TAURON POLSKA ENERGIA S.A.

FINANCIAL STATEMENTS
PREPARED ACCORDING TO THE INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ENDORSED BY THE EUROPEAN UNION
FOR THE YEAR ENDED 31 DECEMBER 2015

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(in PLN '000)

STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Sales revenue	11	9 173 030	8 689 799
Cost of sales	12	(9 185 682)	(8 526 855)
Gross profit (loss)		**(12 652)**	**162 944**
Other operating income		7 103	2 821
Selling and distribution expenses	12	(20 268)	(25 286)
Administrative expenses	12	(96 341)	(80 365)
Other operating expenses		(2 134)	(1 462)
Operating profit (loss)		**(124 292)**	**58 652**
Dividend income	14	1 510 624	1 076 836
Other finance income	15	473 546	434 491
Revaluation of shares	16	(4 931 147)	–
Other finance costs	17	(379 525)	(397 452)
Profit (loss) before tax		**(3 450 794)**	**1 172 527**
Income tax expense	18	(3 114)	(26 084)
Net profit (loss)		**(3 453 908)**	**1 146 443**
Other comprehensive income subject to reclassification to profit or loss:		**69 605**	**(16 368)**
Change in the value of hedging instruments		85 932	(20 207)
Income tax expense	18	(16 327)	3 839
Other comprehensive income not subject to reclassification to profit or loss:		**115**	**(686)**
Actuarial gains/(losses) related to provisions for post-employment benefits		142	(847)
Income tax expense	18	(27)	161
Other comprehensive income, net of tax		**69 720**	**(17 054)**
Total comprehensive income		**(3 384 188)**	**1 129 389**
Earnings per share (in PLN):	34		
– basic and diluted, for net profit (loss)		(1.97)	0.65

Accounting principles (policies) and explanatory notes to the financial statements constitute an integral part hereof.

(in PLN '000)

STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2015	As at 31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	**20**	3 436	5 263
Investment property	**21**	28 935	32 552
Intangible assets	**22**	3 299	8 278
Shares	**23**	15 933 194	20 809 799
Bonds	**24**	7 451 601	5 522 725
Loans granted	**26**	1 417 165	198 331
Other financial assets	**27**	5 279	5 286
Other non-financial assets		23 461	3 636
Deferred tax asset	**18.3**	–	31 141
		24 866 370	**26 617 011**
Current assets			
Intangible assets	**28**	–	20 215
Inventories	**29**	249 492	177 272
Income tax receivables		–	8 384
Trade and other receivables	**30**	709 594	982 582
Bonds	**24**	215 040	1 276 001
Loans granted	**26**	144 150	6 367
Derivative instruments	**25**	5 668	1 811
Other non-financial assets	**31**	115 587	22 007
Cash and cash equivalents	**32**	168 255	1 228 880
		1 607 786	**3 723 519**
TOTAL ASSETS		**26 474 156**	**30 340 530**

Accounting principles (policies) and explanatory notes to the financial statements constitute an integral part hereof.

(in PLN '000)

STATEMENT OF FINANCIAL POSITION – CONTINUED

	Note	As at 31 December 2015	As at 31 December 2014
EQUITY AND LIABILITIES			
Equity			
Issued capital	**33.1**	8 762 747	8 762 747
Reserve capital	**33.3**	11 277 247	10 393 686
Revaluation reserve from valuation of hedging instruments	**33.4**	(73 414)	(143 019)
Retained earnings/(Accumulated losses)	**33.5**	(3 374 083)	1 226 153
		16 592 497	**20 239 567**
Non-current liabilities			
Debt	**35**	4 876 546	7 405 005
Other financial liabilities		5 739	5 239
Derivative instruments	**25**	15 156	93 501
Deferred income tax liability	**18.3**	385	–
Provisions for employee benefits	**36**	7 843	7 351
Other provisions	**37**	163 449	–
		5 069 118	**7 511 096**
Current liabilities			
Debt	**35**	4 057 048	1 803 255
Income tax payables	**18.4**	82 935	–
Trade and other payables		517 220	631 125
Derivative instruments	**25**	96 942	102 615
Provisions for employee benefits	**36**	722	665
Other provisions	**37**	19 443	34 189
Accruals, deferred income and government grants	**38**	19 496	13 185
Other non-financial liabilities	**39**	18 735	4 833
		4 812 541	**2 589 867**
Total liabilities		**9 881 659**	**10 100 963**
TOTAL EQUITY AND LIABILITIES		**26 474 156**	**30 340 530**

Accounting principles (policies) and explanatory notes to the financial statements constitute an integral part hereof.

(in PLN '000)

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2014

	Note	Issued capital	Reserve capital	Revaluation reserve from valuation of hedging instruments	Retained earnings/ (Accumulated losses)	Total equity
As at 1 January 2014		**8 762 747**	**9 037 699**	**(126 651)**	**1 769 367**	**19 443 162**
Dividends	**19**	–	–	–	(332 984)	**(332 984)**
Appropriation of prior years profits		–	1 355 987	–	(1 355 987)	**–**
Transactions with shareholders		**–**	**1 355 987**	**–**	**(1 688 971)**	**(332 984)**
Net profit		–	–	–	1 146 443	**1 146 443**
Other comprehensive income		–	–	(16 368)	(686)	**(17 054)**
Total comprehensive income		**–**	**–**	**(16 368)**	**1 145 757**	**1 129 389**
As at 31 December 2014		**8 762 747**	**10 393 686**	**(143 019)**	**1 226 153**	**20 239 567**
Dividends	**19**	–	–	–	(262 882)	**(262 882)**
Appropriation of prior years profits	**33.5**	–	883 561	–	(883 561)	**–**
Transactions with shareholders		**–**	**883 561**	**–**	**(1 146 443)**	**(262 882)**
Net profit (loss)		–	–	–	(3 453 908)	**(3 453 908)**
Other comprehensive income		–	–	69 605	115	**69 720**
Total comprehensive income		**–**	**–**	**69 605**	**(3 453 793)**	**(3 384 188)**
As at 31 December 2015		**8 762 747**	**11 277 247**	**(73 414)**	**(3 374 083)**	**16 592 497**

Accounting principles (policies) and explanatory notes to the financial statements constitute an integral part hereof.

(in PLN '000)

STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Cash flows from operating activities			
Profit/(loss) before taxation		(3 450 794)	1 172 527
Adjustments for:			
Depreciation and amortization		7 945	19 434
(Gain)/loss on foreign exchange differences		(1 324)	16 875
Interest and dividends, net		(1 609 826)	(1 124 962)
(Gain)/loss on investing activities		4 931 334	(16 861)
(Increase)/decrease in receivables		357 524	157 291
(Increase)/decrease in inventories		(72 220)	(27 955)
Increase/(decrease) in payables excluding loans and borrowings		(86 001)	(244 607)
Change in other non-current and current assets		(71 267)	93 706
Change in deferred income, government grants and accruals		7 183	790
Change in provisions		149 390	(75 005)
Income tax paid		(4 335)	33 230
Net cash generated from (used in) operating activities		**157 609**	**4 463**
Cash flows from investing activities			
Sale of property, plant and equipment and intangible assets		15	26 568
Purchase of property, plant and equipment and intangible assets		(2 008)	(7 133)
Sale of shares		–	1 856
Purchase of shares	**40.1**	(53 377)	(98 625)
Purchase of bonds	**40.1**	(4 155 000)	(3 745 520)
Redemption of bonds	**40.1**	2 267 266	2 004 067
Repayment of loans granted	**40.1**	14 500	11 700
Loans granted	**40.1**	(168 124)	(18 050)
Dividends received		1 510 624	1 076 835
Interest received	**40.1**	267 464	310 066
Net cash from (used in) investing activities		**(318 640)**	**(438 236)**
Cash flows from financing activities			
Payment of finance lease liabilities		(2 990)	(3 230)
Issue of debt securities	**40.2**	310 000	2 950 000
Redemption of debt securities	**40.2**	(450 000)	(1 148 200)
Proceeds from loans and borrowings	**40.2**	322 358	693 273
Repayment of loans and borrowings	**40.2**	(132 818)	(132 818)
Dividends paid	**19**	(262 882)	(332 984)
Interest paid	**40.2**	(344 332)	(314 904)
Commission paid		(26 415)	(10 008)
Net cash from (used in) financing activities		**(587 079)**	**1 701 129**
Net increase/(decrease) in cash and cash equivalents		**(748 110)**	**1 267 356**
Net foreign exchange difference		1 147	(186)
Cash and cash equivalents at the beginning of the period	**32**	**68 935**	**(1 198 421)**
Cash and cash equivalents at the end of the period, of which:	**32**	**(679 175)**	**68 935**
restricted cash	**32**	70 927	44 765

Accounting principles (policies) and explanatory notes to the financial statements constitute an integral part hereof.

INTRODUCTION

1. General information about TAURON Polska Energia S.A.

These financial statements have been prepared by TAURON Polska Energia Spółka Akcyjna (the "Company") with its registered office at ul. ks. Piotra Ściegiennego 3 in Katowice, Poland, whose shares are publicly traded.

The Company was established by a Notarized Deed on 6 December 2006 under the business name of Energetyka Południe S.A. On 8 January 2007, the Company was registered with the District Court of Katowice-Wschód, Business Division of the National Court Register, under number KRS 0000271562. The change of its name to TAURON Polska Energia S.A. was registered with the District Court on 16 November 2007.

The entity has been assigned a statistical number (REGON) 240524697 and tax identification number (NIP) 9542583988.

TAURON Polska Energia S.A. was established for an unlimited period.

The scope of the core business of TAURON Polska Energia S.A. includes:

- Head office and holding operations, except for financial holdings — PKD 70.10 Z;
- Sales of electricity — PKD 35.14 Z;
- Sales of coal and biomass — PKD 46.71.Z;
- Sales of gaseous fuels in a network system — PKD 35.23.Z.

TAURON Polska Energia S.A. is the parent of the TAURON Polska Energia S.A. Capital Group ("the Group", "the TAURON Group").

The financial statements prepared by the Company cover the financial year ended 31 December 2015 and include comparable data for the year ended 31 December 2014. These financial statements were approved for publication by the Management Board on 8 March 2016.

The consolidated financial statements for the year ended 31 December 2015 prepared by the Company were approved for publication on 8 March 2016.

Composition of the Management Board

As at 31 December 2015 the composition of the Company's Management Board was as follows:

Remigiusz Nowakowski – President of the Management Board;

Jarosław Broda – Vice-President of the Management Board;

Kamil Kamiński – Vice-President of the Management Board;

Anna Striżyk – Vice-President of the Management Board;

Piotr Zawistowski – Vice-President of the Management Board.

After the balance sheet date, on 8 January 2016 the Supervisory Board of the Company dismissed Anna Striżyk from the position of the Vice-President of the Management Board. On 29 January 2016 the Supervisory Board appointed Marek Wadowski to the position of the Vice-President of the Management Board of TAURON Polska Energia S.A.

As at the date of approval of these financial statements for publication the composition of the Management Board has not changed.

As at 31 December 2014 the composition of the Company's Management Board was as follows:

Dariusz Lubera – President of the Management Board;

Aleksander Grad – Vice-President of the Management Board;

Katarzyna Rozenfeld – Vice-President of the Management Board;

Stanisław Tokarski – Vice-President of the Management Board;

Krzysztof Zawadzki – Vice-President of the Management Board.

Changes in the composition of the Management Board in the year ended 31 December 2015 have been presented in the Management Board's report on the activities of TAURON Polska Energia S.A. for the 2015 financial year (point 6.11.1).

