Capital Group
Private Equity Managers S.A.

Consolidated Financial Statements
for the reporting period ended on 31 December 2015

Translation from the Polish original

For the Shareholders of Private Equity Managers S.A.

In line with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and terms and conditions of approving of information required by law of a non-member state as equivalent (Journal of Laws of 2014, item 133), the Company's Board of Directors is obligated to provide the preparation of the consolidated Financial Statements in line with applicable accounting principles giving a fair and a true view of the Private Equity Managers Group's assets and financial standing for the reporting period from 1 January to 31 December 2015.

The Company's consolidated Financial Statements have been approved of for publication and signed by the Board of Directors.

Name and Surname	Position/ Function	Signature
Cezary Smorszczewski	Chairman of the Board of Directors	
Tomasz Czechowicz	Vice Chairman of the Board of Directors	
Ewa Ogryczak	Vice Chairman of the Board of Directors	
Krzysztof Konopiński	Member of the Board of Directors	

Accounting records kept by:
Mazars Polska Sp. z o.o.
00-549 Warszawa, ul. Piękna 18

Warsaw, 9 March 2016

CONTENTS

SELECTED FIGURES 2
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OF OTHER COMPREHENSIVE INCOME 3
CONSOLIDATE STATEMENTS OF FINANCIAL POSITION 4
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 5
CONSOLIDATE DSTATEMENT OF CASH FLOWS 6
SELECTED DISCLOSURES 7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 10

SELECTED FIGURES

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000	Period: from 01.01.2015 to 31.12.2015 EUR'000	Period: from 01.01.2014 to 31.12.2014 EUR'000
Revenue from management	79 953	54 067	19 106	12 906
Operating profit/ loss	45 400	42 809	10 849	10 219
Profit/ loss before taxation	42 212	37 311	10 087	8 906
Net profit/ loss	50 005	36 838	11 949	8 793
Net cash from operating activities	42 060	62 016	10 051	14 803
Net cash from investing activities	(47)	15 772	(11)	3 765
Net cash from financing activities	(50 657)	(84 857)	(12 105)	(20 256)
Net increase (decrease) in cash and cash equivalents	(8 644)	(7 069)	(2 065)	(1 687)

	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000	As at 31.12.2015 EUR'000	As at 31.12.2014 EUR'000
Total assets	126 396	114 558	29 660	26 877
Non-current liabilities	19 228	-	4 512	-
Current liabilities	11 795	39 341	2 768	9 230
Equity	95 373	75 217	22 380	17 647
Share capital	3 335	3 335	783	782
No. of shares	3 335 054	3 335 054	3 335 054	3 335 054
Weighted average number of shares	3 335 054	5 670 139	3 335 054	5 670 139
Profit/ loss per one weighted average ordinary share (in PLN / EUR)	14,99	6,50	3,58	1,55
Carrying value per one share (in PLN / EUR)	28,60	22,55	6,71	5,29

The figures presented above are complementary to the Financial Statements prepared in line with IFRS EU and have been converted to EURO according to the following simplified principles:

- individual items of assets and liabilities as at the balance sheet date - according to the average rate determined by the National Bank of Poland applicable as at the last balance sheet date; respectively as at 31 December 2015 – 4,2615, as at 31 December 2014 – 4,2623;
- individual items of the statement of profit or loss and of the statement of cash flows for the period from 1 January to 30 September of a given year – according to the average rate calculated as the arithmetical average of exchange rates determined by the National Bank of Poland as at the last month in a given period; respectively for the period from 1 January to 31 December 2015 – 4,1848 and from 1 January to 31 December 2014 – 4,1893.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OF OTHER COMPREHENSIVE INCOME
for the reporting period ended on 31 December 2015

	NOTE	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Continuing operations			
Revenue from management	1	79 953	54 067
Base business expenditure	2	(7 011)	(4 124)
Gross profit on base business		**72 942**	**49 943**
General administration costs	2	(27 696)	(7 339)
Other operating income	3	227	282
Other operating costs	3	(73)	(326)
Profit on sales of subsidiaries		-	249
Profit on operating activities		**45 400**	**42 809**
Finance expenses	4	(3 543)	(7 311)
Finance income	4	355	1 813
Profit before taxation		**42 212**	**37 311**
Income tax	5	7 793	(109)
Net profit on continuing operations		**50 005**	**37 202**
Profit/ loss on discontinued operations		-	(364)
Net profit for the period		**50 005**	**36 838**
Attributable to:			
- owners of parent company		50 005	36 838
- non-controlling shares		-	-
		50 005	**36 838**
Other comprehensive income net			
Other comprehensive income		(34)	(72)
		49 971	**36 766**
Earnings per share	6	14,99	6,50
Diluted earnings per share	6	13,99	6,49

Consolidated statement of profit or loss and of other comprehensive income shall be analysed together with selected disclosures and notes to the consolidated Financial Statements on pages 7 do 39.

CONSOLIDATE STATEMENTS OF FINANCIAL POSITION
as at 31 December 2015

	NOTE	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
Non-current assets			
Property, plant and equipment		101	107
Intangible assets		17	20
Goodwill	7	83 969	83 963
Deferred tax assets	5	10 194	955
Trade and other receivables	8	390	173
Receivables of bonds		-	173
		94 671	**85 391**
Current assets			
Trade and other receivables	8	22 153	10 979
Cash and cash equivalents	9	9 010	17 637
		31 163	**28 616**
Assets held for liquidation	14	**562**	**551**
Total assets		**126 396**	**114 558**
Equity			
Share capital	10	3 335	3 335
Capital redemption reserve	10	35 391	31 748
Other equity reserves	10	4 074	694
Other comprehensive income		(796)	(762)
Retained profit (loss) from previous periods		3 364	3 364
Net profit for the period		50 005	36 838
		95 373	**75 217**
Non-current liabilities			
Liabilities on bonds	11	19 228	-
		19 228	**-**
Current liabilities			
Trade and other payables	12	4 445	3 515
Bonds	11	2 847	-
Provisions	13	4 503	826
Bills of exchange		-	35 000
		11 795	**39 341**
Total equity and liabilities		**126 396**	**114 558**

Consolidated statement of financial position shall be analysed together with selected disclosures and notes to the consolidated Financial Statements on pages 7 do 39.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period from 1 January to 31 December 2015

PLN'000	Share capital	Capital redemption reserve			Other equity reserves	Other comprehensive income	Retained profit from previous periods	Net profit for the reporting period	Own shares	Equity attributable to owners of parent company	Total equity
		Issue of shares above the nominal value	Measurement of the equity component of bonds	Profit distribution	managerial stock option programme						
As at 01.01.2014	**17 346**	**89 349**	**-**	**-**	**94**	**(690)**	**16 490**	**67 732**	**(80 000)**	**110 321**	**110 321**
Dividend payment (Note 14)	-	-	-	-	-	-	(4 739)	(67 732)	-	(72 471)	(72 471)
Measurement of financial assets	-	-	-	-	-	(72)	-	-	-	(72)	(72)
Redemption of own shares	(14 011)	(65 989)	-	-	-	-	-	-	80 000	-	-
Settlement of incentive programmes (Note 12)	-	-	-	-	600	-	-	-	-	600	600
Transfer of profit/ loss	-	-	-	8 388	-	-	(8 387)	-	-	1	1
Profit/ loss for the period	-	-	-	-	-	-	-	36 838	-	36 838	36 838
As at 31.12.2014	**3 335**	**23 360**	**-**	**8 388**	**694**	**(762)**	**3 364**	**36 838**	**-**	**75 217**	**75 217**
As at 01.01.2015	**3 335**	**23 360**	**-**	**8 388**	**694**	**(762)**	**3 364**	**36 838**	**-**	**75 217**	**75 217**
Dividend payment (Note 14)	-	-	-	-	-	-	-	(36 806)	-	(36 806)	(36 806)
Measurement of financial assets	-	-	-	-	-	(34)	-	-	-	(34)	(34)
Issue of convertible bonds (Note 9)	-	-	3 611	-	-	-	-	-	-	3 611	3 611
Settlement of incentive programmes (Note 12)	-	-	-	-	3 380	-	-	-	-	3 380	3 380
Transfer of profit/ loss*	-	-	-	32	-	-		(32)	-	-	-
Profit/ loss for the period	-	-	-	-	-	-	-	50 005	-	50 005	50 005
As at 31.12.2015	**3 335**	**23 360**	**3 611**	**8 420**	**4 074**	**(796)**	**3 364**	**50 005**	**-**	**95 373**	**95 373**

*capital redemption reserve in individual Financial Statements differs from capital redemption reserve of a parent company, which arises on differences in values of individual and consolidated profits/ losses

Consolidated statement of changes in equity shall be analysed together with selected disclosures and notes to the consolidated Financial Statements on pages 7 do 39.

CONSOLIDATE DSTATEMENT OF CASH FLOWS
for the period from 1 January to 31 December 2015

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Cash flows from operating activities		
Net profit for the reporting period	**50 005**	**36 838**
Adjustments for:		
Depreciation of tangible fixed assets	61	29
Foreign exchange differences on bonds	1 363	-
Share-based incentive programmes	3 380	600
Interest income	-	(1 813)
Interest costs	3 197	5 038
Current income tax	1 446	164
Income tax paid	(1 472)	(94)
Profit/ loss on discontinued operations	-	364
Other adjustments	103	12
Change in the level of provisions	3 677	673
Change in the level of trade and other receivables	(11 391)	57 474
Change in the level of trade and other payables	930	(37 218)
Change in the level of deferred tax assets and liabilities	(9 239)	(51)
Net cash from operating activities	**42 060**	**62 016**
Cash flows from investing activities		
Proceeds from sale and repayment of bills of exchange	-	183 190
Proceeds from granted loans	-	3 048
Outflows for the purchase of bills of exchange	-	(170 370)
Outflows for the purchase of subsidiaries	(11)	-
Outflows for the purchase of fixed assets	(52)	(96)
Other investing proceeds and outflows	16	-
Net cash from investing activities	**(47)**	**15 772**
Cash flows from financing activities		
Net proceeds from issue of shares and other instruments, capitals and equity contributions	5	-
Issue of own bills of exchange	-	35 410
Issue of bonds	23 296	-
Repayment of own bills of exchange	(35 919)	(509)
Repayment of loans with interest	(164)	(42 338)
Repayment of borrowings with interest	-	(2 149)
Granting loan related to shares redemption	-	40 000
Purchase of issued bonds by a company in the Group	-	(40 592)
Dividend payment	(36 806)	(72 605)
Interest paid on bonds	(1 069)	(2 074)
Net cash from financing activities	**(50 657)**	**(84 857)**
Net increase /(decrease) of cash and cash equivalents	**(8 644)**	**(7 069)**
Opening balance of cash and cash equivalents	17 637	24 706
Change in the level of cash due to foreign exchange differences	17	-
Closing balance of cash and cash equivalents	**9 010**	**17 637**

Consolidated statement of cash flows shall be analysed together with selected disclosures and notes to the consolidated Financial Statements on pages 7 do 39.

