This document is a translation of a document originally issued in Polish. The only binding version is the original Polish version.

Capital Group
Private Equity Managers S.A.

Consolidated Financial Statements
for the reporting period ended on 31 December 2016

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 as amended), 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 2016.

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
Tomasz Czechowicz	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, 28 March 2017

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	PLN'000	**PLN'000**	**EUR'000**	**EUR'000**
Revenues from fund management	44 103	79 953	10 079	19 106
Profit on operating activities	18 112	45 038	4 139	10 762
Profit before taxation	13 630	41 850	3 115	10 000
Net profit	14 436	49 643	3 299	11 863
Net cash from operating activities	26 053	42 060	5 954	10 051
Net cash from investment activities	540	(47)	123	(11)
Net cash from financial activities	(33 430)	(50 657)	(7 640)	(12 105)
Net increase/(decrease) of cash and cash equivalents	(6 837)	(8 644)	(1 562)	(2 066)

	Balance as at 31.12.2016	Restated data Balance as at 31.12.2015	Balance as at 31.12.2016	Restated data Balance as at 31.12.2015
	PLN'000	**PLN'000**	**EUR'000**	**EUR'000**
Total assets	110 164	126 396	24 901	29 660
Non-current liabilities	35 205	44 139	7 958	10 358
Current liabilities	27 920	8 345	6 311	1 958
Equity	47 039	73 912	10 633	17 344
Share capital	3 424	3 335	774	783
No of shares (in items)	3 423 769	3 335 054	3 423 769	3 335 054
Weighted average no of shares (in items)	3 394 197	3 335 054	3 394 197	3 335 054
Profit per one weighted average ordinary share (in PLN / EUR)	4,25	14,89	0,97	3,56
Book value per one share (in PLN / EUR)	13,74	22,16	3,11	5,20

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 2016 – 4,4240, as at 31 December 2015 – 4,2615;
- 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 2016 – 4,3757 and from 1 January to 31 December 2015 – 4,1848.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OF OTHER COMPREHENSIVE INCOME
for the reporting period ended on 31 December 2016

	NOTES	For the period: from 01.01.2016 to 31.12.2016 PLN'000	Restated data* For the period: from 01.01.2015 to 31.12.2015 PLN'000
Continuing operations			
Revenues from fund management	1	44 103	79 953
Costs of basic activities	2	(10 285)	(7 011)
Gross profit on base business		**33 818**	**72 942**
Operating expenses	2	(15 811)	(28 058)
Other operating income	3	236	227
Other operating expenses	3	(131)	(73)
Profit on operating activities		**18 112**	**45 038**
Finance income	4	58	355
Finance expenses	4	(4 540)	(3 543)
Profit before taxation		**13 630**	**41 850**
Income tax	5	806	7 793
Net profit on continuing operations		**14 436**	**49 643**
Profit/ loss on discontinued operations		-	-
Net profit		**14 436**	**49 643**
Attributable to:			
- owners of parent company		14 436	49 643
- non-controlling shares		-	-
		14 436	**49 643**
Other net comprehensive income			
Other comprehensive income		-	(34)
		14 436	**49 609**
Earnings per share			
Basic	6	4,25	14,89
Diluted	6	4,64	14,36

*For details please refer to ***Selected Disclosures*** (Change in accounting policy relating to provision on remuneration for disinvestment (Carry Fee))

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 47.

CONSOLIDATE STATEMENTS OF FINANCIAL POSITION
as at 31 December 2016

	NOTES	Balance as at 31.12.2016 PLN'000	Restated data* Balance as at 31.12.2015 PLN'000	Restated data* Balance as at 01.01.2015 PLN'000
ASSETS				
Non-current assets				
Tangible fixed assets		737	101	107
Intangible assets		15	17	20
Goodwill	7	83 969	83 969	83 963
Deferred income tax assets	5	11 001	10 194	955
Trade and other receivables	8	187	390	173
Receivables of bonds		-	-	173
		95 909	**94 671**	**85 391**
Current assets				
Trade and other receivables	8	12 101	22 153	10 979
Cash and cash equivalents	9	2 154	9 010	17 637
		14 255	**31 163**	**28 616**
Assets held for liquidation		**-**	**562**	**551**
Total assets		**110 164**	**126 396**	**114 558**
EQUITY AND LIABILITIES				
Equity				
Share capital	10	3 424	3 335	3 335
Reserve capital	10	40 413	35 391	31 748
Other reserve capital	10	6 727	4 074	694
Retained earnings		(17 165)	(17 735)	(12 896)
Net profit		14 436	49 643	31 999
Other comprehensive income		(796)	(796)	(762)
		47 039	**73 912**	**54 118**
Non-current liabilities				
Liabilities on bonds	12	20 652	19 228	
Provisions	14	14 553	24 911	21 099
		35 205	**44 139**	**21 099**
Current liabilities				
Trade and other payables	13	10 850	4 445	3 515
Liabilities on bonds	12	2 314	2 847	
Loans		13	-	
Bills of exchange	15	14 133	-	35 000
Provisions	14	610	1 053	826
		27 920	**8 345**	**39 341**
Total equity and liabilities		**110 164**	**126 396**	**114 558**

*For details please refer to ***Selected Disclosures*** (Change in accounting policy relating to provision on remuneration for disinvestment (Carry Fee))

Consolidated statement of financial position shall be analysed together with selected disclosures and notes to the consolidated Financial Statements on pages 7 do 47.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period from 1 January to 31 December 2016

PLN'000	Share capital	Reserve capital**			Other reserve capital	Retained earnings	Net profit	Other comprehensive income	Equity attributable to owners of parent company	Total equity
		Issue of shares above their nominal value	Issue of shares as part of conversion of convertible bonds	Distribution of profits	Management options programme					
As at 01.01.2015*	**3 335**	**23 360**	**-**	**8 388**	**694**	**3 364**	**36 838**	**(762)**	**75 217**	**75 217**
Changes in accounting policy (**Selected Disclosures**)	-	-	-	-	-	(16 260)	(4 839)	-	(21 099)	(21 099)
As at 01.01.2015 restated data	**3 335**	**23 360**	**-**	**8 388**	**694**	**(12 896)**	**31 999**	**(762)**	**54 118**	**54 118**
Transfer of profit/loss	-	-	-	32	-	31 968	(31 999)	-	1	1
Dividend payment (**Note 18**)	-	-	-	-	-	(36 807)	-	-	(36 807)	(36 807)
Measurement of financial assets	-	-	-	-	-	-	-	(34)	(34)	(34)
Issue of convertible bonds (**Note 12**)	-	-	3 611	-	-	-	-	-	3 611	3 611
Settlement of option programmes (**Note 16**)	-	-	-	-	3 380	-	-	-	3 380	3 380
Profit/loss for the period	-	-	-	-	-	-	49 643	-	49 643	49 643
As at 31.12.2015	**3 335**	**23 360**	**3 611**	**8 420**	**4 074**	**(17 735)**	**49 643**	**(796)**	**73 912**	**73 912**
As at 01.01.2016	**3 335**	**23 360**	**3 611**	**8 420**	**4 074**	**(17 735)**	**49 643**	**(796)**	**73 912**	**73 912**
Transfer of profit/loss***	-	-	-	-	-	49 643	(49 643)	-	-	-
Dividend payment (**Note 18**)***	-	-	-	-	-	(49 072)	-	-	(49 072)	(49 072)
Settlement of option programmes (**Note 16**)	-	-	-	-	2 742	-	-	-	2 742	2 742
Acquisition of shares related to settlement of option program - agio	89	5 022	-	-	(89)	-	-	-	5 022	5 022
Profit/loss for the period	-	-	-	-	-	-	14 436	-	14 436	14 436
As at 31.12.2016	**3 424**	**28 382**	**3 611**	**8 420**	**6 727**	**(17 165)**	**14 436**	**(796)**	**47 039**	**47 039**

*data according to approved financial statement for 2014
**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
***difference between the amount of paid dividend and transfer of profit in financial statement line 'Retained profit from previous periods' in the amount of 1 543 thousand PLN is a result of a resolution of Shareholder Meeting about dividend payment and profit distribution which took place before the accounting policy change, as a result of which net profit was adjusted.