(in PLN '000)

2. Shares in related parties

As at 31 December 2015, TAURON Polska Energia S.A. held direct and indirect interest in the following key subsidiaries:

Item	Company name	Registered office	Core business	Share of TAURON in the entity's capital and governing body
1	TAURON Wydobycie S.A.	Jaworzno	Hard coal mining	100.00%
2	TAURON Wytwarzanie S.A.	Jaworzno	Generation, transmission and distribution of electricity and heat	100.00%
3	TAURON Ekoenergia Sp. z o.o.	Jelenia Góra	Generation and sale of electricity	100.00%
4	TAURON Ciepło Sp. z o.o.	Katowice	Production and distribution of heat	100.00%
5	TAURON Dystrybucja S.A.	Kraków	Distribution of electricity	99.72%
6	TAURON Dystrybucja Serwis S.A.[1]	Wrocław	Services	99.72%
7	TAURON Dystrybucja Pomiary Sp. z o.o.[1]	Tarnów	Services	99.72%
8	TAURON Sprzedaż Sp. z o.o.	Kraków	Sale of electricity	100.00%
9	TAURON Sprzedaż GZE Sp. z o.o.	Gliwice	Sale of electricity	100.00%
10	TAURON Czech Energy s.r.o.	Ostrawa, Republika Czeska	Sale of electricity	100.00%
11	TAURON Obsługa Klienta Sp. z o.o.	Wrocław	Services	100.00%
12	Kopalnia Wapienia Czatkowice Sp. z o.o.	Krzeszowice	Limestone quarrying, crushing and grinding; stone quarrying	100.00%
13	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. in liquidation	Warszawa	Sale of electricity	100.00%
14	TAURON Sweden Energy AB (publ)	Sztokholm, Szwecja	Services	100.00%
15	Biomasa Grupa TAURON Sp. z o.o.[2]	Stalowa Wola	Sourcing of and trading in biomass	100.00%

[1] *TAURON Polska Energia S.A. holds indirect interest in TAURON Dystrybucja Serwis S.A. and TAURON Dystrybucja Pomiary Sp. z o.o. through a subsidiary TAURON Dystrybucja S.A. Additionally, TAURON Polska Energia S.A. uses shares held by TAURON Dystrybucja S.A.*

[2] *On 1 July 2015, a business combination under common control of Energopower Sp. z o.o. and Biomasa Grupa TAURON Sp. z o.o. was registered, as discussed in detail in Note 23 hereto.*

As at 31 December 2015 TAURON Polska Energia S.A. held the following direct and indirect interest in the following jointly-controlled entities:

Item	Company name	Registered office	Core business	Share of TAURON in the entity's capital and governing body
1	Elektrociepłownia Stalowa Wola S.A.[1]	Stalowa Wola	Production, transmission, distribution and sale of electricity	50.00%
2	Elektrownia Blachownia Nowa Sp. z o.o.[1]	Kędzierzyn Koźle	Generation of electricity	50.00%
3	TAMEH HOLDING Sp. z o.o.[2]	Dąbrowa Górnicza	Head office and holding operations	50.00%
4	TAMEH POLSKA Sp. z o.o.[2]	Dąbrowa Górnicza	Generation, transmission, distribution and sale of electricity and heat	50.00%
5	TAMEH Czech s.r.o.[2]	Ostrawa, Republika Czeska	Production, trade and services	50.00%

[1] *TAURON Polska Energia S.A. holds indirect interest in Elektrociepłownia Stalowa Wola S.A. and Elektrownia Blachownia Nowa Sp. z o.o. through a subsidiary TAURON Wytwarzanie S.A.*

[2] *The companies form a capital group TAURON Polska Energia S.A. holds direct interest in the issued capital and the governing body of TAMEH HOLDING Sp. z o.o., which holds 100% interest in the issued capitals and the governing bodies of TAMEH POLSKA Sp. z o.o. and TAMEH Czech s.r.o.*

STATEMENT OF COMPLIANCE WITH IFRS

3. Statement of compliance

These financial statements have been prepared in compliance with the requirements of the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU").

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

4. Going concern

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of approval of these financial statements for publication, there were no circumstances that would indicate a threat to the Company's ability to continue as a going concern.

5. Functional and presentation currency

These financial statements have been presented in the Polish zloty ("PLN") and all figures are in PLN thousand, unless stated otherwise.

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (POLICIES) APPLIED

6. Material values based on professional judgment and estimates

When applying the accounting policies to the issues mentioned below, professional judgment of the Management, along with accounting estimates, have been of key importance; they have impacted figures disclosed in the financial statements and in the explanatory notes. Assumptions underlying the estimates have been based on the Management Board's best knowledge of current and future actions and events in individual areas. Detailed information regarding assumptions adopted is presented in notes to these financial statements.

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

Impairment of assets

Taking into account the indications that for some time the market value of the Company's net assets has been below their carrying amount as well as the general unfavorable situation in the energy market, as at 31 December 2015 the Company tested its shares, loans and intra-group bonds disclosed under non-current assets for impairment. Shares, loans and intra-group bonds constitute about 89% of the balance sheet total.

The test was conducted based on the present value of projected cash flows from operations of major companies, by reference to detailed projections for 2016–2025 and the estimated residual value. Reliance on projections covering a period longer than 5 years results mainly from the fact that investment processes in the power industry are time-consuming. The macroeconomic and sector assumptions serving as the basis for projections are updated as frequently as any indications for their modification are observed on the market. Projections also take into account changes in the legal environment known as at the date of the test.

The level of the weighted average cost of capital (WACC) during the projection period, as used in the calculations, ranges from 7.43% to 9.05% in nominal terms before tax. WACC is calculated taking into account the risk-free rate determined by reference to the yield on 10-year treasury bonds (3.22%) and the risk premium for operations appropriate for the power industry (6%). The growth rate used for extrapolation of projected cash flows beyond the detailed planning period is at the level of 2.5% and it corresponds to the estimated long-term inflation rate.

The key business assumptions affecting the estimated value in use of the tested subsidiaries are:

- The adopted price path of power coal, other coal sizes and gaseous fuels. A rise of coal price of ca. 5% is assumed by 2025 and 2025 prices thereafter (fixed);
- The adopted electricity wholesale price path for the years 2016–2025, taking into account such factors as the effect of the balance of the market supply and demand for electricity, costs of fuel as well as costs of acquiring CO_2 emission allowances. A rise of ca. 22% is assumed by 2020 with a more dynamic growth rate by 2025 and 2025 prices thereafter (fixed);
- Changes in the Polish market model aimed to introduce the capacity market or other incentive mechanisms for production capacity have not been taken into account. The forecast electricity prices take into account the market impact of the new principles governing Operational Power Reserve application and settlements, implemented by PSE S.A. effective from 2014;
- Emission limits for generating electricity specified in the regulation of the Council of Ministers, adjusted by capital expenditure incurred and the limits for heat generation compliant with the regulation of the Council of Ministers, adjusted by the level of operations, i.e. generation of heat;
- The adopted CO_2 emission allowance price path for the years 2016–2025. A vast over twofold rise of the market price is assumed by 2025 with 2025 prices thereafter (fixed);
- Green, red and yellow energy production volumes depending on the production capacity, along with the price path for individual energy certificates. A rise of ca. 9% is assumed for renewable energy prices by 2020 with a more dynamic growth rate by 2025 and 2025 prices thereafter (fixed);
- Limited support periods for green energy have been assumed in accordance with the Act on Renewable Energy Sources, which provides for new support mechanisms for renewable energy. The support period has been limited to 15 years as from the date of the first supply of electricity qualifying for an energy certificate to the distribution network. At the same time, hydropower plants with installed capacity of more than 5 MW do not qualify for support;

- Regulated revenue generated by distribution companies, ensuring coverage of reasonable costs and a reasonable level of return on capital. The return on capital is conditional on the Regulatory Asset Value;
- The adopted electricity retail price path based on the wholesale price of black energy, taking into account the costs of excise duty, the obligation to surrender energy certificates as well as an appropriate level of margin;
- Sales volumes taking into account GDP growth and increased market competition;
- Tariff revenue generated by heat companies, ensuring coverage of reasonable costs and a reasonable level of return on capital;
- Maintaining or growing the production capacity of the existing non-current assets as a result of replacement and development investments.

Fixed assets were also tested for impairment. To this aim, the Company applied assumptions used for impairment testing of shares.

Sensitivity analyses conducted by the Company reveal that the projected prices of electricity and the adopted discount rates are the key factors exerting an effect on the estimated cash flows of the key subsidiaries.

The impairment tests carried out in line with IAS 36 indicated impairment of shares in subsidiaries of PLN 4 931 147 thousand. Impairment loss has been charged to finance costs of the Company and was related to the following entities:

- TAURON Wytwarzanie S.A. – impairment loss of PLN 4 487 895 thousand;
- TAURON Ciepło Sp. z o.o. – impairment loss of PLN 443 252 thousand.

The impairment loss has been recognized due to the following reasons:

- long-lasting unfavorable market conditions for power manufacturers and resulting conservative power price forecasts for the future;
- power manufacturing volumes adjusted (i.e. limited) to the existing unfavorable market situation and pessimistic outlooks;
- manufacturing units to be closed sooner than expected.

The level of the weighted average cost of capital (WACC) in nominal terms before tax, as used in the calculations of the value in use of shares in the Companies discussed was the following:

- in TAURON Wytwarzanie S.A.:
  - impairment test as at 31 December 2015: 7.69%
  - impairment test as at 31 December 2014: 8.25%
- in TAURON Ciepło Sp. z o.o.:
  - impairment test as at 31 December 2015: 7.68%
  - impairment test as at 31 December 2014: 7.94%.

The recoverable amount of shares and intra-group bonds of TAURON Wytwarzanie S.A. is PLN 5 260 863 thousand, while in case of TAURON Ciepło Sp. z o.o. the recoverable amount of shares and intra-group bonds is PLN 2 506 725 thousand.

Deferred tax

Deferred tax asset due to deductible temporary differences related to investments in subsidiaries is recognized where their reversal is probable in foreseeable future and where taxable income will be available to allow realizing the differences. According to the Company, deductible temporary differences related to recognition of impairment losses for shares in subsidiaries: TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o. will not be reversed in foreseeable future, as the investments are not intended for sale. Consequently, no related deferred tax asset has been recognized.

Provision for onerous contracts

As at 31 December 2015 the Company recognized a provision for the onerous contracts with a jointly-controlled entity in the amount of PLN 182 877 thousand, as described in detail in Note 37 to these financial statements.

(in PLN '000)

Measurement of provisions for employee benefits

Provisions for post-employment benefits including provisions for retirement and disability benefits, appropriations to the Social Benefit Fund for future pensioners and individuals entitled to disability allowances and the energy tariff for employees have been estimated based on actuarial methods. Provision for jubilee bonuses was also estimated using these methods.

Key actuarial assumptions made as at the reporting date for the purpose of the provision calculation:

	Year ended 31 December 2015	Year ended 31 December 2014
Discount rate (%)	2.75%	2.25%
Estimated inflation rate (%)	2.35%	2.35%
Employee rotation rate (%)	6.36%	5.83%
Estimated salary increase rate (%)	2.35%	2.35%
Estimated electricity price increase rate (%)	4.30%	4.80%
Estimated increase rate for contribution to the Social Fund (%)	4.50%	4.50%
Remaining average employment period	9.80	10.64

Sensitivity analysis of measurement results as at 31 December 2015 to changes in key actuarial assumption by 0.5 percentage point has been presented below:

Provision	Measurement as at 31 December 2015	Financial discount rate		Planned increases in base amount	
		-0.5 p.p.	+0.5 p.p.	-0.5 p.p.	+0.5 p.p.
Provision for retirement, disability and similar benefits	1 547	1 654	1 451	1 448	1 665
Employee electricity rates	1 314	1 511	1 151	1 148	1 512
Social Fund	282	319	249	248	320
Jubilee bonuses	5 422	5 638	5 221	5 206	5 679
Provisions, total	**8 565**	**9 122**	**8 072**	**8 050**	**9 176**

Discount rate reduction by 0.5 percentage point would result in an increase in the provision for employee benefits from PLN 8 565 thousand to PLN 9 122 thousand. Discount rate increase by 0.5 percentage point, i.e. application of a 3.25% discount rate, would result in a decrease in the provision to PLN 8 072 thousand.

The benefits were calculated based on the assumptions set out in the Compensation Policy. Reducing the planned increases of compensation bases by 0.5 percentage point would result in a decrease in provision for employee benefits down to PLN 8 050 thousand, while their increase by 0.5 percentage point would cause an increase in the provision up to PLN 9 176 thousand.

Measurement of derivative instruments

Fair value of currency forwards is based on discounted future cash flows from the concluded transactions based on the difference between the forward price and transaction price. The forward price is calculated based on the fixing of the National Bank of Poland and the curve implied by FX Swap transactions.

Fair value of interest rate swaps is based on discounted future cash flows from the concluded transactions based on the difference between the forward price and the transaction price. The forward price is calculated based on a zero coupon yield curve.

The fair value of forwards for acquisition and sale of power and emission allowances and other goods is based on prices quoted in an active market.

The fair value of derivative instruments has been discussed in detail in Note 45 to these financial statements.

Intra-group bonds

Intra-group bonds redeemable within up to one year intended for rollover are classified as long-term instruments (as at 31 December 2015 the face value of such bonds reached PLN 90 000 thousand). Such classification reflects the nature of funding under the intra-group bond issue scheme, which enables cash management in the medium and long term. The agreements assume the possibility to roll over the bonds.

(in PLN '000)

7. New accounting standards and interpretations

The Company did not choose an early application of any standard, interpretation or change, which was published, but is not yet mandatorily effective.

- **Revised standards issued by the International Accounting Standards Board ("IASB") which have been endorsed by the European Union ("EU") and are not yet effective:**

According to the Management Board the following revised standards will not materially impact the accounting policies applied.

Standard	Effective in the EU as of (*annual periods beginning on or after the date provided*)
Revised IAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*	1 February 2015
Annual Improvements to *IFRS (Cycle 2010–2012)*	1 February 2015
Revised IFRS 11 *Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations*.	1 January 2016
Revised IAS 1 *Presentation of Financial Statements – Disclosure Initiative*	1 January 2016
Revised IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization*	1 January 2016
Revised IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture: Bearer Plants*	1 January 2016
Revised IAS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*	1 January 2016
Annual Improvements to *IFRS (Cycle 2012–2014)*	1 January 2016

- **Standards and revised standards issued by the International Accounting Standards Board which have not been endorsed by the European Union and are not yet effective**

According to the Management Board the following new standards will or may materially impact the accounting policies applied.