SELECTED DISCLOSURES

General information

The Company Private Equity Managers S.A. (hereinafter referred to as "the Company" or "PEM") by decision of the District Court for the Capital City of Warsaw, 12th Economic Division of the National Court Register in Poland, was registered in the National Court Register on 25 November 2010 with the number 0000371491. The Company details:

- REGON (statistical number): 142695638
- NIP (tax identification number): 525-24-93-938
- The Company's registered office is in ul. Rondo ONZ 1 in Warsaw
- The Company's lifetime is indefinite.

The Company Private Equity Managers S.A. is parent company of the Capital Group Private Equity Managers S.A. ("PEM Group", "CG PEM" or "Group").

PEM Group does not have internal organisational units.

The Group Private Equity Managers S.A. specialises in managing various classes of assets. Operations of PEM Group concentrate on managing assets of investments funds of the *private equity, venture capital and mezzanine debt* type.

Composition of the Capital Group Private Equity Managers S.A. as at 31 December 2015

Parent company:

- **Private Equity Managers S.A.**

Subsidiaries:

- **MCI Capital Towarzystwo Funduszy Inwestycyjnych S.A.** (investment funds company)
  Manages investment funds.
- **PEMSA Holding Limited**
  A Cyprus law company, holds certificates of MCI.Partners FIZ, closed-end investment fund
- **MCI.Partners FIZ**
  Closed-end investment fund of non-public assets dedicated to entities from the Group
- **MCI Asset Management Spółka z ograniczoną odpowiedzialnością Spółka Jawna**
  (hereinafter: MCI Asset Management Sp. z o.o. Sp.j.)
  Company managing the following funds: MCI.PrivateVentures FIZ, MCI.CreditVentures 2.0 FIZ, Helix Ventures Partners FIZ, Internet Ventures FIZ until 29 October 2015
- **MCI Asset Management Spółka z ograniczoną odpowiedzialnością**
  (hereinafter: MCI Asset Management Sp. z o.o.)
  General Partner of MCI Asset Management Sp. z o.o. II S.K.A., MCI Asset Management Sp. z o.o. IV S.K.A., MCI Asset Management Sp. z o.o. V S.K.A.
- **MCI Asset Management Spółka z ograniczoną odpowiedzialnością II S.K.A.**
  (hereinafter: MCI Asset Management Sp. z o.o. II S.K.A.)
- **MCI Asset Management Spółka z ograniczoną odpowiedzialnością IV S.K.A.**
  (hereinafter: MCI Asset Management Sp. z o.o. IV S.K.A.)
- **MCI Asset Management Spółka z ograniczoną odpowiedzialnością V S.K.A.**
  (hereinafter: MCI Asset Management Sp. z o.o. V S.K.A.)
  Holds in its portfolio the company MCI Asset Management Sp. z o.o. Spółka Jawna
- **ImmoPartners Spółka z ograniczoną odpowiedzialnością Asset Management S.K.A. in liquidation**
  The company was liquidated on 28 January 2016
- **PEM Asset Management Sp. z o.o.**
  Company managing the following funds: MCI.PrivateVentures FIZ, MCI.CreditVentures 2.0 FIZ, Helix Ventures Partners FIZ, Internet Ventures FIZ

In all subsidiaries listed above PEM holds - directly or indirectly - 100% of shares and 100% of votes.

Basis for preparation of the Financial Statements

These consolidated Financial Statements have been prepared in line with the International Financial Reporting Standard approved of by the European Union ("IFRS"). IFRS include standards and interpretations issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) and incorporated to the EU law as implementing regulations.

Date of the approval of the consolidated Financial Statements for the current reporting period

These consolidated Financial Statements were approved of by the Company's Board of Directors on 9 March 2015. */translator's note - 2016?/*

Date of the approval of the consolidated Financial Statements for the previous reporting period

The financial statements for the previous reporting period, i.e. from 1 January 2014 to 31 December 2014 were approved of at the Ordinary Shareholders' Meeting on 29 June 2015. On 8 July 2015 the financial statements for 2014 were filed in the District Court in Warsaw with an update to the National Court Register.

Functional and presentation currency

Figures presented in the consolidated Financial Statements are calculated and presented in a currency applied in the economic environment in which the Group runs its operations ("functional currency"), i.e. Polish zloty. Figures in the consolidated financial statements are presented in thousands Polish zlotys (TPLN) unless stated otherwise.

For the company PEM SA Holding Limited – the functional currency is EURO. For consolidation purposes the Financial Statements are converted to PLN.

Accounting estimates and judgments

Preparation of the consolidated Financial Statements requires the Board of Directors to make estimates and assumptions which affect the application of the adopted accounting principles and presented figures disclosed in the Financial Statements. Real values may differ from the estimates.

All judgments, assumptions and estimates which have been made for the purpose of these Financial Statements have been presented in obligatory disclosures related to particular items of these Financial Statements and in the notes to the Financial Statements which are integral part of the Financial Statements. Estimates and judgments are subject to continuous verification. They result from previous experience, including forecasts as to future events, which are relevant in a given situation, and new information.

Below are main assumptions related to the future and other principal reasons for uncertainty of estimates as at the balance sheet date.

Assets management revenues

Remuneration for asset management is determined based on net asset value of funds managed by the Group. Measurement of funds' net assets is based on estimated fair value of funds' investments in shares in portfolio companies. Adopted measurement models and assumptions materially affect this estimated value.

Impairment test

To determine the value in use the Group estimates future cash flows related to the further use or disposal of a component of assets and discounts these values. Adopted measurement models and assumptions materially affect this estimate.

Share-based payments

The value of particular share-based payments is defined based on the Group's estimates adopted to measure the fair value of granted equity instruments, including actual exercise price of PEM's shares as at the "grant date", estimates of historical volatility, free-risk interest rate, expected dividend rate, a period in which authorised individuals can execute rights under the programme and the adopted measurement model.

Remuneration for disinvestment (Carry fee)

Remuneration (provision) for disinvestment is calculated based on parameters of a real purchase proposition of a given company (partial or complete disinvestment) and it cannot exceed 5% of net profit from a given investment calculated as a difference between revenue from sales of shares and costs incurred for a given investment, increased by 10% per annum in the period from the moment the cost was incurred to the moment of receiving revenue from the sale of shares. In addition to that the parent company creates a portfolio provision based on quarterly adjustments to portfolio companies measurement (the estimate is based on gains from revaluation of companies).

Accounting policies

The accounting principles applied in these consolidated Financial Statements are the same as these applied by the Group to prepare the consolidated Financial Statements as at and for the year ended on 31 December 2014.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the period from 1 January to 31 December 2015

1. Revenue from management

The Group revenue constitutes primarily:

- Fixed remuneration – this remuneration is calculated on a day following the day of net asset measurement of a given fund as percentage of net asset value of this fund as at measurement day and is calculated for each day of the year. This fee is payable on a quarterly basis. For sub-funds MCI.EuroVentures 1.0 and MCI.TechVentures 1.0 separated within MCI.PrivateVentures FIZ and MCI CreditVentures 2.0 FIZ the fixed remuneration is calculated on net asset value as at the end of the previous quarter (or the most recent measurement). For Helix Ventures Partners FIZ the fixed remuneration is calculated on an amount actually invested, less value of securities (at the acquisition price), which have been disposed of or recognised as losses. The fixed remuneration for Internet Ventures is defined as an amount based on the fund's statute.

- Variable remuneration – this remuneration depends on the increase of net asset value of a given fund as per one investment certificate above a defined value. This remuneration is calculated as at each measurement day (if there's a basis for calculating variable remuneration). Thresholds above which the variable fee is calculated are defined in statutes of funds for each series of investment certificates.

The amount of fixed and variable remuneration for an investment fund management was described in detail in the Directors' Report for the period.

	Period: from 01.01.2015 to 31.12.2015 PLN'000	**Period: from 01.01.2014 to 31.12.2014 PLN'000**
Fixed remuneration for fund management:		
Sub-fund MCI.TechVentures 1.0	20 502	12 206
Sub-fund MCI.EuroVentures 1.0	15 342	11 716
MCI.CreditVentures 2.0 FIZ	1 563	821
*Internet Ventures FIZ	1 400	2 657
Helix Ventures Partners FIZ	411	976
Total	**39 218**	**28 376**
Variable remuneration for fund management:		
Sub-fund MCI.TechVentures 1.0	19 891	6 350
Sub-fund MCI.EuroVentures 1.0	17 281	18 298
MCI.CreditVentures 2.0 FIZ	3 424	703
Total	**40 596**	**25 351**
Handing fee	18	-
Other revenues	121	340
Total revenues from fund management	**79 953**	**54 067**

Increase of revenue from management arises primarily on the increase of variable remuneration for management of funds. This is due to increase in net asset value of individual funds being a result of increased portfolio companies measurement.

Value of assets under management

	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
Sub-fund MCI.TechVentures 1.0	939 936	710 794
Sub-fund MCI.EuroVentures 1.0	823 761	730 432
MCI.CreditVentures 2.0 FIZ	184 489	130 928
*Internet Ventures FIZ	58 897	100 000
Helix Ventures Partners FIZ	21 946	19 902
	2 029 029	**1 692 056**

*Commitment fund – as at 31.12.2015 shows net asset value of the fund; as at 31.12.2014 shows total liabilities of investors under agreement related to the fund establishment.