Consolidated statement of changes in equity shall be analysed together with selected disclosures and notes to the consolidated Financial Statements on pages 7 do 47.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the period from 1 January to 31 December 2016

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	Restated data* For the period: from 01.01.2015 to 31.12.2015 PLN'000
Cash flows from operating activities		
Net profit for the reporting period	**14 436**	**49 643**
Adjustments:		
Depreciation of tangible fixed assets	40	61
Foreign exchange differences on bonds	836	1 363
Share-based incentive programmes	2 741	3 380
Interest income	(4)	-
Interest expenses	3 301	3 197
Current income tax	-	1 446
Paid Income tax	(56)	(1 472)
Other adjustments	(293)	103
Change in provisions	(10 801)	4 039
Change in trade and other receivables	10 255	(11 391)
Change in trade and other payables	6 405	930
Change in the level of deferred tax assets and liabilities	(969)	(9 239)
Net cash from operating activities	**26 053**	**42 060**
Cash flows from investment activities		
Outflows for the purchase of subsidiaries	-	(11)
Outflows for the purchase of fixed assets	(15)	(52)
Other investment income and expenses	555	16
Net cash from investment activities	**540**	**(47)**
Cash flows from financial activities		
Net proceeds from issue of shares and other instruments, capitals and equity contributions	4 753	5
Issue of bills of exchange	14 000	-
Issue of bonds	-	23 296
Repayment of bills of exchange with interests	-	(35 919)
Commission on loans	-	(164)
Dividend payments with interests	(49 072)	(36 806)
Interests paid on bonds	(3 111)	(1 069)
Net cash from financial activities	**(33 430)**	**(50 657)**
Net increase/(decrease) of cash and cash equivalents	**(6 837)**	**(8 644)**
Opening balance of cash and cash equivalents	9 010	17 637
Change in cash due to exchange rate differences	(19)	17
Closing balance of cash and cash equivalents	**2 154**	**9 010**

*For details please refer to ***Selected Disclosures*** (Change in accounting policy relating to provision on remuneration for disinvestment (Carry Fee))
Consolidated statement of cash flows shall be analysed together with selected disclosures and notes to the consolidated Financial Statements on pages 7 do 47.

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 Pl. Europejski 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 2016

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 (the company is conducting business activity since 23 April 2015)
- **MCI Ventures Sp. z o.o.**
  Company which business activity is advisory relating to management and financial holdings' activities (since 20 October 2016 in Capital Group Private Equity Managers S.A.)

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 28 March 2017.

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 2015 to 31 December 2015 were approved by the Ordinary Shareholders' Meeting on 23 May 2016. On 6 June 2016 the financial statements for 2015 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 EUR. For consolidation purposes, the Financial Statements are converted to PLN.

As at the reporting date financial statements which have other functional currency than PLN and which undergo consolidation process are translated into PLN according to the following principles:

- assets and liabilities, except of equity, are translated at the closing exchange rate at the date of the balance sheet as announced by the National Bank of Poland,
- income and expenses from statement of profit or loss are translated at exchange rate calculated as arithmetic average of exchange rates at the last day of each month of the reporting period,
- equity is translated at the exchange rate as of the acquisition day as announced by the National Bank of Poland.

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%, i.e. expected rate of return on investment (hurdle rate) per annum in the period from the moment the cost was incurred to the moment of receiving revenue from the sale of shares. Provision for variable remuneration is updated quarterly based on a quarterly fair value update of investment in portfolio company.

Deferred tax assets

Deferred tax asset is presented in the amount expected to be deducted from the income tax in the future as a result of negative taxable transitional differences, which will in the future reduce the tax base and deductible tax losses, determined using the precautionary principle. The deferred tax asset is calculated using tax rates valid when the asset is realised. 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.

Convertible bonds (equity component of the bond)

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 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, represented by option to convert bonds to shares, 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. The liability component is presented in liabilities and the equity component is presented in equity.

Accounting policies

Change in accounting policy relating to Carry Fee provision

In 2016 the Group has changed accounting policy relating to provision on remuneration for disinvestment (Carry Fee).

Till the end of 2015, the Group has been creating provision on remuneration for disinvestment (Carry Fee) to which individuals managing investments in funds' portfolio companies are entitled in an individual manner when a realistic buy offer occurred, treating this event as an event indicating probable exit. Such an approach resulted in a one-time inclusion of all management / exit investment costs only at a time of the probable purchase offer.

In the opinion of the Group, the costs associated with a given investment in a portfolio company should be recognized over the life of the investment as the value is created, i.e. the increase in fair value of the investment over the life of the investment rather than in the last stage of life of the company in the fund's portfolio, i.e. in the period immediately preceding the sale.

As a result of the above the Group has decided to change the accounting policy with respect to recognition of provision on remuneration for disinvestment (Carry Fee). Since the beginning of 2016 every investment in funds' portfolios managed by the Group has been covered by the Carry Fee provision. Provisions are created on a portfolio basis. Provision is calculated on each individual investment in the amount of 5% of hypothetical net profit for each investment, where the hypothetical net profit is defined as difference between revenue on investment understood as realized profit on sale of part of shares (partial exit), received dividends, other profit of similar nature, fair value of investment in a company as at the balance sheet date and expenses incurred understood as invested capital in the acquisition of an investment, including any capital injection of a company, for example through the acquisition of a new shares in the company, and any additional costs associated with acquisition of the investment and costs of its maintenance, management and administration increased by 10% i.e. the expected rate of return on investment (hurdle rate) per annum in the period from the time the expenditure was incurred to the balance sheet date.

Introduced by the Group in 2016, change in the accounting policy concerns the change of triggers' recognition for the purpose of reserve creation (obligatory event). The trigger to create a provision is generating a hypothetical net profit at the level of an individual investment in a portfolio company.

The new way of provision creation also implies a change in the period of initial provision recognition, i.e. incorporation of a portfolio company into calculation at the moment of its initial increase in valuation (fair value measurement) in the fund's portfolio over the incurred expenses, increased by 10% expected rate of return on investment (hurdle rate) per annum in the period from the time the expenditure was incurred to the balance sheet date.

The presented change is a voluntary change in accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. According to par. 19b and par. 22 IAS 8 this change was introduced retrospectively by the Group. The effect of the abovementioned changes on the Group's consolidated financial statements is presented below.

Other 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 2015.