Standard Details	Estimated impact	Effective date specified in the Standard, not endorsed by the EU*
IFRS 9 Financial Instruments The standard introduces a business model-based approach to classification and measurement of financial assets and the characteristics of cash flows. IFRS 9 provides a new loss impairment model which requires a more timely disclosure of expected credit losses. The new model also assumes a standardized impairment approach applied to all financial instruments. Moreover, IFRS 9 includes an enhanced general hedge accounting model. The amendments are aimed at adjusting the principles of recognizing risk management issues in financial statements and enable more adequate presentation of actions taken in the financial statements.	Preliminary analysis of IFRS 9's impact on the accounting policies applied indicates one change important for the Company, i.e. replacing the existing classification and measurement models under IAS 39 with a single classification model assuming two categories only, i.e. amortized cost or fair value. IFRS 9 classification complies with the business model applied by the Company to manage financial assets. Additionally, the standard introduces a new hedge accounting model which requires detailed risk management disclosures.	1 January 2018

(in PLN '000)

Standard Details	Estimated impact	Effective date specified in the Standard, not endorsed by the EU*
IFRS 15 *Revenue from Contracts with Customers* The Standard specifies how and when revenue is recognized and requires more informative, relevant disclosures. The Standard replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of interpretations concerning revenue recognition. On 11 September 2015 the IASB published an amendment to the standard introducing a new effective date – annual periods beginning on or after 1 January 2018. The original effective date was set at annual period beginning on or after 1 January 2017.	Based on preliminary analysis of IFRS 15's impact on the accounting policies applied, the new standard changes the method of accounting for contracts with customers, in particular if services and goods are provided under a single contract, which happens rarely in the Company. The new guidelines of IFRS 15 are not expected to result in the need to change the systems, but before the standard enters into force the Company intends to carry out an analysis of contracts with customers including contract identification, indication of individual liabilities, determining prices, assigning them to individual liabilities and revenue recognition. The new standard requires considerably more detailed disclosure of sales and revenue in financial statements.	1 January 2018
IFRS 16 *Leases* Under IFRS 16 the lessee recognizes the right to use an asset and a lease liability. The right to use the asset is treated similarly to other non-financial assets and is depreciated. Lease liabilities are initially measured at the present value of future lease payments due in the lease period, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. Leases are classified by lessors in accordance with IAS 17 – as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. Otherwise a lease is classified as an operating lease. In finance lease the lessor recognizes finance income over the lease term of a finance lease, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis, or if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.	Preliminary analysis of IFRS 16's impact on the accounting policies applied indicates certain changes important for the Company, i.e. the need to recognize in the financial statements assets and liabilities for all leases currently classified as operating leases and the change in the presentation method applied to finance lease assets, which are currently recognized in property plant and equipment or intangible assets. The Company intends to analyse all lease agreements concluded to identify leases which require recognition of assets and liabilities or presentational changes. As the effective date of IFRS 16 is still distant, and it has not yet been approved by the EU, as at the date of approving these financial statements for publication the Company had not carried out any analyses which would enable determining the impact of the planned changes on the financial statements. The analysis will be conducted in future.	1 January 2019

** Annual periods beginning on or after the date provided.*

According to the Management Board the following standards and revised standards will not materially impact the accounting policies applied.

Standard	Effective date specified in the Standard, not endorsed by the EU (*annual periods beginning on or after the date provided*)
IFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Revised IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture*	1 January 2016
Revised IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investments in Associates and Joint Ventures Investment Entities: Applying the Consolidation Exception*	1 January 2016
Revised IAS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses.* Revised IAS 12 explains the method of recognition of a deferred tax asset that is related to a debt instrument measured at fair value.	1 January 2017

In addition, hedge accounting for financial assets and liabilities portfolio is still beyond the scope of IFRS as its principles have not been endorsed by the EU.

(in PLN '000)

8. Changes to accounting policies

The accounting principles (policies) adopted for the preparation of these financial statements are consistent with those adopted for the preparation of the annual financial statements of TAURON Polska Energia S.A. for the year ended 31 December 2014, except for the application of the following revised standards and the new interpretation, whose application did not considerably affect the accounting policies applied according to the Management Board:

- IFRIC 21 *Levies*. IFRIC 21 is an interpretation of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – applicable in the EU to annual periods beginning on or after 17 June 2014;
- Annual *Improvements to IFRS (Cycle 2011–2013)* – applicable in the EU to annual periods beginning on or after 1 January 2015.

In 2015 the Management Board of the Company also decided to change the definition of EBITDA. EBITDA is the operating profit/loss ("EBIT"), increased by amortization/depreciation and impairment of non-financial assets. Under the previous definition EBIT was increased by amortization/depreciation. The change of the definition of EBITDA was discussed in detail in Note 10.1 to these financial statements. The comparable data have been appropriately restated, as presented below.

	Year ended 31 December 2014 (*approved data*)	Impairment of non-financial assets included in the definition of EBITDA	Year ended 31 December 2014 (*restated data*)
Operating profit (loss) – EBIT	58 652	–	**58 652**
Amortization and depreciation	(19 434)	–	**(19 434)**
Impairment losses	–	(60)	**(60)**
EBITDA	**78 086**	**60**	**78 146**

9. Significant accounting policies

9.1. Translation of items denominated in foreign currencies

Foreign currency transactions are translated into PLN at initial recognition at the exchange rate applicable as at the transaction date. As at the end of the reporting period:

- Monetary items denominated in foreign currencies are translated at the closing rate as at the date (the average exchange rate published by the National Bank of Poland as at the date);
- Non-monetary items measured at cost and denominated in foreign currencies are translated at the exchange rate of the initial transaction date (the rate of the bank used by the enterprise); and
- Non-monetary items measured at fair value and denominated in foreign currencies are translated at the exchange rate of the fair value determining date.

Exchange differences from translation are recognized in the financial revenue (or expenses), or, in cases specified in the accounting principles (policy), in the assets. Non-monetary assets and liabilities recognized at historical cost denominated in a foreign currency are disclosed at the historical exchange rate applicable as of the transaction date.

Exchange rates applied for the purpose of balance sheet measurement:

Currency	31 December 2015	31 December 2014
EUR	4.2615	4.2623
USD	3.9011	3.5072
CZK	0.1577	0.1537

9.2. Property, plant and equipment

Property, plant and equipment are fixed assets:

- held by the entity to be used in delivery of goods and provision of services or for administrative purposes, and
- expected to be used for more than one year;

- probable to generate future economic benefits for the entity;
- whose cost can be reliably measured.

Property, plant and equipment are measured at cost less depreciation charges and impairment losses. The initial value of fixed assets includes their cost increased by all expenses directly related to the purchase and bringing the asset to a usable condition. Depreciation charges are calculated at cost of the given asset less its residual value. Depreciation begins when a given asset is available for use. Depreciation of fixed assets is based on a depreciation plan determining the projected useful life of each asset. The depreciation method applied reflects the manner of the entity's consuming economic benefits generated by the asset.

The following average useful life periods are assumed for fixed assets:

Tangible fixed assets by type	Average remaining depreciation period in years
Plant and machinery	1 year
Motor vehicles	3 years
Other tangible fixed assets	1 year

Depreciation method and rate, as well as the residual value of fixed assets are verified at least at the end of each financial year. Any changes resulting from the review are recognized as estimate changes. Depreciation charges are recognized in profit or loss in an appropriate category corresponding to the function of a given asset item.

An item of property, plant and equipment may be derecognized from the statement of financial position after its disposal or when the entity does not expect any economic benefits from the further use of the asset. All gains or losses arising from derecognition of an asset from the statement of financial position (calculated as the difference between the potential net selling price and the carrying amount of an item) are recognized in profit or loss in the period of such derecognition.

Fixed assets under construction are measured at cost less impairment losses. Fixed assets under construction are not depreciated until completion of the construction and commissioning.

9.3. Investment property

The Company presents real property as investments if it is treated as a source of revenue from rent or held due to increase in its value, or both, where the real property is not:

- used for delivery of goods or provision of services, administration activities or
- held for sale under standard business operations of the Company.

At initial recognition investment property is measured at cost including transactional expenses, After initial recognition all investment properties held are measured in line with IAS 16 Property, Plant and Equipment, i.e. at cost less any accumulated depreciation charges and any impairment losses. This implies that the Company gradually depreciates the real property during its entire useful life.

9.4. Intangible assets

Intangible assets include identifiable non-cash assets without a tangible form, such as:

- certificates of energy generated using renewable sources, in cogeneration or from natural gas sources acquired for surrendering;
- acquired property rights classified as non-current assets, suitable for business use, with projected useful life exceeding one year, intended for use for internal purposes, in particular:
  - copyright and related titles, licenses, concessions (including those related to computer software);
  - titles to inventions, patents, trademarks, utility and decorative models, computer software;
  - know-how, i.e. amount equivalent to the value of industrial, trade, scientific or organizational information;
- R&D expenses;
- acquired right to perpetual usufruct of land;
- other intangible assets recognized at acquisition as a result of a business combination.

Energy certificates are presented as intangible assets classified to non-current and current assets.

Certificates of origin for energy produced using renewable resources (RES) and CHP sources for internal purposes acquired for surrendering due to the sale of electricity to end buyers in order to meet the surrendering obligation for a given year are classified to current intangible assets. At initial recognition energy certificates are measured at cost. Energy certificates acquired in order to comply with the surrendering obligation in the following years are classified to non-current intangible assets.

Intangible assets are measured at cost at initial recognition. Following the initial recognition, intangible assets are measured at cost less accumulated amortization charges and impairment losses.

The Company assesses whether the useful life of an intangible asset is determined or undetermined and, if determined, estimates its duration or another measure providing the basis to define the useful life.

Intangible assets with determined useful life are amortized over the period of their estimated use and tested for impairment each time when impairment indications occur. The period and method of amortization of intangible assets with determined useful life are verified at least at the end of each financial year. Changes in the expected useful life or the manner of consuming the economic benefits derived from a given intangible asset are regarded as changes in the estimated values. Amortization charges of intangible assets with determined useful life are recognized in profit or loss in an appropriate cost category corresponding to the function of a given intangible asset item.

The Company does not have any intangible assets with undetermined useful life.

The following average useful lives have been assumed for intangible assets:

Intangible assets by type	Average remaining amortization period in years
Software	2 years
Other intangible assets	4 years

9.5. Impairment of non-financial non-current assets

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

The recoverable amount of the asset or cash-generating unit corresponds to the fair value less costs to sell the asset, or CGU, respectively, or its value in use, whichever is higher. The recoverable amount is determined for each asset except for assets not generating cash flows independent of those generated by other assets within the given asset group. When estimating the value in use, projected cash flows are discounted to the current value with the discount rate not including tax effects, which reflects current market estimates of time value of money and risk typical for the given type of assets.

If the carrying amount of an asset exceeds its recoverable amount, impairment occurs and the amount of the asset is reduced to the recoverable amount determined. Impairment losses on assets used in continuing operations are charged to the classes of expenses corresponding to the function of the given impaired asset.

9.6. Shares in subsidiaries

Shares in subsidiaries are also measured at cost less impairment losses. Impairment loss is recognized in line with IAS 36 *Impairment of Assets*, where the carrying amount is compared to the higher of: fair value less costs to sell and the value in use.

9.7. Financial assets

Categories of financial assets:

- financial assets measured at fair value through profit or loss;
- loans and receivables;
- financial assets available for sale;
- financial assets held to maturity.

Financial assets measured at fair value through profit or loss (FVTPL)

Assets qualified as FVTPL meet one of the following conditions:

- they are qualified as held for trading. Financial assets are qualified as held for trading if:
  - they have been acquired principally for the purpose of being sold in the short term;
  - they are a part of a portfolio of defined financial instruments managed as a group and probable to generate profit in a short term; or
  - they are derivatives except for those classified as hedges and financial guarantees;
- In accordance with IAS 39, they have been qualified as such upon initial recognition. At initial recognition financial assets may be classified as measured at fair value through profit or loss if they meet criteria defined in IAS 39.

Financial assets measured at fair value through profit or loss are measured at fair value taking into account their market price at the balance sheet date and excluding transactional expenses. Changes in the value of financial instruments are recognized in the statement of comprehensive income as financial revenue or expenses, as appropriate.

Loans and receivables

Loans and receivables are financial assets with determined or determinable due amounts, which are not quoted on the active market. They are classified as current assets if their maturity as at the balance sheet date does not exceed 12 months. Loans and receivables whose maturity as at the balance sheet date exceeds 12 months are classified as non-current assets. They are recognized at amortized cost.

The category includes intra-group bonds issued by subsidiaries and taken up by the Company.

Financial assets available for sale

All other financial assets are classified as assets available for sale. AFS assets are recognized at fair value as at each balance sheet date. Fair value of investments not quoted on an active market is determined by reference to the current market value of another instrument with basically the same characteristics or based on projected cash flows generated by the investment asset (measured in accordance with DCF method). Financial assets available for sale are measured at acquisition price less impairment losses if they are not traded on an active market and if their fair value cannot be reliability estimated using alternative methods.

A positive or negative difference between the fair value of AFS assets and their acquisition price reduced by deferred tax, is recognized in revaluation reserve, except for:

- impairment losses;
- exchange gains/losses on monetary assets;
- interest calculated based on an effective interest rate.

Dividends on equity instruments in the AFS portfolio are recognized in profit or loss once the entity's title to the payment has been determined.

9.8. Impairment of financial assets

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

Financial assets measured at amortized cost

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

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

Financial assets carried at cost

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

Financial assets available for sale

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

9.9. Derivative financial instruments

The Company hedges FX risk using currency forward contracts.