2. Base business and general administration costs

Base business costs

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Distribution costs at the sales of investment certificates	(5 528)	(1 984)
Above-the-limit costs of funds covered by TFI	(977)	(738)
Costs of auxiliary activities related to keeping record of funds' participants	(115)	(57)
Other costs	(391)	(1 345)
	(7 011)	**(4 124)**

General administration costs

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Depreciation of fixed and intangible assets	(61)	(29)
Use of materials and energy	(67)	(53)
Bought-in services, of which:*	(7 449)	(2 838)
- remuneration of cooperating persons	*(3 201)*	*(526)*
- costs of advisory and legal services	*(1 057)*	*(897)*
- costs of rental	*(584)*	*(465)*
- costs of accounting	*(315)*	*(277)*
- costs of marketing, including conferences	*(407)*	*(150)*
- costs of audit services	*(465)*	*(248)*
- costs of public trading	*(309)*	*(125)*
- costs of recruitment	*(115)*	-

- costs of information services	*(193)*	*(161)*
- other services	*(803)*	*11*
Taxes and charges	(3 661)	(95)
Remuneration, of which:*	(14 965)	(3 757)
- fixed remuneration	*(3 321)*	*(2 018)*
- variable remuneration	*(9 052)*	*(126)*
- other	*(2 367)*	*(1 613)*
Social security and other benefits	(195)	(126)
Other costs	(1 523)	(441)
	(27 696)	**(7 339)**

*Increase of bought-in services and remuneration in 2015 as compared to the previous year arises on granted bonuses (additional information in **Note 16 *"Employee benefits"***) and on variable remuneration for portfolio companies management (*carry fee*) disclosed as disinvestment. In the current period the funds managed by companies from the Capital Group PEM executed the following partial and complete disinvestments: Netia, Wirtualna Polska, Feedo, Windeln.de, eBroker. Furthermore, in 2015 provisions for variable remuneration were created for future liabilities on variable remuneration for disinvestments due to the increased portfolio companies measurement (portfolio provision).

3. Other operating income and costs

Other operating income

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Assignment of lease agreement	-	69
Income from sub-lease	94	18
Other operating income	133	73
Income from the function of liquidator	-	122
	227	**282**

Other operating costs

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Re-invoiced costs	(45)	-
Charges, penalty interest and penalties	-	(225)
Impairment losses on receivables	(5)	-
Other operating costs	(23)	(101)
	(73)	**(326)**

4. Financial income and costs

Financial income

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Interest on current bank deposits	267	282
Income from interest on bonds	-	262
Income from interest on borrowings	-	148
Income from interest on purchased bills of exchange	-	1 121
Other financial income	88	-
	355	**1 813**

Financial costs

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Costs of interest on:		
Issued bills of exchange	(919)	(8)
Ban loans	-	(2 338)
Loans received	-	(118)
Issued bonds	(2 075)	(2 574)
Delayed dividend payment	-	(932)
Foreign currency exchange gains or losses	(342)	(56)
Financial costs on loan collateral	-	(767)
Other	(207)	(518)
	(3 543)	**(7 311)**

5. Income tax and deferred tax

Income tax recognised in the statement of comprehensive income

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Income tax – current portion	(1 446)	(164)
Income tax – deferred portion	9 239	55
	7 793	**(109)**

Income tax reconciliation

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Profit before taxation*	45 272	108 677
Income tax disclosed in profit/loss**	7 793	(109)
Effective tax rate	17,2%	(0,1%)
Non-taxable income (-)	(72 165)	(135 929)
Income tax not recognised in the income statement (+)	20 020	1 568
Non-taxable costs recognised in the income statement (+)	20 732	25 997
Tax costs not recognised in the income statement (-)	(15 316)	(290)
Utilised tax losses from previous years	(24)	(891)
Tax losses for the period	9 095	1 734
	(37 658)	**(107 811)**
Tax base	7 614	866
Current income tax	**1 446**	**164**

*Profit before taxation does not include gains of companies which do not pay corporate income tax in Poland, i.a. limited joint-stock partnerships (S.K.A.), general partnerships (Sp.j.), closed-end funds (FIZ) and a foreign entity.
**This position includes the effect of the change of 2014 deferred tax due to the change of subsidiaries measurement.

Accountable tax losses as at 31 December 2015

Incurred in years	Incurred in amount	Utilised in previous years in amount	Utilised in current period in amount	To be utilised in amount	To be utilised by
year	000'PLN	000'PLN	000'PLN	000'PLN	year
2011	466	(139)	-	163	2016
2012	1 487	(90)	(18)	1 379	2017
2013	2 047	(566)	(6)	1 475	2018
2014	1 734	-	-	1 734	2019
2015	9 095	-	-	9 095	2020
	14 829	**(795)**	**(24)**	**13 846**	

Accountable tax losses as at 31 December 2014

Incurred in years	Incurred in amount	Utilised in previous years in amount	Utilised in current period in amount	To be utilised in amount	To be utilised by
year	000'PLN	000'PLN	000'PLN	000'PLN	year
2009	402	(201)	(201)	-	2014
2011	466	(70)	(70)	326	2016
2012	1 487	(36)	(54)	1 397	2017
2013	2 047	-	(566)	1 481	2018
2014	1 734	-	-	1 734	2019
	6 136	**(307)**	**(891)**	**4 938**	

Deferred income tax

	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
Deferred income tax assets:		
Due for settlement after 12 months	3 855	525
Due for settlement within 12 months	6 339	574
	10 194	**1 099**
Deferred income tax liabilities:		
Due for settlement after 12 months	-	-
Due for settlement within 12 months	-	144
	-	**144**

Deferred income tax assets

	Deductible tax losses 000' PLN	Other titles 000' PLN	Total 000' PLN
As at 31 December 2013	**892**	**57**	**949**
Effect on profit/ loss	46	104	150
Effect on equity	-	-	-
As at 31 December 2014	**938**	**161**	**1 099**
Effect on profit/ loss	1 693	7 402	9 095
Effect on equity	-	-	-
As at 31 December 2015	**2 631**	**7 563**	**10 194**

Deferred income tax liabilities

	Other liabilities 000' PLN	Total 000' PLN
As at 31 December 2013	**45**	**45**
Effect on profit/ loss	99	99
Effect on equity	-	-
As at 31 December 2014	**144**	**144**
Effect on profit/ loss	(144)	(144)
Effect on equity	-	-
As at 31 December 2015	**-**	**-**

6. Earnings per share

Earnings per one share

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Earnings attributable to the Company's shareholders	50 005	36 838
Weighted average No. of ordinary shares (in thousands)	3 335	5 670
Basic earnings per share (in PLN per one share)	**14,99**	**6,50**

Diluted earnings per one share

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Earnings attributable to the Company's shareholders	50 005	36 838
Earnings applied when determining diluted earnings per share	51 686	36 838
Cost of interest on bonds (T PLN)	2 075	-
Net cost of interest on bonds (T PLN)	1 681	-
Weighted average No. of ordinary shares (in thousands)	3 335	5 670
Adjustments for:		
incentive programme based on the issue of shares and share options (in thousands) (**Note 15**)	68	4
bonds convertible into shares (in thousands) (**Note 11**)	170	-
Weighted average No. of ordinary shares for the purposes of diluted earnings per share (thousands)	3 573	5 674
Diluted earnings per share (in PLN per one share)	**14,47**	**6,49**

7. Goodwill

	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
MCI Capital TFI S.A.	8 749	8 749
MCI Asset Management Sp. z o.o. Sp. j.	-	75 214
PEM Asset Management Sp. z o.o.	75 220	-
	83 969	**83 963**

Calculating goodwill

	MCI Capital TFI S.A.	MCI Asset Management Sp. z o.o. Sp. j.	Reclassification*	MCI Asset Management Sp. z o.o. Sp.j. po reklasyfikacji	PEM Asset Management Sp. z o.o.	Total
Purchase price	-	15 400	(15 400)	-	15 400	15 400
Fair value of net assets taken over	-	1 304	(1 304)	-	1 304	1 304
Goodwill in 2010	**-**	**14 096**	**(14 096)**		**14 096**	**14 096**
Purchase price	17 162	88 100	(88 100)	-	88 100	105 262
Fair value of net assets taken over	8 413	26 982	(26 982)	-	26 982	35 395
Goodwill in 2012	**8 749**	**61 118**	**(61 118)**	**-**	**61 118**	**69 867**
Purchase price	-	-	-	-	11	11
Fair value of net assets taken over	-	-	-	-	5	5
Goodwill in 2015	**-**	**-**	**-**	**-**	**6**	**6**
Goodwill	**8 749**	**75 214**	**(75 214)**	**-**	**75 220**	**83 969**

*see description of goodwill – PEM Asset Management Sp. z o.o.

Goodwill – MCI Capital TFI S.A.

In January 2012 100% shares of the company MCI Capital Towarzystwo Funduszy Inwestycyjnych S.A. held by MCI Management S.A. were contributed as a contribution-in-kind to Private Equity Managers S.A. (formerly MCI Partners SA.).

The resolution on the contribution-in-kind was passed at the Extraordinary Shareholders Meeting MCI Partners S.A. on 12 January 2012, hence MCI Partners S.A. resolved an increase of share capital and capital redemption reserve by the value of the contributed shares.

The share subscription agreement was signed on 5 February 2012 under which MCI Management S.A. subscribed 5.056.000 shares in the increased capital of MCI Partners S.A. with numbers from C0.000.001 to C5.056.000. The shares subscribed by MCI Management S.A. were covered with a contribution-in-kind of 2.475.000 registered shares of MCI Capital TFI S.A. of a value PLN 1,00 each and of a total fair value of TPLN 10 112.

On 13 March 2012, due to the requirement to remedy the deficiencies in share capitals in MCI Capital TFI S.A., the Extraordinary Shareholders Meeting of MCI Capital TFI S.A. resolved on increasing the share capital in line with the capital requirement for 2012. Share capital increase by PLN 7.050.000, from PLN 2.475.000 to PLN 9.525.000 was resolved at the Extraordinary Shareholders Meeting. The share capital was increased through issuing 7.050.000 registered K series shares of a nominal value PLN 1,00 each. The K series shares are not privileged. The issue price of K series shares is PLN 1,00 per share. Shares of the new issue of K series have participated in the dividend since 1 January 2012.

