SEPARATE STATEMENT OF FINANCIAL POSITION

| | | (PLN) | |
|--|-------------|-----------------------|-----------------------|
| | Note no. | As at 31-12-2015 | As at 31-12-2014 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 77,984,669.72 | 68,546,838.87 |
| Investment property | 14 | 7,821,960.11 | 7,822,850.34 |
| Intangible assets | 16 | 9,637,875.84 | 10,968,515.75 |
| Goodwill | 17.4 | 31,171,913.65 | 31,171,913.65 |
| Investments in subsidiaries | 17.1 | 238,585.50 | 2,942,271.06 |
| Advance payments for investments in subsidiaries | 17.1 | 0.00 | 0.00 |
| Long-term receivables | 20 | 0.00 | 0.00 |
| Retentions on construction contracts | 29 | 5,288,536.63 | 2,878,799.59 |
| Deferred tax assets | 11 | 8,233,232.00 | 6,6519,431.00 |
| Other assets | 18 | 0.00 | 7,981.60 |
| Total non-current assets | | 140,376,773.45 | 130,998,601.86 |
| Current assets | | | |
| Inventories | 19 | 18,367,701.88 | 17,920,760.21 |
| Trade and other receivables | 20 | 73,889,212.80 | 176,478,349.72 |
| Retentions on construction contracts | 29 | 601,812.71 | 844,047.06 |
| Current tax assets | 11 | 3,954,906.00 | 1,907,521.00 |
| Other financial receivables | | 0.00 | 0.00 |
| Other assets | 18 | 1,061,140.72 | 1,771,723.90 |
| Loans advanced | 36 | 157,721.51 | 1,138,555.73 |
| Cash and cash equivalents | 39 | 169,794,645.16 | 71,116,102.58 |
| Total current assets | | 267,827,140.78 | 271,177,060.20 |
| Total assets | | 408,203,914.23 | 402,175,662.06 |

| | | (PLN) | |
|---|----------|-----------------------|-----------------------|
| | Note no. | As at 31-12-2015 | As at 31-12-2014 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 21 | 5,757,520.75 | 5,757,520.75 |
| Share premium account | 23 | 93,836,665.29 | 93,836,665.29 |
| Treasury shares | 23 | -2,689,829.70 | 0.00 |
| Retained earnings | 22 | 118,706,259.41 | 103,368,887.75 |
| Total equity | | 215,610,615.75 | 202,963,073.79 |
| Non-current liabilities | | | |
| Long-term bank borrowings and other debt instruments and other financing sources | 24 | 11,154,815.56 | 5,223,987.77 |
| Retentions on construction contracts | 29 | 7,990,744.91 | 8,768,069.50 |
| Other financial liabilities | 25 | 0.00 | 0.00 |
| Liabilities under employee benefits | 32 | 696,758.83 | 765,808.21 |
| Deferred tax liabilities | 11 | 0.00 | 0.00 |
| Long-term provisions | 27 | 6,942,364.25 | 8,410,094.87 |
| Deferred revenue | | 0.00 | 0.00 |
| Other liabilities | 26 | 910,000.00 | 0.00 |
| Total non-current liabilities | | 27,694,683.55 | 23,167,960.35 |
| Current liabilities | | | |
| Trade and other payables | 30 | 112,381,027.98 | 130,020,755.10 |
| Retentions on construction contracts | 29 | 11,667,517.05 | 18,121,876.48 |
| Short-term bank borrowings and other debt instruments and other financing sources | 24 | 6,110,654.56 | 9,213,948.27 |
| Other financial liabilities | 25 | 37,399.32 | 2,791.69 |
| Liabilities under employee benefits | 32 | 21,947,384.72 | 13,049,852.41 |
| Current tax liabilities | 11 | 0.00 | 0.00 |
| Short-term provisions | 27 | 12,754,631.30 | 5,635,403.97 |
| Total current liabilities | | 164,898,614.93 | 176,044,627.92 |
| Total liabilities | | 192,593,298.48 | 199,212,588.27 |
| Total equity and liabilities | | 408,203,914.23 | 402,175,662.06 |

**SEPARATE STATEMENT OF
CHANGES IN EQUITY**

(PLN)

| | Share capital | Share premium account | Treasury shares | Retained earnings | Total |
|-----------------------------------|---------------------|--------------------------|----------------------|-----------------------|-----------------------|
| Balance at 1 Jan 2015 | 5,757,520.75 | 93,836,665.29 | 0.00 | 103,368,887.75 | 202,963,073.79 |
| Payment of dividend | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Issue of shares | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Issue costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Buy-back of shares | 0.00 | 0.00 | -2,689,829.70 | 0.00 | -2,689,829.70 |
| Profit (loss) for the year | 0.00 | 0.00 | 0.00 | 15,348,948.76 | 15,348,948.76 |
| Other net comprehensive income | 0.00 | 0.00 | 0.00 | -11,577.10 | -11,577.10 |
| Balance at 31 Dec 2015 | 5,757,520.75 | 93,836,665.29 | -2,689,829.70 | 118,706,259.41 | 215,610,615.75 |

| | Share capital | Share premium account | Treasury shares | Retained earnings | Total |
|-----------------------------------|---------------------|--------------------------|-----------------|-----------------------|-----------------------|
| Balance at 1 Jan 2014 | 5,757,520.75 | 93,836,665.29 | 0.00 | 92,840,726.72 | 192,434,912.76 |
| Payment of dividend | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Issue of shares | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Issue costs | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Profit (loss) for the year | 0.00 | 0.00 | 0.00 | 10,621,692.00 | 10,621,692.00 |
| Other net comprehensive income | 0.00 | 0.00 | 0.00 | -93,530.97 | -93,530.97 |
| Balance at 31 Dec 2014 | 5,757,520.75 | 93,836,665.29 | 0.00 | 103,368,887.75 | 202,963,073.79 |

ZUE S.A.

Separate Financial Statements for the Financial Year Ended 31 December 2015  GRUPA ZUE

SEPARATE STATEMENT OF CASH FLOWS

| | (PLN) | |
|--|-----------------------|-----------------------|
| | Year ended | Year ended |
| | 31-12-2015 | 31-12-2014 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit / (loss) before tax | 20,844,806.60 | 13,989,342.36 |
| Adjustments for: | | |
| Depreciation and amortisation | 8,731,982.57 | 8,347,341.38 |
| Foreign exchange gains / (losses) | 328,657.66 | 132.68 |
| Interest and share in profit (dividends) | 6,602,609.11 | 1,812,679.53 |
| (Gain) / loss on disposal of investments | 1,874,884.09 | 469,332.34 |
| Accrued expenses under commission on loans | 208,125.00 | 208,125.00 |
| (Gain) / loss on realisation of derivative financial instruments | 0.00 | 0.00 |
| Remeasurement of derivative financial instruments | 0.00 | 0.00 |
| Operating profit before changes in working capital | 38,591,065.03 | 24,826,953.29 |
| Change in receivables and retentions on construction contracts | 100,458,534.23 | 9,041.68 |
| Change in inventories | -446,941.67 | 89,308.53 |
| Change in provisions and liabilities under employee benefits | 14,479,979.63 | 6,862,672.38 |
| Change in retentions on construction contracts and liabilities, excluding borrowings, other debt instruments and other financing sources | -25,633,801.59 | 53,387,133.43 |
| Change in accrued expenses | 717,433.18 | 187,073.88 |
| Change in funds of limited availability | 0.00 | 0.00 |
| Other adjustments | 240,000.00 | 0.00 |
| Income tax paid / tax refund | -9,112,602.41 | -12,921,656.00 |
| NET CASH FROM OPERATING ACTIVITIES | 119,293,666.40 | 72,440,527.19 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale of property, plant and equipment and intangible assets | 3,203,477.32 | 238,791.44 |
| Purchase of property, plant and equipment and intangible assets | -10,148,036.48 | -4,950,640.54 |
| Investments in real property and intangible assets | 0.00 | 0.00 |
| Sale / (purchase) of financial assets in other entities | 3,425.00 | 0.00 |
| Sale / (purchase) of financial assets in subsidiaries | -1,284,661.57 | -1,841,587.68 |
| Purchase of financial assets available for sale | -2,689,829.70 | 0.00 |
| Loans advanced | -1,835,250.00 | -1,820,000.00 |
| Repayment of granted loans | 100,000.00 | 0.00 |
| Dividends received | 0.00 | 0.00 |
| Interest received | 502,943.10 | 942,853.45 |
| Settlement of financial instruments – expenses | 0.00 | 0.00 |
| Other cash provided by/(used in) investing activities | 0.00 | 0.00 |
| NET CASH FROM INVESTING ACTIVITIES | -12,147,932.33 | -7,430,583.33 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Borrowings and other debt instruments received | 126,585,506.29 | 0.00 |
| Repayment of borrowings and other debt instruments | -127,973,240.11 | -38,011,357.48 |
| Decrease in finance lease liabilities | -6,339,428.96 | -4,753,054.42 |
| Interest paid | -404,493.73 | -755,532.98 |
| Other cash provided by / (used in) financing activities – dividends | -6,877.32 | -15,958.87 |
| Net cash from issue of shares | 0.00 | 0.00 |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | -8,138,533.83 | -43,535,903.75 |
| TOTAL NET CASH FLOWS | 99,007,200.24 | 21,474,040.11 |

| | | |
|---|-----------------------|----------------------|
| Net foreign exchange gains / (losses) | -328,657.66 | -3,148.51 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | 71,116,102.58 | 49,645,210.98 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 169,794,645.16 | 71,116,102.58 |

Notes to the separate financial statements prepared as at 31 December 2015**1. General information****1.1. Information about the Company**

The Company has been established under the notarial deed of 20 May 2002 in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 9592/2002). Cracow is the Company's registered office. The Company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division, under entry no. KRS 0000135388.

Composition of the Company's governing and supervisory bodies at the date of the financial statements' approval:

Management Board:

| | |
|-------------------|---------------------------------|
| Wiesław Nowak | Management Board President |
| Jerzy Czeremuga | Management Board Vice-President |
| Marcin Wiśniewski | Management Board Vice-President |
| Anna Mroczek | Management Board Member |
| Maciej Nowak | Management Board Member |

Supervisory Board:

| | |
|--------------------|----------------------------|
| Mariusz Szubra | Supervisory Board Chairman |
| Bogusław Lipiński | Supervisory Board Member |
| Magdalena Lis | Supervisory Board Member |
| Piotr Korzeniowski | Supervisory Board Member |
| Michał Lis | Supervisory Board Member |

On 29 July 2015, the Supervisory Board passed a resolution concerning the expiry on 31 July 2015 of a term of the Management Board member, Mr. Arkadiusz Wierciński, who resigned from the position (Current report 78/2015).

1.2. Functional and reporting currency

These financial statements have been prepared in Polish złoty (PLN). Polish złoty is the Company's functional and reporting currency. The data in the financial statements has been disclosed in Polish złoty.

Use of International Financial Reporting Standards

1.2. Statement of compliance

The separate financial statements of the Company for the year ended 31 December 2015 and the comparative data for the financial year ended 31 December 2014 have been drawn up in accordance with the requirements of the International Financial Reporting Standards as endorsed by the European Union (EU).

1.3. Standards and interpretations used for the first time in 2015

The following standards, amendments to the standards and interpretations published by the International Accounting Standards Board and approved of by the European Union come into force in 2015:

- **Amendments to various standards "Improvements to IFRSs (2011-2013 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 3, IFRS 13 and IAS 40) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015);
- **International Financial Reporting Interpretations Committee's (IFRIC) Interpretation 21 "Public Fees"** approved of in the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The abovementioned amendments to the standards or interpretations did not have any significant impact on the financial statements of the Company.

1.4. Standards and interpretations published and approved of by the EU but not yet effective

When approving these financial statements, the Company did not apply the following standards, amendments to the standards or interpretations, which had been published and approved of by the EU but had not yet come into force:

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations – approved of in the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 1 "Presentation of Financial Statements"** – Disclosure Initiative – approved of in the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** – Clarification of Acceptable Methods of Depreciation and Amortisation – approved of in the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** – Agriculture: Bearer Plants – approved of in the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IAS 19 "Employee Benefits"** – Specific Benefit Programmes: Employee Benefits, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **Amendments to IAS 27 "Separate Financial Statements"** – Equity Method in Separate Financial Statements - approved of in the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to various standards "Improvements to IFRSs (2010-2012 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015);
- **Amendments to various standards "Improvements to IFRSs (2012-2014 Cycle)"** – made as part of annual improvements to IFRSs (IFRS 5, IFRS 7, IAS 19 and IAS 34) aimed mainly at the resolution of inconsistencies and specification of vocabulary, approved of in the EU on 15 December 2015 (effective for annual periods beginning on or after 1 January 2016).

1.5. Standards and interpretations adopted by the IASB but not yet approved of by the EU

The International Financial Reporting Standards (IFRS) as endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB) save for the following standards, amendments to the standards and interpretations not yet approved for use as at 10 March 2016:

- **IFRS 9 “Financial Instruments”** (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) – the European Commission decided not to approve this standard for use in the EU until the final version of the IFRS 14 is issued;
- **IFRS 15 “Revenue from Contracts with Customers”** and subsequent amendments (effective for annual periods beginning on or after 1 January 2018);
- **IFRS 16 “Leases”** (effective for annual periods beginning on or after 1 January 2019);
- **Amendments to IFRS 10 “Consolidated Financial Statements,” IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures”** – Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and subsequent amendments (effective date was postponed until the completion of research on equity method);
- **Amendments to IAS 7 “Statement of Cash Flows”** – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017);
- **Amendments to IAS 12 “Income Taxes”** – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

According to the estimates by the Company, these new standards or amendments to the standards would not have any significant impact on the financial statements if used by the Company at the end of the reporting period.

Hedge accounting for the portfolio of financial assets and financial liabilities, the rules of which have not been approved for use in the EU, is still beyond the regulations approved of by the EU.

According to the estimates by the Company, hedge accounting for the portfolio of financial assets or financial liabilities according to IAS 39 *Financial Instruments: Recognition and Measurement* would not have any significant impact on the financial statements if used by the Company at the end of the reporting period.

2. Applied accounting policies

2.1. Going concern

The financial statements have been prepared assuming that the Company will continue in operational existence for the foreseeable future. No going concern risks exist at the end of the reporting period.

2.2. Preparation basis

The separate financial statements have been prepared under historical cost except for certain non-current assets and financial instruments measured at reassessed values or fair value according to the following accounting policy. The most important accounting policies used by the Group have been set forth below.

2.3. Comparability of data

After 31 December 2015, the Company changed the accounting policy regarding the presentation of deferred tax in the financial statements. Until 31 December 2014, deferred tax was presented by the Company separately as asset and liability. Since 1 January 2015, deferred tax has been presented by the Company according to its net balance (IAS 12).

Given the comparability requirement, the table below presents the influence of changes on the financial statements as at 31 December 2014.

(PLN)

| | Presentation before the change | Presentation after the change |
|--|-----------------------------------|----------------------------------|
| Deferred tax assets | 30,322,003.00 | 6,659,431.00 |
| Deferred tax liabilities | 23,662,572.00 | 0.00 |
| Balance of assets and liabilities | 6,659,431.00 | 6,659,431.00 |

2.4. Segment reporting

The Company's reporting is based on operating segments.

The Company presented one aggregate operating segment as required by the IFRS 8.12: engineering construction and assembly services.

ZUE is organised and managed within the abovementioned segment. ZUE applies a uniform accounting policy for all operating areas within the segment.

2.5. Measurement of sales revenue

Sales revenue is measured at the fair value of the consideration received or receivable, net of discounts, returns and similar deductions, including VAT and other sales-related taxes.