The Company also concludes forward and future contracts for purchase and sale of emission allowances, power and other commodities. Transactions concluded and held for own use are not included in the scope of IAS 39. Transactions concluded for speculation purposes comply with the definition of a financial instrument and in line with IAS 39 are measured at the end of a reporting period.

This type of derivatives is measured at fair value. Derivatives are recognized as assets if their amount is positive, and as liabilities, if their amount is negative.

In order to hedge interest rate risk the Company uses interest rate swaps, which has been discussed in detail in Note 9.10.

The Company uses coupon cross currency interest rate swap to hedge interest rate risk and currency risk.

9.10. Hedge accounting

In order to hedge interest rate risk the Company uses interest rate swaps. Such transactions are subject to hedge accounting, where cash flow hedges related to bonds issued are applied.

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction which could affect profit or loss.

A cash flow hedge is accounted for in the following manner:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income; and
- the ineffective portion of the gain or loss on the hedging instrument is recognized in profit or loss.

More specifically, a cash flow hedge is accounted for as follows:

- the separate component of equity associated with the hedged item is adjusted to the lesser of the following (in absolute amounts):
  - the cumulative gain or loss on the hedging instrument from inception of the hedge; and
  - the cumulative change in fair value (present value) of the expected future cash flows on the hedged item from inception of the hedge;
- any remaining gain or loss on the hedging instrument or designated component of it (that is not an effective hedge) is recognized in profit or loss; and
- if the documentation of hedge accounting for a particular hedging relationship excludes from the assessment of hedge effectiveness a specific component of the gain or loss or related cash flows on the hedging instrument, that excluded component of gain or loss is recognized in profit or loss, if it has not been classified to AFS financial assets.

Recognized in other comprehensive income gain or loss from revaluation of the hedging instrument is recognized directly in profit or loss for the period in the same period during which the hedged item affects profit or loss or it is included in initial cost or other carrying amount of an asset or liability item, if a hedged item results in the occurrence of a non-financial asset or liability.

At the inception of the hedge, the hedging relationship and the risk management objective and strategy for undertaking the hedge are documented formally.

The hedge's effectiveness is assessed on an on-going basis to determine if the hedge has been highly effective in all reporting periods for which it had been established.

9.11. Other non-financial assets

The Company recognizes other non-financial assets as prepayments if the following conditions are met:

- they result from past events: expenses incurred by the entity for operating purposes;
- their amount can be reliably determined;
- they will result in inflow of future economic benefits;
- they pertain to future reporting periods.

Prepayments are determined in the amount of incurred, reliably measured expenses pertaining to future periods, which will result in future inflow of economic benefits to the entity.

Prepayments are recognized based on the elapsed time or performances. The time and method of settlement are justified by the nature of the settled expenses, in line with the prudence principle.

At the end of the reporting period, the Company reviews prepayments to check whether the level of certainty regarding economic benefits to be achieved after the end of the current reporting period is sufficient to classify the given item as an asset.

Other non-financial assets include in particular receivables due under public law (except for income tax settlements, which are presented separately in the statement of financial position), a surplus of assets over liabilities due to the Company's Social Benefit Fund and prepayments for future purchases of property, plant and equipment, intangible assets and inventories. Prepayments are presented in line with the assets they refer to, as current or non-current assets, respectively.

9.12. Inventories

The Company's inventories include acquired emission allowances and certificates of energy generated using renewable sources and in cogeneration intended for trading purposes.

At initial recognition inventories are measured at cost.

At the end of the reporting period inventories are measured at cost or net realizable value, whichever is lower. Net realizable value is the difference between the estimated sale price in the ordinary course of business and the estimated costs of completion with the estimated costs necessary to make the sale.

If the cost is higher than the net realizable value, the Company recognizes an appropriate impairment loss.

Release of goods and materials is measured using the weighted average method; costs of entertainment and advertising and office supplies may be charged directly to consumption costs upon purchase.

9.13. Trade and other receivables

Trade receivables are recognized at the amounts initially disclosed in the invoices, except for events of material impact of time value of money, less any impairment losses.

Impairment losses on receivables are charged to operating expenses or financial expenses, according to the type of receivables.

If the impact of the time value of money is material, the amount receivable is determined through discounting of projected future cash flows to their present value with the discount rate reflecting the current time value of money in the market. If the discounting is reversed, increases in receivables over time are recognized as financial revenue.

9.14. Cash and cash equivalents

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

Balance of cash and cash equivalent disclosed in the statement of cash flows includes the cash and cash equivalents as defined above. For overdrafts covered by the cash management process, in line with IAS 7, the balance of cash reduced by outstanding overdraft liabilities is recognized in the statement of cash flows. The balances of loans granted and taken out in cash pool transactions are disclosed as an adjustment to the balance of cash, as they are mainly used to manage current liquidity.

9.15. Issued capital

Issued capital is recognized in the amount determined in the by-laws and recorded in the court register of the Company.

9.16. Debt

Loans, borrowings, bonds issued and liabilities due to finance lease have been presented under debt in the statement of financial position of the Company.

Loans, borrowings and bonds issued

Upon initial recognition, all loans and borrowings and debt securities are disclosed at fair value reduced by costs related to obtaining of a credit facility/loan.

Following initial recognition interest-bearing loans and debt securities are measured at amortized cost using the effective interest rate method. Amortized cost includes costs incurred to arrange a credit facility or loan and discounts or premiums received when settling the liability.

Gains and losses are recognized in profit or loss when the liability is derecognized from the statement of financial position and as a result of the application of the effective interest rate method.

Lease

Finance leases transferring substantially all the risks and rewards of ownership of a lease object to the Company are recognized in the statement of financial position as at the inception of the lease at the lower of: fair value of a leased asset or current value of minimum lease payments. Lease payments are split between financial expenses and a decrease in the balance of lease liabilities in order to obtain a fixed interest rate on the outstanding liability. Financial expenses are recognized directly in profit or loss.

Depreciation principles applied to assets leased should be consistent with those applied to amortization of assets held by the entity. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

Leases whereby the lessor retains substantially all the risk and rewards of ownership of an asset are classified as operating leases. Operating lease payments and subsequent lease rents are charged to operating expenses using the straight line method over the lease term.

9.17. Trade payables and other financial liabilities

Current trade payables are recognized at the amount payable. Other financial liabilities include liabilities due to payroll and purchase of fixed assets, which are measured at amount due.

Financial liabilities measured at fair value through profit or loss include held-for-trading financial liabilities. Derivatives are also classified as held for trading, unless they are classified as effective hedging instruments.

Financial liabilities measured at fair value through profit or loss are measured at fair value including their market value as at the end of the reporting period without transaction costs. Changes in the fair value of these instruments are charged to profit or loss as financial expense or revenue.

Other financial liabilities not classified as financial instruments measured at fair value through profit or loss are measured at amortized costs using the effective interest method.

The Company excludes a financial liability from its statement of financial position upon its expiration, i.e. when the obligation defined in the agreement has been fulfilled, cancelled or has expired.

9.18. Provisions for employee benefits

In accordance with the Compensation Policy the employees of the Company are entitled to the following post-employment benefits:

- retirement and disability benefits – paid on a one-off basis, when an employee retires or is vested with the right to receive disability benefits;
- death benefits;
- cash equivalent resulting from special tariff for energy sector employees;
- benefits from the Company's Social Benefits Fund.

Jubilee benefits are paid to employees after a specified number of years of service.

The present value of such liabilities is calculated by an independent actuary at each balance sheet date. The accrued liabilities equal to discounted future payments, including employee rotation and pertain to the time remaining until the end of the reporting period. Demographic and employee turnover data are based on historical information.

Actuarial gains and losses on provisions for post-employment benefits are fully charged to other comprehensive income, while actuarial gains or losses on jubilee benefits are changed to profit or loss.

9.19. Other provisions

Provisions are recognized if the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated.

As at the end of the reporting period the Company recognized a provision for onerous contracts. The provision was recognized for the surplus of expected costs of meeting the obligations under the contracts with a jointly-controlled entity over the expected economic benefits to be received under the contracts.

In the reporting period the Company also recognized a provision for the obligation to surrender energy certificates.

Pursuant to the Energy Law and regulations of the Minister of Economy energy companies training in and selling electricity to end users are obliged to acquire property rights under energy certificates and to present them for redemption or to pay a substitution fee. If in a given year the volume share of electricity specified in the energy certificates in the total sales of electricity to end buyers complies with limits provided for in regulations of the Minister of Economy – such an obligation is considered met.

At the end of each reporting period the Company recognizes a provision for costs of acquiring and surrendering energy certificates so as to fulfil the obligation to present the certificates for redemption or to pay a substitution fee.

Provision for the obligation to surrender certificates for energy produced using renewable sources or CHP units is recognized:

- in the portion corresponding to energy certificates held at the end of the reporting period – in the value of certificates held;
- in the portion not covered by energy certificates held at the end of the reporting period – first, in the amount resulting from futures and forwards for the purchase of certificates with the intention to fulfil the obligation for the current year; then in the market value of certificates necessary to fulfil the obligation at the end of the reporting period or in the amount of the substitution fee – in accordance with the Company's intention concerning the method of fulfilling the obligation.

The provision is charged to operating expenses.

The provision is settled and the certificates are redeemed when the President of the Energy Regulatory Office redeems the certificates or when the substitution fee has been paid.

9.20. Other non-financial liabilities

Other non-financial liabilities include in particular VAT liabilities to the tax office, other liabilities due under public law (except for corporate income tax settlements, which are presented separately in the statement of financial position), a surplus of liabilities over assets of the Company's Social Benefit Fund and liabilities arising from advance payments received to be settled through delivery of goods, services or fixed assets. Other non-financial liabilities are recognized at the amount payable.

9.21. Company Social Benefits Fund

The Act on social benefits fund of 4 March 1994 with subsequent amendments states that employers with headcount over 20 people are obliged to establish such a fund ("Fund"). Therefore, the Company has established the fund and it makes periodical appropriations. The objective of the Fund is to co-finance social activities in the Company.

The Company sets off the Fund's assets against its liabilities to the Fund, because such assets do not constitute separate assets of the Company.

9.22. Taxes

Tax Capital Group

A Tax Capital Group ("TCG") agreement for the years 2015–2017 was concluded on 22 September 2014. The Tax Capital Group was registered by the Head of the First Śląski Tax Office in Sosnowiec under a tax identification number NIP 2050004308 pursuant to a decision of 20 November 2014.

TAURON Polska Energia S.A., as the Company Representing the Tax Capital Group, is responsible for making payments due to withholding CIT of the Tax Capital Group in compliance with the CIT Act. The share of an individual entity from the Tax Capital Group in CIT prepayments is determined based on a percentage share in the tax base specified by a given entity in the tax base of the Tax Capital Group, excluding entities disclosing a tax loss. If the final amount of an individual entity's share is lower than the preliminary amount transferred to the Representing Company, the Representing Company returns the difference.

Current tax

Income tax recognized in profit or loss for the period includes actual tax charge for the given reporting period determined by the Company in line with provisions of the CIT Act and any tax adjustments from previous years.

Deferred tax

The entity recognizes a deferred tax asset and a deferred tax liability arising from temporary differences between the book value of assets and liabilities and their tax base, and in relation to a tax loss deductible in future.

The carrying amount of deferred tax assets is verified as at each balance sheet date. The Company reduces the carrying amount of the deferred tax asset to the extent the generation of taxable income sufficient to use the deferred tax asset in part or in whole is not probable. Not recognized deferred tax assets are verified as at each balance sheet date and recognized to the extent their use is probable following generation of taxable income in future.

Deferred tax assets are recognized in the projected amount deductible in relation to temporary differences that in future shall reduce the income tax base and the deductible tax loss calculated in line with the prudence principle. Deferred tax assets are recognized only if there is probability of their being realized in future.

The deferred income tax liability is created in the amount of income tax payable in the future, arising from taxable temporary differences, i.e. differences that will increase the income tax base in the future.

Deferred tax assets and liability are measured with the application of tax rates expected to be applicable in the period of realization of the asset or release of the provision, with the consideration of tax rates (and tax regulations) that have been enacted or substantively enacted at the balance sheet date.

Income tax related to items not recognized in profit or loss, i.e. items recognized in other comprehensive income or directly in equity, is recognized in other comprehensive income or in equity, respectively.

The Company offsets its deferred tax assets and deferred tax liabilities only if it has an enforceable legal title to offset its current tax receivables with liabilities and the deferred income tax asset and liability are governed by the same tax authority.

VAT

Revenue, expenses, assets and liabilities are recognized less VAT, except for:

- the situations when VAT paid at the purchase of assets or services is not recoverable – it is recognized as a portion of costs of the asset or as a cost item; and
- receivables and liabilities which are recognized together with VAT.

The net VAT, recoverable or due to the tax authorities is recognized in the statement of financial position in Other non-financial assets or Other non-financial liabilities.

9.23. Business combinations

Business combinations of entities under common control are accounted for using pooling of interest method.

The method is based on the assumption that the entities combined have been controlled by the same shareholder before the transaction and will be controlled by the entity after the transactions, therefore the continuity of common control is presented in the financial statements, while the changes in the net value of assets to reflect their fair value (or recognition of new assets) or goodwill measurement are not presented therein, as none of the entities combined is actually acquired. The financial statements have been prepared in such a manner so as to account for the combined entities as of the date they have become subjected to common control.