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

	For the period: from 01.01.2015 to 31.12.2015 PLN'000 Approved financial statement	Adjustment resulting from change in accounting policy	For the period: from 01.01.2015 to 31.12.2015 PLN'000 Restated data in this financial statement
Continuing operations			
Revenues from fund management	79 953	-	79 953
Costs of basic activities	(7 011)	-	(7 011)
Gross profit on base business	**72 942**	**-**	**72 942**
Operating expenses	(27 696)	(362)	(28 058)
Other operating income	227	-	227
Other operating expenses	(73)	-	(73)
Profit on operating activities	**45 400**	**(362)**	**45 038**
Finance income	355	-	355
Finance expenses	(3 543)	-	(3 543)
Profit before taxation	**42 212**	**(362)**	**41 850**
Income tax	7 793	-	7 793
Net profit on continuing operations	**50 005**	**(362)**	**49 643**
Profit/ loss on discontinued operations	-	-	-
Net profit	**50 005**	**(362)**	**49 643**

CONSOLIDATE STATEMENTS OF FINANCIAL POSITION
as at 31 December 2015

	Balance as at 31.12.2015 PLN'000 Approved financial statement	Adjustment resulting from change in accounting policy	Balance as at 31.12.2015 PLN'000 Restated data in this financial statement
Equity			
Share capital	3 335	-	3 335
Reserve capital	35 391	-	35 391
Other reserve capital	4 074	-	4 074
Retained earnings	3 364	(21 099)	(17 735)
Net profit	50 005	(362)	49 643
Other comprehensive income	(796)	-	(796)
	95 373	**(21 461)**	**73 912**
Non-current liabilities			
Liabilities on bonds	19 228	-	19 228
Provisions	-	24 911	24 911
	19 228	**24 911**	**44 139**
Current liabilities			
Trade and other payables	4 445	-	4 445
Liabilities on bonds	2 847	-	2 847
Provisions	4 502	(3 450)	1 053
	11 794	**(3 450)**	**8 345**
Total equity and liabilities	**126 395**	**-**	**126 396**

CONSOLIDATE STATEMENTS OF FINANCIAL POSITION
as at 01 January 2015

	Balance as at 01.01.2015 PLN'000 Approved financial statement	Adjustment resulting from change in accounting policy	Balance as at 01.01.2015 PLN'000 Restated data in this financial statement
Equity			
Share capital	3 335	-	3 335
Reserve capital	31 748	-	31 748
Other reserve capital	694	-	694
Retained earnings	3 364	(16 260)	(12 896)
Net profit	36 838	(4 839)	31 999
Other comprehensive income	(762)	-	(762)
	75 217	**(21 099)**	**54 118**
Non-current liabilities			
Provisions	-	21 099	21 099
	-	**21 099**	**21 099**
Current liabilities			
Trade and other payables	3 515	-	3 515
Bills of exchange	35 000	-	35 000
Provisions	826	-	826
	39 341	**-**	**39 341**
Total equity and liabilities	**114 558**	**-**	**114 558**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
for the period from 1 January to 31 December 2016

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.

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	For the period: from 01.01.2015 to 31.12.2015 PLN'000
Fixed remuneration for fund management:		
Sub-fund MCI.TechVentures 1.0	22 580	20 502
Sub-fund MCI.EuroVentures 1.0	15 935	15 342
MCI.CreditVentures 2.0 FIZ	1 616	1 563
Internet Ventures FIZ	1 781	1 400
Helix Ventures Partners FIZ	(35)	411
Total	**41 877**	**39 218**
Variable remuneration for fund management:		
Sub-fund MCI.TechVentures 1.0	562	19 891
Sub-fund MCI.EuroVentures 1.0	387	17 281
MCI.CreditVentures 2.0 FIZ	1 084	3 424
Total	**2 033**	**40 596**
Other revenues		
Handing fee	63	18
Other revenues	130	121
Total	**193**	**139**
Total revenues from fund management	**44 103**	**79 953**

Lower value of revenue from management in 2016 in comparison to the previous year arises mainly from significantly lower variable remuneration for management of funds. Variable remuneration is closely linked to funds' investment results.

Value of assets under management

	Balance as at 31.12.2016 PLN'000	Balance as at 31.12.2015 PLN'000
*Sub-fund MCI.TechVentures 1.0	990 248	939 936
*Sub-fund MCI.EuroVentures 1.0	789 807	823 761
MCI.CreditVentures 2.0 FIZ	185 894	184 489
**Internet Ventures FIZ*	47 898	54 468
***Helix Ventures Partners FIZ	9 574	21 946
	2 023 421	**2 024 600**

based on funds/subfunds' reporting valuations

*Change of net assets under management valuation results mainly from change in valuation of sub funds' portfolio companies and new issuance of investment certificates.
**Decrease of assets of Internet Ventures FIZ in 2016 results from partial redemption of investment certificates owned by MCI Capital S.A. due to Feedo.pl disinvestment.
***Decrease of assets of Helix Ventures Partners FIZ in 2016 results from payout to participants of funds due to Mediasoft Polska Sp. z o.o. (eBroker) disinvestment, in the form of payment of income from disposal of investments.

2. Base business and general administration costs

Base business costs

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	For the period: from 01.01.2015 to 31.12.2015 PLN'000
Distribution costs at the sales of investment certificates	(8 988)	(5 528)
Above-the-limit costs of funds covered by TFI	(590)	(977)
Costs of auxiliary activities related to keeping record of funds' participants	(164)	(115)
Other costs	(543)	(391)
	(10 285)	**(7 011)**

General administration costs

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	Restated data For the period: from 01.01.2015 to 31.12.2015 PLN'000
Depreciation/ amortisation of fixed and intangible assets	(40)	(61)
Use of materials and energy	(73)	(67)
Bought-in services, of which:	(3 671)	(4 248)

- costs of advisory and legal services	*(866)*	*(1 057)*
- costs of rental	*(699)*	*(584)*
- costs of accounting	*(335)*	*(315)*
- costs of marketing, including conferences	*(281)*	*(407)*
- costs of audit services	*(418)*	*(465)*
- costs of public trading	*(170)*	*(309)*
- costs of recruitment	*(30)*	*(115)*
- costs of information services	*(223)*	*(193)*
- other services	*(649)*	*(803)*
Taxes and charges*	(32)	(3 661)
Remuneration, of which:	(10 615)	(18 316)
- fixed remuneration	*(6 242)*	*(6 052)*
*- variable remuneration***	*(4 373)*	*(12 264)*
Social security and other benefits	(344)	(182)
Other costs	(1 036)	(1 523)
	(15 811)	**(28 058)**

*In 2015 PEM Asset Managemet Sp. z o.o. paid tax on civil law transactions as a result of sale of AMSJ company to PEM AM in the amount of 3.606 thousand PLN.
**Decrease in variable remuneration costs in 2016 is caused by lower remuneration costs on disinvestment (Carry fee). At the same time in costs of 2015 was included the provision for remuneration related to funds acquisition for future investments for two financial years, i.e. 2014 and 2015, and provision for remuneration for the placement of PEM shares.

In 2016 the Group introduced a presentation change of remuneration costs of individuals cooperating with companies from Capital Group Private Equity Managers. In 2015 these costs were presented in bought-in services as remuneration of cooperating individuals, whereas in 2016 these costs were presented in remuneration. Data relating to 2015 was respectively restated.

3. Other operating income and costs

Other operating income

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	For the period: from 01.01.2015 to 31.12.2015 PLN'000
Income from sub-lease	7	94
Correction of remuneration costs from the incentive program	181	-
Other operating income	48	133
	236	**227**

Other operating costs

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	For the period: from 01.01.2015 to 31.12.2015 PLN'000
Re-invoiced costs	(6)	(45)
Impairment losses on receivables	(97)	(5)
Other operating costs	(28)	(23)
	(131)	**(73)**

4. Financial income and costs

Financial income

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	For the period: from 01.01.2015 to 31.12.2015 PLN'000
Interest on current bank deposits	54	267
Income from interest on bonds	4	-
Other financial income	-	88
	58	**355**

Financial costs

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	For the period: from 01.01.2015 to 31.12.2015 PLN'000
Costs of interest on:		
Issued bills of exchange	(133)	(919)
Ban loans	(174)	-
Issued bonds	(3 388)	(2 075)
Foreign currency exchange gains or losses	(836)	(342)
Other	(9)	(207)
	(4 540)	**(3 543)**

5. Income tax and deferred tax

Income tax recognised in the statement of comprehensive income

		Restated data
	For the period: from 01.01.2016 to 31.12.2016	For the period: from 01.01.2015 to 31.12.2015
	PLN'000	PLN'000
Income tax - current part	-	(1 446)
Income tax - deferred part	806	9 239
	806	**7 793**