2.5.1. Sale of goods and materials

Revenue from the sale of goods and materials is recognised when all the following conditions have been satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

2.5.2. Construction contracts

When the outcome of a construction contract can be estimated reliably, revenue and costs, including financial expenses, are recognised by reference to the stage of completion of the contract activity at the end of the reporting period. Variations in contract works and claims are included to the extent that they have been agreed on with a customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Included in assets are the amounts due and receivable from customers (employers) under all construction work in progress in respect of which the incurred costs increased by recognised profits (reduced by recognised losses) exceed the amounts due under partial invoices. Outstanding invoiced amounts due and payable for the contract work performed are recognized under "Trade and other receivables" and the amounts retained by customers under "Retentions on construction contracts."

Included in liabilities are the amounts due and payable to suppliers under all construction work in progress in respect of which the amounts invoiced for the work performed under the contract exceed the incurred costs increased by recognized profits (reduced by recognized losses). Outstanding amounts due and payable to suppliers, which have been invoiced to the Company, are recognized under "Trade and other payables" and the amounts retained for suppliers under "Retentions on construction contracts."

2.6. Foreign currencies

Transactions in currencies other than functional currency are recognised at the rate prevailing at the date of the transaction. At the end of each reporting period, financial assets and liabilities denominated in foreign currencies are translated at the rate quoted at that date by the National Bank of Poland. Assets and liabilities measured at fair value and denominated in foreign currencies are measured at the rate prevailing at the date when the fair value was determined. Non-monetary items are measured at historical cost.

2.7. Borrowing costs

Borrowing costs directly attributable to the acquisition or production of assets that take a substantial period of time to get ready for their intended use are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs include exchange differences arising from foreign currency loans and borrowings to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are recognised, subject to item 3.5.2, in profit or loss in the period in which they are incurred.

These capitalisation rules do not apply to assets measured at fair value.

2.8. Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is the acquisition or production by the Company of non-current assets are recognised in the statement of financial position as prepayments and accrued income and transferred to profit or loss on a systematic basis over the expected useful lives of the related assets.

Other government grants are recognised as income on a systematic basis over the period necessary to match them with the related costs which they were intended to compensate. A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs shall be recognised in profit or loss of the period in which it becomes receivable.

Rules of transferring grants to non-current assets also apply in the case of non-current assets received for free.

2.9. Employee benefits

Costs of employee benefits include short-term benefits and post-employment benefits.

Costs of wages and salaries include the wages and salaries under employment contracts concluded with individual employees. Costs of wages and salaries also include bonuses and paid leaves.

Costs of social insurance include pension, social security and accident benefits and contributions to the Guaranteed Benefits Fund, the Labour Fund and the Bridging Pension Fund. Costs of pension benefits include retirement gratuities paid to employees according to the labour law.

The Company operates the retirement gratuity scheme and makes a provision for these benefits. Payments under this scheme are recognised in profit or loss in a way enabling the spread of these costs over the entire term of employees' employment with the Company. The amount of the provision is determined by an independent actuary using the projected unit method.

The Company is obliged to create the Company Social Benefits Fund. Contributions to this Fund are the Company's expenses and must be blocked on a separate bank account. The fund assets and liabilities are disclosed in the financial statements at their net value.

Other employee benefits include trainings organised to improve employees' qualifications, medical care and other benefits provided for under the labour law.

The Company recognises actuarial gains and losses in the period in which they arise. Actuarial gains and losses are recognised in the statement of comprehensive income.

2.10. Taxation

Income tax expense represents the tax currently payable and deferred tax.

2.10.1. Current tax

The tax currently payable is calculated based on taxable profit for the year. Taxable profit (loss) differs from accounting net profit (loss) because it excludes items of income or expense that are not taxable or deductible and

items of income or expense that are never taxable. The Company's liability for current tax is calculated using tax rates applicable in the year.

2.10.2. Deferred tax

Deferred tax is accounted for using the balance sheet liability method as the tax payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

A deferred tax liability is recognised for all taxable temporary differences and a deferred tax asset is recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, tax losses or tax credit can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply when the asset is realised or the liability becomes due. Income tax is presented in the statement of financial position after the offset against liability payable to the same taxation authority.

2.10.3. Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the income statement, except when they relate to items credited or debited directly to equity, in which case the tax is recognised directly in equity.

2.11. Property, plant and equipment

Property, plant and equipment include non-current assets and expenditures on non-current assets under construction the entity intends to use in its operation and for administrative purposes for more than 1 year from which future economic benefits are expected to flow to the entity. Expenditure on non-current assets includes capital expenditure and expenses incurred in connection with future deliveries of plant and equipment and services related to the production of non-current assets (prepayments). Non-current assets also include essential specialist spare parts, which function as elements of non-current assets.

Non-current assets and non-current assets under construction are initially recognised at purchase price or production cost, including financing costs less impairment losses. Depreciation of those assets commences, on the same basis as other non-current assets of the Company, when they are placed in service.

Non-current assets are depreciated according to the rates which reflect the estimated period of their useful lives. Estimates of useful life are reviewed every year. Non-current assets are depreciated on a straight-line basis. The following useful lives are used for non-current assets:

| Item | Useful lives |
|--------------------------|---------------------|
| Buildings and structures | 25 – 30 years |
| Plant and equipment | 5 – 20 years |
| Vehicles | 7 – 30 years |
| Other non-current assets | 4 – 15 years |

Freehold land is not depreciated.

According to the principle of prudence, low value non-current assets are carried on a one-off basis to profit or loss in the period in which the expense was incurred.

Non-current assets and non-current assets under construction are tested for impairment if there are indications of impairment at least at the end of each reporting period. Rules governing the determining of impairment are set out in note 3.14. Effects of the impairment of non-current assets and non-current assets under construction are recognised in other operating expenses.

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets.

Gains or losses from the sale/liquidation or discontinued use of non-current assets are determined as the difference between sales revenue and the carrying amounts of those assets and are recognised in profit or loss.

2.12. Investment property

Investment properties are properties (including properties under construction) held by the Company as their owner or lessee under finance lease to earn rentals and/or for capital appreciation.

Investment properties are initially recognised at purchase price, including associated transaction costs. Subsequent to initial recognition, investment properties, except for land, are depreciated on a straight-line basis less impairment losses.

Investment properties, which meet the criteria of being classified as held for sale or disclosed in a pool held for sale, are measured according to the rules set forth in note 3.16.

Gains or losses arising from the sale/liquidation or discontinued use of properties are determined as a difference between sales revenue and the carrying amounts of those items and recognised in profit or loss.

2.13. Intangible assets

Intangible assets are the Company's assets which are without physical substance and identifiable, can be reliably measured and from which future economic benefits are expected.

Intangible assets are initially recognised at purchase price or production cost.

The expenses associated with the purchase of leasehold are also recognised by the Company as intangible assets. The expenses associated with the purchase of such rights on the secondary market (from other entities) and the expenses associated with conferring such rights by relevant state authorities are recognised as intangible assets and amortised over the period in which such rights may be exercised by the Company. The leasehold payments are recognised as operating expenses.

Intangible assets are amortised according to the rates which reflect the estimated period of their useful lives. Estimates of useful life are reviewed every year. The Company does not own any intangible assets whose useful lives are indefinite. Intangible assets with definite useful lives are amortised on a straight-line basis.

The following useful lives are used for particular intangible assets:

| Item | Useful lives |
|-----------------------|---------------|
| Licences for software | 2 – 10 years |
| Leasehold | 25 – 99 years |

Intangible assets are tested for impairment if there are indications of impairment and any impairment is determined at the end of each reporting period. Rules governing the determining of impairment are set out in note 3.14. Effects of the impairment of intangible assets and their amortisation are carried to other operating expenses.

According to the principle of prudence, low value intangible assets are carried on a one-off basis to profit or loss in the period in which the expense was incurred.

Gains or losses from the sale/liquidation or discontinued use of intangible assets are determined as the difference between sales revenue and the carrying amounts of those assets and are recognised in profit or loss.

At the end of the reporting period, intangible assets are measured at cost less amortisation and impairment losses, if any.

2.14. Impairment of tangible and intangibles assets

At the end of each reporting period, the Company reviews the carrying amounts of tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are substantially independent from cash flows generated by other assets, the Company analyses the group of cash-generating assets to which the asset belongs. If it is possible to identify a reliable and uniform allocation basis, non-current assets held by the Company are allocated to specific cash-generating units or to the smallest groups of cash-generating units for which reliable and uniform allocation bases can be identified.

Recoverable amount is the higher of fair value less costs to sell or value in use. The latter is equivalent to the present value of estimated future cash flows discounted at a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to an asset.

If the recoverable amount is less than the carrying amount of an assets (or a cash-generating unit), the carrying amount of the asset or the unit is reduced to the recoverable amount. An impairment loss is immediately

recognised as an expense of the period in which it occurred, unless the asset is carried at revalued amount (in which case, such impairment loss is treated as a revaluation decrease).

If the impairment loss is subsequently reversed, the net value of the asset (or the cash-generating unit) is increased to the new estimated recoverable value, however not higher than the carrying amount of the asset as it would have been established had impairment not been identified in the past years. Any reversal of impairment is recognised immediately in the profit or loss, unless the asset is carried at a revalued amount – in this case, the reversal will be treated as a revaluation increase

2.15. Long-term financial assets, including investments in subsidiaries

Long-term financial assets, including investments in subsidiaries, are measured at historical cost net of impairment, if any. The carrying amount of such assets is reviewed each time to find out whether it does not exceed the amount of future economic benefits. If the carrying amount exceeds the amount of anticipated economic benefits it is reduced to the amount of net sales price. Impairment losses are recognised in financial expenses. The rise in the value of an investment directly associated with a previous decrease in the value recognised in financial expenses is disclosed up to the amount of these expenses as financial income.

2.16. Leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. Any other types of lease are treated as an operating lease.

Assets held under a finance lease are recognised as assets of the Company and measured at their fair value at the inception of the lease, however not higher than the present value of the minimum lease payments. The corresponding liability to the lessor is presented in the statement of financial position as bank borrowings and other debt instruments and other financing sources.

The lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant interest rate on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's accounting policy on borrowing costs as set out in note 3.7

Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals under operating lease are recognised as an expense in the period in which they are incurred.

2.17. Inventories

Inventories are the assets held for sale in the ordinary course of business, assets in the production process for sale and materials that are consumed in the production process or service provision. Inventories include materials, merchandise, finished goods and work in progress.

Materials and merchandise are initially measured at purchase price. At the end of the reporting period, materials and merchandise are measured on a prudent basis; i.e. these categories are measured at purchase price or achievable sales price, depending on which is lower.

Work in progress is initially measured at actual production cost. At the end of the reporting period, work in progress and finished goods are measured on a prudent basis.

Materials, merchandise and finished goods are written down at the discretion of the Company.

Inventory disbursement is recorded in accordance with the principles of specific identification of items intended for specific projects or on a first-in-first-out basis for other inventories and is recognised in cost of sales. Write-downs for inventories resulting from prudent valuation and write-downs for items in excess of anticipated demand and their reversals are recognised under other operating expenses

2.18. Non-current assets held for sale

Non-current assets held for sale are the assets that meet all the following criteria:

- an appropriate level of management must be committed to sell the asset;
- assets are available for immediate sale in their present condition;
- an active programme to locate a buyer must have been initiated;
- the completion of the sale is highly probable within 12 months of classification as held for sale;
- sales price is reasonable in relation to its present fair value;

- it is unlikely that plan will be significantly changed.

The classification change is reflected in the reporting period in which the aforementioned criteria have been satisfied. If the abovementioned criteria are satisfied after the end of the reporting period, an asset is not reclassified at the end of the financial year preceding the event.

No further depreciation will be recorded once an asset is classified as held-for-sale. Assets held for sale (excluding, inter alia, financial assets and investment property) are measured at the lower of carrying amount and fair value less costs to sell.

In the case of any subsequent increase in the fair value less costs to sell, a gain is recognised to the extent this does not exceed the cumulative impairment loss.

2.19. Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

2.19.1. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is at fair value through profit or loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the short term; or
- it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be classified as at fair value through profit or loss upon initial recognition if:

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

Financial assets as at fair value through profit or loss are stated at fair value with any gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

2.19.2. Assets held to maturity

Financial assets (excluding derivatives) with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity are classified as financial assets held to maturity. They are measured at amortized cost using the effective interest method, less any impairment with revenue recognised on an effective yield basis.

Effective interest method is used to calculate the amortised cost of a financial asset or liability and to allocate the interest expense over the relevant period. The effective interest rate is the rate which discounts future cash payments through the expected life of the liability or, where appropriate, a shorter period.

2.19.3. Loans and receivables

Loans and receivables are the trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2.19.4. Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that as a result of the events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Company's past experience of collecting payments and observable changes in national or local economic situations that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss under the item other operating income/expenses.

Except for the financial instruments available for sale, if in a subsequent period the amount of the impairment loss decreases and the decrease can be reasonably related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2.19.5. Derecognition of financial assets

Financial assets are derecognised by the Company only when the contractual rights to receive cash flows from the financial assets have expired or the financial assets together with substantially all the risks and rewards of ownership have been transferred to another entity. If substantially all the risks and rewards of ownership are neither transferred nor retained by the Company but control is retained, the retained share in the asset and the related payment obligation is recognised. If the Company retains substantially all the risks and rewards of a transferred financial asset, the Company continues to recognise the transferred financial asset

2.20. Financial instruments and equity instruments issued by the Company

Debt and equity instruments are classified as either financial liabilities or equity depending on the substance of contractual arrangements.

2.20.1. Equity instruments

An equity instrument is any contract that evidences an interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Puttable financial instruments will be presented as equity only if all of the following criteria are met:

- (a) the holder is entitled to a pro-rata share of the entity's net assets on liquidation;
- (b) the instrument is in the class of instruments that is the most subordinate and all instruments in that class have identical features;
- (c) the instrument has no other characteristics that would meet the definition of a financial liability; and
- (d) the total expected cash flows attributable to the instrument over its life are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity (excluding any effects of the instrument itself). Profit or loss or change in recognised net assets is measured for this purpose in accordance with relevant IFRSs. The entity must have no other instruments that would substantially restrict or fix the return to the holders of the puttable financial instruments.

2.20.2. Financial liabilities

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

2.20.3. Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- it is a part of a portfolio of financial instruments that are managed together by the Company according to a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated or effective as a hedging instrument.

A financial liability other than held for trading may be designated as at fair value through profit or loss on initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial asset forms a part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it is a part of a contract containing one or more embedded derivatives and under IAS 39, the entire contract (asset or liability) may be designated as an item as at fair value through profit or loss.

Financial liabilities as at fair value through profit or loss are stated at fair value with any gains or losses recognised in profit or loss. The gain or loss incorporates any interest paid on the financial liability.

2.20.4. Other financial liabilities

Other financial liabilities, including loans and borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

2.20.5. Derecognition of financial liabilities

A financial liability is derecognised by the Company only when it is discharged, cancelled or expires.

2.21. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of past events, it is 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 but the amount and timing are uncertain.

The amount recognised as a provision reflects the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows required to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain the reimbursement will be received and the amount of the receivable can be measured reliably.

2.22. Onerous contracts

Present obligations arising under onerous contracts are recognised as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.23. Derivative instruments

Derivative financial instruments are initially recognised at fair value on the contract date and are subsequently remeasured to their fair value at each balance date. The resulting gain or loss is recognised immediately in the income statement.

Derivative financial instruments are presented as non-current assets or non-current liabilities if a maturity is greater than 12 months and they are not expected to be realised or settled within 12 months. Other derivative financial instruments are recognised as current assets or current liabilities.