The following items are excluded when a business combination is accounted for using the pooling of interest method:

- issued capital of the acquiree;
- mutual receivables and liabilities or other similar settlements of the combined entities;
- revenue and costs of business transactions executed in the period covered by the financial statements, which were effected before the business combination.
- gains or losses on business transactions concluded between the combined entities prior to the business combination in amounts equal to the value of combined assets and liabilities.

When accounting for business combinations of subsidiaries in the TAURON Group, the Company uses the consolidated financial statements as the source of the value of assets and liabilities in a subsidiary acquired. The value of shares of the acquiree in controlled entities has been specified by reference to the value of the net assets of these entities disclosed in the consolidated financial statements and the goodwill of a given controlled entity.

The difference between the net book value of assets recognized as a result of a business combination in the statement of financial position of the acquirer and the value of investments recognized thus far in the accounting records of the acquirer is recognized in the equity of the acquirer.

9.24. Statement of comprehensive income

Revenue and expenses for a given period are presented in the Statement of comprehensive income. In accordance with applicable standards, the Company discloses revenue and expenses for the period recognized through profit or loss in the statement of comprehensive income, while gains and losses not recognized through profit or loss are disclosed in other comprehensive income.

Change in hedging instruments and actuarial gains and losses on provisions for post-employment benefits, including the effects of income tax, are fully charged to other comprehensive income.

Profit or loss for a given year results from deducting expense from revenue, excluding items recognized in other comprehensive income.

9.25. Sales revenue

Revenue is recognized in the amount it is probable that future economic benefits relating to a transaction will flow to the Company and the amount of the revenue can be measured reliably. Revenue is recognized at the fair value of the payment, received or due, following reduction by VAT, excise duty, other sales taxes, charges and discounts. Revenue recognition criteria:

Revenue from the sale of goods and materials is recognized if significant ownership-related risks and benefits from goods and materials have been transferred to the buyer and if the revenue amount can be reliably measured and incurred costs can be reliably estimated.

Revenue also includes amounts due for the sale of goods, materials and services related to the core business and determined based on the net price, adjusted by granted rebates and discounts and excise duty.

9.26. Operating expense

The Company presents costs by function.

Such costs include:

- cost of goods, materials and services sold (cost of sales), incurred during a given reporting period, including any impairment losses on property, plant and equipment, intangible assets, receivables and inventories, adjusted by cost of manufacturing products for own purposes;

- total selling and distribution expenses as well as general and administrative expenses incurred in the reporting period (disclosed separately in the statement of comprehensive income).

Costs rendered that can be assigned directly to revenue generated by the Company impact profit or loss for the period which the revenue pertains to.

Costs that can only be indirectly assigned to revenue or other benefits obtained by the Company impact the profit or loss in the portion pertaining to the given reporting period, and match the revenue or other economic benefits.

9.27. Other operating revenue and expense

Other operating revenue and expense include in particular items related to:

- disposal of property, plant and equipment and intangible assets;
- recognition and derecognition of provisions, except for those related to financial transactions or charged to operating expense;
- assets (including cash) granted or received free of charge or donated;
- damages, fines and penalties and other costs not related to routine business operations.

9.28. Financial revenue and expense

Financial revenue and expense include in particular those regarding:

- revenue from profit sharing in other entities, including dividends;
- interest;
- sale of financial assets;
- revaluation of financial instruments, except for AFS financial assets, whose revaluation effects are charged to other comprehensive income;
- interest related to measurement of employee benefits, in line with IAS 19 Employee Benefits;
- changes in the balance of provision resulting from the nearing deadline to incur the expense (discount reversing effect);
- forex differences resulting from transactions performed during the reporting period and balance sheet measurement of assets and liabilities at the end of the reporting period, except for forex differences recognized in the gross value of a fixed asset;
- other items related to financial activity.

The Company sets off foreign exchange revenue against expense if they result from similar transactions. If the exchange differences are significant and they do not relate to similar transactions, the Company carries out appropriate analysis to determine whether they should be presented separately.

Interest revenue and expense is recognized on the cumulative basis as accrued, including the effective interest rate method applied to the carrying amount of the given financial instrument including the materiality principle.

Dividends are recognized at the moment of determining shareholders' cum dividend title.

9.29. Earnings per share

Earnings per share for each period are calculated by dividing the net profit for the period attributable to ordinary shareholders, by the weighted average number of ordinary shares in the period.

9.30. Statement of cash flows

The statement of cash flows is prepared in line with the indirect method.

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

10. Information on operating segments

10.1. Operating segments

The Company carries out its business in two operating segments, that is "Sales" and "Holding activity".

"Holding activity" segment assets include:

- shares in subsidiaries and jointly-controlled entities;
- bonds acquired from subsidiaries;
- cash pool loan receivables, including a cash pool deposit;
- receivables arising from other loans granted to related parties.

"Holding activity" segment liabilities include:

- bonds issued by the Company, including liabilities arising from valuation of hedging instruments related to such bonds;
- loans obtained from the European Investment Bank to carry out investment projects in subsidiaries;
- liabilities due to loans from related parties, including under the cash pool agreement.

"Holding activity" segment includes intra-group receivables and liabilities arising from income tax settlements of the Tax Capital Group companies.

Financial revenue and expenses include dividend income as well as net interest income and expense earned/incurred by the Company in relation to the central financing model adopted by the Group.

Unallocated expenses include the Company's general and administrative expense, as they are incurred for the Group as a whole and are not directly attributable to a specific operating segment.

EBIT is the profit/loss on continuing operations before deducting taxes, financial income and expenses, i.e. operating profit (loss).

EBITDA is the profit/loss on continuing operations before tax, finance income and expense, increased by amortization/depreciation and impairment of non-financial assets. In the year ended 31 December 2015, the Management Board of the Company decided to change the definition of EBITDA. In prior periods, EBITDA had been defined by the Company as EBIT increased by amortization/depreciation. The definition of EBITDA has been changed to clearly describe the method of calculating this figure by the Company in line with the generally applied investors' practice. EBITDA reported in compliance with the changed definition will be less sensitive to one-off events, because recognition and reversal of impairment losses are of non-repetitive nature. Consequently, the Management Board decided that the new definition of EBITDA, accounting for impairment losses for non-financial assets, will ensure higher clarity and comparability of financial data presented by individual entities, hence increasing the value for readers of the financial statements. Comparable data were appropriately restated.

(in PLN '000)

Year ended 31 December 2015

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	2 180 673	–	–	**2 180 673**
Sales within the Group	6 992 357	–	–	**6 992 357**
Segment revenue	**9 173 030**	**–**	**–**	**9 173 030**
Profit/(loss) of the segment	**(27 951)**	**–**	**–**	**(27 951)**
Unallocated expenses	–	–	(96 341)	**(96 341)**
EBIT	**(27 951)**	**–**	**(96 341)**	**(124 292)**
Net finance income/(costs)	–	(3 348 322)	21 820	**(3 326 502)**
Profit/(loss) before income tax	**(27 951)**	**(3 348 322)**	**(74 521)**	**(3 450 794)**
Income tax expense	–	–	(3 114)	**(3 114)**
Net profit/(loss) for the year	**(27 951)**	**(3 348 322)**	**(77 635)**	**(3 453 908)**
Assets and liabilities				
Segment assets	1 188 954	25 282 574	–	**26 471 528**
Unallocated assets	–	–	2 628	**2 628**
Total assets	**1 188 954**	**25 282 574**	**2 628**	**26 474 156**
Segment liabilities	727 714	9 009 672	–	**9 737 386**
Unallocated liabilities	–	–	144 273	**144 273**
Total liabilities	**727 714**	**9 009 672**	**144 273**	**9 881 659**
EBIT	**(27 951)**	**–**	**(96 341)**	**(124 292)**
Depreciation/amortization	**(7 945)**	**–**	**–**	**(7 945)**
Impairment	**(566)**	**–**	**–**	**(566)**
EBITDA	**(19 440)**	**–**	**(96 341)**	**(115 781)**
Other segment information				
Capital expenditure*	2 923	–	–	**2 923**

** Capital expenditure includes expenditures for property, plant and equipment and non-current intangible assets, except for energy certificates acquired by the Company.*

Year ended 31 December 2014 *(restated data)*

	Sales	Holding activity	Unallocated items	Total
Revenue				
Sales outside the Group	2 767 694	–	–	**2 767 694**
Sales within the Group	5 922 105	–	–	**5 922 105**
Segment revenue	**8 689 799**	**–**	**–**	**8 689 799**
Profit/(loss) of the segment	**139 017**	**–**	**–**	**139 017**
Unallocated expenses	–	–	(80 365)	**(80 365)**
EBIT	**139 017**	**–**	**(80 365)**	**58 652**
Net finance income (costs)	–	1 151 962	(38 087)	**1 113 875**
Profit/(loss) before income tax	**139 017**	**1 151 962**	**(118 452)**	**1 172 527**
Income tax expense	–	–	(26 084)	**(26 084)**
Net profit/(loss) for the year	**139 017**	**1 151 962**	**(144 536)**	**1 146 443**
Assets and liabilities				
Segment assets	2 452 176	27 848 516	–	**30 300 692**
Unallocated assets	–	–	39 838	**39 838**
Total assets	**2 452 176**	**27 848 516**	**39 838**	**30 340 530**
Segment liabilities	656 978	9 380 216	–	**10 037 194**
Unallocated liabilities	–	–	63 769	**63 769**
Total liabilities	**656 978**	**9 380 216**	**63 769**	**10 100 963**
EBIT	**139 017**	**–**	**(80 365)**	**58 652**
Depreciation/amortization	**(19 434)**	**–**	**–**	**(19 434)**
Impairment	**(60)**	**–**	**–**	**(60)**
EBITDA	**158 511**	**–**	**(80 365)**	**78 146**
Other segment information				
Capital expenditure*	3 820	–	–	**3 820**

** Capital expenditure includes expenditures for property, plant and equipment and non-current intangible assets, except for energy certificates acquired by the Company.*

In the financial year ended 31 December 2015 the revenue from sales to two major clients from the Capital Group constituted 56% and 11% of the Company's revenue in the "Sales" segment and amounted to PLN 5 122 938 thousand and PLN 1 002 160 thousand, respectively.

(in PLN '000)

In the financial year ended 31 December 2014 the revenue from sales to two major clients from the Capital Group constituted 44% and 12% of the Company's revenue in the "Sales" segment and amounted to PLN 3 839 655 thousand and PLN 1 038 551 thousand, respectively.

10.2. Geographic areas of operations

The majority of the Company's business operations is carried out in Poland. In the years ended 31 December 2015 and 31 December 2014 export sales amounted to PLN 400 739 thousand and PLN 422 261 thousand, respectively.

11. Sales revenue

	Year ended 31 December 2015	Year ended 31 December 2014
Revenue from sales of goods for resale and materials (excise duty not excluded)	**9 074 455**	**8 579 081**
Excise duty	1	(15 036)
Revenue from sales of goods for resale and materials, of which:	**9 074 456**	**8 564 045**
Electricity	8 558 477	7 925 020
Gas	119 774	76 970
Property rights arising from energy certificates	186 358	378 235
Emission allowances	204 870	183 451
Other	4 977	369
Rendering of services, of which:	**98 574**	**125 754**
Trading income	56 703	57 641
Other	41 871	68 113
Total sales revenue	**9 173 030**	**8 689 799**

The Company has been acting as an agent in transactions involving biomass and coal purchase for the Group companies. The Company purchases raw materials from third parties and from the TAURON Group companies, while the only buyers are the Group companies and a joint venture. It recognizes revenue from agency services (supply management). In September 2015 the Company discontinued providing agency services related to trading in biomass.

In the year ended 31 December 2015 raw materials acquired and resold as a result of the transactions in question amounted to PLN 1 880 849 thousand. The Company recognized revenue due to agency services of PLN 38 464 thousand, which constitutes a major portion of sales revenue.

12. Expenses by type

	Year ended 31 December 2015	Year ended 31 December 2014
Costs by type		
Depreciation of property, plant and equipment and amortization of intangible assets	(7 945)	(19 434)
Materials and energy	(1 235)	(1 301)
Consultancy services	(14 142)	(6 169)
IT services	(11 828)	(26 160)
Other external services	(17 451)	(20 641)
Taxes and charges	(2 439)	(4 871)
Employee benefits expense	(85 795)	(71 474)
Impairment loss on inventories	(1 371)	(3 206)
Allowance for doubtful debts	(1 480)	(174)
Advertising expenses	(33 406)	(31 921)
Other	(2 016)	(2 298)
Total costs by type	**(179 108)**	**(187 649)**
Selling and distribution expenses	20 268	25 286
Administrative expenses	96 341	80 365
Cost of goods for resale and materials sold	(9 123 183)	(8 444 857)
Cost of sales	**(9 185 682)**	**(8 526 855)**

(in PLN '000)

13. Employee benefits expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Wages and salaries	(68 780)	(56 211)
Social security costs	(7 981)	(6 667)
Jubilee bonuses	(1 039)	(1 461)
Appropriations to the Social Fund	(373)	(356)
Costs of employee retirement plans	(3 709)	(3 385)
Post-employment benefits expenses – actuarial provisions	(334)	(277)
Other employee benefits expenses	(3 579)	(3 117)
Employee benefits expenses, of which:	**(85 795)**	**(71 474)**
Items included in cost of sales	(19 621)	(18 828)
Items included in selling and distribution expenses	(9 960)	(9 869)
Items included in administrative expenses	(56 214)	(42 777)

14. Dividend income

As the Company carries out holding operations, it discloses significant dividend income recognized under financial revenue as at the dates of the resolutions on dividend payment, unless such resolutions set other record dates.