Income tax reconciliation

		Restated data
	For the period: from 01.01.2016 to 31.12.2016	For the period: from 01.01.2015 to 31.12.2015
	PLN'000	PLN'000
Profit before taxation*	13 738	45 272
Income tax recognized in the financial result	(806)	(7 793)
Effective tax rate	(5,9%)	(17,2%)
Non-taxable income (-)**	(4 034)	(72 165)
Income tax not recognised in the income statement (+)***	1 305	20 020
Non-taxable costs recognised in the income statement (+)****	26 877	20 732
Tax costs not recognised in the income statement (-)*****	(64 318)	(15 317)
Utilised tax losses from the previous years	(563)	(24)
Loss settled within the PGK	(420)	-
Tax losses for the current period	-	9 095
	(41 153)	(37 659)
Taxable amount	**(27 415)**	**7 613**
Current income tax	**-**	**1 446**

*Line profit before taxation does not contain profits of companies, which are not a taxpayer of corporate income tax in Poland, i.e. Limited joint-stock partnership, registered partnership, closed-end investment fund and foreign entity.
**Non-taxable income covers mainly provisions for fund management income and accrued interest in investment.
***Income tax not recognised in the income statement cover mainly revenue from accrued income (concern income on fund management).
****Non-taxable costs recognised in the income statement cover mainly interest accrued on bonds, other provision costs (i.e. Provisions on remuneration, preparation and audit of financial statements) and representation costs.
*****Tax costs not recognised in the income statement cover mainly goodwill amortisation costs, distribution costs and paid interest on bonds.

Accountable tax losses as at 31 December 2016

Incurred in	Incurred at	Utilised in previous periods in amount	Utilised in current period in amount	To be utilised at	To be utilised until*
year	000'PLN	000'PLN	000'PLN	000'PLN	year
2011	466	(139)	-	164	2016
2012	1 487	(108)	-	1 379	2017
2013	2 047	(572)	(563)	912	2018
2014	1 734	-	-	1 734	2019
2015	9 095	-	-	9 095	2020
2016	2 410	-	-	2 410	2021
	17 239	**(819)**	**(563)**	**15 694**	

*not including the Tax Group

The Group has assessed the possibility of tax losses utilisation in the subsequent years. In the opinion of the Board of Private Equity Managers S.A. as of the date of signing this financial statement remaining loss from 2011 and part of loss from 2012 will not be utilised, therefore the Group has decided to write off deferred tax asset in the amount of 162 thousand PLN.

Accountable tax losses as at 31 December 2015

Incurred in	Incurred at	Utilised in previous periods in amount	Utilised in current period in amount	To be utilised at	To be utilised until
year	000'PLN	000'PLN	000'PLN	000'PLN	
2011	466	(139)	-	164	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)**	**13 847**	

Deferred income tax

	Balance as at 31.12.2016 PLN'000	Balance as at 31.12.2015 PLN'000
Deferred income tax assets:		
Due for settlement after 12 months	11 001	3 855
Due for settlement within 12 months	-	6 339
	11 001	**10 194**
Deferred income tax liabilities:		
Due for settlement after 12 months	-	-
Due for settlement within 12 months	-	-
	-	**-**

Deferred income tax assets

	Tax losses which can be deducted	Other titles	Total
	000' PLN	000' PLN	000' PLN
As at 1 January 2015	**938**	**161**	**1 099**
Effect on profit or loss	1 693	7 402	9 095
Effect on equity	-	-	-
As at 31 December 2015	**2 631**	**7 563**	**10 194**
Effect on profit or loss	296	511	807
Effect on equity	-	-	-
As at 31 December 2016	**2 927**	**8 074**	**11 001**

Deferred income tax liabilities

	Other liabilities	Total
	000' PLN	000' PLN
As at 1 January 2015	**144**	**144**
Effect on profit or loss	(144)	(144)
Effect on equity	-	-
As at 31 December 2015	**-**	**-**
Effect on profit or loss	-	-
Effect on equity	-	-
As at 31 December 2016	**-**	**-**

On February 15, 2016 Private Equity Managers S.A., PEM Asset Management Sp. z o.o. and MCI Capital TFI S.A. have concluded a contract for the formation of the Tax Group ("Podatkowa Grupa Kapitałowa - PGK"). The parent company of PGK is Private Equity Managers S.A. PGK tax year is from 1 July to 30 June. The first tax year is from July 1, 2016 to June 30, 2017. The agreement was concluded for three consecutive tax years, what indicates the time from July 1, 2016 to June 30, 2019. The companies forming PGK are jointly liable for its liabilities resulting from income tax during the lasting of the contract.

During the tenor of the PGK, the companies forming it are obliged to maintain each year tax profitability ratio of at least 3% (profit of revenues ratio). Otherwise PGK will be dissolved. At the same time, companies cannot benefit from any income tax exemption under other legal acts.

Losses generated by companies before PGK are not subject to expiration. For this reason, PEM will be entitled to settle tax losses for the next five consecutive fiscal years, with the PGK period not being taken into account when calculating successive tax years in succession.

If 3% profitability ratio will not be maintained the PGK will be dissolved. The PGK is considered to be dissolved on the last day of month in which tax return is submitted, not later than till the end of the 3rd month of the subsequent year, when a deadline for tax return submission ends. Tax settlements made by PGK during the period of its operation remain in force and need not to be corrected.

As a result, the Company recognized deferred tax assets for tax losses incurred prior to the PGK due to the fact that their deferred tax liabilities will be settled later (deferred tax assets to be realized after 12 months). The Group has assessed the possibility of tax losses utilisation in the subsequent years and decided to write off deferred tax asset in the amount of 162 thousand PLN (due to low probability of utilisation of remaining loss from 2011 and part of loss from 2012). At the same time, the company confirms that it is able to generate tax revenue in the future allowing it to settle its tax losses.

6. Earnings per share

Earnings per one share

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	For the period: from 01.01.2015 to 31.12.2015 PLN'000
Earnings attributable to shareholders of the Company	14 436	49 643
Weighted average no of ordinary shares (in 000s)	3 394	3 335
Basic earnings per share (in PLN per one share)	**4,25**	**14,89**

Diluted earnings per one share

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	For the period: from 01.01.2015 to 31.12.2015 PLN'000
Earnings attributable to shareholders of the Company	14 436	49 643
Earnings applied when determining diluted earnings per share	17 002	51 323
Cost of interest on bonds (PLN 000s)	3 168	2 075
Net cost of interest on bonds (PLN 000s)	2 566	1 681
Weighted average no of ordinary shares (in 000s)	3 394	3 335
Adjustments related to:		
incentive programme based on the issue of shares and share options (in 000s)	26	68
bonds convertible into shares (000s)	246	170
Weighted average No. of ordinary shares for the purposes of diluted earnings per share (thousands)	3 666	3 573
Diluted earnings per share (in PLN per one share)	**4,64**	**14,36**

7. Goodwill

	Balance as at 31.12.2016 PLN'000	Balance as at 31.12.2015 PLN'000
MCI Capital TFI S.A.	8 749	8 749
PEM Asset Management Sp. z o.o.	75 220	75 220
MCI Ventures Sp. z o.o.	-	-
	83 969	**83 969**

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. after reclassification	PEM Asset Management Sp. z o.o.	MCI Ventures 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**
Purchase price	-	-	-	-	-	-	-
Fair value of net assets taken over	-	-	-	-	-	-	-
Goodwill in 2016	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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. (currently MCI Capital 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 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. (currently MCI Capital 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.

Goodwill – MCI Ventures Sp. z o.o.