3. Key accounting principles and sources of estimation uncertainty

The preparation of financial statements in conformity with the IFRS requires the Management Board of the Company to make judgments, estimates and assumptions that affect the adopted policies and reported assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.1. Useful economic lives of non-current assets

As set out in items 3.11 and 3.13, the Company verifies useful economic lives of tangible and intangible assets at the end of each annual reporting period.

3.2. Fair value of derivatives and other financial instruments

The Management Board use their judgment in selecting an appropriate valuation technique for financial instruments that are not traded in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions are based on quoted market rates adjusted for specific features of the instrument. Other financial instruments are valued using discounted cash flow analysis based on assumptions supported, where possible, by observable market prices or rates.

3.3. Provisions for litigations

Lawyers and the Company's Management Board make detailed analyses of the number and nature of litigations and potential risks relating to them. Based on these analyses, they decide about the necessity to account for the effects of such proceedings in the Company's records, and the amount of the provision for litigations.

3.4. Provisions for warranty claims

Provision for warranty claims is created for the construction contracts in respect of which warranty has been given by the Company depending on the amount of revenues. In the reporting period, the ratio of provisions to revenue under contracts was 0.5% - 0.75%. The amount of provisions may decrease or increase on the basis of inspections of construction works carried out in subsequent years of warranty.

Provisions for warranty claims are charged to the cost of a contract based on the amount of direct expenses that have been involved. Provisions for warranty claims are created at the Company with a breakdown into individual contracts. They are maintained until the expiry date of warranty rights or claims taking account of the occurrence probability.

If a created provision is not utilised (after expiry date), the provision is released by reducing a cost of sales.

Depending on the date by which they are maintained, provisions are presented in the statement of financial position as long-term or short-term provisions.

3.5. Construction contracts accounted for using percentage-of-completion method

Revenues from a construction service that has not been completed are recognised by the Company under the percentage-of-completion method. Contract budgets are prepared for each construction contract. Budgets are updated twice a year on the basis of month-end closes for April and October. The stage of completion of a contract is determined on the basis of contract budgets by calculating the proportion that contract costs incurred for the work performed to date bear to the estimated total costs of the contract. When contracts are signed but their budgets not approved, the contracts are measured using the zero-profit method.

Changed cost and revenue estimates are used to determine the amount of costs and revenues recognised in the profit or loss in the reporting period in which they occur and in subsequent periods.

3.6. Deferred tax assets

The Company's Management Board decide about the recognition of deferred tax assets based on the forecasts for subsequent years.

4. Revenue

The following table presents the Company's revenue:

| | (PLN) | |
|--|-----------------------|-----------------------|
| | Year ended | Year ended |
| | 31-12-2015 | 31-12-2014 |
| Revenue from the sale of goods and raw materials | 30,889,811.70 | 39,744,592.97 |
| Revenue from the rendering of services | 12,016,286.47 | 23,743,587.98 |
| Revenue from construction contracts | 466,679,422.39 | 574,487,604.37 |
| Total | 509,585,520.56 | 637,975,785.32 |

2015 revenue concerned both domestic and international sales. In 2015, domestic sales reached PLN 464,636 thousand (PLN 635,414 thousand in 2014) and international sales reached PLN 44,950 thousand (PLN 2,562 thousand in 2014).

The Company executed its projects both home and abroad. The biggest portion of sales was contributed by revenue under construction contracts. Sales volume depended on tenders announced for urban and railway infrastructure construction industry. ZUE presented one aggregate operating segment, namely engineering construction and assembly services. The Company provided the following construction and assembly services:

- Urban infrastructure, including:
 - Construction and upgrade of tram tracks, tram and trolleybus traction networks, traction substations, street lighting, cable lines, street traffic signalling, road systems, buildings and telecommunications technology;
 - Maintenance of tram and street lighting infrastructure.
- Rail infrastructure, including:
 - Construction and upgrade of railway tracks, railway traction, railway traffic control devices and telecommunications technology, traction substations, stations and civil structures.
- Distribution and transmission lines power infrastructure, including:
 - Construction and upgrade of high and very high voltage cable and overhead lines, transformer stations, including telecommunications technology equipment and MV and LV cable lines.

The Company is organised and managed within the abovementioned segment. The Company applies a uniform accounting policy for all operating areas within the segment.

5. Operating expenses

| | (PLN) | |
|---|----------------|----------------|
| | Year ended | Year ended |
| | 31-12-2015 | 31-12-2014 |
| Change in products | -867,971.79 | -555,992.36 |
| Cost of products manufactured for own use | 0.00 | 0.00 |
| Depreciation and amortization | 8,731,982.57 | 8,347,341.38 |
| Consumption of raw and other materials | 132,715,252.52 | 193,877,188.10 |
| Contracted services | 222,885,158.07 | 302,373,374.93 |

| | | |
|-----------------------------------|-----------------------|-----------------------|
| Cost of employee benefits | 76,437,195.36 | 65,483,308.34 |
| Taxes and charges | 1,691,333.61 | 1,265,030.26 |
| Other expenses | 10,241,202.06 | 12,502,316.63 |
| Value of goods and materials sold | 29,367,067.90 | 36,317,985.29 |
| Total | 481,201,220.30 | 619,610,552.57 |

In 2015, the Company decided to change the presentation of this note. Previously, Cost of products manufactured for own use reflected internal sales among individual organisational units. To improve the transparency of information, the Company decided to present expenses without the expenses generated by internal units.

Depreciation and amortisation

(PLN)

| | Year ended 31-12-2015 | Year ended 31-12-2014 |
|---|--------------------------|--------------------------|
| Depreciation of property, plant and equipment | 7,700,840.03 | 7,260,108.02 |
| Amortisation of intangible assets | 642,939.75 | 720,322.50 |
| Depreciation of investment in real property | 388,202.79 | 366,910.86 |
| Total | 8,731,982.57 | 8,347,341.38 |

6. Other operating income

(PLN)

| | Year ended 31-12-2015 | Year ended 31-12-2014 |
|--|--------------------------|--------------------------|
| Gain on disposal of assets: | 1,625,115.91 | 667.66 |
| Gain on disposal of non-current assets | 1,625,115.91 | 667.66 |
| Other operating income: | 4,366,673.51 | 3,805,366.25 |
| Guarantee and policy reinsurance | 257,026.60 | 1,586,516.55 |
| Received damages | 3,533,728.46 | 1,446,780.91 |
| Release of write-downs of receivables | 198,013.28 | 494,322.54 |
| Refund of costs of court proceedings | 38,826.92 | 4,258.86 |
| Other | 339,078.25 | 273,487.39 |
| Total | 5,991,789.42 | 3,806,033.91 |

Other operating income includes the revenues and gains indirectly related to the Company's operations. This category includes gain on disposal of property, plant and equipment, damages received in connection with a refund of court costs, tax overpayment, except for corporate income tax, and damages received in connection with a loss of the Company's insured assets.

Other operating income also includes the reversals of write-downs of receivables and impairment losses on non-current assets.

Received damages were influenced by the favourable outcome of court proceedings of PLN 3,281 thousand.

7. Other operating expenses

| | (PLN) | |
|--|--------------------------|--------------------------|
| | Year ended 31-12-2015 | Year ended 31-12-2014 |
| Loss on disposal of assets: | 0.00 | 0.00 |
| Loss on disposal of non-current assets | 0.00 | 0.00 |
| Other operating expenses: | 6,534,797.80 | 6,387,538.21 |
| Donations | 16,275.69 | 4,449.84 |
| Paid damages | 479,232.37 | 1,181,077.09 |
| Costs of litigations | 395,288.50 | 485,132.07 |
| Costs of performance bonds | 15,617.92 | 1,284,445.38 |
| Revaluation of inventories | 419,309.18 | 866,230.75 |
| Creation of write-downs of receivables | 1,250,401.28 | 1,925,808.44 |
| Remission of debt | 276,013.27 | 26,131.86 |
| Penalties | 2,302.02 | 62,114.07 |
| Write-down of investment property | 3,500,000.00 | 470,000.00 |
| Other | 180,357.57 | 82,148.71 |
| Total | 6,534,797.80 | 6,387,538.21 |

Other operating expenses include the expenses and losses indirectly related to the Company's operation. This category includes losses on disposal of property, plant and equipment and monetary and non-monetary donations to other entities, including not-for-profit organisations. Other operating expenses also include the costs of write-downs of receivables and impairment losses on non-current assets.

The write-down of investment property was a result of the realignment to match market prices which had recently decreased.

8. Financial income

| | (PLN) | |
|--|--------------------------|--------------------------|
| | Year ended 31-12-2015 | Year ended 31-12-2014 |
| Interest income: | 788,118.22 | 908,367.44 |
| Interest on bank deposits | 502,943.10 | 829,308.24 |
| Interest on loans | 60,796.48 | 35,200.68 |
| Interest on receivables | 224,378.64 | 43,858.52 |
| Foreign exchange gains | 58,993.49 | 0.00 |
| Gain on disposal of investments | 0.00 | 0.00 |
| Dividend income | 0.00 | 0.00 |
| Other | 5,578.23 | 424,514.99 |
| Discount of long-term provisions | 0.00 | 73,329.00 |
| Discount of long-term payables | 0.00 | 50,641.11 |
| Discount of long-term receivables | 0.00 | 0.00 |
| Discount of long-term items | 0.00 | 0.00 |
| Realisation of financial instruments | 0.00 | 0.00 |
| Other | 5,578.23 | 300,544.88 |

| | | |
|--------------|-------------------|---------------------|
| Total | 852,689.94 | 1,332,882.43 |
|--------------|-------------------|---------------------|

Financial income includes the income from dividends and interest on deposits and investments in various types of financial instruments. Financial income also includes foreign exchange gains.

In 2015, discount rate was reduced by the Company from 4% to 3%.

9. Financial expenses

(PLN)

| | Year ended 31-12-2015 | Year ended 31-12-2014 |
|--|--------------------------|--------------------------|
| Interest expenses: | 487,686.90 | 784,855.59 |
| Interest on bank overdrafts and borrowings | 112,560.23 | 371,545.67 |
| Interest on finance lease liabilities | 291,933.50 | 383,987.31 |
| Interest on loan | 0.00 | 0.00 |
| Interest on trade and other payables | 83,193.17 | 29,322.61 |
| Other financial expenses: | 7,361,488.32 | 2,342,412.93 |
| Foreign exchange losses | 0.00 | 122,817.87 |
| Discount of long-term items | 574,563.55 | 219,160.03 |
| Realisation of financial instruments | 0.00 | 0.00 |
| Allowance for investments in subsidiaries | 6,762,499.68 | 2,000,000.00 |
| Other | 24,425.09 | 435.03 |
| Total | 7,849,175.22 | 3,127,268.52 |

Financial expenses include the expenses related to external finance, interest paid under finance lease and other financial expenses. Financial expenses also include foreign exchange losses.

In 2015, discount rate was reduced by the Company from 4% to 3% as a result of which financial expenses increased.

In the reporting period, the Company recognised a write-down of PLN 6,762 thousand in connection with a test for impairment of investments in subsidiaries.

10. Corporate income tax

10.1. Corporate income tax recognised in profit or loss

(PLN)

| | Year ended 31-12-2015 | Year ended 31-12-2014 |
|---|--------------------------|--------------------------|
| Current income tax: | 7,066,943.00 | 8,071,305.00 |
| Tax currently payable | 7,066,943.00 | 8,071,305.00 |
| Tax brought forward | 0.00 | 0.00 |
| Deferred income tax: | -1,571,085.16 | -4,703,654.64 |
| Deferred income tax related to the occurrence and reversal of temporary differences | -1,571,085.16 | -4,703,654.64 |
| Total tax expense/income | 5,495,857.84 | 3,367,650.36 |

The tax currently payable is calculated pursuant to applicable tax laws. According to these laws, taxable profit (loss) differs from accounting net profit (loss) because it excludes items of income or expense that are not taxable or deductible and items of income or expense that are never taxable. The Company's tax liability is calculated using tax rates applicable during the fiscal year in question. Since 2004, the rate applicable pursuant to amended regulations has been 19%. Current regulations do not provide for any differences in tax rates in future periods.

The Company is subject to general regulations governing corporate income tax. The Company neither forms a tax capital group nor operates in a Special Economic Zone. Tax year and financial year coincide with a calendar year.

Differences between the nominal and effective tax rates are as follows:

| | (PLN) | |
|---|--------------------------|--------------------------|
| | Year ended 31-12-2015 | Year ended 31-12-2014 |
| Profit from operations | 20,844,806.60 | 13,989,342.36 |
| Income tax expense calculated at 19% | 3,960,513.25 | 2,657,975.05 |
| Tax effect of expenses that are not tax-deductible under tax regulations and of revenue not classified as revenue under tax regulations and tax effect of additional revenue and expenses | 1,535,344.59 | 709,675.31 |
| Adjustments in the current year in relation to the current and deferred tax from prior years | 0.00 | 0.00 |
| Other | 0.00 | 0.00 |
| Income tax expense recognised in the statement of comprehensive income | 5,495,857.84 | 3,367,650.36 |

10.2. Current tax assets and liabilities

| | (PLN) | |
|--------------------------------|---------------------|---------------------|
| | As at 31-12-2015 | As at 31-12-2014 |
| Current tax assets | | |
| Tax refundable | 3,954,906.00 | 1,907,521.00 |
| Total | 3,954,906.00 | 1,907,521.00 |
| Current tax liabilities | | |
| Tax payable | 0.00 | 0.00 |
| Total | 0.00 | 0.00 |

10.3. Deferred tax balance

(PLN)

| | Year ended 31-12-2015 | Year ended 31-12-2014 |
|--|----------------------------------|----------------------------------|
| Deferred tax balance at the beginning of the year | 6,659,431.00 | 1,955,776.36 |
| Merger opening balance | 0.00 | 0.00 |
| Temporary differences relating to deferred tax assets: | 20,797,798.00 | 28,428,232.00 |
| Provisions for expenses and accruals | 13,240,653.00 | 12,123,907.00 |
| Discount of receivables | 187,583.00 | 166,042.00 |
| Lease liabilities | 411,700.00 | 713,846.00 |
| Other, including allowances for receivables | 4,339,427.00 | 6,135,093.00 |
| Tax work in progress | 2,618,435.00 | 9,289,344.00 |
| Deferred tax reclassified from equity | 0.00 | 0.00 |
| Temporary differences relating to deferred tax liabilities: | 12,564,566.00 | 23,662,572.00 |
| Measurement of long-term contracts | 2,626,676.00 | 12,965,433.00 |
| Property, plant and equipment and intangible assets | 9,633,824.00 | 10,306,013.00 |
| Discount of payables | 301,728.00 | 389,353.00 |
| Other | 2,338.00 | 1,773.00 |
| Unused tax losses and other tax credits: | 0.00 | 1,893,771.00 |
| Tax losses | 0.00 | 1,893,771.00 |
| Tax credits | 0.00 | 0.00 |
| Other | 0.00 | 0.00 |
| Total temporary differences relating to deferred tax assets: | 20,797,798.00 | 30,322,003.00 |
| Total temporary differences relating to deferred tax liabilities: | 12,564,566.00 | 23,662,572.00 |
| Deferred tax balance at the end of the year | 8,233,232.00 | 6,659,431.00 |
| Change in deferred tax, including: | 1,573,801.00 | 4,703,654.64 |
| - recognised in income | 1,571,085.00 | 4,703,654.65 |
| - recognised in equity | 2,716.00 | 0.00 |

The recognition of deferred tax in equity is a result of calculating tax on liabilities under employee benefits presented in comprehensive income.

Since 1 January 2015, deferred tax assets and liabilities have been presented by the Company according to their netted balance (IAS 12).