In the year ended 31 December 2015, the Company recognized dividend income of PLN 1 510 624 thousand, while in the comparable period it was PLN 1 076 836 thousand.

15. Other finance income

	Year ended 31 December 2015	Year ended 31 December 2014
Income from financial instruments, of which:	**471 886**	**433 539**
Interest income on bonds and loans	449 437	387 044
Other interest income	20 024	14 072
Measurement of derivative instruments	2 425	–
Gain on disposal of investments	–	32 423
Other finance income	**1 660**	**952**
Total other finance income	**473 546**	**434 491**

In 2014 gain on disposal of investment was recognized due the Company's acquisition of shares in the increased capital of TAMEH HOLDING Sp. z o.o. in return for the shares in TAMEH POLSKA Sp. z o.o. which were contributed in kind. In 2015 the Company did not sell any financial investments.

16. Revaluation of shares

Finance costs related to the revaluation of shares resulted from recognition of impairment losses on shares in TAURON Wytwarzanie S.A. of PLN 4 487 895 thousand and in TAURON Ciepło Sp. z o.o. of PLN 443 252 thousand, which stemmed from impairment tests, as discussed in detail in Note 6 hereto.

17. Other finance costs

	Year ended 31 December 2015	Year ended 31 December 2014
Financial instrument costs, of which:	**(378 134)**	**(396 652)**
Interest costs	(357 055)	(356 103)
Foreign exchange losses	(2)	(13 509)
Remeasurement of derivatives	–	(12 236)
Other impairment losses	(78)	(173)
Commissions due to external financing	(12 561)	(14 017)
Net expense due to realized derivatives	(8 438)	(614)
Other financial expenses	**(1 391)**	**(800)**
Total other finance costs	**(379 525)**	**(397 452)**

(in PLN '000)

In the year ended 31 December 2015 finance costs decreased by PLN 17 927 thousand vs. the comparative period mainly due to:

- the surplus of positive measurement of derivatives of PLN 2 425 thousand (other financial revenue) recorded in 2015, while in 2014 the Company reported a surplus of negative measurement of derivatives, which mainly resulted from negative measurement of an interest rate swap. After closing the hedged item, the IRS was excluded from hedge accounting and its carrying amount of PLN 13 380 thousand as at 31 December 2014 was recognized in profit for the period. The instrument in question was settled at maturity, i.e. in December 2015.
- a decrease in the surplus of exchange losses over exchange gains of PLN 13 507 thousand, which resulted mainly from the measurement of the EUR loan granted by a subsidiary. In 2014 the Company reported related exchange losses of PLN 16 690 thousand, while in 2015 they amounted to PLN 1 131 thousand.
- At the same time, in 2015 the net costs of realized derivative instruments increased (PLN 8 438 thousand) as a result of payments due to IRS excluded from hedge accounting.

18. Income tax

18.1. Tax expense in the statement of comprehensive income

Key items of the tax expense disclosed in the statement of comprehensive income:

	Year ended 31 December 2015	Year ended 31 December 2014
Current income tax	**12 057**	**(7 640)**
Current income tax expense	–	(7 560)
Adjustments of current income tax from prior years	12 057	(80)
Deferred tax	**(15 171)**	**(18 444)**
Income tax expense in profit or loss	**(3 114)**	**(26 084)**
Income tax expense in other comprehensive income	**(16 354)**	**4 000**

18.2. Reconciliation of the effective tax rate

	Year ended 31 December 2015	Year ended 31 December 2014
Profit/(loss) before tax	**(3 450 794)**	**1 172 527**
Tax at Poland's statutory tax rate of 19%	**655 651**	**(222 780)**
Adjustments to income tax from previous years	12 057	(80)
Tax resulting from tax non-deductible costs, including:	(949 748)	(16 477)
Impairment loss on shares in subsidiaries	(936 918)	–
Tax resulting from income not included in taxable base, including:	287 019	210 778
Dividends	287 019	204 599
Settlement of the TCG	(9 682)	2 440
Other	1 589	35
Tax at the effective tax rate of -0.1% (2014: 2.2%)	**(3 114)**	**(26 084)**
Income tax expense in profit/(loss)	(3 114)	(26 084)

(in PLN '000)

18.3. Deferred income tax

Deferred income tax results from:

	As at 31 December 2015	As at 31 December 2014
– due interest on bonds and loans	61 547	26 515
– other	1 529	1 018
Deferred tax liability	**63 076**	**27 533**

	As at 31 December 2015	As at 31 December 2014
– provisions for the obligation to surrender energy certificates	3	6 496
– provision for employee benefits	1 627	1 523
– other provisions and accruals	28 333	2 070
– difference between tax base and carrying amount of fixed and intangible assets	1 189	1 118
– difference between tax base and carrying amount of financial liabilities	11 908	12 020
– valuation of hedging instruments	18 139	34 377
– other	1 492	1 070
Deferred tax assets, of which:	**62 691**	**58 674**
Deferred tax assets recognized in profit or loss	45 305	24 934
Deferred tax assets recognized in other comprehensive income	17 386	33 740
Deferred tax asset/(liability), net	**(385)**	**31 141**

18.4. Tax Capital Group

A Tax Capital Group agreement for the years 2015–2017 was concluded on 22 September 2014. Pursuant to the previous agreement, the Tax Capital Group was registered for the period of three fiscal years from 1 January 2012 to 31 December 2014.

Major companies constituting the Tax Capital Group as from 1 January 2015 are TAURON Polska Energia S.A., TAURON Wytwarzanie S.A., TAURON Dystrybucja S.A., TAURON Ciepło Sp. z o.o., TAURON Sprzedaż Sp. z o.o., TAURON Sprzedaż GZE Sp. z o.o., TAURON Obsługa Klienta Sp. z o.o., TAURON Ekoenergia Sp. z o.o., TAURON Wydobycie S.A. and Kopalnia Wapienia Czatkowice Sp. z o.o.

As at 31 December 2015, the Tax Capital Group had income tax liability of PLN 82 944 thousand, constituting the surplus of tax liability of the Tax Capital Group of PLN 229 630 thousand over income tax prepaid by the Tax Capital Group as of 31 September 2015 of PLN 145 661 thousand and tax overpaid by a subsidiary before joining the Tax Capital Group of PLN 1 025 thousand.

The Company has disclosed the income tax liability of the Tax Capital Group with receivables due to withholding tax of PLN 9 thousand in the statement of financial position.

At the same time, due to the Company's settlements, as the Representative Company, with the Tax Capital Group companies, it disclosed liabilities to these subsidiaries arising from tax overpayment of PLN 6 563 thousand, which have been presented in the statement of financial position under "Trade and other payables", as well as receivables from the Tax Capital Group companies arising from tax underpayment of PLN 97 148 thousand, which have been presented in the statement of financial position under "Trade and other receivables".

(in PLN '000)

19. Dividends paid

	Year ended 31 December 2015	Year ended 31 December 2014
Dividend paid in the period	262 882	332 984
Dividend per share (in PLN)	0.15	0.19

On 23 April 2015, the Ordinary General Shareholders' Meeting of the Company adopted a resolution to allocate PLN 262 882 thousand to dividend payment to the Company's shareholders from the net profit generated by the Company in 2014 amounting to PLN 1 146 443 thousand (PLN 0.15 per share). The record date was set at 22 July 2015 and the payment date at 12 August 2015.

On 15 May 2014, the Ordinary General Shareholders' Meeting adopted a resolution to allocate PLN 332 984 thousand to dividend payment to the Company's shareholders (PLN 0.19 per share). The dividend was paid out from the net profit generated by the Company in 2013, which amounted to PLN 1 688 972 thousand. The record date was set at 14 August 2014 and the payment date at 4 September 2014.

20. Property, plant and equipment

Year ended 31 December 2015

	Plant and machinery	Motor vehicles	Other	Assets under construction	Property, plant and equipment, total
COST					
Opening balance	**6 819**	**5 876**	**10 677**	**92**	**23 464**
Direct purchase	–	–	–	1 367	**1 367**
Allocation of assets under construction	–	1 338	121	(1 459)	**–**
Sale, disposal	(7)	(357)	–	–	**(364)**
Liquidation	(51)	–	–	–	**(51)**
Closing balance	**6 761**	**6 857**	**10 798**	**–**	**24 416**
ACCUMULATED DEPRECIATION					
Opening balance	**(6 129)**	**(4 369)**	**(7 703)**	**–**	**(18 201)**
Depreciation for the period	(367)	(759)	(2 068)	–	**(3 194)**
Sale, disposal	7	357	–	–	**364**
Liquidation	51	–	–	–	**51**
Closing balance	**(6 438)**	**(4 771)**	**(9 771)**	**–**	**(20 980)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**690**	**1 507**	**2 974**	**92**	**5 263**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**323**	**2 086**	**1 027**	**–**	**3 436**

Year ended 31 December 2014

	Plant and machinery	Motor vehicles	Other	Assets under construction	Property, plant and equipment, total
COST					
Opening balance	**7 125**	**4 714**	**11 519**	**2**	**23 360**
Direct purchase	–	–	–	1 677	**1 677**
Allocation of assets under construction	–	1 195	390	(1 585)	**–**
Sale, disposal	–	–	(648)	–	**(648)**
Liquidation	(209)	–	(584)	–	**(793)**
Other changes	(97)	(33)	–	(2)	**(132)**
Closing balance	**6 819**	**5 876**	**10 677**	**92**	**23 464**
ACCUMULATED DEPRECIATION					
Opening balance	**(3 840)**	**(3 416)**	**(6 915)**	**–**	**(14 171)**
Depreciation for the period	(2 595)	(953)	(2 019)	–	**(5 567)**
Sale, disposal	–	–	647	–	**647**
Liquidation	209	–	584	–	**793**
Other changes	97	–	–	–	**97**
Closing balance	**(6 129)**	**(4 369)**	**(7 703)**	**–**	**(18 201)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**3 285**	**1 298**	**4 604**	**2**	**9 189**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**690**	**1 507**	**2 974**	**92**	**5 263**

(in PLN '000)

21. Investment property

	Year ended 31 December 2015	Year ended 31 December 2014
COST		
Opening balance	**36 169**	**36 169**
Closing balance	**36 169**	**36 169**
ACCUMULATED DEPRECIATION		
Opening balance	**(3 617)**	**–**
Depreciation for the period	(3 617)	(3 617)
Closing balance	**(7 234)**	**(3 617)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**32 552**	**36 169**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**28 935**	**32 552**

The investment property is composed of buildings located in Katowice Szopienice at ul. Lwowska 23 used under a finance lease agreement with PKO Bankowy Leasing Sp. z o.o. The monthly lease payment is ca. PLN 310 thousand, while monthly depreciation charge is ca. PLN 301 thousand.

The Company is a party to a lease agreement with a subsidiary (the lessee) valid until 30 April 2018, specifying terms and conditions of subleasing buildings and structures discussed in the lease agreement mentioned above. In the year ended 31 December 2015, the revenue from investment property lease reached PLN 5 640 thousand.

The Company estimated the fair value of real property based on available information on sales prices in recent transactions concerning premises of similar use located in Katowice. The fair value estimated is close to the carrying amount and was categorized to Level 3 of the fair value hierarchy in line with IFRS 13 Fair Value Measurement.

22. Non-current intangible assets

Year ended 31 December 2015

	Software and licenses	Energy certifica-tes	Other intangible assets	Intangible assets not commissioned for use	Intangible assets, total
COST					
Opening balance	**3 560**	**5 401**	**2 676**	**–**	**11 637**
Direct purchase	–	–	–	1 556	**1 556**
Allocation of intangible assets not made available for use	–	–	1 556	(1 556)	**–**
Liquidation	(21)	–	(47)	–	**(68)**
Reclassification	–	(5 401)	–	–	**(5 401)**
Closing balance	**3 539**	**–**	**4 185**	**–**	**7 724**
ACCUMULATED AMORTIZATION					
Opening balance	**(2 646)**	**–**	**(713)**	**–**	**(3 359)**
Amortization for the period	(360)	–	(774)	–	**(1 134)**
Liquidation	21	–	47	–	**68**
Closing balance	**(2 985)**	**–**	**(1 440)**	**–**	**(4 425)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**914**	**5 401**	**1 963**	**–**	**8 278**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**554**	**–**	**2 745**	**–**	**3 299**

In the year ended 31 December 2015, the Company reclassified energy certificates held for surrendering for 2015 with the value of PLN 5 401 thousand to inventories, which resulted from the possibility to recognize a lower provision for the obligation to surrender energy certificates, as discussed in detail in Note 37 hereto.