The shares in the increased share capital were subscribed through a private subscription addressed to MCI Partners S.A. accepted the offer */original not clear - trans. note/* and subscribed all 7.050.000 registered K series shares of a nominal value PLN 1,00 each and a total fair value of TPLN 7.050.

The total value of subscribed shares was TPLN 17 162, whereas the fair value of acquired assets was TPLN 8.413.

Goodwill – MCI Asset Management Sp. z o.o. Sp.j.

Goodwill arising in 2010

On 31 December 2010 the Company's Extraordinary Shareholders Meeting agreed to increase the contribution of MCI Management S.A., as the Company's General Partner, from PLN 100,00 to PLN 15.400.100,00, i.e. by PLN 15.400.000 through contributing by MCI Management S.A., as General Partner, an organised part of the enterprise. The contributed organised part of the enterprise is a financially and organisationally separate set of material and non-material elements intended for execution of economic operations within the segment of MCI Management S.A. operating in the sector of investment funds and advisory for investment funds.

The value of the organised part of the enterprise is PLN 15.400.000. The measurement was verified by and independent licensed auditor.

The book value of the organised part of the enterprise is TPLN 1.304.

Goodwill arising in 2012

On 9 May 2012 100% shares of MCI Asset Management Sp. z o.o. S.K.A. was sold by the fund MCI.PrivateVentures FIZ acting for the benefit of the sub-fund MCI.EuroVentures 1.0. for the benefit of the fund MCI Partners FIZ.

50.000 A series shares were sold at a nominal value PLN 1,00 each, i.e. at a total nominal value of PLN 50.000. The selling price of one share was PLN 1.762,00 per each share. The total selling price of shares was PLN 88.100.000.

The parties agreed a payment for the purchased shares based on a set-off agreement concluded on 9 May 2012. Pursuant to this agreement, the debt of the fund purchasing the shares of MCI.Partners FIZ was set-off against the debt of the Seller on account of the obligation to pay the price of A series bonds issued by MCI Partners S.A. The difference of PLN 200 arising on debts on account of bond sales (i.e. PLN 88.100.200) and debts on the sales of shares of MCI Asset Management Sp. z o.o. S.K.A. was paid on 22 May 2012 by the fund MCI.PrivateVentures FIZ acting for the benefit of the sub-fund MCI.EuroVentures 1.0.

Fair value of the acquired non-current assets was TPLN 26 982.

Goodwill – PEM Asset Management Sp. z o.o.

Due to the sales of MCI Asset Management Sp. z o.o. Sp.j. to PEM Asset Management Sp. z o.o. the goodwill arose in 2010 and in 2012 in MCI Asset Management Sp. z o.o. Sp.j. was transferred to PEM Asset Management Sp. z o.o. The company's goodwill did not arise on the very same sales transaction, because due to the fact that the transaction took place between entities under joint control, the value of the sold entity was recognised in the books of PEM Asset Management Sp. z o.o. at fair value.

Test for impairment of goodwill conducted in 2015

Tests for impairment of goodwill are conducted at least once a year, or more frequently if there are grounds that impairment of goodwill might have taken place.

In 2015 the Group tested for impairment the following companies:

- MCI Capital TFI S.A.,
- MCI Asset Management Sp. z o.o. Sp.j.,
- PEM Asset Management Sp. z o.o.

As part of the test the Group defined cash generating units, not larger than the operating segment, to which goodwill has been allocated of a total value of TPLN 83.969. There were no additional elements of intangible assets with an indefinite useful life that could be classified as identified cash generating units.

Test for impairment of goodwill of individual cash generating units was conducted based on value in use of cash generating units compared to their book value.

The value in use of shares in MCI Capital TFI was determined based on the model of discounted dividends. The key assumptions for the model are:

- forecasting period,
- expected net asset value of funds managed by MCI Capital TFI,
- value of dividends possible to be paid in the forecasting period in line with externally determined capital requirements,
- dividend growth rate after the forecasting period,
- residual value of dividends which possible to be paid,
- discount rate.

The value in use of shares in PEM Asset Management Sp. z o.o. (formerly MCI Asset Management Sp. z o.o. Sp. j.) was determined based on the model of discounted dividends granted that the dividends would be paid in the forecasting period at the level of 100%. Other key assumptions for the model are:

- forecasting period,
- expected value of cash flows in the forecasting periods,
- growth rate after the forecasting period,
- residual value,
- discount rate.

Below are key assumptions applied to calculate the value in use of individual cash generating units and the value-in-use surplus over goodwill.

	PEM Asset Management Sp. z o.o.*	MCI Capital TFI S.A.
	PLN'000	PLN'000
Value in use	**357 124**	**25 100**
Assumptions applied to calculate value in use:		
-Discount rate	13,4%**	13,4%
Value in use	**357 124**	**25 100**
Goodwill	**75 220**	**8 749**
Surplus over goodwill	**281 904**	**16 351**

*until 29.10.2015 the company goodwill was disclosed in MCI Asset Management Sp. z o.o. Sp. j.
**discount rate includes: free risk rate 3,3%, risk premium 9,0%, premium for the Company's size1,1%. Discount for little liquidity was adopted at the level of the discount rate.

The residual value of notional dividends. The Company's value in use was estimated through the model of discounted dividends.

The measurement of value in use was performed with the application of a 3-year forecasting period and a growth rate after the forecasting period of 2,0%.

The test showed no impairment of goodwill.

8. Trade and other receivables

	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
Receivables on management fees, of which:	20 272	9 671
- variable fee	787	-
- fixed fee	17 626	9 236
- handing fees	1 859	435
Receivables from subsidiaries	97	-
Other trade receivables	123	157
Tax/ budget fees	665	-
Prepayments	782	993
Other receivables	604	331
	22 543	**11 152**
Of which:		
Non-current portion:	390	173
Current portion:	22 153	10 979
	22 543	**11 152**

9. Cash and cash equivalents

The balance of cash and cash equivalents of TPLN 9.010 as at the balance sheet date (in December 2014 TPLN 17.637) constituted cash at bank and bank deposits measured at fair value.

10. Equity

Share capital

	As at 31.12.2015	As at 31.12.2014
Issued and paid share capital (TPLN)	3 335	3 335
Number of shares	3 335 054	3 335 054
Nominal value per share in PLN	1,00	1,00
Nominal value of all shares (TPLN)	**3 335**	**3 335**

Capital redemption reserve

	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
Balance at beginning of period	31 748	89 349
Capital from issue of convertible bonds	3 611	-
*Capital decrease within redemption of shares	-	(65 989)
Transfer of profit for previous period to capital redemption reserve	32	8 388
Balance at end of period	**35 391**	**31 748**

***On 18 December 2013 the Company's Extraordinary Shareholders Meeting resolved on the redemption of 14.010.507 own shares in the Company's share capital. The redemption nominal value of TPLN 14.011 was recognised in share capital. The redemption was through the acquisition of shares by the Company for a total

fee of TPLN 80.000. The difference between the redemption value and the redemption nominal value of TPLN 65.989 was recognised in share capital.

In 2014 the redemption of shares was registered in the National Court Register.

Other reserves

	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
Balance at beginning of period	**694**	**94**
*Measurement of the incentive programme for the Management and Supervisory Board Members 2014	1 013	600
* Measurement of the incentive programme for the Management and Supervisory Board Members 2015	2 367	-
Balance at end of period	**4 074**	**694**

*Incentive programmes described in **Note No. 15 *"Share based incentive programmes"***.

11. Liabilities on bonds

	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
Carrying value of liability as at issue date	**63 696**	**40 000**
Equity component (without deferred tax)	(3 611)	-
Liability component as at issue date	**60 085**	**40 000**
Foreign exchange differences as at balance sheet date	1 381	-
Calculated interest - accrued costs	7 772	2 961
Paid interest	(6 879)	(3 072)
Exclusion from consolidation – sales to capital group	(40 284)	(39 889)
Carrying value of liability as at balance sheet date	**22 075**	**-**
Non-current portion	19 228	-
Current portion	2 847	-

The Group recognised the issued convertible bonds in line with IAS 32 separating the liability component and the equity component. These components have been respectively recognised in liabilities on bonds and equity.

Under the Investment Agreement of 15 January 2015 between AMC III MOON BV, MCI.PrivateVentures closed end fund, Alternative Investment Partners Sp. z o. o., MCI Management S.A., Cezary Smorszczewski and the Company, amended with an annex No. 1 of 19 February 2015 and an annex No. 2 of 20 April 2015, on 22 April 2015, following the realisation of the last suspending condition (conclusion of an Agreement on the Restriction of Shares Transferability on 21 April 2015 between: the Company, MCI.PrivateVentures closed end fund, Alior Bank S.A. and AMC III MOON BV), the Company issued for the benefit of AMC III MOON BV 5.850 registered C series shares (numbers from 0001 to 5850) convertible to ordinary H series bearer shares, secured, with restricted transferability, of a nominal value EUR 1.000 each and of a total nominal value EUR 5.850.000 ("Bonds"). The Bond interest is fixed - 9,75% per annum, coupon paid on a quarterly basis.
Bonds which will not be converted to Shares will be subject to redemption on the redemption date, i.e. 29 February 2020.

The Company is obligated to assure that in the period commencing on the issue day and ending on the bond redemption day:

- the debt ratio in the reporting period shall not exceed 5,0 as at each date of calculation.
- the debt MGT ratio in the reporting period shall not exceed 7,0 as at each date of calculation.
- the debt service cover ratio (calculated without voluntary advanced payments) for the reporting period shall be not lower than 1,3.
- the total interest coverage ratio for the reporting period shall be not lower than 2,0.

Bonds are secured with the following equally privileged collaterals:

- assignment of 100% receivables due to MCI Asset Management Sp. z o.o. Sp. j., based on management agreements, provided for by the assignment agreement,
- Company's statement on submission to enforcement to bondholder in line with article 777 §1 point 5) act of 17 November 1964 – Civil Procedure Code, up to EUR 6.435.000,
- *in blanco* own bill of exchange with a bill of exchange declaration issued by the Company which under the bill of exchange agreement can be filled in with an amount of EUR 8.704.800.