11. Profit (loss) per share

(PLN)

| | Year ended | Year ended |
|--|-------------------|-------------------|
| | 31-12-2015 | 31-12-2014 |
| Basic profit (loss) per share | 0.67 | 0.46 |
| Total basic profit (loss) per share | 0.67 | 0.46 |
| Diluted profit (loss) per share | 0.67 | 0.46 |
| Total diluted profit (loss) per share | 0.67 | 0.46 |

11.1. Basic profit (loss) per share

Profit (loss) and weighted average number of ordinary shares used in the calculation of basic profit per share:

| | Year ended | Year ended |
|---|----------------------|----------------------|
| | 31-12-2015 | 31-12-2014 |
| Profit (loss) per share for the financial year attributable to the shareholders of the parent | 0.67 | 0.46 |
| Total profit (loss) used in the calculation of basic profit per share | 15,348,948.76 | 10,621,692.00 |
| Weighted average number of ordinary shares used in the calculation of profit (loss) per share | 23,030,083 | 23,030,083 |

11.2. Diluted profit (loss) per share

Profit (loss) used in the calculation of diluted profit (loss) per share does not differ from the profit used in the calculation of basic profit (loss) per share as at 31 December 2015.

12. Property, plant and equipment

| | (PLN) | | | | | | | | |
|------------------------------------|------------------|----------------------|----------------------|----------------------|---------------------|--------------------------|---------------------------------------|---|-----------------------|
| | Freehold land | Buildings | Plant and equipment | Vehicles | Other | Total non-current assets | Non-current assets under construction | Prepaid non-current assets under construction | TOTAL |
| Gross value | | | | | | | | | |
| at 1 January 2015 | 12,287.67 | 24,085,431.07 | 33,527,343.10 | 44,408,691.32 | 2,067,923.43 | 104,101,676.59 | 406,213.80 | 0.00 | 104,507,890.39 |
| Additions | 0.00 | 383,374.95 | 8,867,241.57 | 2,631,455.62 | 110,940.00 | 11,993,012.14 | 18,109,895.08 | 0.00 | 30,102,907.22 |
| Transfer to non-current assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 8,319,104.18 | 0.00 | 8,319,104.18 |
| Liquidations | 12,287.67 | 0.00 | 5,459,792.35 | 1,326,768.00 | 176,104.05 | 6,974,952.07 | 0.00 | 0.00 | 6,974,952.07 |
| Balance at 31 December 2015 | 0.00 | 24,468,806.02 | 36,934,792.32 | 45,713,378.94 | 2,002,759.38 | 109,119,736.66 | 10,197,004.70 | 0.00 | 119,316,741.36 |
| | Freehold land | Buildings | Plant and equipment | Vehicles | Other | Total non-current assets | Non-current assets under construction | Prepaid non-current assets under construction | TOTAL |
| Balance at 1 January 2015 | 0.00 | 5,342,947.29 | 14,023,407.04 | 15,176,687.62 | 1,418,009.57 | 35,961,051.52 | 0.00 | 0.00 | 35,961,051.52 |
| Elimination on disposal of assets | 0.00 | 0.00 | 1,121,514.41 | 1,048,623.94 | 159,681.56 | 2,329,819.91 | 0.00 | 0.00 | 2,329,819.91 |
| Depreciation expense | 0.00 | 778,236.52 | 2,934,002.57 | 3,800,148.05 | 188,452.89 | 7,700,840.03 | 0.00 | 0.00 | 7,700,840.03 |
| Balance at 31 December 2015 | 0.00 | 6,121,183.81 | 15,835,895.20 | 17,928,211.73 | 1,446,780.90 | 41,332,071.64 | 0.00 | 0.00 | 41,332,071.64 |
| Carrying amount | | | | | | | | | |
| Balance at 1 January 2015 | 12,287.67 | 18,742,483.78 | 19,503,936.06 | 29,232,003.70 | 649,913.86 | 68,140,625.07 | 406,213.80 | 0.00 | 68,546,838.87 |
| Balance at 31 December 2015 | 0.00 | 18,347,622.21 | 21,098,897.12 | 27,785,167.21 | 555,978.48 | 67,787,665.02 | 10,197,004.70 | 0.00 | 77,984,669.72 |

Total property, plant and equipment of the Company as at 31 December 2015 amounted to PLN 77,985 thousand (PLN 68,547 thousand in 2014).

No impairment losses were recognised by the Company.

As at 31 December 2015, the value of liabilities incurred to purchase property, plant and equipment was PLN 1,940 thousand. As at 31 December 2015, the gross carrying amount of fully depreciated property, plant and equipment still used by the Company was PLN 6,293 thousand.

Assets pledged as security

The Company had pledged assets at 31 December 2015. The pledge was removed on 19 February 2016.

13. Investment property

(PLN)

| | Freehold land | Leasehold | Buildings | Plant and equipment | Vehicles | Other | TOTAL |
|------------------------------------|-------------------|---------------------|---------------------|---------------------|-------------|-------------|----------------------|
| Gross value | | | | | | | |
| Balance at 1 January 2015 | 125,550.00 | 5,032,658.77 | 4,994,069.78 | 0.00 | 0.00 | 0.00 | 10,152,278.55 |
| Additions | 0.00 | 507,035.33 | 3,284,502.67 | 0.00 | 0.00 | 0.00 | 3,791,538.00 |
| Adjustment | 0.00 | 95,774.56 | 0.00 | 0.00 | 0.00 | 0.00 | 95,774.56 |
| Impairment | 0.00 | 407,127.38 | 3,092,872.62 | 0.00 | 0.00 | 0.00 | 3,500,000.00 |
| Liquidations | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Balance at 31 December 2015 | 125,550.00 | 5,228,341.28 | 5,185,699.83 | 0.00 | 0.00 | 0.00 | 10,539,591.11 |
| Depreciation and impairment | | | | | | | |
| Balance at 1 January 2015 | 0.00 | 993,294.69 | 1,336,133.52 | 0.00 | 0.00 | 0.00 | 2,329,428.21 |
| Elimination on disposal of assets | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Depreciation expense | 0.00 | 167,207.49 | 220,995.30 | 0.00 | 0.00 | 0.00 | 388,202.79 |
| Balance at 31 December 2015 | 0.00 | 1,160,502.18 | 1,557,128.82 | 0.00 | 0.00 | 0.00 | 2,717,631.00 |
| Carrying amount | | | | | | | |
| Balance at 1 January 2015 | 125,550.00 | 4,039,364.08 | 3,657,936.26 | 0.00 | 0.00 | 0.00 | 7,822,850.34 |
| Balance at 31 December 2015 | 125,550.00 | 4,067,839.10 | 3,628,571.01 | 0.00 | 0.00 | 0.00 | 7,821,960.11 |

As at 31 December 2015, investment property included:

- real estate in Kościelisko (plots no. 2001 and 2491); and
- real estate in Poznań (plot no. 2/1).

All of the Company's investment property is held either as freehold or leasehold interests.

In 2015, the Company's recognised an investment property impairment loss of PLN 3,500 thousand. The impairment loss was recognised in other operating expenses.

The investment property was valued at purchase price. Income from the lease of the investment property in 2015 was PLN 70 thousand (PLN 0 thousand in 2014). Operating expenses relating to the investment property amounted to PLN 617 thousand (PLN 643 thousand in 2014).

14. Non-current assets held for sale

At 31 December 2015, the Company did not hold any non-current assets held for sale.

15. Intangible assets

Structure of intangible assets:

(PLN)

| | As at 31-12-2015 | As at 31-12-2014 |
|---|---------------------|----------------------|
| Acquired concessions, patents, licenses and similar assets, including: | 1,379,261.94 | 1,751,834.53 |
| - software | 1,379,261.94 | 1,751,834.53 |
| Other intangible assets, including: | 8,258,613.90 | 9,216,681.22 |
| - leasehold | 8,258,613.90 | 9,216,681.22 |
| Total | 9,637,875.84 | 10,968,515.75 |

Movements of intangible assets:

(PLN)

| | Leasehold | Other intangible assets – software | Total |
|--|----------------------|---------------------------------------|----------------------|
| Gross value | | | |
| Balance at 1 January 2015 | 10,241,966.32 | 3,694,898.85 | 13,936,865.17 |
| Additions | 0.00 | 115,043.88 | 115,043.88 |
| Disposals or classification as held for sale | 1,204,391.32 | 0.00 | 1,204,391.32 |
| Balance at 31 December 2015 | 9,037,575.00 | 3,809,942.73 | 12,847,517.73 |
| Amortisation and impairment | | | |
| Balance at 1 January 2015 | 1,025,285.10 | 1,943,064.32 | 2,968,349.42 |
| Amortisation expense | 155,323.28 | 487,616.47 | 642,939.75 |
| Adjustment | 116,241.20 | 0.00 | 116,241.20 |
| Disposals or classification as held for sale | 517,888.48 | 0.00 | 517,888.48 |
| Balance at 31 December 2015 | 778,961.10 | 2,430,680.79 | 3,209,641.89 |
| Carrying amount | | | |
| Balance at 1 January 2015 | 9,216,681.22 | 1,751,834.53 | 10,968,515.75 |
| Balance at 31 December 2015 | 8,258,613.90 | 1,379,261.94 | 9,637,875.84 |

No impairment losses were recognised by the Company.

16. Investments in and advances to subsidiaries**16.1. Information on the Company's subsidiaries**

At the end of the reporting period, ZUE had investments in subsidiaries. The Capital Group emerged on 6 January 2010 (date of acquisition of 85% of shares in the share capital of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. from the State).

On 20 December 2013, ZUE (the "Acquiring Company") merged with Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. (the "Acquired Company") by entering the transaction into the relevant register. The transaction was described in item 17.4.

The Issuer's subsidiaries at the end of the reporting period include:

Subsidiary – Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (after merger) has been established under the deed of 15 June 2009 signed in the Notary's Office in Cracow, Rynek Główny 30 (Rep. A no. 5322/2009). Poznań is the company's registered office. The company has been registered with the District Court Poznań - Nowe Miasto i Wilda in Poznań, VIII Commercial Division of the National Court Register, under entry no. KRS 0000332405.

Subsidiary – Railway Technology International Sp. z o.o. has been established under the deed of 20 July 2011 in the Notary's Office in Warsaw, al. Jerozolimskie 29/26 (Rep. A no. 2582/2011). Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry no. KRS 0000397032.

Subsidiary (indirectly through RTI) – Railway Technology International Germany GmbH has been established under the deed of 8 May 2012 in the Notary's Office in Radebeul, Rathenaustrasse 6, Germany (no. 1090/2012). Hamburg (Germany) is the company's registered office.

Subsidiary – Railway gft Polska Sp. z o.o. has been established under the deed of 21 October 2014 in the Notary's Office in Cracow, ul. Lubicz 3 (Rep. A no. 3715/2014). Cracow is the company's registered office. The company has been entered into the National Court Register maintained by the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, under entry no. KRS 0000532311.

| Company name | Core business | Registered office and principal place of business | Interest | | Value at historical cost | |
|--|---|---|-------------------------------------|--------------------|--------------------------|----------------------|
| | | | As at 31-12-2015 % | As at 31-12-2014 % | As at 31-12-2015 PLN | As at 31-12-2014 PLN |
| Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. | Tram and railway infrastructure construction services | Cracow | Merger effected on 20 December 2013 | | | |
| Biuro Inżynierskich Usług Projektowych Sp. z o.o. | Designs for the tram and railway industry | Cracow | N/A* | 100% | 0.00 | 1,919,949.68 |
| Railway Technology International Sp. z o.o. | Holding activities | Cracow | 51% | 51% | 28,585.50 | 28,585.50 |
| Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. | Comprehensive design documentation | Poznań | N/A* | 100% | 0.00 | 2,993,735.88 |
| Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. (after merger) | Comprehensive design documentation | Poznań | 100% | 100% | 8,762,799.68 | 0.00 |

| | | | | | | |
|--|------------------|--------|-----|----|---------------------|---------------------|
| Railway GFT Polska Sp. z o.o. | Sales activities | Cracow | 70% | 0% | 210,000.00 | 0.00 |
| Total investments in subsidiaries | | | | | 9,001,085.18 | 4,942,271.06 |
| Write-down of shares (cumulative) | | | | | 8,762,799.68 | 2,000,000.00 |
| Total investments in subsidiaries net of write-down | | | | | 238,585.50 | 2,942,271.06 |

* On 29 May 2015, BIUP acquired BPK Poznań and changed its name to BPK Poznań. For the purposes of this report, the company was described under the name BPK Poznań (after merger).

ZUE is entitled to manage the financial and operating policy of BPK Poznań (after merger) and Railway gft because it holds a 100% and 70% interest, respectively, in these companies.

ZUE holds a 51% interest in Railway Technology International Sp. z o.o. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Sp. z o.o. was not consolidated as at 31 December 2015.

Railway Technology International Sp. z o.o. holds 100% of shares in Railway Technology International Germany GmbH. Given an insignificant impact of the subsidiary's financial data on the Group's economic and financial condition, Railway Technology International Germany GmbH was not consolidated as at 31 December 2015.

Associates:

Biuro Projektów Kolejowych w Gdańsku Sp. z o.o. w likwidacji was established on the basis of the deed signed on 24 July 2006 in the Notary's Office in Gdańsk, ul. Grunwaldzka 71/73/10 (Rep. A no. 18114/2006). Gdańsk was the company's registered office. The company was registered with the District Court for Gdańsk-Północ, VII Commercial Division of the National Court Register under entry no. KRS 0000273363 (an associate through BPK Poznań).

On 29 April 2015, the District Court for Gdańsk-Północ in Gdańsk, VII Commercial Division of the National Court Register, decided to remove Biuro Projektów Kolejowych w Gdańsku Spółka z o.o. w likwidacji from the National Court Register. The decision became final on 30 May 2015. Until the deletion, the aim of the company's operation was to liquidate the assets to satisfy the liabilities which exceed the value thereof.

16.2. Merger of BIUP and BPK Poznań and increase of the share capital of BPK Poznań

On 30 December 2014, the Extraordinary Shareholders Meeting of BIUP resolved to increase the share capital of BIUP from PLN 1,269,400.00 to PLN 2,017,850.00 through the creation of 14,969 new shares with a par value of PLN 50 each. All the new shares of the total value of PLN 748,450.00 were acquired in full by ZUE and paid up with contributions of the total value of PLN 2,993,800 including in-kind contribution in the form of 4,261 shares with a par value of PLN 500 each held by the Company as the sole shareholder in the share capital of BPK of Poznań (their carrying amount according to the Company's accounting records was PLN 2,993,735.88) and cash of PLN 64.12

On 30 January 2015, the increase of the share capital of BIUP was registered with the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register.

On 12 May 2015, the Extraordinary Shareholders Meeting of Biuro Inżynierskich Usług Projektowych Sp. z o.o. and the Extraordinary Shareholders Meeting of Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. resolved to merge BIUP and BPK Poznań, design companies, and make relevant amendments to the Articles of Association of BIUP.

On 29 May 2015, the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register, issued the decision concerning the merger of BPK Poznań and BIUP. The decision became final and binding on 30 June 2015.

Biuro Projektów Komunikacyjnych w Poznaniu Sp. z o.o. emerged as a result of the merger of BIUP and BPK Poznań. For the purposes of this report, the company was described under the name BPK Poznań (after merger).

BPK Poznań (after merger)

On 28 September 2015, the Extraordinary Shareholders Meeting of BPK Poznań (after merger) resolved to increase the share capital of BPK Poznań (after merger) from PLN 2,017,850 to PLN 5,866,600 through the creation of 76,975 new shares with a par value of PLN 50 each. All the new shares of the total value of PLN 3,848,750 were acquired by ZUE and paid up with cash of PLN 3,848,750 through the set-off of ZUE's claims relating to the loans granted and services provided to BPK Poznań (after merger).