On 20 October 2016 100% of MCI Ventures Sp. z o.o. shares (corresponding to 100 shares in the share capital of the company) were sold by MCI.TechVentures 1.0 Sub-fund separated within MCI.PrivateVentures FIZ to PEM. Sale price amounted to 1 PLN, due to indebtedness of the company (at the date of sale the company had negative equity of 10 thousand PLN). Due to negative equity, fair value of the company amounts to 0 PLN.

Test for impairment of goodwill conducted in 2016

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 2016 the Group tested for impairment the following companies:

- MCI Capital TFI S.A.,
- 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. 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		
Assumptions applied to calculate value in use:		
- Discount rate**	12,1%	12,1%
Value in use	**369 400**	**19 200**
Goodwill	**75 220**	**8 749**
Surplus over goodwill	**294 180**	**10 451**

*until 29.10.2015 the company goodwill was disclosed in MCI Asset Management Sp. z o.o. Sp. j. (for details please refer to "Calculating Goodwill")
**discount rate includes: free risk rate 2,8%, risk premium 8,2%, premium for the Company's size 1,1%. Discount for little liquidity was adopted at the level of 20%.

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

With respect to MCI Ventures Sp. z o.o. impairment test was not carried out due to the fact that shares in the company were purchased on 20 October 2016. Since the moment of share purchase to the balance sheet date the financial situation of the company has not changed, and its fair value amounts to 0 PLN (due to negative equity).

8. Trade and other receivables

	Balance as at 31.12.2016	Balance as at 31.12.2015
	PLN'000	PLN'000
Receivables on management fees, including:	10 626	20 272
- variable fee	70	787
- fixed fee	10 436	17 626
- handing fees	120	1 859
Receivables from related entities	3	97
Other trade receivables	104	123
Tax / budget fees	1 168	665
Prepayments	25	782

Other receivables	362	604
	12 288	**22 543**
Including:		
Non-current part:	187	390
Current part:	12 101	22 153
	12 288	**22 543**

9. Cash and cash equivalents

The balance of cash and cash equivalents of TPLN 2.154 as at the balance sheet date (in December 2015 TPLN 9.010) constituted cash at bank and bank deposits measured at fair value.

10. Equity

Share capital

	Balance as at 31.12.2016	Balance as at 31.12.2015
Share capital issued and paid (PLN 000s)	3 424	3 335
Number of shares	3 423 769	3 335 054
Nominal value per share (PLN)	1,00	1,00
Nominal value of all shares (PLN 000s)	**3 424**	**3 335**

*In 2016 took place an increase of share capital in total amount of 88 715 PLN (as a result of issue of 26.389 series F shares and 62.326 series G shares).

Capital redemption reserve

	Balance as at 31.12.2016 PLN'000	Balance as at 31.12.2015 PLN'000
Balance at the beginning of period	**35 391**	**31 748**
Capital from issue of convertible bonds	-	3 611
Acquisition of shares related to settlement of option program – agio (**Note 16**)	5 022	-
Transfer of profit for previous period to capital redemption reserve	-	32
Balance at the end of period	**40 413**	**35 391**

Other reserves

	Balance as at 31.12.2016 PLN'000	Balance as at 31.12.2015 PLN'000
Balance at the beginning of period	**4 074**	**694**
Valuation of Management options programme for members of the Management Board and the Supervisory Board in 2014	-	1 013
Valuation of Management options programme for members of the Management Board and the Supervisory Board in 2015	1 209	2 367
Valuation of Management options programme for members of the Key Management Stuff 2016 (**Note 16**)	1 533	-
Registration of capital increase	(89)	-
Balance at the end of period	**6 727**	**4 074**

*Incentive programmes described in **Note No. 16 *"Share based incentive programmes"***.

11. Shareholders structure

Significant shareholders as at 31 December 2016

	Participation in the share capital		Participation in the total number of votes at the General Meeting	
	Number of shares	Participation in the share capital	Number of votes at the General Meeting	Share in the overall number of votes at the General Meeting
MCI Management Sp. z o.o.*	1 287 275	37,60%	1 287 275	37,60%
CKS Inwestycje Sp. z o.o.**	544 005	15,89%	544 005	15,89%
MCI Capital S.A.	350 641	10,24%	350 641	10,24%
AMC III Moon B.V.	277 921	8,12%	277 921	8,12%
Other***	963 927	28,15%	963 927	28,15%
	3 423 769	**100,00%**	**3 423 769**	**100,00%**

Significant shareholders as at 31 December 2015

	Participation in the share capital		Participation in the total number of votes at the General Meeting	
	Number of shares	Participation in the share capital	Number of votes at the General Meeting	Share in the overall number of votes at the General Meeting
MCI Management Sp. z o.o.*	1 260 886	37,81%	1 260 886	37,81%
Cezary Smorszczewski	517 616	15,52%	517 616	15,52%
MCI Capital S.A.	341 961	10,25%	341 961	10,25%
AMC III Moon B.V.	277 921	8,33%	277 921	8,33%
Other***	936 670	28,09%	936 670	28,09%
	3 335 054	**100,00%**	**3 335 054**	**100,00%**

*100% of the company is controlled by Tomasz Czechowicz
**100% of the company is controlled by Cezary Smorszczewski
***Relates to shareholders holding below 5% of shares and votes

12. Liabilities on bonds

	Balance as at 31.12.2016 PLN'000	Balance as at 31.12.2015 PLN'000
Carrying value of liability as at issue date	**63 296**	**63 696**
Equity component (without deferred tax)	(3 611)	(3 611)
Liability component as at issue date	**59 685**	**60 085**
Foreign exchange differences as at balance sheet date	2 184	1 381
Interest accrued - costs YTD	14 016	7 772
Interest paid	(10 139)	(6 879)
Exclusion from consolidation – sales to capital group	(42 780)	(40 284)
Carrying value of liability as at balance sheet date	**22 966**	**22 075**
Non-current part:	20 652	19 228
Current part:	2 314	2 847
	22 966	**22 075**

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*.

13. Trade and other payables

	Balance as at 31.12.2016 PLN'000	**Balance as at 31.12.2015 PLN'000**
Trade payables	884	1 260
Payables to related entities*	1 908	422
Tax liabilities	384	348
Renumeration payables**	2 330	-
Carry fee liabilities***	2 648	-
Prepayments	2 571	2 226
Other liabilities	125	50
Deferred income	-	139
	10 850	**4 445**

*Payables to related entities are presented in **Note No. 26 *"Related entities"***.
Increase of liabilities results mainly from reinvoices of costs relating to new office.
**This line constitutes mainly liabilities on incentive programme settled in cash.
***Liability relating to Wirtualna Polska disinvestment.

14. Provisions

	Balance as at 31.12.2016 PLN'000	Restated data Balance as at 31.12.2015 PLN'000
Provision for remuneration on disinvestment (Carry fee)*	14 553	24 910
Provision for costs of audit of Financial Statements	211	246
Fundraising fee**	218	686
Other provisions	181	122
	15 163	**25 964**
Non-current part:	14 553	24 911
Current part:	610	1 053
	15 163	**25 964**

*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.

Provision breakdown	**Value as at 01.01.2016 PLN'000**	**Increase of provision PLN'000**	**Release of provision PLN'000**	**Use of provision PLN'000**	**Value as at 31.12.2016 PLN'000**
Provision for remuneration on disinvestment	24 910	765	(5 831)	(5 291)	14 553
Provision for costs of audit of Financial Statements	246	292	(31)	(296)	211
Fundraising fee	686	504	(643)	(329)	218
Other provisions	122	73	(1)	(13)	181
Provision	**25 964**	**1 634**	**(6 506)**	**(5 929)**	**15 163**

15. Zobowiązania z tytułu weksli

The Company manages financial liquidity using short term financial instruments – bills of exchange.