Due to the issue of bonds if bondholders execute the entitlement to convert all issued bonds to shares, 245.700 H series shares will be issued, which will correspond to 245.700 votes at the Company's Shareholders Meeting (6,81% share in the Company's share capital). If bondholders execute the entitlement to convert all issued bonds to shares, the total number of votes at the Company's Shareholders Meeting will be 3.580.754. The bonds are not pre-emptive bonds.

Details of terms of issue are presented in the Company's *Current Report No. 9/2015*.

On 20 December 2013 the Company Private Equity Managers S.A. issued 40.000 ordinary registered unsecured B series bonds of a nominal value PLN 1.000,00 per share. The total nominal value of bonds was TPLN 40.000. The bonds are redeemable by 20 December 2018. The bonds were taken up by a related entity – MCI Management S.A.

On 30 September and 31 December 2014 MCI Management S.A. sold the bonds defined above to MCI Asset Management Sp. z o.o. Sp.j. (indirect subsidiary of Private Equity Managers S.A.) – settlements are subject to mutual consolidation exclusions.

On 9 October 2015 MCI Asset Management Sp. z o.o. Sp.j. disposed of for the benefit of MCI Asset Management Sp. z o.o. V S.K.A. 40.000 items of B series bonds with calculated interest of PLN 832.000. The disposal of bonds took place under the resolution No. 2 of MCI Asset Management Sp. z o.o. Sp.j. of 9 October 2015 on the profit distribution of MCI Asset Management Sp. z o.o. Sp. j. under which the company's profit for 2015 of PLN 47.881.347,71 was distributed between the shareholders on the following basis:

- MCI Asset Management: PLN 938.474,42
- MCI Asset Management Sp. z o.o. V S.K.A.: PLN 46.942,873,29, which was paid by transferring PLN 6.110.873,29 and disposal of bonds.

12. Trade and other payables

	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
Trade payables	1 260	1 814
*Payables to related entities	422	7
Taxes and social security	348	273
Accruals	2 226	1 032
Other payables	50	44
Deferred revenue	139	345
	4 445	**3 515**

*Payables to related entities are presented in **Note No. 24 *"Related entities"***.

13. Provisions

	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
Provisions for remuneration on disinvestment*	3 449	-
Fundraising fee**	686	-
Provision for options/ remuneration for the Board***	-	600
Other provisions	122	226
Costs of audit of Financial Statements	246	-
	4 503	**826**

*****Provisions for costs of remuneration on disinvestment and on investment value increase. More information in **Note No. 2 *"Base business expenditure and general administration costs".***

******Provision for costs of remuneration for raising funds for future investments.

*******Under the resolution of the Supervisory Board passed on 15.01.2015, the provision for costs of incentive programmes for Members of the Management Board for 2014 was transferred to reserves.

14. Assets held for liquidation

In November 2014 a subsidiary ImmoPartners Sp. z o.o. Asset Management S.K.A. went into liquidation. As a result its assets, liabilities and profit/ loss were disclosed in separate positions of the Financial Statements as discontinued operations. The company was liquidated on 28 January 2016.

15. Share based incentive programmes

Incentive programme for the Supervisory Board for 2014 and 2015

On 30 July 2014 the Company's Extraordinary Shareholders Meeting resolved on an incentive programme for members of the Supervisory Board for 2014 and 2015.

Members of the Supervisory Board participate in the incentive programme through the right to take up subscription warrants of:
B2 series – in 2014 terms and conditions of the incentive programmes for members of the Supervisory Board were met in 100%. Each member of the Supervisory Board entitled to subscription warrants of B2 series has

the right to take up shares of the parent company not later than by 31 August 2016. As at the date of the consolidated Financial Statements for the 2015 reporting period none of the entitled members of the Supervisory Board used their right to take up shares of the parent company.

B3 series – in the event when the company Private Equity Managers S.A. reaches in the 2015 reporting period EBITDA at the level of at least 51% of the forecasted EBITDA 2015. The number of B3 series Subscription Warrants will be directly proportional to the realisation level of the forecasted 2015 EBITDA in such a way that each full 1% of EBITDA realised above 50% of the forecasted 2015 EBITDA entitles to take up 2% of the annual tranche of Warrants until reaching 100% of the annual tranche of Warrants. Issue of B3 series Subscription Warrants shall take place by the end of 2016; each Member of the Supervisory Board entitled to B3 series Subscription Warrants will be able to take up shares after the Company's Shareholders Meeting approves of the Company's audited Financial Statements for 2015, not later than by 31 August 2017.

Each Subscription Warrant entitles to take up 1 share.

The issue price of shares taken up by realisation of entitlements to Subscription Warrants is defined in the resolution of Shareholders Meeting.

Incentive programme for the Management Board for 2014 and 2015

On 19 January 2015 the Supervisory Board of Private Equity Managers S.A. resolved on an incentive programme for selected Management Board Members for 2014 and 2015.

Members of the Management Board participate in the incentive programme through the right to take up subscription warrants of:

B2 series – in 2014 terms and conditions of the incentive programmes for members of the Management Board were met in 100%. Each member of the Management Board entitled to subscription warrants of B2 series has the right to take up shares of the parent company not later than by 31 August 2016 r. As at the date of the consolidated Financial Statements for the 2015 reporting period none of the entitled members of the Management Board used their right to take up shares of the parent company.

B3 series – in the event that in the 2015 reporting period the Company reaches EBITDA at the level of at least 51% of the forecasted EBITDA for the 2015 reporting period, the Company will offer each entitled member of the Management Board taking up B3 series Subscription Warrants. The number of B3 series Subscription Warrants will be directly proportional to the realisation level of the forecasted 2015 EBITDA 2015 in such a way that each full 1% EBITDA realised above 50% of the forecasted 2015 EBITDA entitles to take up 2% of the annual tranche of Subscription Warrants until reaching 100% of the annual tranche of Subscription Warrants. Issue of B3 series Subscription Warrants shall take place by the end of 2016; each Member of the Supervisory Board entitled to B3 series Subscription Warrants will be able to take up shares after the Company's Shareholders Meeting approves of the Company's audited Financial Statements for 2015, not later than by 31 August 2017.

Each Subscription Warrant entitles to take up 1 share.

The issue price of shares taken up by realisation of entitlements to Subscription Warrants is defined in the resolution of Shareholders Meeting.

Management stock option agreement for Chairman of the Board of Directors – Cezary Smorszczewski and Vice Chairman of the Board of Directors – Tomasz Czechowicz

Under management stock option agreements concluded on 17 March 2014 and 26 June 2015 between the Company and Cezary Smorszczewski (hereinafter "CS" or "party") and Tomasz Czechowicz (hereinafter "TC" or "party") respectively, the Company is obligated to enable each of the parties to the agreement taking up up to 166.752 new shares in PEM's share capital in the period from 2016 to 2020 in exchange for a cash contribution. In 2014 PEM's Shareholders Meeting made a decision on unpaid issue of registered subscription warrants, of which entitle CS and TC to take up one share in PEM's share capital (one subscription warrant entitles to take up 1 PEM's share at PLN 57,61), as well as on a conditional increase of equity in the Company and approval of the issue of management shares, with exclusion of shareholders pre-emptive rights, to enable CA and TC taking up the issued shares. Simultaneously, CA and TC are obliged, under agreements, to take up subscription warrants directly after receiving a PEM's offer.

The execution of subscription warrants by parties is dependent on meeting certain conditions defined in the management stock option agreements. The first condition of the warrant right execution is PEM reaching EBITDA at the level of at least 51% of the forecasted EBITDA in the reporting period preceding the period in which managerial options were taken up. The number of offered managerial stock options in each year shall be directly proportional to the level of execution of the forecasted EBITDA in the reporting period preceding the period in which stock options were taken up in such a way that each full 1% EBITDA executed above 50% of the forecasted EBITDA for the reporting period preceding the period in which stock options were taken will entitle to 2% of annual tranche of management stock options in a given period, until reaching 100% of the annual tranche of management stock options in a given period. The second condition relates to the realisation of individual priorities defined for CS and TC for each period.

Due to this programme the Group recognised a sum of TPLN 2.367 for 2015 and TPLN 1.613 for 2014 in costs of remuneration for the Management and Supervisory Board.

16. Employee benefits

The following employee benefit sums are recognised in the statement of comprehensive income:

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Fixed remuneration	3 321	2 018
Variable remuneration	9 052	126
Social security	157	84
Share options granted to Members of the Management of Supervisory Boards	2 367	1 613
Other employee benefits	38	42
	14 935	**3 883**

Remuneration for key personnel

	Period: from 01.01.2015 to 31.12.2015 PLN'000	Period: from 01.01.2014 to 31.12.2014 PLN'000
Management Board		
Fixed remuneration	2 015	763
Variable remuneration	3 977	-
Other benefits	33	89
Incentive programme	2 172	600
	8 197	**1 452**
Supervisory Board		
Remuneration related to Meetings of Supervisory Board	47	21
Incentive programme	195	1 013
	242	**1 034**

Employment / execution of function

	As at	As at

	31.12.2015 No. of employees	31.12.2014 No. of employees
Management Board	6	6
Supervisory Board	7	3
Operational staff	20	16
	33	**25**

Borrowings granted to members of the Management Board

The Group did not grant borrowings to Management Board Members in 2015 and 2014.

Advances paid to members of the Management Board

The Group did not pay advances to Management Board Members in 2015 and 2014.

17. Dividend

Dividend for 2014

On 29 June 2015 the Ordinary Shareholders Meeting of Private Equity Managers S.A. passed a resolution on the Company's profit distribution for 2014. The Ordinary Shareholders Meeting, in line with the recommendation of the Board of Directors, distributed the Company's net profit for 2014 of PLN 98.989.548,81 as follows::

- PLN 36.807.881,32 for the payment of dividend to the Company's shareholders;
- PLN 62.181.667,49 for the Company's capital redemption reserve.

Acknowledging the agreement concluded on 15 January 2015 between the Company and a Company's shareholder – AMC III Moon B.V. – related to the waiver by AMC Moon B.V. of its rights to dividend on account of holding 277.921 Company's shares, the amount payable per one share (total of 3.057.133 Company's shares entitled to dividend for 2014) was PLN 12,04. The Company's Ordinary Shareholders Meeting determined that 10 July 2015 was the dividend day, and 24 July 2015 - a dividend payment day.