16.3. Acquisition of Railway gft

On 16 February 2015, ZUE signed a letter of intent concerning the acquisition of 70% of shares in Railway gft.

On 23 March 2015, the Company and Ms. Katarzyna Reszczyńska (the "Seller"), a majority shareholder of Railway gft, entered into the sales agreement. The Company acquired 35 shares; i.e. 70% of the share capital of Railway gft for PLN 3,500.00. The transaction was under the condition precedent that the consent was given by the President of the Office of Competition and Consumer Protection (the "OCCP") to the Company or there were circumstances in which the consent was not required; i.e.:

- a) The Company received an unconditional consent of the President of the OCCP to the concentration; or
- b) The Company received a decision of the President of the OCCP to discontinue the concentration proceedings as there was no notice requirement; or
- c) The notice was returned because the President of the OCCP decided it was not required; or
- d) The deadline for the decision of the President of the OCCP expired as a result of which it was assumed, under the Polish Competition and Consumer Protection Act, that the unconditional consent to the concentration had been given by the President of the OCCP.

On 15 April 2015, the Company learnt of the approval by the President of the OCCP of the concentration; i.e. gaining control by the Company of Railway gft through the acquisition of shares in Railway gft. The decision fully complied with the Company's request and could be performed on 15 April 2015.

Consequently, ZUE gained control of Railway gft on 15 April 2015 and Railway gft became a subsidiary.

On 30 April 2015, the Extraordinary Shareholders Meeting of Railway gft resolved to increase the share capital of Railway gft from PLN 5,000.00 to PLN 300,000.00 through the creation of 2,950 new shares with a par value of PLN 100 each. All the new shares of the total value of PLN 295,000.00 were acquired by the existing Shareholders (including ZUE) proportionally to the shares already held by them and paid up with contributions of the total value of PLN 295,000.00.

On 3 June 2015, the District Court for Cracow – Śródmieście in Cracow, XI Commercial Division of the National Court Register, entered ZUE as the holder of 70% of shares in Railway gft.

16.4. Merger of ZUE and PRK

Legal aspect

On 15 July 2013, the Management Board of the Company decided about the merger of ZUE and PRK. On 6 December 2013, the Extraordinary General Meeting of ZUE resolved under the resolution no. 4 to merge ZUE with PRK. The merger took place on 20 December 2013 by registering the transaction with the District Court for Cracow-Śródmieście in Cracow, XI Commercial Division of the National Court Register pursuant to Art. 492 § 1.1 of the Act; i.e. by a transfer of all the assets of PRK to ZUE in exchange for ZUE shares issued to the shareholders of PRK taking account of Art. 514 of the Act whereby ZUE, a shareholder of PRK, would not acquire own shares in exchange for the shares of PRK.

The merger took place pursuant to Art. 492 § 1.1 of the Act; i.e. by a transfer of all the assets of the Acquired Company to the Acquiring Company in exchange for the Acquiring Company shares issued to the shareholders of the Acquired Company taking account of Art. 514 of the Act whereby the Acquiring Company was excluded as a shareholder of the Acquired Company.

According to Art. 493 § 1 and Art. 493 § 2 of the Act, Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. was dissolved upon the removal from the register; i.e. on 20 December 2013. According to Art. 494 § 1 of the Act, ZUE acquired on that date all the rights and obligations of Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A., including the parties to the contracts performed by Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. prior to the merger. The Management Board of ZUE confirmed all the powers of attorney granted to the employees of PRK w Krakowie S.A. for the purposes of the contracts performed by the company.

Changes in the Group's organisational structure related to the merger effected in 2013 influenced its activities. The merger was aimed at a more efficient use of the companies' potential and the achievement of synergies including a better use of their capacity to deliver services and the achievement of economic and financial synergies, including the reduction of business costs (including the reduction of costs related to the maintenance of a separate entity), simplification of the Group's structure and a more efficient management of the Capital Group.

The cooperation as part of one entity enables the execution of major projects, more flexible margins and completion dates, better service quality management and the achievement of a position of independent contractor.

Accounting aspect

ZUE merged with PRK on 20 December 2013. The control of PRK was acquired by ZUE in 2010.

The goodwill of PLN 31,171,913.65 and the leasehold value (difference in the fair value of the net assets at acquisition) of PLN 15,956,312.00 (adjusted for a deferred tax asset) disclosed in the separate financial statements at the merger date were calculated as at the date the control of PRK was acquired by ZUE in 2010 and follow from the consolidated financial statements. Changes in interests resulting from the merger were accounted for as changes in equity.

ZUE and PRK merged under joint control. Since the control of PRK was acquired in the past years, the Company decided to present the financial data of PRK in the statement of comprehensive income for the period from 1 January 2013 to 31 December 2013 despite the fact that the formal merger took place on 20 December 2013.

The statement of financial position presents the financial data of the merged companies as at 31 December 2013 and the statement of comprehensive income includes PRK's profit or loss for 12 months.

The Management Board of ZUE carried out a test for the impairment of goodwill arising on acquisition of PRK SA. The test revealed that at the end of the reporting period, there was no need to recognise any impairment loss. A five-year time horizon was used. According to the Company's principles, the recoverable amount of an asset was measured at fair value.

Recoverable amount was determined using the discounted future cash flows method. The rate of average weighted cost of capital including projected structure and the cost of financing, and the market risks was at 10.9%.

17. Other assets

(PLN)

| | Current | | Non-current | |
|-------------------|---------------------|---------------------|-------------|-----------------|
| | As at | As at | As at | As at |
| | 31-12-2015 | 31-12-2014 | 31-12-2015 | 31-12-2014 |
| Prepayments | 1,061,140.72 | 1,771,723.90 | 0.00 | 0.00 |
| Other receivables | 0.00 | 0.00 | 0.00 | 7,981.60 |
| Total | 1,061,140.72 | 1,771,723.90 | 0.00 | 7,981.60 |

Short-term prepayments mainly include items such as property insurance.

18. Inventories

(PLN)

| | As at | As at |
|------------------|----------------------|----------------------|
| | 31-12-2015 | 31-12-2014 |
| Materials | 16,585,220.72 | 16,060,147.01 |
| Work in progress | 1,580,725.69 | 1,659,024.51 |
| Finished goods | 201,755.47 | 201,588.69 |
| Total | 18,367,701.88 | 17,920,760.21 |

At the end of the reporting period, inventories amounted to PLN 18,368 thousand (PLN 17,921 thousand in 2014). High inventory level at the end of the reporting period resulted mainly from the materials purchased in considerable amounts in order to conduct sales activities.

19. Trade and other receivables

| | (PLN) | |
|---|----------------------|-----------------------|
| | As at 31-12-2015 | As at 31-12-2014 |
| Trade receivables | 71,000,405.36 | 117,612,437.46 |
| Write-downs of trade receivables | -14,167,224.64 | -13,129,522.55 |
| Receivables from the state budget other than corporate income tax | 2,185.17 | 636,817.43 |
| Receivables under contracts (measurement) | 13,824,612.04 | 68,239,121.27 |
| Advance payments | 2,973,330.66 | 2,979,965.72 |
| Other receivables | 255,904.21 | 139,530.39 |
| Total trade and other receivables | 73,889,212.80 | 176,478,349.72 |

Total trade receivables (including discounts) at 31 December 2015 amounted to PLN 71,000 thousand (PLN 117,612 thousand at the end of 2014). The balance of trade receivables does not include past due receivables for which write-down was recognised.

Ageing analysis of receivables that are past due but not impaired

| | (PLN) | |
|--|-----------------------|-----------------------|
| | As at 31-12-2015 | As at 31-12-2014 |
| Not past due receivables | 37,620,355.07 | 76,617,039.08 |
| Receivables that are past due but not impaired | 19,212,825.65 | 27,865,875.83 |
| 1-30 days | 14,088,655.06 | 26,105,898.89 |
| 31-60 days | 1,215,023.02 | 227,725.00 |
| 61-90 days | 16,613.80 | 379,145.86 |
| 91-180 days | 3,365,433.42 | 677,121.78 |
| 181-360 days | 43,221.15 | 83,458.22 |
| 360 + days | 483,879.20 | 392,526.08 |
| Past due receivables on which write-downs were recognized | 14,167,224.64 | 13,129,522.55 |
| 1-30 days | 288,138.82 | 514,954.59 |
| 31-60 days | 51,223.35 | 12,893.31 |
| 61-90 days | 204,458.11 | 45,585.72 |
| 91-180 days | 303,763.35 | 138,295.22 |
| 181-360 days | 202,728.68 | 1,967,706.76 |
| 360 + days | 13,116,912.33 | 10,450,086.95 |
| Total trade receivables (gross) | 71,000,405.36 | 117,612,437.46 |
| Write-downs of trade receivables | -14,167,224.64 | -13,129,522.55 |

| | | |
|--------------------------------------|----------------------|-----------------------|
| Total trade receivables (net) | 56,833,180.72 | 104,482,914.91 |
|--------------------------------------|----------------------|-----------------------|

Concentration of (gross) trade receivables that exceed 10% of total receivables

(PLN)

| | As at |
|----------------|----------------------|
| | 31-12-2015 |
| Counterparty A | 22,327,066.64 |
| | 22,327,066.64 |

Change in allowances for doubtful debt

(PLN)

| | Year ended | Year ended |
|--|----------------------|----------------------|
| | 31-12-2015 | 31-12-2014 |
| Balance at the beginning of the year | 13,129,522.55 | 13,132,656.85 |
| Impairment losses recognised on receivables | 1,526,184.55 | 1,521,345.18 |
| Impairment losses not entered in profit or loss | 16,458.25 | 2,023,172.10 |
| Amounts written off as uncollectible | 0.00 | 0.00 |
| Amounts recovered during the year | -498,682.08 | -606,977.33 |
| Impairment losses reversed | -6,258.63 | -27,349.46 |
| Reversal of impairment losses without effect on financial result | 0.00 | -2,913,324.79 |
| Unwind of discount | 0.00 | 0.00 |
| Balance at the end of the year | 14,167,224.64 | 13,129,522.55 |

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated and by cooperation with financial institutions. Therefore, the Management Board of the Company believes there is no need to create additional allowances.

Long-term receivables

| | (PLN) | |
|-----------------------------------|-------------------------|-------------------------|
| | As at 31-12-2015 | As at 31-12-2014 |
| Trade receivables | 0.00 | 0.00 |
| Write-down of doubtful debts | 0.00 | 0.00 |
| Discount of long-term receivables | 0.00 | 0.00 |
| Total | 0.00 | 0.00 |

Trade receivables

| | (PLN) |
|---|---|
| | Gross value of long-term receivables |
| Balance at the beginning of the year | 0.00 |
| Increases | 0.00 |
| Decreases | 0.00 |
| Transferred to short-term receivables | 0.00 |
| Discount | 0.00 |
| Balance at the end of the year | 0.00 |

20. Share capital

(PLN)

Share capital

| | As at 31-12-2015 | As at 31-12-2014 |
|--|---------------------|---------------------|
| Registered capital | 5,757,520.75 | 5,757,520.75 |
| Amount recognised in the financial statements | 5,757,520.75 | 5,757,520.75 |

Share capital at 10 March 2016

(PLN)

| Class / issue | Type of shares | Type of preference | Limit on rights to shares | Number of shares | Value of class/issue at par value | Contribution | Registration date | Right to dividend (as of) |
|---------------|--------------------------|--------------------|---------------------------|-------------------|-----------------------------------|---------------------------------------|-------------------|---------------------------|
| Class A | Ordinary bearer shares | - | - | 16,000,000 | 4,000,000.00 | Contribution in kind | 12 July 2002 | 12 July 2002 |
| Class B | Ordinary bearer shares | - | - | 6,000,000 | 1,500,000.00 | Fully paid up in cash by way of issue | 19 October 2010 | 19 October 2010 |
| Class C | Bearer – “Merger shares” | - | - | 1,030,083 | 257,520.75 | Fully paid up in cash by way of issue | 20 December 2013 | 20 December 2013 |
| Total | | | | 23,030,083 | 5,757,520.75 | | | |

At 31 December 2015, the share capital composition was the same as at 10 March 2016.

21. Retained earnings

(PLN)

| | Year ended 31-12-2015 | Year ended 31-12-2014 |
|---|----------------------------------|----------------------------------|
| Balance at the beginning of the year | 103,368,887.75 | 92,840,726.72 |
| Opening balance adjustment | 0.00 | 0.00 |
| Opening balance restatement | 103,368,887.75 | 92,840,726.72 |
| Net profit distribution | 10,528,161.03 | 7,632,651.59 |
| Reserve funds | 10,528,161.03 | 7,632,651.59 |
| Capital reserve | 0.00 | 0.00 |
| Coverage of loss brought forward | 0.00 | 0.00 |
| Distributable profit for the year | 15,337,371.66 | 10,528,161.03 |
| Payment of dividend for the preceding year | 0.00 | 0.00 |
| Interim dividend for the current year | 0.00 | 0.00 |
| Change in net profit according to IFRS | 0.00 | 0.00 |
| Retained earnings from merger | 0.00 | 0.00 |
| Balance at the end of the year | 118,706,259.41 | 103,368,887.75 |

The retained earnings of prior years entirely comprise the earnings retained at the Company on the basis of the decision made by its shareholders and the consequences of the IFRS implementation. The retained earnings at the end of 2015 include:

| | |
|---|-------------------|
| - Reserve funds (without share premium account): | PLN 58,826,840.34 |
| - Capital reserve: | PLN 39,434,845.22 |
| - Profit (loss) brought forward: | PLN -570,130.75 |
| - Comprehensive income for the current year: 15,337,371.66 | PLN |
| - Equity changes resulting from the merger: | PLN 5,677,332.94 |

The Company creates a capital reserve according to the articles of association. The Company's profit to be distributed in subsequent periods or used to cover other expenses may be allocated to capital reserve. The Company's capital reserve meets the requirements of Art. 396 of the Act.

22. Share premium account

(PLN)

| | Year ended 31-12-2015 | Year ended 31-12-2014 |
|---|----------------------------------|----------------------------------|
| Balance at the beginning of the year | 93,836,665.29 | 93,836,665.29 |
| Share issue | 0.00 | 0.00 |
| Issue costs | 0.00 | 0.00 |
| Balance at the end of the year | 93,836,665.29 | 93,836,665.29 |

ZUE raised cash of PLN 88.5m through the issue of shares on 1 October 2010. The costs of class B shares issue in 2010 amounted to PLN 3.1m.

The Company did not launch any new issue of shares in 2012 or 2011.

In 2013, the Company launched a new issue of class C shares. The agio generated by the Company on 6 December 2013 was PLN 9,023.5 thousand. The costs of class C shares issue in 2013 amounted to PLN 547.5 thousand. The Company did not launch any new issue of shares in 2014 or 2015.

The buy-back of ZUE S.A. own shares from the employees of former Przedsiębiorstwo Robót Komunikacyjnych w Krakowie S.A. in 2015 was described in the consolidated financial statements.

23. Bank borrowings and other debt instruments and other financing sources

(PLN)

| | As at 31-12-2015 | As at 31-12-2014 |
|--|----------------------|----------------------|
| Long-term | 11,154,815.56 | 5,223,987.77 |
| Bank borrowings | 0.00 | 0.00 |
| Loans from: | | |
| related entities | 0.00 | 0.00 |
| other entities | 0.00 | 0.00 |
| Finance lease liabilities | 11,154,815.56 | 5,223,987.77 |
| Short-term | 6,110,654.56 | 9,213,948.27 |
| Overdrafts | 0.00 | 0.00 |
| Bank borrowings (iii) | 0.00 | 5,111,111.22 |
| Loans from: | | |
| related entities | 0.00 | 0.00 |
| other entities | 0.00 | 0.00 |
| Finance lease liabilities | 6,110,654.56 | 4,310,962.05 |
| Settlement of commission on bank borrowing | 0.00 | -208,125.00 |
| Total | 17,265,470.12 | 14,437,936.04 |

Summary of borrowing arrangements as at 31 December 2015.