(in PLN '000)

Year ended 31 December 2014

	Software and licenses	Energy certifica-tes	Other intangible assets	Intangible assets not commissioned for use	Intangible assets, total
COST					
Opening balance	**54 015**	**20 250**	**1 337**	**4 016**	**79 618**
Direct purchase	4	1 333	–	2 139	**3 476**
Allocation of intangible assets not made available for use	2 102	–	1 569	(3 671)	**–**
Sales	(46 713)	–	–	(2 481)	**(49 194)**
Liquidation	(5 848)	–	(230)	–	**(6 078)**
Reclassification	–	(16 182)	–	(3)	**(16 185)**
Closing balance	**3 560**	**5 401**	**2 676**	**–**	**11 637**
ACCUMULATED AMORTIZATION					
Opening balance	**(21 949)**	**–**	**(696)**	**–**	**(22 645)**
Amortization for the period	(10 003)	–	(247)	–	**(10 250)**
Sales	23 466	–	–	–	**23 466**
Liquidation	5 840	–	230	–	**6 070**
Closing balance	**(2 646)**	**–**	**(713)**	**–**	**(3 359)**
NET CARRYING AMOUNT AT THE BEGINNING OF THE PERIOD	**32 066**	**20 250**	**641**	**4 016**	**56 973**
NET CARRYING AMOUNT AT THE END OF THE PERIOD	**914**	**5 401**	**1 963**	**–**	**8 278**

23. Shares

Change in shares, year ended 31 December 2015

No.	Company	Opening balance	Increases/ (Decreases)	Closing balance
1	TAURON Wytwarzanie S.A.	7 236 727	(4 487 895)	**2 748 832**
2	TAURON Dystrybucja S.A.	9 511 628	–	**9 511 628**
3	TAURON Ciepło Sp. z o.o.	1 328 043	(443 252)	**884 791**
4	TAURON Ekoenergia Sp. z o.o.	939 765	–	**939 765**
5	TAURON Sprzedaż Sp. z o.o.	613 505	–	**613 505**
6	TAURON Obsługa Klienta Sp. z o.o.	39 831	–	**39 831**
7	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. in liquidation	49 056	–	**49 056**
8	TAURON Czech Energy s.r.o.	4 223	–	**4 223**
9	TAURON Sprzedaż GZE Sp. z o.o.	129 823	–	**129 823**
10	TAURON Wydobycie S.A.	494 755	–	**494 755**
11	TAURON Wytwarzanie GZE Sp. z o.o. in liquidation	4 935	–	**4 935**
12	Kopalnia Wapienia Czatkowice Sp. z o.o.	41 178	–	**41 178**
13	TAURON Sweden Energy AB (publ)	232	28 150	**28 382**
14	Biomasa Grupa TAURON Sp. z o.o.	–	1 269	**1 269**
15	CONCORDE INVESTISSEMENT S.A.	12	–	**12**
16	CC Poland Plus Sp. z o.o.	12	–	**12**
17	Energopower Sp. z o.o.	45	(45)	**–**
18	Enpower Sp. z o.o.	45	20	**65**
19	TAURON Ubezpieczenia Sp. z o.o.	25	–	**25**
20	TAMEH HOLDING Sp. z o.o.	415 852	–	**415 852**
21	Marselwind Sp. z o.o.	107	–	**107**
22	PGE EJ 1 Sp. z o.o.	–	23 046	**23 046**
23	Nowe Brzeszcze Grupa TAURON Sp. z o.o.*	–	2 102	**2 102**
	Total	**20 809 799**	**(4 876 605)**	**15 933 194**

** Initially the company was registered under the name RSG Sp. z o.o. The change of the name to Nowe Brzeszcze Grupa TAURON Sp. z o.o. was registered on 20 October 2015.*

Changes in the balance of long-term investments in the year ended 31 December 2015 resulted mainly from the following transactions:

Impairment losses on shares in subsidiaries

Following impairment tests of shares in subsidiaries the Company recognized impairment losses on shares in TAURON Wytwarzanie S.A. of PLN 4 487 895 thousand and in TAURON Ciepło Sp. z o.o. of PLN 443 252 thousand, as discussed in detail in Note 6 hereto.

Purchase of shares in PGE EJ 1 Sp. z o.o.

On 15 April 2015 the Company, PGE Polska Grupa Energetyczna S.A., KGHM Polska Miedź S.A. and ENEA S.A. concluded an agreement for acquisition of shares in PGE EJ 1 Sp. z o.o., a special purpose vehicle, managing the preparation and performance of an investment project covering construction and operation of the first Polish nuclear power plant with a capacity of ca. 3,000 MWe (the "Project"). The Company, KGHM Polska Miedź S.A., ENEA S.A. acquired 10% of shares in PGE EJ 1 Sp. z o.o. each (the total of 30% of shares) from PGE Polska Grupa Energetyczna S.A. The price paid by the Company for the shares in question was PLN 16 046 thousand.

In accordance with the Shareholders' Agreement dated 3 September 2014 the parties will jointly finance the initial phase of the Project proportionally to the number of shares held. The initial phase will cover determining project elements, such as selecting potential partners, including the strategic partner, technology providers, EPC (Engineering, Procurement, Construction) contractors, nuclear fuel providers, acquiring funds for Project financing and ensuring appropriate organization and competences of PGE EJ 1 Sp. z o.o. to act as a future nuclear plant operator responsible for its security and efficiency.

On 29 July 2015 the Extraordinary Shareholders' Meeting of PGE EJ 1 Sp. z o.o. adopted a resolution to increase the issued capital of the entity. Under the resolution in question the issued capital of the company was increased from PLN 205 860 thousand to PLN 275 859 thousand, i.e. by PLN 69 999 thousand, by way of creating 496 450 new shares with the face value of PLN 141 per one share. TAURON Polska Energia S.A. took up 49 645 new shares with the total face value of PLN 7 000 thousand. The increase in the issued capital of PGE EJ 1 Sp. z o.o. was registered on 16 October 2015.

In accordance with the financing schedule, the total value of capital increases in PGE EJ 1 Sp. z o.o. in 2015, including the increase of 29 July 2015, amounted to PLN 70 000 thousand, where TAURON Polska Energia S.A. took up shares proportionally to the interest held in the issued capital of the entity at a given time. The timeframe of further investments in PGE EJ 1 Sp. z o.o. by its shareholders will be determined in subsequent reporting periods.

Purchase of shares in Biomasa Grupa TAURON Sp. z o.o.

Under an agreement dated 14 January 2015, TAURON Polska Energia S.A. acquired 4 267 shares in Biomasa Grupa TAURON Sp. z o.o., constituting 100% of the issued capital of the entity for PLN 1 224 thousand from TAURON Wytwarzanie S.A., a subsidiary. The title to shares was transferred under Article 453 of the Civil Code in order to release TAURON Wytwarzanie S.A. from the liability towards the Company arising from issued bonds with the value of PLN 1 230 thousand. The remaining portion of the liability of PLN 6 thousand was repaid in cash.

Business combination under common control of Energopower Sp. z o.o. and Biomasa Grupa TAURON Sp. z o.o.

On 1 July 2015, a business combination under common control of Energopower Sp. z o.o. (the acquirer) and Biomasa Grupa TAURON Sp. z o.o. (the acquiree) was registered by the District Court in Rzeszów, XII Business Division of the National Court Register. The business combination was carried out under Article 492.1.1 of the Code of Commercial Companies through the transfer of the acquiree's all assets onto the acquirer.

Capital increase in TAURON Sweden Energy AB (publ)

On 13 July 2015 the Extraordinary Shareholders' Meeting of TAURON Sweden Energy AB (publ) adopted a resolution to increase the issued capital of the entity amounting to EUR 55 thousand by a maximum amount of EUR 6 645 thousand by way of issuing 6 645 thousand new shares. On 22 July 2015, the Company paid EUR 6 645 thousand for newly issued shares of TAURON Sweden Energy AB (publ). On 8 September 2015 the issued capital increase of EUR 6 645 thousand (PLN 28 132 thousand) was registered by the Swedish Companies Registration Office.

Dissolving and liquidating TAURON Wytwarzanie GZE Sp. z o.o.

On 29 September 2015 the Extraordinary Shareholders' Meeting of TAURON Wytwarzanie GZE Sp. z o.o. adopted a resolution to dissolve and liquidate the entity. The Company holds 99.998% of direct interests in the issued capital of TAURON Wytwarzanie GZE Sp. z o.o. and in the general number of voices at the General Shareholders' Meeting and 0.002% of indirect interests through a subsidiary – TAURON Dystrybucja Serwis S.A.

The decision to liquidate TAURON Wytwarzanie GZE Sp. z o.o. is a part of the reorganization process aimed at simplifying and organizing the structure of the TAURON Polska Energia S.A. Capital Group. The company does not carry out business activities nor has it been subject to consolidation in the process of preparing financial statements of the TAURON Group.

(in PLN '000)

Acquisition of shares in Nowe Brzeszcze Grupa TAURON Sp. z o.o

On 5 August 2015 the District Court for Katowice-Wschód, VIII Business Division, registered RSG Sp. z o.o. (currently: Nowe Brzeszcze Grupa TAURON Sp. z o.o.). TAURON Polska Energia S.A. took up 100% of shares in the new company for the total acquisition price of PLN 102 thousand.

On 1 December 2015 the Extraordinary General Shareholders' Meeting of Nowe Brzeszcze Grupa TAURON Sp. z o.o. decided to increase the issued capital of the entity up to PLN 2 100 thousand by way of issuing 20 000 shares with the par value of PLN 100 each and the total par value of PLN 2 000 thousand. All new shares were acquired by the Company for an acquisition price equal to the par value.

Change in shares, year ended 31 December 2014

No.	Company	Opening balance	Increases/ (Decreases)	Closing balance
1	TAURON Wytwarzanie S.A.	7 590 778	(354 051)	**7 236 727**
2	TAURON Dystrybucja S.A.	9 511 628	–	**9 511 628**
3	TAURON Ciepło S.A.	1 335 738	(1 335 738)	**–**
4	TAURON Ekoenergia Sp. z o.o.	939 765	–	**939 765**
5	TAURON Sprzedaż Sp. z o.o.	613 505	–	**613 505**
6	TAURON Obsługa Klienta Sp. z o.o.	39 831	–	**39 831**
7	Polska Energia Pierwsza Kompania Handlowa Sp. z o.o. in liquidation	49 056	–	**49 056**
8	TAURON Czech Energy s.r.o.	4 223	–	**4 223**
9	TAURON Sprzedaż GZE Sp. z o.o.	129 823	–	**129 823**
10	TAURON Wydobycie S.A.	–	494 755	**494 755**
11	TAURON Wytwarzanie GZE Sp. z o.o.	4 935	–	**4 935**
12	Kopalnia Wapienia Czatkowice Sp. z o.o.	–	41 178	**41 178**
13	TAURON Sweden Energy AB (publ)	–	232	**232**
14	CONCORDE INVESTISSEMENT S.A.	12	–	**12**
15	CC Poland Plus Sp. z o.o.	12	–	**12**
16	Energopower Sp. z o.o.	45	–	**45**
17	TAURON Ciepło Sp. z o.o. (formerly: Enpower Service Sp. z o.o.)	49	1 327 994	**1 328 043**
18	Enpower Sp. z o.o.	25	20	**45**
19	TAURON Ubezpieczenia Sp. z o.o.	25	–	**25**
20	Przedsiębiorstwo Energetyki Cieplnej Sp. z o.o. w Tychach	1 872	(1 872)	**–**
21	TAMEH HOLDING Sp. z o.o.	–	415 852	**415 852**
22	Marselwind Sp. z o.o.	–	107	**107**
	Total	**20 221 322**	**588 477**	**20 809 799**

In the year ended 31 December 2014 changes in long-term investments resulted mainly from the following events:

- Separation of ZEC Bielsko Biała from TAURON Wytwarzanie S.A. to TAURON Ciepło S.A.;
- Purchase of shares in TAURON Wydobycie S.A. from Kompania Węglowa S.A.;
- Purchase of the remaining shares in TAURON Wydobycie S.A. and shares in Kopalnia Wapienia Czatkowice Sp. z o.o. from TAURON Wytwarzanie S.A., a subsidiary;
- Business combination under common control of TAURON Ciepło S.A. and Enpower Service Sp. z o.o.
- Registration of TAMEH HOLDING Sp. z o.o.

24. Bonds

Under the central financing model, TAURON Polska Energia S.A. acquires bonds issued by the TAURON Group companies.

The table below presents the balances of acquired bonds and interest accrued as at the end of the reporting period, i.e. 31 December 2015 and 31 December 2014, broken down by individual TAURON Group companies by which the bonds have been issued.

(in PLN '000)

Company	As at 31 December 2015		As at 31 December 2014	
	par value of purchased bonds	accrued interest	par value of purchased bonds	accrued interest
TAURON Wytwarzanie S.A.	2 498 770	13 260	1 940 000	11 645
TAURON Dystrybucja S.A.	2 600 000	174 565	2 050 000	85 744
TAURON Ekoenergia Sp. z o.o.	60 000	705	1 180 000	5 393
TAURON Ciepło Sp. z o.o.	1 603 260	18 675	1 033 780	8 605
TAMEH POLSKA Sp. z o.o.	–	–	21 740	–
TAURON Wydobycie S.A.	600 000	4 787	370 000	3 823
TAURON Obsługa Klienta Sp. z o.o.	85 000	7 619	85 000	2 996
Total bonds, including:	**7 447 030**	**219 611**	**6 680 520**	**118 206**
Non-current	7 447 030	4 571	5 522 030	695
Current	–	215 040	1 158 490	117 511

Intra-group bonds with the par value of PLN 90 000 thousand issued by subsidiaries and acquired by TAURON Polska Energia S.A. with the term to maturity of less than one year have been classified as long-term instruments due to the companies' rollover intention.