As at 31 December 2016 the Group had liabilities resulting from bills of exchange to the following companies:

	Maturity date	Interest rate (fixed)	Nominal value	Interest accrued value	Total
		%	PLN'000	PLN'000	PLN'000
LoanVentures Sp. z o.o.*	2017-09-28	4,79%	7 500	90	7 590
MCI Capital SA	2017-10-23	4,79%	500	4	504
MCI Capital SA	2017-10-19	4,79%	500	5	505
MCI VentureProjects Sp. z o.o. VI SKA**	2017-11-01	4,80%	3 500	27	3 527
MCI VentureProjects Sp. z o.o. VI SKA**	2017-12-02	4,80%	2 000	7	2 007
			14 000	**133**	**14 133**

*Portfolio company of MCI CreditVentures FIZ 2.0 fund.
**Portfolio company of MCI.EuroVentures 1.0 Sub-fund separated within MCI.PrivateVentures FIZ.

As at 31 December 2015 the Group had no liabilities resulting from bills of exchange.

16. Share based incentive programmes

Management stock option agreement for Chairman of the Board of Directors – Tomasz Czechowicz

Under management stock option agreement concluded on 26 June 2015 between the Company and Tomasz Czechowicz (hereinafter "TC" or "party"), the Company is obligated to enable TC 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 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 TC taking up the issued shares. Simultaneously, TC is obliged, under agreement, 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 TC for each period.

Share based payments between entities from the Capital Group

Capital Group PEM, operates a share-based remuneration system in form of parent entity shares for the management of its subsidiaries. The parent entity is obliged to settle transactions, ie. Issue of PEM shares or subscription warrants entitling them to take up PEM shares (this is not the responsibility of the subsidiaries).

In order to realize the above described method of remuneration, the Company is obliged to issue warrants in number resulting from agreements concluded between the Company and the manager. Each warrant will entitle the holder to take up one share of the Company at the issue price of 1 PLN.

In this regard, in 2016 PEM Asset Management Sp. z o.o. recognized remuneration cost of PLN 1 508 thousand PLN.

Incentive programme for members of the Management Board and 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.

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 and Supervisory Board participated in the incentive programme through the right to take up subscription warrants of B2 and B3 series entitling to change warrants to company shares.

The above described incentive programmes were described in detail in standalone financial statement of the company for 2015 (Note 16 “Share based incentive programmes”)

As a result of these programmes the company included in remuneration costs of Management and Supervisory Board for 2016 amount of 1 300 thousand PLN (settlement of programmes took place in the first half of 2016) and for 2015 amount of 2 367 thousand PLN.

As a result of the acquisition of shares in connection with the realisation of incentive programmes by the members of the Management Board and the Supervisory Board, the Company recognized in reserve capital agio in the amount of 5 022 thousand PLN (surplus of the issue value over the nominal value).

17. Employee benefits

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

		Restated data
	For the period:	**For the period:**
	from 01.01.2016 to 31.12.2016	**from 01.01.2015 to 31.12.2015**
	PLN’000	**PLN’000**
Fixed remuneration	6 242	6 052
Variable remuneration*	3 073	9 897
Social security	197	146
Share options granted to Members of the Management of Supervisory Boards	1 300	2 367
Other employee benefits	147	36
	10 959	**18 498**

*Decrease in variable remuneration costs in 2016 is caused by lower remuneration costs on disinvestment (Carry fee). At the same time in costs of 2015 was included the provision for remuneration related to funds acquisition for future investments for two financial years, ie. 2014 and 2015, and provision for remuneration for the placement of PEM shares.

Remuneration for key personnel of the parent entity

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	Restated data For the period: from 01.01.2015 to 31.12.2015 PLN'000
Management Board		
Fixed remuneration	1 337	1 542
Variable remuneration*	6 967	3 792
Other benefits	-	33
Incentive programme	988	2 172
	9 292	**7 539**
Supervisory Board		
Remuneration related to Meetings of Supervisory Board	65	47
Incentive programme	149	195
	214	**242**

*Increase of variable remuneration costs in 2016 was caused by significant increase of remuneration costs on disinvestment (Carry fee) (Invia and Wirtualna Polska exit), which was compensated by decrease of remuneration costs relating to raising funds for future investments.

Employment / execution of function in the parent entity

	Balance as at 31.12.2016 Number of employees	Balance as at 31.12.2015 Number of employees
Management Board	3	4
Supervisory Board	7	7
Operational staff	3	2
	13	**13**

Borrowings granted to members of the Management Board

The Group did not grant borrowings to Management Board Members in 2016 and 2015.

Advances paid to members of the Management Board

The Group did not pay advances to Management Board Members in 2016 and 2015.

18. Dividend

On 23 May 2016 the Ordinary Shareholders Meeting of Private Equity Managers S.A. passed a resolution on the Company's profit distribution for 2015. The Ordinary Shareholders Meeting, in line with the recommendation of the Board of Directors, distributed the Company's net profit for 2015 of PLN 74.083.849,79 as follows:

- PLN 49.071.842,82 for the payment of dividend to the Company's shareholders in the amount of 14,41 PLN per share,

- PLN 25.012.006,97 for the Company's capital redemption reserve, in the amount constituting the rest of net profit for the period.

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 III Moon B.V. of its rights to dividend on 23 May 2016 the total number of shares in the shareholders capital for which a dividend was paid from the profit for 2015 amounted to 3.405.402 (further "Number of entitled shares").

The Ordinary General Shareholding Meeting of the Company set the dividend date on 29 June 2016. The Ordinary General Shareholding Meeting of the Company set the dividend payment day from profit for 2015 in two instalments:

- 15 July 2016 in the amount of 8 PLN per share (total value of dividend amounts to 27.243.216,00 PLN)
- 30 September 2016 in the amount of 6,41 PLN per share (total value of dividend amounts to 21.828.626,82 PLN)

Dividend planned for 2016

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 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 and after receiving approval of Ordinary Shareholders' Meeting.

In pursuit of the above, the Management Board of the Company intends to submit to the General Meeting of Shareholders the proposal to pay a dividend for 2016 in the amount of PLN 10 million.

19. Financial instruments

Items in the financial statements	Measurement method	Balance as at 31.12.2016 PLN'000	Balance as at 31.12.2015 PLN'000
Trade and other receivables	Measured at amortised cost	12 288	22 543
Cash and cash equivalents	Measured nominal value	2 154	9 010
Liabilities on bonds	Measured at amortised cost	22 966	22 075
Trade and other payables	Measured at amortised cost	10 850	4 445
Loans	Measured at amortised cost	13	-
Bills of exchange	Measured at amortised cost	14 133	-

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.

20. Contingent liabilities and assets

As at the date of these Financial Statements the Group did not have contingent liabilities and assets other than these defined in **Note No. 21 *"Guarantees"***.

21. 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 enforcement title" up to TPLN 68.000 each. The bank may proceed to enforcement based on the enforcement title within 24 months following the day of the Agreement termination or maturity of the whole liability. 31 December 2018 is the day of the final loan repayment. 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.. Due to assumption of liabilities MCI Asset Management Sp. z o. o. Sp,j. and respectively after 29 October 2015 PEM Asset Management Sp. z o.o. are entitled to an annual fee of 1% of the amount of collateral. As of the balance sheet date the available credit limit in Alior Bank S.A. amounted to 16 thousand PLN.

On 13 February 2017 Private Equity Managers S.A. granted joint and several guarantee for loan liabilities in the amount of 15 300 thousand PLN granted on basis of the revolving loan agreement from 13 February 2017 by Alior Bank S.A. seated in Warsaw to MCI CreditVentures 2.0 FIZ. The guarantee covers the Borrower’s obligations under the above mentioned loan agreement in the event the Borrower fails to perform those obligations within the specified time. The day of the final payment of the loan is 14 November 2019.