(PLN)

| Bank | Description | Principal according to the agreement | Outstanding amount as at | Interest | Security |
|-------------------------------------|--|--------------------------------------|--------------------------|--|---|
| Overdrafts | | | 31-12-2015 | | |
| mBank S.A. (i) | Overdraft (agreement no. 07/183/04/Z/VV) | 10,000,000.00 | 0.00 | O/N WIBOR for interbank credits + margin | Blank bill of exchange with declaration |
| Other credit facilities | | | | | |
| mBank S.A. (ii) (iii) (iv) (v) (vi) | Cooperation agreement (agreement no. 07/052/14/Z/PX) | 20,000,000.00 | 7,630,691.11 | 3M WIBOR + margin | 1. Blanket contractual mortgage up to PLN 35,420,550 on the following real property WA5M/00242445/1, KR1P/00199773/5, KR1P/00204399/8 2. Deposit |
| | including: | | | | |
| | sublimit for guarantees | 20,000,000.00 | 7,630,691.11 | | |
| | sublimit for revolving credits | 20,000,000.00 | 0.00 | | |
| BNP Paribas S.A. (vii) | Financing agreement no. WAR/2001/15/289/CB | 100,000,000.00 | 0.00 | 1M WIBOR + margin | 1. Blank bill of exchange 2. Blanket contractual mortgage up to PLN 150,000,000.00 on the following real property KW no. NS1Z/00010662/9, KW no. NS1Z/00010740/0, KW no. NS1Z/00024399/5 3. Assignment of rights under insurance policy for at least PLN 4,200,000.00 |

| | | | | |
|--|---|---------------|---------------------|---|
| | | | | 4. Security deposit each time before the issue of guarantee expiring after 37 months: a) 15% of guarantee expiring between 37 and 61 months; b) 30% of guarantee expiring after 61 months |
| | | | | 5. Borrower's statement on submission to enforcement |
| | including: | | | |
| | Revolving credit agreement no. WAR/2001/15/290/CB | 30,000,000.00 | 0.00 | 1. Securities provided under Financing Agreement no. WAR/2001/15/289/CB 2. Assignment under contracts submitted by the Borrower |
| | Guarantee line agreement no. WAR/2001/15/291/CB – line with revolving limit | 70,000,000.00 | 0.00 | 1. Securities provided under Financing Agreement no. WAR/2001/15/289/CB |
| | Total credits | | 0.00 | |
| | Total guarantees | | 7,630,691.11 | |

(i) Agreement signed on 29.11.2009.

- a) Credit no. 07/183/04/Z/VV is secured only by a blank bill of exchange (security changed under the Annex no. 12 of 05.05.2014).
- b) The repayment date for the credit no. 07/183/04/Z/VV was extended until 13-05-2016 (Annex no. 13 of 13-05-2015).

(ii) Agreement signed on 29 July 2014, secured by a mortgage.

(iii) Annex no. 1 of 29.12.2014 whereby the limit was reduced to PLN 20,000,000.00.

(iv) Annex no. 2 of 01.04.2015 whereby the limit was increased to PLN 70,000,000.00.

(v) Annex no. 3 of 15.06.2015 whereby the limit was increased to PLN 90,000,000.00.

(vi) Under the Annex no. 5 of 22.12.2015, the limit was reduced to PLN 20,000,000.00 between 23 December 2015 and 31 January 2016 and raised to PLN 90,000,000.00 as of 1 February 2016. Product sub-limits also changed: Sub-limit for guarantees was reduced to PLN 20,000,000.00 between 23 December 2015 and 31 January 2016 and was PLN 30,000,000.00 as of 1 February 2016; and sublimit for non-revolving working capital facilities was reduced to PLN 20,000,000.00 between 23 December 2015 and 31 January 2016 and was PLN 70,000,000.00 as of 1 February 2016.

(vii) Agreement signed on 10 December 2015.

24. Other financial liabilities

(PLN)

| | Current | | Non-current | |
|--|------------------|-----------------|-------------|-------------|
| | As at | As at | As at | As at |
| | 31-12-2015 | 31-12-2014 | 31-12-2015 | 31-12-2014 |
| Financial liabilities relating to share buy-back | 0.00 | 0.00 | 0.00 | 0.00 |
| Other liabilities | 37,399.32 | 2,791.69 | 0.00 | 0.00 |
| Total | 37,399.32 | 2,791.69 | 0.00 | 0.00 |

25. Other liabilities

(PLN)

| | As at | As at |
|-------------------|-------------------|-------------|
| | 31-12-2015 | 31-12-2014 |
| Other liabilities | 910,000.00 | 0.00 |
| Total | 910,000.00 | 0.00 |

Other non-current liabilities of PLN 910 thousand are a result of the purchase of real estate from a subsidiary.

26. Provisions

The following table sets out the changes in provisions.

(PLN)

| Provisions | 01-01-2015 | Created | Used | Released | 31-12-2015 |
|----------------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|
| Long-term provisions: | 9,175,903.08 | 1,943,287.94 | 101,844.22 | 3,378,223.72 | 7,639,123.08 |
| Provisions for employee benefits | 765,808.21 | 0.00 | 0.00 | 69,049.38 | 696,758.83 |
| Provisions for warranty claims | 8,410,094.87 | 1,943,287.94 | 101,844.22 | 3,309,174.34 | 6,942,364.25 |
| Other provisions | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Short-term provisions: | 12,939,985.53 | 32,768,655.40 | 10,827,864.18 | 5,749,261.36 | 29,131,515.39 |
| Provisions for employee benefits | 7,304,581.56 | 20,698,624.17 | 10,475,016.10 | 1,151,305.54 | 16,376,884.09 |
| Provisions for warranty claims | 3,037,026.75 | 8,129,085.60 | 352,848.08 | 1,621,586.65 | 9,191,677.62 |
| Provision for loss on contracts | 1,031,309.22 | 3,940,945.63 | 0.00 | 2,976,369.17 | 1,995,885.68 |
| Other provisions | 1,567,068.00 | 0.00 | 0.00 | 0.00 | 1,567,068.00 |
| Total provisions: | 22,115,888.61 | 34,711,943.34 | 10,929,708.40 | 9,127,485.08 | 36,770,638.47 |

Provision for warranty claims is created for the construction contracts in respect of which warranty has been given by the Company depending on the amount of revenues. The amount of provisions may decrease or increase on the basis of inspections of construction works carried out in subsequent years of warranty.

Provisions for employee benefits include the provisions for leaves, bonuses, overtime as well as liabilities under salaries and social security premiums. The increase in provisions for employee benefits in the reporting period is mainly a result of the creation of provisions for incentive bonuses.

Provisions for loss on contracts are created if the budgeted expenses are higher than the total revenue under a contract.

27. Construction contracts

The following details relate to construction contracts performed by the Company.

Selected items

| | (PLN) | |
|--|-----------------------|-----------------------|
| | As at 31-12-2015 | As at 31-12-2014 |
| Assets | 75,711,709.91 | 149,900,343.33 |
| including: | | |
| - Measurements of contracts | 13,824,612.04 | 68,239,121.27 |
| - Advance payments for contracts | 2,973,330.66 | 2,967,965.72 |
| Liabilities | 135,194,308.22 | 120,211,146.15 |
| including: | | |
| - Measurements of contracts | 14,345,723.12 | 25,305,612.48 |
| - Provisions for contract costs | 52,093,297.60 | 40,341,286.64 |
| Received advance payments for contracts | 0.00 | 0.00 |
| Revenue under construction contracts | 466,679,422.39 | 574,487,604.37 |
| Expenses under construction contracts | 422,573,135.65 | 549,971,571.85 |
| Gross profit (loss) | 44,106,286.74 | 24,516,032.52 |

28. Retentions on construction contracts

| | (PLN) | |
|--|----------------------|----------------------|
| | As at 31-12-2015 | As at 31-12-2014 |
| Retained by customers – to be repaid after 12 months | 5,288,536.63 | 2,878,799.59 |
| Retained by customers – to be repaid within 12 months | 601,812.71 | 844,047.06 |
| Total retentions on construction contracts retained by customers | 5,890,349.34 | 3,722,846.65 |
| Retained for suppliers – to be repaid after 12 months | 7,990,744.91 | 8,768,069.50 |
| Retained for suppliers – to be repaid within 12 months | 11,667,517.05 | 18,121,876.48 |
| Total retentions on construction contracts retained for suppliers | 19,658,261.96 | 26,889,945.98 |

Retentions on construction contracts with payment dates above one year are discounted and recognized in the balance sheet at present value. The table below shows the results of discounting recognized in the balance sheets and profit or loss of the Company in individual periods. The amounts of discount reduce the nominal value of receivables from and liabilities under retentions on construction contracts. The discount rate in 2015 was 3% while in 2014, it was 4%. In addition, a deferred tax is recognized in the balance sheet on the stated amounts and calculated at the rate prevailing in Poland, i.e. 19%, and on the effect of change in the value of discount in the profit or loss.

28.1. Discount recognised in profit or loss:

(PLN)

| | As at | As at |
|---|--------------------|--------------------|
| | 31-12-2015 | 31-12-2014 |
| Discount of long-term retentions on construction contracts retained by customers | 417,981.56 | 307,051.47 |
| Discount of long-term retentions on construction contracts retained for suppliers | 884,310.56 | 1,116,361.87 |
| Adjustment of financial income | 0.00 | 50,641.11 |
| Adjustment of financial expenses | 574,563.55 | 219,160.03 |
| Deferred tax on above adjustments | 109,167.07 | 32,018.59 |
| Net effect on profit or loss | -465,396.48 | -136,500.33 |

28.2. Ageing analysis of past due retentions on construction contracts (nominal values before discount)

The following table presents the ageing analysis of retentions on construction contracts that are past due at the end of the reporting period:

(PLN)

| | As at | As at |
|--|-------------------|-------------------|
| | 31-12-2015 | 31-12-2014 |
| Past due retentions on construction contracts: | | |
| – up to 1 month | 552,066.49 | 0.00 |
| – 1 - 3 months | 8,558.55 | 297,992.74 |
| – 3 - 6 months | 0.00 | 0.00 |
| – 6 months - 1 year | 94,780.88 | 0.00 |
| – over 1 year | 203,538.48 | 0.00 |
| Total past due retentions on construction contracts (gross) | 858,944.40 | 297,992.74 |
| Write-downs | -298,319.36 | -292,303.48 |
| Total past due retentions on construction contracts (net) | 560,625.04 | 5,689.26 |

28.3. Risk of interest rate fluctuations

The effective interest rate at 31 December 2015 used to discount the retentions on construction contracts was 3% (4% in 2014).

29. Trade and other payables

(PLN)

| | As at 31-12-2015 | As at 31-12-2014 |
|---|-----------------------------|-----------------------------|
| Trade payables | 39,250,603.94 | 62,912,635.40 |
| Liabilities to the state budget other than corporate income tax | 5,447,097.76 | 892,766.50 |
| Accruals | 52,358,297.60 | 40,761,286.64 |
| Liabilities under contracts (measurement) | 14,345,723.12 | 25,305,612.48 |
| Other payables | 979,305.56 | 148,454.08 |
| Total trade and other payables | 112,381,027.98 | 130,020,755.10 |

Total trade and other payables as at 31 December 2015 amounted to PLN 39,251 thousand (PLN 62,913 thousand in 2014).

Accruals include, in particular, provisions for the costs of subcontractors and provisions for claims under contracts.

Ageing analysis of trade payables

(PLN)

| | As at 31-12-2015 | As at 31-12-2014 |
|------------------------------|-----------------------------|-----------------------------|
| Not past due payables | 30,494,203.99 | 60,698,471.42 |
| Past due payables | 8,756,399.95 | 2,214,163.98 |
| 1-30 days | 7,669,284.26 | 1,958,563.49 |
| 31-60 days | 840,571.22 | 13,701.21 |
| 61-90 days | 30,925.16 | 18,450.00 |
| 91-180 days | 8,113.12 | 116,633.25 |
| 181-360 days | 140,880.51 | 47,203.20 |
| + 360 days | 66,625.68 | 59,612.83 |
| Total trade payables | 39,250,603.94 | 62,912,635.40 |

30. Obligations under finance lease**30.1. General terms of lease**

The term of finance lease agreements concerning manufacturing equipment is from three to six years. The Company has an option to purchase the equipment at the end of the lease for a price equal to their residual value. The Company's obligations under the finance leases are secured by the lessor's title to the leased assets or the lessor's authority given by ZUE to charge the Company's bank account.

30.2. Finance lease liabilities

(PLN)

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|------------------------|---------------------|---|---------------------|
| | As at | As at | As at | As at |
| | 31-12-2015 | 31-12-2014 | 31-12-2015 | 31-12-2014 |
| Not later than one year | 6,542,936.45 | 4,642,891.82 | 6,110,654.56 | 4,310,962.05 |
| Later than one year and not later than five years | 11,703,536.36 | 5,449,713.46 | 11,154,815.56 | 5,223,987.77 |
| Later than five years | 0.00 | 0.00 | 0.00 | 0.00 |
| Less: future finance charges | -981,002.69 | -557,655.46 | 0.00 | 0.00 |
| Present value of minimum lease payments | 17,265,470.12 | 9,534,949.82 | 17,265,470.12 | 9,534,949.82 |

Included in the financial statements as:

| | | |
|---------------------------------------|---------------|--------------|
| Current borrowings (note no. 24) | 6,110,654.56 | 4,310,962.05 |
| Non- current borrowings (note no. 24) | 11,154,815.56 | 5,223,987.77 |

31. Obligations under retirement and other benefits

Given the amendments to IAS 19 "Employee Benefits," actuarial gains and losses have been recognized by the Company in the statement of comprehensive income since 1 January 2013.

Pension and retirement gratuities are paid to employees who go to retirement or draw pension. The amount of the gratuity is the product of its base at the date of entitlement and the appropriate ratio progressing in proportion to the years of service.