Dividend planned for 2015

The Company's aim is to provide shareholders with a share in the Company's attained profit through an annual dividend payment in an amount dependent on situations defined below and on the approval of the Ordinary Shareholders Meeting.

Recommending the Company's profit distribution for reporting periods starting from the reporting period ended on 31 December 2014, the Management Board shall propose at the Shareholders Meeting a dividend payment from the Company's annual net profit in an amount determined as 50% - 100% of the consolidated net profit of the Group Private Equity Managers S.A. in a given reporting period, however, not more than the Company's individual net profit.

The dividend value to be paid proposed by the Management Board shall depend on the Company's investment plans, existing liabilities and assessment made by the Management and Supervisory Boards of the Company's perspectives in given market conditions.

18. Financial instruments

Items in Financial Statements	Categories of financial instruments/ measurement method	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
Trade and other receivables	Borrowings and receivables – measured at amortised cost	22 543	11 325
Borrowings granted	Borrowings and receivables – measured at amortised cost	-	-
Receivables on bills of exchange	Borrowings and receivables – measured at amortised cost	-	-
Cash and cash equivalents	Cash and cash equivalents – nominal value	9 010	17 637
Trade and other payables	Trade payables - measured at amortised cost	4 445	3 515
Payables on bonds	Payables on bonds - measured at amortised cost	22 075	-
Bank loans and borrowings	Financial payables- measured at amortised cost	-	-
Payables on bills of exchange	Trade payables - measured at amortised cost	-	35 000

Fair value is an amount for which an asset component could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction, other than a forced sales or liquidation and is best reflected by a market price if such is available.

The Group holds instruments which are not measured at fair value in the statement of financial position. These instruments include cash and cash equivalents, trade and other and financial receivables and payables, of which on bills of exchange and bonds. The Group assumes that for the financial instruments mentioned, which are not measured at fair value on the statement of financial position, their fair value is close to their carrying value.

19. Contingent liabilities and assets

As at the date of these Financial Statements the Company did not have contingent liabilities and assets other than these defined in **Note No. 20 *"Guarantees"***.

20. Guarantees

Granted guarantees

On 18 November 2014 MCI Asset Management Sp. z o. o. Sp. j. and Private Equity Managers S.A. guaranteed a loan of TPLN 34.000 granted by Alior Bank S.A. for the benefit of Private Equity Managers S.A. by signing "Declaration on submission to enforcement based on the bank writ of enforcement" up to TPLN 68.000 each. The bank may proceed to enforcement based on the writ of enforcement within 24 months following the day of the Agreement termination. As at 29 October 2015 all rights and obligations of MCI Asset Management Sp. z o. o. Sp.j. arising on the situation above were transferred to PEM Asset Management Sp. z o.o.

21. Remuneration paid to auditor of Financial Statements (gross)

	As at 31.12.2015 PLN'000	As at 31.12.2014 PLN'000
Audit of annual Financial Statements	258	189
Review of half-yearly Financial Statements	74	22
Other services	133	37
	465	**248**

22. Events after the balance sheet date

On 23 December 2016 PEM, MCI Capital Towarzystwo Funduszy Inwestycyjnych S.A. ("TFI") and MCI Capital S.A. (formerly MCI Management S.A.) ("MCI") concluded a tripartite agreement ("New Tripartite Agreement"), which entered into force on 29 January 2016. The New Tripartite Agreement regulates the principles of cooperation between the parties to the Agreement in the scope defined under the Agreement. As a result of the agreement concluded on 23 December 2016 between PEM, MCI and TFI, the tripartite agreement concluded on 12 November 2013 between PEM, MCI and TFI ("Existing Tripartite Agreement") expired on the day of enforcement of the New Tripartite Agreement.

The subject of the New Tripartite Agreement is as follows:

1. ensuring, during the period of the New Tripartite Agreement, joint engagement of MCI and its subsidiaries (as defined under "Pubic Offering Act") in investment certificates of investment funds managed by TFI ("funds") existing on the day of concluding the New Tripartite Agreement,

2. ensuring, during the period of the New Tripartite Agreement, management of the investment portfolio of Funds exclusively by PEM, MCI Asset Management Sp. z o.o. sp.j. or other PEM's subsidiaries as defined under "Public Offering Act",

3. during the period of the New Tripartite Agreement MCI and its Subsidiaries shall vote as a participant/ participants of an investors' meeting or a member/ members of an investors' council of each fund (if under the competence of the investors' meeting or investors' council) against:

   a. changes to statutes of these Funds resulting in decreasing the TFI value of remuneration for managing portfolios of MCI.PrivateVentures closed end fund and MCI.CreditVentures 2.0 closed end fund collected by TFI on net asset value of Funds defined above ("Remuneration") in a manner not enabling the collection of remuneration in an amount determined in the New Tripartite Agreement,
   b. merger, transformation or liquidation of Funds mentioned above, as well as against amendments to statutes of these Funds resulting in a situation when different investment fund company takes over management of these Funds unless such merger, transformation, liquidation or amendment to the statute does not decrease the value of Remuneration in a manner preventing the collection of Remuneration in an amount determined in the New Tripartite Agreement or replace PEM, MCI Sp. j. or other PEM's subsidiaries by a different entity as manager of investment funds' portfolios. Parties to the New Tripartite Agreement determined in detail how Remuneration is calculated. The amount of fixed remuneration for investment funds management, under the New Tripartite Agreement, shall be settled as least at the level of:
      i. for Sub-fund MCI.EuroVentures 1.0: 2% of its net asset value annually,
      ii. for Sub-fund MCI.TechVentures 1.0: 2,75% of its net asset value annually,
      iii. for MCI.CreditVentures 2.0. FIZ: 1% of its net asset value annually.

      The amount of variable remuneration for investment funds management, under the New Tripartite Agreement, shall depend on the increase of net asset value of a sub-fund or an investment fund, respectively, with the acknowledgement of distribution of earnings and revenue;

4. Parties to the New Tripartite Agreement are obligated that after 31 October 2018 they shall negotiate in good faith and figure out new principles of determining the amount of remuneration for the management of MCI.PrivateVentures Fundusz closed end fund and MCI.CreditVentures 2.0 closed end fund,

5. MCI has been guaranteed the right that MCI, or an entity it chooses, shall take up up to 50% investment certificates from the first issue, issued by every investment fund created by TFI after the New Tripartite Agreement entered into force.

Details related to the "New Tripartite Agreement" are presented in the *Current Report No. nr 02/2016*.

23. Operating segments

There are no separate operating or geographical segments in the Group. The Capital Group PEM constitutes a separate and exclusive operating segment as a whole - ***investment funds management.*** It includes assets and liabilities related to external operations of providing management services for the benefit of investment funds (particularly funds of the *private equity, venture capital* and *mezzanine debt* type).

24. Subsidiaries

Entities constituting the Capital Group

The composition of the Capital Group Private Equity Managers S.A. as at 31 December 2015 is presented in **Selected Disclosures**.

Shareholding structure

	As at 31.12.2015	**As at 31.12.2014**
*Alternative Investment Partners Sp. z o.o.	37,81%	35,97%
MCI.PrivateVentures FIZ acting for the benefit of sub-fund MCI.EuroVentures FIZ	0,00%	21,38%
**CKS Inwestycje Sp. z o.o.	15,52%	15,52%
MCI Capital S.A.	10,51%	10,25%
AMC III Moon BV	8,33%	0,00%
***Other	27,83%	16,88%
	100,00%	**100,00%**

*100% of the company is controlled by Tomasz Czechowicz

**100% of the company is controlled by Cezary Smorszczewski who holds directly 0,52% of shares

***Relates to shareholders holding below 5% of shares and votes

Transactions with related entities as at 31 December 2015

	Major investor	Subsidiaries	Other related entities	Total
Receivables:				
Trade receivables	1	-	96	97
Receivables on bonds	-	-	-	-
Liabilities:				
Trade payables	50	-	372	422
Income and costs:				
Other operating income	5	-	14	19
General administration costs	-	-	(284)	(284)

Transactions with related entities as at 31 December 2014

	Major investor	Subsidiaries	Other related entities	Total
Receivables:				
Trade receivables	5	-	46	51
Receivables on bonds	-	-	-	-
Liabilities:				
Trade payables	-	-	7	7
Income and costs:				
Other operating income	5	-	142	147
General administration costs	-	-	(83)	(83)

Transactions with the Management and Supervisory Boards

Management Board

Transactions with members of the Management Board are presented in **Note No. 15 "Share based incentives"**.

Supervisory Board

Transactions with members of the Supervisory Board are presented in **15 Note No. 15 "Share based incentives"**.

Members of Management of PEM SA holding a position in subsidiaries

Subsidiaries/Board Members same as in PEM	Members of Management Board			
	Tomasz Czechowicz	Cezary Smorszczewski	Ewa Ogryczak	Krzysztof Konopiński
MCI Capital TFI S.A.	yes	yes	yes	no
PEM Asset Management Sp. z o.o.	yes	yes	no	no
PEMSA Holding Limited	yes	no	no	no
MCI.Partners FIZ	yes	yes	yes	no
MCI Asset Management Sp. z o.o. Spj. j.	yes	yes	no	no
MCI Asset Management Sp. z o.o.	yes	yes	no	no
MCI Asset Management Sp. z o.o. II S.K.A	yes	yes	no	no
MCI Asset Management Sp. z o.o. IV S.K.A.	yes	yes	no	no

MCI Asset Management Sp. z o.o. V S.K.A	yes	yes	no	no
ImmoPartners Sp. z o.o. Asset Management S.K.A. in liquidation	no	no	no	no

None of the Supervisory Board members held a position in subsidiaries

25. Description of material accounting policies

Material accounting policies applied while preparing these consolidated Financial Statements have been presented below.

Comparative data

Accounting policies - identical to these adopted to present information as at the date and for the period of 12 months ended on 31 December 2015 - have been applied to the comparative data presented in the consolidated Financial Statements.