22. Litigation and administrative proceedings

There are no litigation proceedings pending against the Company.

Against the subsidiary of PEM, i.e. MCI Capital TFI S.A. („Investment Fund Company”) is pending one administrative proceeding in front of a General Inspector for Financial Information. In May 2016 controllers from the General Inspector for Financial Information carried out inspection of compliance with provisions of Anti-money laundering and counter-terrorism financing Act in the Investment Fund Company. Control covered period form 1 January 2015 to 30 April 2016. In July 2016, the Investment Fund Company received a follow-up protocol from inspection and in August 2016 presented description of recommendation realisation described in the follow-up protocol, whose deadline for implementation or transfer of information on the way realisation was set at August 2016. In December 2016, the Investment Fund Company received a decision of the General Inspector for Financial Information on initiating proceedings on the imposition of a financial penalty on the Investment Fund Company for noncompliance with the above-mentioned Act.

Till the day of preparation of these financial statements the Investment Fund Company has not received any information on potential penalty, that would be imposed on the Investment Fund Company. The Management Board of the Investment Fund Company, due to inability to reliably estimate the amount of possible penalty decided not to create provision by the Investment Fund Company in 2016.

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

	For the period: from 01.01.2016 to 31.12.2016 PLN'000	For the period: from 01.01.2015 to 31.12.2015 PLN'000
Audit of annual financial statements	293	288
Review of half-year financial statements	107	83
Other services	99	133
	499	**504**

24. Events after the balance sheet date

Own shares repurchase program

On 9 January 2017 the Extraordinary General Shareholders Meeting of PEM granted the Company authorization to purchase own shares and create reserve capital. Maximum 133 333 own shares of the Company, with a nominal value of 1 PLN each, representing not more than 3,9% of the Company share capital at the time of resolution adoption, can be subject of the acquisition.

Purchase of shares by the Company will be carried out on the following terms:
- the Company will purchase only fully paid up shares,
- maximum total amount paid to shareholders for remuneration for shares purchased from them may not exceed the maximum amount indicated above,
- maximum price paid by the Company for each purchased share may not be less than the nominal value per share of the Company and not higher than PLN 75.00 per share,
- shareholders' remuneration for acquisition of shares from them, plus the cost of acquisition of shares, may not be higher than the reserve capital created for that purpose from the amount which, pursuant to Art. 348 par. 1 of the Commercial Companies Code may be assigned for the distribution,
- funds for acquisition of shares will come from the reserve capital, specially created for this purpose.

Acquired own shares may be assigned to:
- redemption of shares and reduction of the Company's share capital,
- In particular: further resale or disposal in the performance of an obligation binding on the Company or realisation of incentive programmes adopted by the Company.

Authorisation to acquire own shares is granted for period up to 31 December 2017, but no longer until the funds are used.

At the same time, the PEM Extraordinary General Shareholders Meeting decided to create in the Company „Reserve capital for own shares purchase" and allocate from the reserve capital to „Reserve capital for own shares purchase" total amount of 10 000 thousand PLN.

Guarantees granted

On 13 February 2017 Private Equity Managers S.A. granted joint and several guarantee for loan liabilities in the amount of 15 300 thousand PLN granted on basis of the revolving loan agreement from 13 February 2017 by Alior Bank S.A. seated in Warsaw to MCI CreditVentures 2.0 FIZ. The guarantee covers the Borrower's obligations under the above mentioned loan agreement in the event the Borrower fails to perform those obligations within the specified time. The day of the final payment of the loan is 14 November 2019.

25. 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).

26. Subsidiaries

Entities constituting the Capital Group

The composition of the Capital Group Private Equity Managers S.A. as at 31 December 2016 is presented in **Selected Disclosures**.

Transactions with related entities as at 31 December 2016

	Major investor	Other related entities*	Total
Receivables:			
Trade receivables	1	2	3
Liabilities:			
Trade payables	-	1 908	1 908
Liabilities due to bills of exchange	-	1 009	1 009
Revenues and expenses:			
Operating expenses	-	(620)	(620)
Financial costs	-	(9)	(9)

*As other related entities the Group classifies the following companies: MCI Capital S.A., MCI Fund Management Sp. z o.o. oraz MCI Fund Management Sp. z o.o. sp.j.

Transactions with related entities as at 31 December 2015

	Major investor	Other related entities*	Total
Receivables:			
Trade receivables	1	96	97
Liabilities:			
Trade payables	50	372	422
Revenues and expenses:			
Other operating income	5	14	19
Operating expenses	-	(284)	(284)

*As other related entities the Group classifies the following companies: MCI Capital S.A., MCI Fund Management Sp. z o.o. oraz MCI Fund Management Sp. z o.o. sp.j.

Transactions with the Management and Supervisory Boards

Management Board

Transactions with members of the Management Board are presented in **Note No. 16 "Share based incentives"**.

Supervisory Board

Transactions with members of the Supervisory Board are presented in **Note No. 16 "Share based incentives"**.

Members of Management of PEM SA, as at 31 December 2016, holding a position in subsidiaries

Subsidiaries/Board Members same as in PEM	Members of Management Board		
	Tomasz Czechowicz	Ewa Ogryczak	Krzysztof Konopiński
MCI Capital Towarzystwo Funduszy Inwestycyjnych S.A.	yes	yes	yes
PEM Asset Management Sp. z o.o.*	yes	no	no
PEMSA Holding Limited	no	no	no
MCI Asset Management Spółka z ograniczoną odpowiedzialnością Spółka Jawna	no	no	no
MCI Asset Management Spółka z ograniczoną odpowiedzialnością	no	yes	yes
MCI Asset Management Spółka z ograniczoną odpowiedzialnością II S.K.A	no	no	no
MCI Asset Management Spółka z ograniczoną odpowiedzialnością IV S.K.A.	no	no	no
MCI Asset Management Spółka z ograniczoną odpowiedzialnością V S.K.A	no	no	no
ImmoPartners Spółka z ograniczoną odpowiedzialnością Asset Management S.K.A. w likwidacji	no	no	no
MCI Ventures Sp. z o.o.	no	yes	no

*As of the publication day of these financial statements Ewa Ogryczak and Krzysztof Konopiński acted as Board Members of the Company.

None of the Supervisory Board members held a position in subsidiaries

27. 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 2016 - 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 2016. 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 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 (sale price) as well as other revenue from investment obtained during the investment lifetime and costs incurred for a given investment, and connected to a particular portfolio company, increased by 10%, i.e. expected rate of return on investment (hurdle rate) per annum in the period from the moment the cost was incurred to the moment of receiving revenue from the sale of shares according to agreement entered into with investment manager and remuneration policy which is bi
nding in the Company.

The Company creates provisions for variable remuneration (Carry Fee). Provisions are calculated based o available parameters which provide the best estimate of the hypothetical expected net profit for a given investment as at the balance sheet date. The hypothetical expected net profit is calculated as difference between fair value of investment as at the balance sheet date, received profit on investment till the balance sheet date (ie. dividends) and expenses incurred on particular investment and connected to this investment, increased by 10% ie. the expected rate of return on investment (hurdle rate) per annum in the period from the time the expenditure was incurred to the balance sheet date. Provision for remuneration for disinvestment is created in the amount of 5% of hypothetical net profit for a given investment. The first trigger for creating provision for remuneration for disinvestment, obligatory event, is the first moment when fair value of particular investment increases by more than expenditure increased by 10%, ie. the expected rate of return on investment (hurdle rate) resulting in creating net profit calculated as stated above. Provision for variable remuneration is updated quarterly based on a quarterly fair value update of investment in portfolio company. Provision is created/updated for all companies in portfolio of managed funds and then is aggregated and presented as increase or decrease of period cost. When a realistic buy offer of a particular investment in a portfolio company is received, the Company unwinds provision concerning this investment in portfolio company and books final liability resulting from remuneration for disinvestment.