The table below sets out the obligations under employee benefits:

| | (PLN) | |
|--|----------------------|----------------------|
| | As at 31-12-2015 | As at 31-12-2014 |
| Pension and retirement gratuities, including: | 862,571.95 | 852,249.54 |
| – present amount of obligation at the end of the reporting period | 862,571.95 | 852,249.54 |
| – actuarial gains / (losses) unrecognised at the end of the reporting period | 0.00 | 0.00 |
| – past service cost unrecognised at the end of the reporting period | 0.00 | 0.00 |
| Obligations to employees | 0.00 | 0.00 |
| Other employee benefits | 21,781,571.60 | 12,963,411.08 |
| – provision for unused leaves | 3,578,079.22 | 3,181,412.40 |
| – provision for bonuses | 12,632,991.75 | 4,036,727.82 |
| – salaries | 2,881,132.29 | 2,868,945.06 |
| – social security and other benefits | 2,689,368.34 | 2,876,325.80 |
| Total obligations under retirement and other benefits | 22,644,143.55 | 13,815,660.62 |
| including: | | |
| – long-term | 696,758.83 | 765,808.21 |
| – short-term | 21,947,384.72 | 13,049,852.41 |

Main actuarial assumptions for determination of obligations under pension and retirement gratuities:

| | As at 31-12-2015 | As at 31-12-2014 |
|--------------------------|---------------------|---------------------|
| Discount rate | 2.9% | 2.5% |
| Expected salary increase | 2.5% | 1.5% |

Pension and retirements gratuities

| | (PLN) | |
|--|---------------------|---------------------|
| | As at 31-12-2015 | As at 31-12-2014 |
| Present amount of obligation at the beginning of the year | 852,249.53 | 751,004.89 |
| Interest cost | 20,678.61 | 12,115.45 |
| Current service cost | 68,849.46 | 32,649.01 |
| Past service cost | 0.00 | -22,291.05 |
| Benefits paid | -93,498.74 | -53,882.85 |
| Actuarial (gains) / losses | 14,293.09 | 132,654.08 |
| Present amount of obligation at the end of the year | 862,571.95 | 852,249.53 |

Amounts recognised in the statement of comprehensive income in respect of future employee benefits were as follows:

| | (PLN) | |
|--|-------------------|-------------------|
| | As at | As at |
| | 31-12-2015 | 31-12-2014 |
| Current service cost | 68,849.46 | 32,649.01 |
| Interest cost | 20,678.61 | 12,115.45 |
| Actuarial (gains)/ losses recognised in the year | 14,293.09 | 132,654.08 |
| Past service cost | 0.00 | 0.00 |
| Costs recognised in statement of comprehensive income | 103,821.16 | 177,418.54 |
| Amount recognised in profit or loss | 89,528.07 | 44,764.46 |
| Amount recognised in other comprehensive income | 11,577.10 | 93,530.97 |

Provision for pension and retirement gratuities is created on the basis of actuarial valuation made by an independent actuarial consultancy company.

32. Capital management

The Company reviews the capital structure each time for the purpose of major contract financing. As part of this review, the Company considers the funds required for day-to-day operations, the schedule of contract financing, the cost of capital and the risks associated with each class of capital.

The gearing ratio at the end of the year:

| | (PLN) | |
|---------------------------------------|-----------------------|-----------------------|
| | As at | As at |
| | 31-12-2015 | 31-12-2014 |
| Interest bearing loans and borrowings | 17,265,470.12 | 14,437,936.04 |
| Retentions on construction contracts | 19,658,261.96 | 26,889,945.98 |
| Liabilities under employee benefits | 22,644,143.55 | 13,815,660.62 |
| Trade and other payables | 112,381,027.98 | 130,020,755.10 |
| Current tax liabilities | 0.00 | 0.00 |
| Debt | 171,948,903.61 | 185,164,297.74 |
| Cash and cash equivalents | 169,794,645.16 | 71,116,102.58 |
| Net debt | 2,154,258.45 | 114,048,195.16 |
| Equity | 215,610,615.75 | 202,963,073.79 |
| Net debt to equity ratio | 1.00% | 56.19% |

At the end of 2015, ZUE reported the inflow of cash from the contracts completed in Szczecin and Poznań. This had a considerable effect on the Company's net debt and, consequently, lowering of the gearing ratio.

33. Financial risk management

The main financial instruments used by the Company include:

- bank borrowings, loans and finance leases whose aim is to obtain funds for the Company's operation;
- trade and other receivables and payables as well as cash and short-term deposits arising during the course of the Company's operation.

The Company's activities expose it to different financial risks including foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk. The Board verify these risks and define the rules governing the management of these risks.

33.1. Foreign exchange risk

As part of its operations, the Company makes settlements in foreign currencies, mainly in EUR. The foreign exchange risk is mainly hedged by concluding contracts with counterparties whereby the risk is transferred to them. If this is not possible, currency exposure (if relevant) is hedged on the financial market using currency futures.

Foreign currency risk – sensitivity to changes

To analyse the sensitivity to exchange rate changes, the reasonably possible change in foreign exchange rates was assessed, on the basis of historical changes and the Company's experience and knowledge of financial markets, at -5% / +5% for EUR/PLN exchange rate as at 31 December 2015.

The following table presents the sensitivity of the financial result to reasonably possible change in foreign exchange rates provided that other factors remain unchanged (the effect on the result of the year and net assets is identical).

(PLN)

| | Currency | Carrying amount at the end of the reporting period | Sensitivity to changes at 31 December 2015 | |
|--|----------|--|--|----------------------------------|
| | | | Depreciation of PLN | Appreciation of other currencies |
| | | | +5% (EUR/PLN) | -5% (EUR/PLN) |
| Cash | EUR | 20,745,750.17 | 1,037,287.51 | -1,037,287.51 |
| | RBL | 0.00 | 0.00 | 0.00 |
| | USD | 6.70 | 0.34 | -0.34 |
| | HRK | 1.12 | 0.06 | -0.06 |
| | BGN | 0.00 | 0.00 | 0.00 |
| Trade and other payables | EUR | 1,770,343.80 | -88,517.19 | 88,517.19 |
| Trade and other receivables | EUR | 2,622,542.73 | 131,127.14 | -131,127.14 |
| Gross effect on profit of loss of the period and net assets | | | 1,079,897.86 | -1,079,897.86 |
| Deferred tax | | | -205,180.59 | 205,180.59 |
| Total | | | 874,717.27 | -874,717.27 |

The Company had no futures at 31 December 2015.

33.2. Interest rate risk

The Company is exposed to interest rate risk mainly because it uses such instruments as bank borrowings, loans and finance leases. These instruments are issued at variable interest rates and expose the Company to the risk of cash flow fluctuations. The risk is hedged by regular assessments aimed at adjusting interest rates to current situation and readiness to incur a risk.

Interest rate risk – sensitivity to changes

To analyse the sensitivity to interest rate changes, the reasonably possible change in interest rates was assessed, on the basis of historical changes and the Company's experience and knowledge of financial markets, at -1 / +1 pp at 31 December 2015. A parallel shift of interest rate curve was assumed for the purpose of calculating the sensitivity to change in interest rates.

The following table sets out the effect on the profit or loss of the period and net assets as at 31 December 2015.

| | Amount at the end of the reporting period | (PLN) | |
|--|---|---------------------|----------------------|
| | | 31 December 2015 | |
| | | +100 bp (PLN) | -100 bp (PLN) |
| Long-term retentions on construction contracts (discount): | | | |
| – recognised in assets (present value) | 5,288,536.63 | -284,143.50 | 305,310.72 |
| – recognised in liabilities (present value) | 7,990,744.91 | 228,948.76 | -241,729.46 |
| Cash at banks (nominal value / interest) | 169,794,645.16 | 1,697,946.45 | -1,697,946.45 |
| Advanced loans (nominal value / interest) | 157,721.51 | 1,577.22 | -1,577.22 |
| Bank borrowings and loans (nominal value / interest) | 0.00 | 0.00 | 0.00 |
| Finance lease liabilities (present value / interest) | 17,265,470.12 | -172,654.70 | 172,654.70 |
| Gross effect on profit or loss of the period and net assets | | 1,471,674.23 | -1,463,287.71 |
| Deferred tax | | -279,618.10 | 278,024.66 |
| Total | | 1,192,056.12 | -1,185,263.04 |

33.3. Price risk

The Company is exposed to price risk relating to the increase in prices of the most popular products and raw materials such as concrete, aggregates, steel elements (including HV tram and rail traction network posts, lamp posts, rails or crossovers) and copper and aluminium elements (including power cables, lines and contact wires) and, given a big number of machines, liquid fuels (including diesel oil and petrol).

Changes in prices of materials or labour costs may contribute to a change in service fees charged by subcontractors. Prices contained in contracts with investors remain fixed throughout the term of such contracts (usually from 6 to 36 months). However, contracts with subcontractors may be concluded at a later date as the works progress. The Company protects itself against the price risk by developing sales activities conducted by a subsidiary.

Taking the available market data into consideration, on the basis of the Company's knowledge and experience, the risk is assessed as moderate.

33.4. Credit risk

The Company cooperates, as part of both financial and equity transactions, with highly credible financial institutions to reduce the concentration of credit risk.

The Company's financial assets exposed to increased credit risk include trade receivables (except for trade receivables from contracting authorities (investors) as part of projects executed pursuant to the Public Procurement Act). A credit risk is assessed and verified by the Company with the contracting authority and suppliers both at the stage of tender submission and at the stage of project execution.

Before a contract is signed, each counterparty is assessed in terms of their ability to fulfil their financial obligations. If the assessment is negative, signing of the contract is conditional at least on the provision of proper security on property or financial security. In addition, the Company tries to make sure that contracts with investors provide for the right to stop the works if the payment for the services already performed is delayed.

33.5. Liquidity risk

The Company reduces liquidity risk by maintaining sufficient cash and concluding credit line agreements which serve as an additional safeguard against the loss of liquidity. The Company uses its funds, bank borrowings and

long-term finance lease agreements to finance its investments and to ensure appropriate stability of financing structure for this type of assets.

Liquidity management is supported by the system of reporting cash flow forecasts.

The maturity structure for financial liabilities is set out in Note 35 – Financial instruments.

34. Financial instruments

The following table sets out the carrying amounts of all financial instruments of the Company with a breakdown into particular classes and categories of assets and liabilities.

As at 31 December 2015

(PLN)

| Classes of financial instruments | Available-for-sale financial assets | Financial assets at fair value through profit or loss | Loans and receivables | Financial liabilities at fair value through profit or loss | Financial liabilities at amortised cost |
|--|-------------------------------------|---|-----------------------|--|---|
| Retentions on construction contracts | 0.00 | 0.00 | 5,890,349.34 | 0.00 | 19,658,261.96 |
| Trade and other receivables including: amounts receivable from customers under construction contracts – advance payments | 0.00 | 0.00 | 73,889,212.80 | 0.00 | 0.00 |
| Derivative financial instruments and other financial liabilities | 0.00 | 0.00 | 2,973,330.66 | 0.00 | 0.00 |
| Advanced loans | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash and cash equivalents | 0.00 | 169,794,645.16 | 157,721.51 | 0.00 | 0.00 |
| Bank borrowings and other debt instruments and other financing sources | 0.00 | 0.00 | 0.00 | 0.00 | 17,265,470.12 |
| Trade and other payables including: amounts payable to customers under construction contracts – advance payments | 0.00 | 0.00 | 0.00 | 0.00 | 112,381,027.98 |
| Total | 0.00 | 169,794,645.16 | 79,937,283.65 | 0.00 | 149,304,760.06 |

Reclassifications of financial assets

No financial instruments were reclassified by the Company during the reporting period.

34.1. Maturity profile of financial liabilities at fair value through profit or loss and at amortised cost

(PLN)

| | As at | As at |
|--------------------|-----------------------|-----------------------|
| | 31-12-2015 | 31-12-2014 |
| Age structure | | |
| – less than 1 year | 130,159,199.59 | 157,356,579.85 |
| – 1 - 3 years | 13,139,838.77 | 13,363,072.35 |
| – 3 - 5 years | 4,941,299.54 | 305,587.79 |
| – 5 years + | 1,064,422.16 | 323,397.13 |
| Total | 149,304,760.06 | 171,348,637.12 |

34.2. Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments; and
- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

34.3. Derivative instruments

No derivative instrument transactions were entered into by the Company in 2015 or 2014.

35. Transactions with related entities**Trade transactions**

The following trade transactions between the related entities were entered into during the financial year:

(PLN)

| | Receivables | | Payables | |
|---------------------------|---------------------|-------------------|---------------------|-------------------|
| | As at | | As at | |
| | 31-12-2015 | 31-12-2014 | 31-12-2015 | 31-12-2014 |
| Railway GFT | 4,435,269.06 | 0.00 | 40,217.19 | 0.00 |
| BIUP | 0.00 | 749,413.50 | 0.00 | 831,529.20 |
| BPK Poznań | 0.00 | 29,947.86 | 0.00 | 0.00 |
| BPK Poznań (after merger) | 9,415.74 | 0.00 | 2,265,353.47 | 0.00 |
| BPK Gdańsk | n/a | 0.00 | n/a | 0.00 |
| RTI | 1,230.00 | 1,230.00 | 0.00 | 0.00 |
| RTI Germany | 0.00 | 0.00 | 19,391.74 | 0.00 |
| Wiesław Nowak | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 4,445,914.80 | 780,591.36 | 2,324,962.40 | 831,529.20 |

| | Revenue | | Purchases | |
|---------------------------|----------------------|-------------------|----------------------|---------------------|
| | Year ended | | Year ended | |
| | 31-12-2015 | 31-12-2014 | 31-12-2015 | 31-12-2014 |
| Railway GFT | 23,352,746.42 | 0.00 | 11,776,471.39 | 0.00 |
| BIUP | 113,502.98 | 679,763.26 | 1,255.03 | 1,602,319.63 |
| BPK Poznań | 0.00 | 20,831.58 | 596,158.83 | 2,788,493.15 |
| BPK Poznań (after merger) | 253,553.52 | 0.00 | 4,833,082.70 | 0.00 |
| BPK Gdańsk | n/a | 0.00 | n/a | 15,861.78 |
| RTI | 12,000.00 | 12,000.00 | 0.00 | 0.00 |
| RTI Germany | 0.00 | 0.00 | 945,545.07 | 980,873.92 |
| Wiesław Nowak | 0.00 | 1,626.00 | 0.00 | 66,400.00 |
| Total | 23,731,802.92 | 714,220.84 | 18,152,513.02 | 5,453,948.48 |

| | Advanced loans | | Financial income (interest) | |
|---------------------------|-----------------------|---------------------|------------------------------------|-------------------|
| | As at | | As at | |
| | 31-12-2015 | 31-12-2014 | 31-12-2015 | 31-12-2014 |
| Railway GFT | 0.00 | 0.00 | 0.00 | 0.00 |
| BIUP | 0.00 | 100,851.01 | 537.29 | 19,335.86 |
| BPK Poznań | 0.00 | 903,103.40 | 0.00 | 13,042.93 |
| BPK Poznań (after merger) | 0.00 | 0.00 | 57,117.55 | 0.00 |
| BPK Gdańsk | n/a | 0.00 | n/a | 0.00 |
| RTI | 157,721.51 | 134,601.32 | 3,141.64 | 2,821.89 |
| RTI Germany | 0.00 | 0.00 | 0.00 | 0.00 |
| Wiesław Nowak | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 157,721.51 | 1,138,555.73 | 60,796.48 | 35,200.68 |

| | Received loans | | Financial expenses (interest) | |
|---------------------------|-----------------------|-------------------|--------------------------------------|-------------------|
| | As at | | As at | |
| | 31-12-2015 | 31-12-2014 | 31-12-2015 | 31-12-2014 |
| Railway GFT | 0.00 | 0.00 | 0.00 | 0.00 |
| BIUP | 0.00 | 0.00 | 0.00 | 0.00 |
| BPK Poznań | 0.00 | 0.00 | 0.00 | 0.00 |
| BPK Poznań (after merger) | 0.00 | 0.00 | 0.00 | 0.00 |
| BPK Gdańsk | n/a | 0.00 | n/a | 0.00 |

| | | | | |
|---------------|-------------|-------------|-------------|-------------|
| RTI | 0.00 | 0.00 | 0.00 | 0.00 |
| RTI Germany | 0.00 | 0.00 | 0.00 | 0.00 |
| Wiesław Nowak | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 0.00 | 0.00 | 0.00 | 0.00 |

In the reporting period, major transactions were entered into between ZUE and subsidiaries, and related entities on arm's length terms.

In the reporting period, ZUE entered into the following sales transactions with related entities:

- o Sale of materials required to build and repair tracks;
- o Sale of design services;
- o Lease of rooms and phone services;
- o Repair and diagnostics of vehicles;
- o Fees for language courses for employees.

In the reporting period, ZUE entered into the following purchase transactions with the related entities:

- o Purchase of materials required to build and repair tracks;
- o Purchase of real estate;
- o Design services;
- o Market research services;
- o Printing services.