Continuation as going concern

The company's Financial Statements have been prepared on the assumptions that the company shall continue its operations in the foreseeable future comprising a period not shorter than 12 months after the reporting date, i.e. 31 December 2015. As at the Financial Statement's date the Company's Management Board do not state the existence of any facts and circumstances which would indicate threats to the company's continuation as going concern within 12 months after the reporting date as a result of intentional or forced neglect or material limitation of the company's hitherto activities.

Foreign currencies

As at the end of the reporting period all items of assets and equity and liabilities presented in foreign currencies are converted according to an average rate determined by the National Bank of Poland as at that date. Profits and losses which arose on currency conversion are recognised directly in the income statement, except for when they arose on measurement of non-financial assets and liabilities whose changes of fair value are directly recognised in equity.

Income and costs

Income and costs are recognised on an accrual basis, i.e. in the reporting period which they relate to, regardless of the day of receipt or making payment.

Revenue from management

Revenue is recognised at fair value of remuneration received or receivable. Fees for investment funds management, handling fees and other income are recognised on an accrual basis in the period which they relate to. Management fees are determined in funds' statutes and defined as a percentage of funds' net asset value.

The principal category of the Group's revenue is revenue from asset management, consisting of:

– Fixed fee – this is calculated on a day following the day of net asset measurement of a fund as percentage of this fund's net asset value as at the measurement date and it is calculated daily. This remuneration is collected on a quarterly basis. For the sub-funds MCI.EuroVentures 1.0 and MCI.TechVentures 1.0 separated within MCI.PrivateVentures FIZ and for the fund MCI CreditVentures 2.0 FIZ the fixed fee is calculated on net asset value as at the end of the previous quarter (or the most recent measurement). For the fund Helix Ventures Partners FIZ the fixed fee is calculated on an amount actually invested, less value of securities (at purchase cost) which have been disposed of or written off. The fixed fee for the fund Internet Ventures is expressed in money as per the fund's statute.

– Variable fee – this fee is dependent on the increase of net asset value of a fund as per one investment certificate above a defined value. The variable fee is calculated daily (if there are reasons to calculate the variable fee). Thresholds above which the variable fee is calculated are determined in statutes of the funds for each series of investment certificates.

Base business and general administration costs

Base business and general administration costs for a reporting period are disclosed on a day when they are incurred.

Base business costs are costs which directly relate to income for the year. Base business costs include i.a.:
- distribution costs incurred when selling investment certificates,
- above-the-limit costs of funds covered by TFI, in line with statutes of funds,
- costs related to auxiliary activities in relation to records of funds' participants kept by TFI.

General administration costs relate to maintenance of companies and securing their orderly functioning. General administration costs include i.a.: .
- employee remuneration and benefits and social security costs (this relates to staff employed in CG PEM under a contract of employment, contract of mandate or contract of specific work),
- costs of bought-in services are costs of remuneration for staff who cooperate with companies in CG PEM who are not employed under a contract of employment, a contract of mandate or a contract of specific work, costs of advisory and legal services, accounting costs, costs of marketing, audits, rental, IT services, etc.,
- depreciation of fixed and intangible assets,
- use of energy and materials,
- taxes and charges,
- other costs.

Employee benefits

Amounts of short-term employee benefits other than on account of employment termination and compensation benefits are recognised as liabilities, after acknowledging all amounts which have already been paid, and at the same time they are disclosed as costs of the period (in costs of remuneration), unless the benefit shall be recognised as original costs of the asset component.

Remuneration for disinvestment (Carry fee)

Remuneration on disinvestment is calculated on net profit attained on a given investment at the moment of a complete or partial disinvestment, calculated as a difference between revenue from the sales of shares and costs incurred for a given investment, increased by 10% per annum, in the period from incurring the cost to receiving proceeds from the sales of shares.

Provision for variable Carry fee are created from an individual (as described above) and portfolio perspective (based on changing measurements of portfolio companies when a measured value of a given company is higher). Individual provision is calculated on individual investment, for each portfolio company in the process of disinvestment. Lack of portfolio provision does not determine the recognition of individual provision. Individual provision is recognised in costs for a period in which a possible offer for share purchase was acquired. Portfolio provision is disclosed in costs for a period in which investment value increased.

Remuneration for raising funds for future investments (Fundraising fee)

Remuneration for raising funds for future investments relates to:
- obtaining debt financing to finance investments,
- placing the issue of investment certificates of funds managed by CG PEM,
- placing the issue of PEM's shares.

Provisions for the remuneration mentioned above are created in the month following the month in which one of the events defined above took place.

Share-based payments

Employee benefits include shares, share options and other equity instruments issued by a company, which meet the criteria of IFRS 2 related to the equity-settled programme. Measurement at fair value of the programme is performed for each programme participant with the acknowledgement of the period of obtaining entitlements, at the moment when the entitlement is granted and is recognised as cost of remuneration in the income statement and in the equity under Other reserve capital.

Convertible bonds

The parent company issued convertible bonds which are classified as financial liabilities. Convertible bonds when issued are issuer's liabilities and are recognised in line with principles for disclosing liabilities. Convertible bonds are a complex instrument - of a liability nature, but they are also an equity instrument as they can be converted into shares of parent company. At initial recognition of bonds it is necessary to separate the liabilities component and the equity component. The balance of the liability and equity components equals the fair value of the instrument as a whole. At initial recognition the carrying value of the liability component is determined in the first place through measurement of fair value of a similar liability not related to the equity component. The carrying value of the equity component is determined in the second place through deduction of fair value of the financial liability from fair value of the complex financial instrument as a whole. Considering the fact that the market where the transaction took place does not differ much from the main market, it should be acknowledged that the transaction price truly reflects the fair value of convertible bonds. Convertible bonds were measured as a total sum of the convertible bond value and the option to convert the bond to shares of the parent company. The component of the ordinary bond was measured apart from the option to convert this instrument to shares, through measurement of discounted cash flows from interest (from the perspective of a bondholder), where the interest rate was adopted as the discount rate which the Company would pay for non-convertible bonds. The value of the equity component was calculated in line with the provisions of paragraph 32 of IAS 32 through deducting the liability component from the fair value of convertible bond. The liability component is presented in liabilities and the equity component is presented in equity.

Income tax

The obligatory charges to profit include current tax and deferred tax. Current tax is calculated on tax profit/loss (tax base) for a given reporting period. Tax profit/ loss differs from net accounting profit/ loss due to exclusion of taxable income and tax deductible costs in the following years and the items of costs and income which will never be taxable. Taxes are calculated based on tax rates applicable in a given reporting period.

Deferred tax is calculated using the balance sheet method as tax to be paid or reimbursed in the future on differences between the carrying values of assets and liabilities and the respective tax values applied to calculate the taxable amount.

Deferred tax provision is established on all positive temporary differences subject to taxation, whereas a component of deferred tax assets is recognised up to the amount in which it is likely to reduce future tax profits by recognised negative temporary differences.

No deferred tax asset or liability is recognised when a temporary difference relates to goodwill or to the initial recognition of another asset or liability in a transaction which affects neither taxable income nor accounting profit.

The value of the deferred tax component is subject to an analysis as at each reporting date and in the case when the expected future tax income is insufficient to realise the component of assets or part thereof, it is written off.

Deferred tax is calculated with tax rates which are expected to apply when temporary differences reverse. Deferred tax is recognised in the statement of comprehensive income, except for when it relates to items directly recognised in the equity. In the latter case deferred tax is also charged directly to equity.

Financial liabilities and assets

Financial liabilities and assets are recognised when the Group becomes party to a binding agreement.

The Group classifies financial instruments to the following categories: components of financial assets or financial liabilities measured at fair value through profit/ loss, investments held to maturity, borrowings and receivables, financial assets available for sales.

Financial assets are disclosed in the following items:
- receivables on bonds,
- borrowings granted,
- cash and cash equivalents,
- trade and other receivables.

Financial liabilities are disclosed in the following items:
- bank loans and borrowings,
- payables on bonds,
- payables on bills of exchange,
- trade and other payables.

At initial recognition financial assets and liabilities are measured at fair value; for components of financial assets or liabilities other than measured at fair value through profit or loss the fair value is increased by transaction costs which may be directly attributable to the acquisition or issue of the financial asset or the financial liability.

In the case of receivables on bonds and borrowings granted, financial assets after initial recognition are measured at amortised costs using the effective interest rate method; in the case of trade receivables the measurement is performed at amount due less impairment write-offs.

In the case of bank loans and borrowing and liabilities on bonds and on bills of exchange, financial liabilities after initial recognition are measured at amortised cost using the effective interest rate method; in the case of trade and other payables - at amount due.

Finance income and costs

Finance income and costs include interest generated by a component of financial assets or financial liabilities and are recognised on an accrual basis, i.e. in the reporting period which they relate to.

Impairment of financial assets

At each balance sheet date the Group assesses if there are objective premises for impairment of a financial asset or a group of financial assets.

In the case of financial assets measured at amortised cost - if there are objective premises that impairment loss took place, the amount of the impairment write-off equals the difference between the carrying value of a financial asset and current value of estimated future cash flows (excluding future losses on not collecting receivables which have yet not been incurred), discounted using the original effective interest rate (i.e. interest rate determined at initial recognition). The amount of impairment is recognised in the income statement.

The Group assesses if there are objective (material and immaterial) premises for impairment of financial assets. Objective evidence of impairment of a financial asset or a group of financial assets includes information related to the following events:
- significant financial difficulties of issuer or debtor,
- failing to meet terms and conditions of an agreement,
- lender granting borrower certain facilities due to borrower's financial difficulties,
- high probability of borrower's bankruptcy or other financial restructuring,
- disappearance of an active market for a given financial asset due to financial difficulties.

If the analysis reveals that there are no objective premises for impairment of individually assessed financial asset, regardless of its significance, the Group includes this asset to a group of assets of a similar characteristics of credit risk and performs a joint assessment for impairment. Assets which are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the joint assessment for impairment of the group of assets. If in the following period the impairment write-off decreases and this decrease can objectively relate to an event taking place after the recognition of impairment, the previously recognised impairment loss is reversed. The reversal is recognised in the income statement in an amount in which the carrying value of an asset does not exceed its amortised cost/ recoverable amount as at the reversal date.