According to Capital Group PEM policy, provision for variable remuneration Carry fee is created in managing company, i.e. PEM Asset Management Sp. z o.o., where individuals responsible for investment management are employed. In case of full or partial disinvestment from particular investment the general provision is converted into individual provision, i.e. allocated to particular individuals responsible for investment management. (if disinvestment is certain but not all parameters from the buy offer are known) or liability resulting from variable remuneration Carry fee (if all parameters from the buy offer are known). For individuals responsible for investment management employed in PEM provision/liability for variable remuneration Carry fee is booked for these individuals in PEM. Then, general provision (without allocation on particular managers) is unwound in managing company and a provision/liability in PEM is booked. The way of provision/liability calculation does not change.

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.

Share based payments between entities from the Capital Group

Capital Group PEM, operates a share-based remuneration system in form of parent entity shares for the management of its subsidiaries. The parent entity is obliged to settle transactions, i.e. Issue of PEM shares or subscription warrants entitling them to take up PEM shares (this is not the responsibility of the subsidiaries). Taking into account the settlement system, share payment is treated as transaction settled in equity instruments according to IFRS 2 ”Share-based payment”. The costs incurred in this regard are recognized by the subsidiary in which the employed manager received remuneration in PEM shares or warrants entitling to acquire PEM shares.

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.

Due to creation of PGK during the tenor of the PGK, the companies forming it are obliged to maintain each year tax profitability ratio of at least 3% (profit of revenues ratio).

Losses generated by companies before PGK are not subject to expiration. For this reason, PEM will be entitled to settle tax losses for the next five consecutive fiscal years, with the PGK period not being taken into account when calculating successive tax years in succession.

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.

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.

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 its equivalents 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”**.

Amendments in the accounting standards

Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2016:

Standards and Interpretations adopted by EU	Nature of impending change in accounting policy
IFRS 15 Revenue from Contracts with Customers	The Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Specifically, it replaces IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under the new standard, entities will apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized: - Over time, in a manner that depicts the entity's performance; or - At a point in time, when control of the goods or services is transferred to the customer. Included in the Standard are new qualitative and quantitative disclosure requirements to enable financial statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. *The Company 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.*
IFRS 9 Financial Instruments (2014)	The new standard replaces the guidance included in IAS 39 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets, including a model for calculating impairment. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables used to classify financial assets. Under the new standard, financial assets are to be classified on initial recognition into one of three categories: • financial assets measured at amortized cost; • financial assets measured at fair value through profit or loss; or • financial assets measured at fair value through other comprehensive income (OCI). A financial asset is classified as being subsequently measured at amortized cost if the following two conditions are met: • the assets is held within a business model whose objective is to hold assets in order to collect

Standards and Interpretations adopted by EU	Nature of impending change in accounting policy
	contractual cash flows; and • its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. Otherwise, e.g. in the case of equity instruments of other entities, a financial asset will be measured at fair value. Gains and losses on remeasurement of financial assets measured at fair value are recognised in profit or loss, other than assets held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets – such remeasurement gains and losses are recognized in OCI. In addition, at initial recognition of an equity investment that is not held for trading, an entity may irrevocably elect to present all fair value changes from the investment in OCI. The election is available on an individual share-by-share basis. No amount recognised in OCI in relation to the above-described remeasurement is ever reclassified to profit or loss at a later date. The new standard retains almost all of the existing requirements in IAS 39 on the classification and measurement of financial liabilities and on derecognition of financial assets and financial liabilities. However, IFRS 9 requires that the portion of the gain or loss on a financial liability designated at initial recognition as fair value through profit or loss that is attributable to changes in its credit risk be presented in OCI, with only the remaining amount of the total gain or loss included in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, or if the financial liability is a loan commitment or a financial guarantee contract, the entire fair value change is presented in profit or loss. In respect of the financial assets impairment requirements, IFRS 9 replaces the “incurred loss” impairment model in IAS 39 with an “expected credit loss” model. Under the new approach, which aims to address concerns about “too little, too late” provisioning for impairment losses, it will no longer be necessary for a loss event to occur before an impairment allowance is recognized. In short, the expected credit loss model uses a dual measurement approach, under which the loss allowance is measured as either: • 12-month expected credit losses, or • lifetime expected credit losses. The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. If the credit risk of a financial asset has not increased significantly since initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit loss. If, however, its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses, thereby increasing the amount of impairment recognized. The standard contains a rebuttable presumption that the condition for recognizing lifetime expected credit losses is met when payments are more than 30 days past due. *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.*

Standards and interpretations not yet endorsed by the EU as at 31 December 2016:

Standards and Interpretations awaiting to be adopted by EU	Nature of impending change in accounting policy
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates)	The Amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. While IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint venture, IFRS 10 requires full profit or loss recognition on the loss of control of subsidiary. The Amendments require a full gain or loss to be recognised when the assets transferred meet the definition of a business under IFRS 3 Business Combinations (whether it is housed in a subsidiary or not). A partial gain or loss (only to the extent of unrelated investors’ interests) shall be recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. *The Group 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.*
IFRS 16 Leases	IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Bringing operating leases in balance sheet will result in recognizing a new asset – the right to use the underlying asset – and a new liability – the obligation to make lease payments. The right-of-use asset will be depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained. *The Group 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.*
Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12 Income Taxes)	The amendments clarify, among other things, that unrealized losses related to debt instruments measured at fair value in the financial statements but whose tax base is their original cost can give rise to deductible temporary differences. *The Group 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.*
Diclosure initiative (Amendments to IAS 7 Statement of Cash Flows)	Pursuant to the amendments, an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and

Standards and Interpretations awaiting to be adopted by EU	Nature of impending change in accounting policy
	non-cash changes. One way to fulfil the above disclosure requirement in is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. *The Group 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.*
Amendments to IFRS 15 (Revenue from Contracts with Customers)	The amendments to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard. The amendments clarify how to: • identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; • determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and • determine whether the revenue from granting a licence should be recognised at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard. *The Group 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.*
Amendments to IFRS 2 (Share-based Payment)	types of share-based payment transactions, provide requirements on the accounting for: • the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; • share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. *The Group 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.*
Improvements to IFRS (2014-2016)	The Improvements to IFRSs (2014-2016) contains 3 amendments to standards. The main changes were to: • delete short-term exemptions for first-time adopters (IFRS 1 First-time Adoption of International Financial Reporting Standards) relating, inter alia, to transition provisions of IFRS 7 Financial Instruments - Disclosures regarding comparative disclosures and transfers of financial assets, and of IAS 19 Employee Benefits; • clarify that requirements of IFRS 12 Disclosure of Interest in Other Entities (with an exception of disclosure of summarized financial information in accordance with paragraphs B10-B16 of that standard) apply to entities that has an interest in subsidiaries, or joint arrangements, or associates, or unconsolidated structured entities, which are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations; and • clarify that election of exemption from applying the equity method per IAS 28 Investments in Associates and Joint Ventures shall be made separately for each associate or joint venture, and to clarify date of such an election *The Group 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.*
IFRIC 22 Foreign Currency Transactions and Advance Consideration	IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance and clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. *The Group 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.*

28. 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. On this exposure the Company does not identify interest rate risk.

Currency risk

In the period from 1 January to 31 December 2016 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 2016 and 31 December 2015 the Group met the capital requirement imposed by law.

In 2016, MCI Capital TFI S.A. was obliged to maintain share capital in the amount of 18 937 thousand PLN (minimum capital requirement). As at 31 December 2016 the share capital of the Investment Fund Company amounted to 21 063 thousand PLN. No instances of regulatory capital requirement excesses occured during 2016.