On 29 January 2015, ZUE and BPK Poznań signed an annex no. 1 to the loan agreement of 1 December 2014 whereby the loan repayment date was extended until 20 December 2015.

In the reporting period, ZUE granted a loan of PLN 1,000 thousand to BPK Poznań (a subsidiary) under the loan agreement of 12 March 2015. The repayment date was set at 31 December 2015. The facility bore annual interest at 3M WIBOR plus margin.

On 17 April 2015, ZUE and BPK Poznań entered into the loan agreement whereby BPK Poznań was granted a loan of PLN 140 thousand. The repayment date was set at 31 December 2015. The facility bore variable annual interest at 3M WIBOR plus margin. The loan was secured with a blank bill of exchange.

On 14 May 2015, ZUE and BPK Poznań entered into the loan agreement whereby BPK Poznań was granted a loan of PLN 675 thousand. The repayment date was set at 31 December 2015. The facility bore variable annual interest at 3M WIBOR plus margin. The loan was secured with a blank bill of exchange.

BPK Poznań repaid the abovementioned loans and interest by the end of the reporting period. The loan repayment was discussed in section 17.2.

On 28 September 2015, ZUE and BPK Poznań (after merger) signed the agreement whereby the real estate in Poznań was bought by ZUE for PLN 3.7m.

On 27 May 2015, ZUE and RTI entered into the loan agreement whereby RTI was granted a loan of PLN 10 thousand. The facility bore variable annual interest at 3M WIBOR plus margin and the repayment date was set at 20 December 2015. On 14 December 2015, an annex was signed whereby the repayment date was extended until 20 December 2016.

On 14 December 2015, ZUE and RTI entered into the loan agreement whereby RTI was granted a loan of PLN 10 thousand. The facility bore variable annual interest at 3M WIBOR plus margin and the repayment date was set at 20 December 2016.

RTI repaid the abovementioned loans and interest after the end of the reporting period; i.e. on 26 January 2016.

In the reporting period, RTI Germany provided market research services for future projects to ZUE.

In the reporting period, ZUE entered into the guarantee agreements for the liabilities of Railway gft up to PLN 15.8m and EUR 500 thousand and the surety agreements for the liabilities of Railway gft up to PLN 15.5m.

36. Proceedings before court, arbitration court or public administration authority at the date of this report preparation

At 10 March 2016, ZUE was a party to the pending court proceedings concerning the Company's claims and liabilities of the total value of PLN 43,599,835.01; i.e. more than 10% of the Company's equity. The total value of the proceedings concerning liabilities was PLN 9,686,338.37 and the total value of the proceedings concerning claims was PLN 33,913,496.64.

The pending court proceedings were related to Company's operating activities.

The court cases were described in detail in the consolidated financial statements.

37. Remuneration of key management personnel

Remuneration of Management Board members and other members of key management personnel during the financial year:

| | (PLN) | | | |
|--------------------------|-----------------|---------------------|-----------------|---------------------|
| | Period | Remuneration | Period | Remuneration |
| Management Board | | | | |
| Wiesław Nowak | 01.2015-12.2015 | 846,400.00 | 01.2014-12.2014 | 504,589.29 |
| Marcin Wiśniewski | 01.2015-12.2015 | 530,100.00 | 01.2014-12.2014 | 344,875.00 |
| Maciej Nowak | 01.2015-12.2015 | 518,400.00 | 01.2014-12.2014 | 324,516.61 |
| Jerzy Czeremuga | 01.2015-12.2015 | 518,400.00 | 01.2014-12.2014 | 325,922.60 |
| Anna Mroczek | 01.2015-12.2015 | 515,050.22 | 01.2014-12.2014 | 321,888.00 |
| Arkadiusz Wierciński | 01-2015-07.2015 | 426,568.89 | 01.2014-12.2014 | 338,875.00 |
| Proxy | | | | |
| Barbara Nowak | 01.2015-12.2015 | 286,356.00 | 01.2014-12.2014 | 283,532.00 |
| Supervisory Board | | | | |
| Bogusław Lipiński | 01.2015-12.2015 | 175,719.70 | 01.2014-12.2014 | 115,807.20 |
| Magdalena Lis | 01.2015-12.2015 | 119,900.42 | 01.2014-12.2014 | 100,277.31 |
| Michał Lis | 01.2015-12.2015 | 180,184.15 | 01.2014-12.2014 | 102,995.49 |
| Mariusz Szubra | 01.2015-12.2015 | 12,000.00 | 01.2014-12.2014 | 8,500.00 |
| Piotr Korzeniowski | 01.2015-12.2015 | 12,000.00 | 01.2014-12.2014 | 8,500.00 |
| Total | | 4,141,079.38 | | 2,780,278.50 |

The General Meeting decided not pay dividends for 2014.

The remuneration of the Management Board members is determined by the Supervisory Board and the remuneration of key management personnel is determined by the Management Board President (the main shareholder of the Company) having regard to the performance of individuals and market trends.

The abovementioned remuneration of Mr. Bogusław Lipiński, Ms. Magdalena Lis and Mr. Michał Lis is the remuneration paid under employment contracts plus the remuneration for their service as the Supervisory Board members.

38. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and at banks and investments in financial market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items as follows:

| | (PLN) | |
|----------------------------------|-----------------------|----------------------|
| | As at 31-12-2015 | As at 31-12-2014 |
| Cash on hand and at banks | 84,794,645.16 | 15,405,628.31 |
| Bank deposits up to three months | 85,000,000.00 | 55,710,474.27 |
| TOTAL | 169,794,645.16 | 71,116,102.58 |

39. Non-cash transactions and sources of finance

In 2015, the non-cash transactions relating to investing and financing activities, which are not reflected in the statement of cash flows, included the acquisition of property, plant and equipment of PLN 14,078 thousand under a finance lease.

In 2014, the non-cash transactions relating to investing and financing activities, which are not reflected in the statement of cash flows, included the acquisition of property, plant and equipment of PLN 7,067 thousand under a finance lease.

40. Operating lease arrangements

40.1. The Company as lessee

Operating lease relates to the following leasehold property:

- Undeveloped property in Cracow Podgórze – Jugowice, district 45, comprising the plots no. 36/2, 37/6, 37/11, 40/25 – Land and mortgage register no. KR1P/00333015/6.
- Undeveloped property in Cracow, district 25, comprising the plots no. 121/1, 121/3, 121/4, 122/1, 122/2, 137/2, 162/1 and 162/5 – Land and mortgage registers no. KW no. KR1P/00204399/8 and KR1P/00199773/5.
- Developed property in Cracow, district 4, comprising the plot no. 527/26 – Land and mortgage register no. 185225.
- Undeveloped property in Kościelisko comprising the plots no. 2001 and 2491 – Land and mortgage register no. 10662 and 10740.1
- Developed property in Poznań comprising the plot no. 2/1 – Land and mortgage register no. KW PO1P/00114066/6.

40.2. Leasing arrangements

The annual lease payment for the leasehold land in the Podgórze district 45 marked as the plots no. 36/2, 37/6, 37/11 and 40/25 is PLN 34,307.88. The property is leasehold until 2089. The property situated in Cracow Podgórze – Jugowice was sold by ZUE under notarial deed on 23 December 2015.

The annual lease payment for the leasehold land in the district 25 marked as the plots no. 121/1, 121/3, 121/4, 122/1, 122/2, 137/2, 162/1 and 162/5 is PLN 163,493.43. The property is leasehold until 2089.

The annual lease payment for the leasehold land in the district 4 marked as the plot no. 527/26 is PLN 1,202.37. The property is leasehold until 2089.

The annual lease payment for the leasehold land in Kościelisko marked as the plots no. 2001 and 2491 is PLN 83,840.00. The property is leasehold until 2089.

The annual lease payment for the leasehold land in Poznań marked as the plot no. 2/1 is PLN 23,053.50. The property is leasehold until 2089.

40.3. Payments recognised as an expense

| | (PLN) | |
|------------------------|---------------------|---------------------|
| | As at 31-12-2015 | As at 31-12-2014 |
| Minimum lease payments | 284,392.55 | 139,768.01 |
| Total | 284,392.55 | 139,768.01 |

40.4. Liabilities under lease payments

| | (PLN) | |
|--|-------|-------|
| | As at | As at |
| | | |

| | 31-12-2015 | 31-12-2014 |
|--|----------------------|----------------------|
| Not later than 1 year | 319,521.91 | 282,843.68 |
| Later than 1 year and not later than 5 years | 1,278,087.64 | 1,131,374.72 |
| Later than 5 years | 22,901,365.50 | 19,799,057.60 |
| Total | 24,498,975.05 | 21,213,276.00 |

41. Contingent liabilities and contingent assets

41.1. Contingent liabilities

(PLN)

| | As at 31-12-2015 | As at 31-12-2014 |
|----------------------|-----------------------------|-----------------------------|
| Bonds and guarantees | 171,290,146.28 | 196,926,463.38 |
| Sureties | 12,205,676.29 | 2,100,444.01 |
| Bills of exchange | 148,296,956.18 | 126,864,850.23 |
| Mortgages | 51,017,550.00 | 51,017,550.00 |
| Pledges | 13,706,728.56 | 0.00 |
| Total | 396,517,057.31 | 376,909,307.62 |

The contingent liabilities resulting from bonds, guarantees and sureties include, in particular, the bonds and guarantees provided by insurance companies and banks to the Company's counterparties to secure their claims against the Company, mainly under construction contracts. Insurance companies and banks have recourse against the Company.

The contingent liabilities secured by the bills of exchange and mortgages are mainly credit facility and lease agreements.

The revolving credit facility agreement no. WAR/2001/14/66/CB of 19 November 2014, as amended, with BGŻ BNP PARIBAS was secured with the registered pledge of PLN 13,707 thousand. The credit was repaid in December 2015 and a motion was filed on 28 December 2015 to the District Court to remove the pledge. The pledge was removed on the basis of the Court decision of 19 February 2016.

41.2. Contingent assets

(PLN)

| | As at 31-12-2015 | As at 31-12-2014 |
|----------------------|-----------------------------|-----------------------------|
| Bonds and guarantees | 26,509,109.89 | 38,902,011.04 |
| Bills of exchange | 4,265,903.65 | 3,734,560.03 |
| Sureties | 0.00 | 0.00 |
| Mortgages | 0.00 | 0.00 |
| Total | 30,775,013.54 | 42,636,571.07 |

Contingent assets secure the construction contracts concluded by the Company with subcontractors.

42. Events after the reporting period

Below please find the information about the events after the reporting period taking account of:

- Amendments to major contracts whereby the term thereof is extended or shortened by at least 20% but by no less than 2 months;
- Amendments to major contracts whereby the net value thereof is increased or decreased by at least 10% but by no less than PLN 4m; and

- Information about other important events.

On 8 January 2016, the Company learnt of the Company's submission of the lowest price tender in the tender procedure for "Construction works relating to the replacement of track structure with accompanying works on the Kluczbork - Poznań railway line no. 272, the Poznań Starołęka station, the Poznań Starołęka - Poznań Główny route, the Poznań Główny station, track no. 1 and 2, between 194,638 km and 200,524 km as part of the following project: "Structure replacement with accompanying works on the Kluczbork - Poznań railway line no. 272, the Kórnik - Poznań Główny section, and reconstruction of steel bridge on the Warta river at the Poznań Starołęka station at 196,254 km" (the "Tender"). Contracting Authority: PKP Polskie Linie Kolejowe S.A. (PKP PLK). Net value of the tender submitted by the Company: PLN 26.4m. Gross value of the tender submitted by the Company: PLN 32.5m. Completion date: 31 December 2016.

On 29 January 2016, the Company learnt from PKP PLK about the exclusion of the Company from the tender procedure for procedural reasons and the selection of a tender submitted by a bidder other than the Company. Following the Issuer's appeal of 5 February 2016 against the abovementioned decision of PKP PLK, the Company learnt from PKP PLK that the selection by the Contracting Authority of a tender on 29 January 2016 had been cancelled after a well-grounded appeal had been lodged by the Issuer. On 8 February 2016, the Company received a notice from a tender participant; i.e. PORR Polska Construction S.A. According to the said notice, PORR informed the National Chamber of Appeals on 8 February 2016 about its joining the appeal proceedings on part of the Contracting Authority (PKP PLK S.A.) and filed a motion to dismiss the Issuer's appeal. In addition, PORR said it would object if the Issuer's complaint contained in its appeal was accepted by the Contracting Authority. On 11 February 2016, the Company received a notice from PKP PLK. According to the said notice, the tender submitted by the Issuer was selected as the most advantageous offer after the appeal lodged by the Issuer had been accepted. On 23 February 2016, the Company learnt from PKP PLK that PORR Polska Construction S.A. had appealed against the Contracting Authority's selection of the most economically advantageous tender. On 7 March 2016, the National Chamber of Appeals dismissed the appeal lodged by PORR Polska Construction S.A. as unjustified and passed relevant judgment. **(Current reports 2/2016, 4/2016, 5/2016, 6/2016, 8/2016, 11/2016, 13/2016)**

On 22 January 2016, the Extraordinary Shareholders Meeting of RTI resolved to increase the share capital of RTI from PLN 50,000 to PLN 225,000 through the creation of 3,500 new shares with a par value of PLN 50 each. All the new shares of the total value of PLN 175,000 were acquired by the existing Shareholders (including ZUE) proportionally to the shares already held by them and paid up in cash of PLN 175,000. ZUE's contribution was paid up by the set-off of claims relating to the loans granted to RTI.

On 8 March 2016, ZUE and PKP PLK S.A. signed the contract for "Strengthening of the substructure on the line no. 139 Katowice – Zwardoń, tracks no. 1 and 2, section from 10,300 km to 25,360 km in the selected locations, and on the line no. 93 Trzebinia – Zebrzydowice, section from 62,260 km to 68,780 km in the selected locations, plus the accompanying works and services provided in connection with Substructure Repair Train with the use of AHM-800R formation rehabilitation machine, RM80 ballast cleaning machine and 20 hopper cars of type 426 Vb, representing the potential of the Contracting Authority - Zakład Maszyn Torowych w Krakowie." The Company informed of the submission of the lowest price tender in the current report 10/2016 and the selection of the Company's tender as the most advantageous offer in the current report 12/2016. The contract net value: PLN 25.6m. The contract gross value: PLN 31.5m. Contract completion date: 31 December 2016. **(Current report 14/2016)**

43. Approval of the financial statements

The financial statements were approved by the Management Board on 10 March 2016.

STATEMENT OF THE MANAGEMENT BOARD OF ZUE ON COMPLIANCE OF ANNUAL FINANCIAL STATEMENTS WITH APPLICABLE ACCOUNTING POLICIES

The Management Board of ZUE state that according to their best knowledge, the annual separate financial statements of the Company for the period 1 January to 31 December 2015 have been prepared in accordance with applicable accounting policies and give a true and fair view of the economic and financial position of the Company and its financial performance. 2015 Management Board Report contains a true view of the Company's development and achievements, including the description of fundamental risks and threads.

Wiesław Nowak – Management Board President

Jerzy Czeremuga – Management Board Vice-President

Marcin Wiśniewski – Management Board Vice-President

Anna Mroczek – Management Board Member

Maciej Nowak – Management Board Member

Cracow, 10 March 2016

These separate financial statements of the Company cover the period from 1 January to 31 December 2015. The separate financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union.

The financial statements have been prepared by:

Ewa Bosak – Chief Accountant

The financial statements have been presented by the Management Board composed of:

Wiesław Nowak – Management Board President

Jerzy Czeremuga – Management Board Vice-President

Marcin Wiśniewski – Management Board Vice-President

Anna Mroczek – Management Board Member

Maciej Nowak – Management Board Member

Cracow, 10 March 2016