Cash and cash equivalents

Cash and short-term deposits disclosed in the statement of financial position include cash at bank and in hand as well as short-term deposits with an original maturity period up to three months.

Provisions for liabilities

Provisions for liabilities are established when the Group is under present obligation (legal or customary) resulting from past events and it is probable that meeting this obligation will cause a reduction of the company's economic benefits and that one may reliably estimate the liability amount. If the Group expects that costs covered with the provision are to be returned, e.g. under an insurance agreement, then this return is recognised as a separate asset, but only when it is virtually certain that this return will actually take place. Costs of a provision are recognised in the income statement less any returns. Provisions for future operating losses are not established.

Consolidation

Subsidiaries

Subsidiaries are all entities in which investments were made and which are controlled by the Company. In line with IFRS 10 a Company controls a subsidiary in which an investment was made if and only if it simultaneously:

- exercises authority over a subsidiary in which an investment was made;
- is subject to exposure to variable profit/ loss or is entitled to variable profit/ loss due to its engagement in the subsidiary in which an investment was made,
- can use the possibility to exercise authority over a subsidiary in which an investment was made to affect its profit/loss.

Goodwill

Goodwill arising on the acquisition of an entity is originally recognised at acquisition price which is a surplus of:

- consideration transferred,
- amount of all non-controlling (minority) shares in the acquired entity, and
- in the case of a merger of entities carried out in stages - fair value as at the acquisition date of the acquired entity over the net amount determined as at the acquisition date of identifiable acquired assets and liabilities.

As at the asset acquisition date, liabilities of the acquired entity are measured at fair value. Excess of acquisition price above the share of the acquiring entity at fair value of identifiable acquired net assets of the acquired entity is recognised as goodwill. If the purchase price is lower than fair value of identifiable acquired net assets the difference is recognised as profit in the statement of comprehensive income for the period in which the acquisition took place. Minority shares are recognised in a relevant proportion of assets and equity fair value. Losses attributable to minority shareholders above the value of their shares reduce equity of the parent company in the following periods. At initial recognition the goodwill is disclosed at acquisition price less any accumulated impairment losses.

Impairment – "goodwill”

Impairment of a non-financial asset is identified when the book value is higher than recoverable amount. Recoverable amount corresponds to fair value less costs of sales and value-in-use, whichever is higher.

Determining the value-in-use relates to estimates of future cash flows expected from continued use or disposal of an asset and to discounting these values. These principles are also applied to tests for impairment of goodwill which are carried out on an annual basis. A detailed description of principles applied to tests for impairment of goodwill was presented in **Note No. 7 "Goodwill”**.

Impairment losses on goodwill are presented in **Note No. 7 "Goodwill"** and their effect on the income statement was presented in **Note No. 3 "Other operating income and costs”**.

Amendments in the accounting standards

In 2015 the following amendments to the existing standards issued by the International Accounting Standards Board came into effect and were approved of by the UE:

- **Amendments to various standards "Annual Improvements to IFRS 2011-2013 Cycle"** – amendments made as part of the procedure of implementing annual improvements to IFRS (IFRS 3, IFRS 13 and IAS 40) eliminating inconsistencies and clarifying wording - approved of by the EU on 18 December 2014 (applicable to annual periods commencing on or after 1 January 2015),
- **IFRIC Interpretation 21 "Levies"** – approved of in the UE on 13 June 2014 (applicable to annual periods commencing on or after 17 June 2014).

The amendments and interpretations mentioned above did not materially affect the company's Financial Statements for 2015.

As at 9 March 2016 the following standards and interpretations were published and approved of by the EU, but have yet not come into effect:

- **Amendments to IFRS 11 "Joint Arrangements"** – Settling the acquisition of shares in joint operations - approved of in the EU on 24 November 2015 (applicable to annual periods commencing 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 (applicable to annual periods commencing 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 (applicable to annual periods commencing on or after 1 January 2016),
- **Amendments to IAS16 "Property, plant and equipment"** - approved of in the EU on 23 November 2015 (applicable to annual periods commencing on or after 1 January 2016),
- **Amendments to IAS 19 "Employee benefits"** – Programmes of certain benefits: employee contributions - approved of in the EU on 17 December 2014 (applicable to annual periods commencing 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 (applicable to annual periods commencing on or after 1 January 2016),
- **Amendments to various standards "Annual Improvements to 2010-2012 Cycle"** – amendments made as part of the procedure of implementing annual improvements to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) eliminating inconsistencies and clarifying wording - approved of in the EU on 17 December 2014 (applicable to annual periods commencing on or after 1 February 2015),
- **Amendments to various standards "Annual Improvements to 2012-2014 Cycle"** – amendments made as part of the procedure of implementing annual improvements to IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) eliminating inconsistencies and clarifying wording - approved of in the EU on 15 December 2015 (applicable to annual periods commencing on or after 1 January 2016).

Furthermore, as at 9 March 2016 the following standards and interpretations were adopted by the IASB, but have not yet been approved of by the EU:

- **IFRS 9 "Financial Instruments"** (applicable to annual periods commencing on or after 1 January 2018),
- **IFRS 14 "Regulatory Deferral Accounts"** (applicable to annual periods commencing on or after 1 January 2016) – the EU decided not to commence the process of approval of this temporary standard to be applied in the EU until the final version of IFRS 14 is published,
- **IFRS 15 "Revenue from Contracts with Customers" and subsequent amendments** (applicable to annual periods commencing on or after 1 January 2018),
- **IFRS 16 "Leases"** (applicable to annual periods commencing on or after 1 January 2019),
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure on Interest in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** – Investment entities: applying the consolidation exception (applicable to annual periods commencing 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 (the date of coming into effect was postponed until the completion of research on the equity method),
- **Amendments to IAS 7 "Statement of Cash Flows"** – Disclosure Initiative (applying the consolidation exception (applicable to annual periods commencing on or after 1 January 2017),

– **Amendments to IAS 12 "Income Taxes”** – Recognition of Deferred Tax Assets for Unrealised Losses (applicable to annual periods commencing on or after 1 January 2017).

The Company analyses the effect of the published standards which came into effect and assesses that except for additional disclosures they should not materially affect the Financial Statements.

26. Financial risk management

The Group is exposed to the following risks:
– market risk, including interest rate risk and currency risk,
– liquidity risk,
– credit risk,
– risk related to measurement of portfolio companies.

The most material risks which the Group is exposed to are presented below.

Market risk

Interest rate risk

The Group's exposure to risk arising on interest rates relates primarily to bank deposits, received loans and issued securities (bills of exchange and bonds).

The Group does not hedge the interest rate risk with financial derivatives. The Group uses sensitivity analysis to measure the interest rate risk.

The interest rate risk management concentrates on minimising fluctuations of interest-related cash flows on financial assets and liabilities of a variable interest rate.

Sensitivity analysis to the interest rate risk

The interest rate risk management concentrates on minimising fluctuations of interest-related cash flows on financial assets and liabilities of a variable interest rate. The Group is exposed to the interest rate risk in relation to the following categories of financial assets and liabilities:
– received bank loans,
– issued own debt securities.

On 22 April 2015 the Company issued for the benefit of AMC III MOON BV a number of 5.850 registered bonds of C series, convertible to the Company's ordinary bearer's shares of H series, of a nominal value of EUR 1.000 each and of a total nominal value of EUR 5.850.000. The bond interest is fixed and at the level of 9,75% per annum, the coupon payable on a quarterly basis.

Currency risk

In the period from 1 January to 31 December 2015 r. the Group did not make transactions that would expose it to material currency risk.

On 22 April 2015 the Company issued for the benefit of AMC III MOON BV a number of 5.850 registered bonds of C series, convertible to the Company's ordinary bearer's shares of H series, of a nominal value of EUR 1.000 each and of a total nominal value of EUR 5.850.000. The rate of conversion of bonds into shares was determined in the agreement at the level of PLN 4,2802 per one EUR.

Liquidity risk

Due to the character of transactions and of financial assets the liquidity risk is small. The Group manages the liquidity risk through monitoring payment deadlines and monies demand for servicing payments (ongoing transactions monitored on a weekly basis) and cash demand. Cash demand is compared against available sources of financing (especially by evaluating the possibilities of obtaining financing in the form of loans, borrowings, bonds) and it is confronted with investments with free monies. Since 14 July 2015 the Group has applied "Cash pool" system - a financial service enabling mutual balancing between companies in the Group. Due to this service the Group has a stronger position for negotiations, higher creditworthiness and it uses cash more efficiently and decreases costs of interest.

The Company manages the risk through monitoring liquidity ratios based on carrying amounts, analysing the level of liquid assets in relation to cash flows and maintaining access to diverse sources of financing (of which also to credit facilities).

The liquidity management process is optimised through centralised management of funds in the Group where liquid excesses of cash generated by individual companies from the Group are invested in borrowings and other instruments issued by companies from the Group (less credit risk). The surpluses of the Company's cash are invested in short-term liquid financial instruments, e.g. bank deposits.

One of the liquidity risk management method is also maintaining committed and unused credit facilities. They reserve liquidity.

Credit risk

The Company's credit risk is primarily related to bank deposits and trade receivables principally on calculating remuneration for fund management. The maximum amount put to credit risk equals carrying amounts of deposits and receivables. The Group concludes bank deposit agreements with entities of high creditworthiness and it deposits its cash for short periods. Receivables from management have short payment deadlines related to quarters for which remuneration is calculated.

Risk related to measurement of portfolio companies

Risk related to measurement of portfolio companies affects the value of assets under management and the amount of received remuneration.

At least once a quarter the Group performs measurement at fair value of companies being investments of the managed funds. The measurement value translates into the value of assets under management, and hence is reflected in the amount of calculated remuneration (fixed or variable).

Due to the fact that funds managed by the Group invest their capital for 5 to 10 years, and the financing is usually received by companies not listed on the stock exchange, the measurement of assets under management carries a risk related to unfavourable changes to measurement of assets under management, and hence to the level of received remuneration. As a result, this could negatively affect the Group's profit/loss.

CAPITAL MANAGEMENT

The primary objective of the Group capital management is to maintain safe capital ratios which would support operating activities, increase value for shareholders and keep capital requirements imposed by legislation. As at 31 December 2015 and 31 December 2014 the Group met the capital requirement imposed by law.