25. Derivative instruments

	As at 31 December 2015				As at 31 December 2014			
	Charged to profit or loss	Charged to other comprehensive income	Total		Charged to profit or loss	Charged to other comprehensive income	Total	
			Assets	Liabilities			Assets	Liabilities
CCIRS	(11 368)	–	**3 055**	**(14 423)**	258	–	**1 499**	**(1 241)**
IRS	(4 833)	(90 634)	**–**	**(95 467)**	(17 746)	(176 567)	**–**	**(194 313)**
Commodity future/forward	17	–	**2 225**	**(2 208)**	(250)	–	**312**	**(562)**
Currency forward	404	–	**404**	**–**	–	–	**–**	**–**
Total derivative instruments, including:			**5 684**	**(112 098)**			**1 811**	**(196 116)**
Current			5 668	(96 942)			1 811	(102 615)
Non-current			16	(15 156)			–	(93 501)

Derivative instrument CCIRS relates to the Coupon Cross Currency Swap contract entered into by the Company on 24 November 2014, which consisted in a swap of interest payments from the nominal value of EUR 168 000 thousand. The contract was concluded for the period of 15 years. In accordance with the contract, the Company pays interest accrued based on a floating interest rate in PLN and receives fixed interest-rate payments in EUR. Hedge accounting principles do not apply to the transaction in question. After the end of the reporting period, on 12 February 2016 the transaction in question was closed and on 15 February 2016 it was settled in cash, hence the Company received PLN 5 400 thousand.

Derivatives (IRS) include interest rate swap contracts concluded in order to hedge interest cash flows related to bonds issued, as presented in detail in Note 46 hereto. The IRS derivative contracts are subject to hedge accounting with the remeasurement recognized in other comprehensive income. As at 31 December 2015 the liability amounted to PLN 95 467 thousand.

Commodity futures and forwards include contracts for purchase and sale of commodities, including emission allowances. Hedge accounting principles do not apply to the transactions in question.

Moreover, in the year ended 31 December 2015 the Company entered into currency forward contracts hedging foreign currency cash flows resulting from trading in emission allowances and gas. These transactions are not subject to hedge accounting.

(in PLN '000)

26. Loans granted

	As at 31 December 2015		As at 31 December 2014	
	Principal	Interest	Principal	Interest
Loan granted to TAURON Ekoenergia Sp. z o.o.	1 120 000	75 362	–	–
Loans granted to EC Stalowa Wola S.A., of which:	194 950	28 959	182 850	21 343
Subordinated loan	177 000	28 922	177 000	21 331
Loan for repayment of debt	15 850	31	–	–
Other loans	2 100	6	5 850	12
Other loans	142 024	20	500	5
Total loans, of which:	**1 456 974**	**104 341**	**183 350**	**21 348**
Non-current	1 312 850	104 315	177 000	21 331
Current	144 124	26	6 350	17

On 27 February 2015 the Company entered into an agreement with its subsidiary, TAURON Ekoenergia Sp. z o.o., under which TAURON Polska Energia S.A. granted a one-year loan of PLN 1 120 000 thousand to TAURON Ekoenergia Sp. z o.o. The purpose of the loan was to redeem the same amount of intra-group bonds issued by the borrower in prior years to finance construction of wind farms. The set-off of the loan against the bonds did not result in any cash flows of the Company due to loan granting or bond redemption by TAURON Ekoenergia Sp. z o.o. On 25 February 2016 the annex to the loan agreement was entered into, extending the term to maturity until 27 February 2017.

Under the agreements of 20 June 2012 among PGNiG S.A., TAURON Polska Energia S.A. and Elektrociepłownia Stalowa Wola S.A., TAURON Polska Energia S.A. granted a subordinated loan and a VAT loan to Elektrociepłownia Stalowa Wola S.A. with a view to satisfying the necessary conditions for provision of funding to Elektrociepłownia Stalowa Wola S.A. by the European Bank for Reconstruction and Development and the European Investment Bank. At the end of the reporting period, the balance of the subordinated loan was PLN 177 000 thousand and the VAT loan was fully repaid.

On 14 December 2015 the Company entered into a loan agreement with Elektrociepłownia Stalowa Wola S.A., under which the Company extended a loan to Elektrociepłownia Stalowa Wola S.A. with the maximum amount of PLN 15 850 thousand for repayment of the first instalment with accrued interest of credit facilities granted to the borrower by the European Investment Bank, the European Bank for Reconstruction and Development and Bank Polska Kasa Opieki S.A. The floating interest rate on the loan is based on WIBOR 3M plus margin. Subject to the provisions of the subordination agreement, the borrower has agreed to make one-off repayment of the principal amount and interest accrued until 31 December 2027. The loan has been secured with a blank promissory note with a promissory note agreement. As at the reporting date the outstanding amount under the loan agreement was PLN 15 850 thousand.

On 25 November 2015 the Company entered into a loan agreement with Elektrociepłownia Stalowa Wola S.A., under which the Company has been obliged to extend a short-term loan of PLN 2 600 thousand to Elektrociepłownia Stalowa Wola S.A. for financing current operations of the borrower. The floating interest rate on the loan is based on WIBOR 6M plus margin. The borrower has agreed to make an one-off repayment of the principal amount and interest using the funds from the first tranche paid to the borrower after entering into the loan agreement within 30 calendar days from the date the financing banks have disbursed funds under facility agreements and not later than on 30 November 2016. As at the reporting date the outstanding amount under the loan agreement was PLN 2 100 thousand.

In October 2014 the Company granted a short-term loan of PLN 500 thousand to TAMEH HOLDING Sp. z o.o. The outstanding loan with interest was repaid to the Company in the year ended 31 December 2015.

Under agreements entered into on 21 December 2015, the Company purchased 4 100 thousand CO_2 emission allowances (EUA) from a subsidiary TAURON Wytwarzanie S.A. for an agreed prices of PLN 34.64 per one EUA for the total amount of PLN 142 024 thousand. At the same time, the Company agreed to resell the same number or EUAs in March 2016 at an agreed price of PLN 35.05 per one EUA. Due to its nature the transaction has been recognized as a loan (buy-sell-back transaction), because according to the Company it has not entailed a transfer of risks and rewards, including the risk of fair value change. As at the end of the reporting period, interest of PLN 20 thousand was accrued on the loan. Expenditure on purchasing CO_2 emission allowances under the transaction in question has been presented in the statement of cash flows as loans granted in investing activities.

(in PLN '000)

27. Other financial assets

As at 31 December 2015 the balance of other financial assets amounted to PLN 5 279 thousand and comprised a guarantee deposit of PLN 5 239 thousand, resulting from an assumed operating lease agreement concluded by PKO Bankowy Leasing Sp. z o.o. and PKE Broker Sp. z o.o. with the intended purpose of securing repayment of liabilities of the user, where the deposit is returnable on the date of settling the lease agreement.

28. Current intangible assets

Under current intangible assets, the Company discloses energy certificates.

	Year ended 31 December 2015	Year ended 31 December 2014
Opening balance	**20 215**	**98 149**
Direct purchase	1 671	7 868
Cancellation	(21 885)	(98 182)
Reclassification	(1)	12 380
Closing balance	**–**	**20 215**

29. Inventories

	As at 31 December 2015	As at 31 December 2014
Historical cost		
Energy certificates	1 720	3 389
Greenhouse gas emission allowances	248 342	173 571
Materials	56	372
Total	**250 118**	**177 332**
Write-downs to net realizable value		
Energy certificates	(198)	(60)
Greenhouse gas emission allowances	(428)	–
Total	**(626)**	**(60)**
Net realizable value		
Energy certificates	1 522	3 329
Greenhouse gas emission allowances	247 914	173 571
Materials	56	372
Total	**249 492**	**177 272**

30. Trade and other receivables

	As at 31 December 2015	As at 31 December 2014
Trade receivables	579 446	941 842
Other financial receivables, including:	130 148	40 740
Cash pool loans received, including accrued interest	20 943	29 224
Collateral paid	11 298	6 870
TCG receivables	97 148	4 353
Other financial receivables	759	293
Total	**709 594**	**982 582**

Trade receivables bear no interest and usually have a 30-day maturity period. Sales transactions are only entered into with clients subject to a verification procedure. As a result, the management believe that there is no additional credit risk over the level of the allowances recognized for bad debts of the Company's trade receivables.

Related-party transactions as well as related party receivables and liabilities have been presented in Note 44 hereto.

(in PLN '000)

31. Other current non-financial assets

	As at 31 December 2015	As at 31 December 2014
Prepayments	5 753	2 588
Receivables from excise duty	1 750	–
Receivables from input VAT	42 013	19 328
Advance payments for deliveries	66 071	68
Other current assets	–	23
Total	**115 587**	**22 007**

32. Cash and cash equivalents

The balance of cash and cash equivalents disclosed in the statement of cash flows includes:

	As at 31 December 2015	As at 31 December 2014
Cash at bank and in hand	168 024	264 260
Short-term deposits (up to 3 months)	231	964 620
Total cash and cash equivalents presented in the statement of financial position, including:	**168 255**	**1 228 880**
– restricted cash	70 927	44 765
Cash pool	(839 642)	(1 151 591)
Overdraft	(10 206)	(11 918)
Foreign exchange	2 418	3 564
Total cash and cash equivalents presented in the statement of cash flows	**(679 175)**	**68 935**

The balances of loans granted and taken out in cash pool transactions do not represent cash flows from investing or financing activities as they are mainly used to manage the Group's liquidity on a day-to-day basis. They are disclosed as an adjustment to the balance of cash instead.

The balance of restricted cash consists mainly of:

- cash held in the settlement account for trading in electricity on the Polish Power Exchange (Towarowa Giełda Energii S.A.), amounting to PLN 46 764 thousand, and
- cash held in special purpose accounts for transactions carried out on the European Energy Exchange and ICE Futures Europe of PLN 22 067 thousand.

Detailed information on cash pool balances has been presented in Note 35.4 to these financial statements.

33. Issued capital and other capitals

33.1. Issued capital

Issued capital as at 31 December 2015

Class/ issue	Type of shares	Number of shares	Nominal value of one share (in PLN)	Value of class/issue at nominal value	Method of payment
AA	bearer shares	1 589 438 762	5	7 947 194	cash/in-kind contribution
BB	registered shares	163 110 632	5	815 553	in-kind contribution
		1 752 549 394		**8 762 747**	

As at 31 December 2015, the value of issued capital, the number of shares and the par value of shares did not change compared to 31 December 2014.

(in PLN '000)

33.2. Major shareholders

Shareholding structure as at 31 December 2015 *(to the best of the Company's knowledge)*

Shareholder	Number of shares	Nominal value of shares	% of issued capital	% of total vote
State Treasury	526 848 384	2 634 242	30.06%	30.06%
KGHM Polska Miedź S.A.	182 110 566	910 553	10.39%	10.39%
Nationale - Nederlanden Otwarty Fundusz Emerytalny	88 742 929	443 715	5.06%	5.06%
Other shareholders	954 847 515	4 774 237	54.49%	54.49%
Total	**1 752 549 394**	**8 762 747**	**100.00%**	**100.00%**

33.3. Reserve capital

In the financial year ended 31 December 2015 the reserve capital was increased by PLN 883 561 thousand as a result of distribution of profit for 2014.

33.4. Revaluation reserve from valuation of hedging instruments

	Year ended 31 December 2015	Year ended 31 December 2014
Opening balance	**(143 019)**	**(126 651)**
Remeasurement of hedging instruments	85 466	(21 171)
Remeasurement of hedging instruments charged to profit or loss	466	964
Deferred income tax	(16 327)	3 839
Closing balance	**(73 414)**	**(143 019)**

The revaluation reserve from measurement of hedging instruments results from valuation of Interest Rate Swaps (IRS) hedging the interest rate risk arising from bonds issued, as presented in detail in Note 46 to these financial statements.

The Company applies hedge accounting to hedging transactions covered by the policy for specific risk management in the area of finance.

As at 31 December 2015 the Company recognized PLN (73 414) thousand of revaluation reserve from valuation of hedging instruments. It represents a liability arising from measurement of interest rate swaps as at the end of the reporting period, totaling to PLN 95 467 thousand, adjusted by a portion of measurement relating to interest accrued on bonds as at the end of the reporting period, including deferred tax.

The profit/loss for the period was charged with PLN 89 380 thousand, where PLN 88 914 thousand was the amount paid in respect of hedges used in relation to closed interest periods and PLN 466 thousand resulted from remeasurement of instruments related to interest on bonds accrued as at the end of the reporting period. The aforementioned costs of hedging IRS transactions increased financial expenses arising from interest on bonds issued in the statement of comprehensive income.

33.5. Retained earnings and dividend limitation

Reserve capital – dividend limitation

	As at 31 December 2015	As at 31 December 2014
amounts subject to distribution or to cover losses, including:	**4 032 169**	**3 148 608**
amounts to be used to cover losses	3 453 908	–
remaining amounts from distribution of prior years profits	578 261	3 148 608
non-distributable amounts, including:	**7 245 078**	**7 245 078**
decrease in the value of issued capital	7 010 198	7 010 198
settlement of mergers with subsidiaries	234 880	234 880
Total reserve capital	**11 277 247**	**10 393 686**

(in PLN '000)

Retained earnings – dividend limitation

	As at 31 December 2015	As at 31 December 2014
distributable amounts or losses to be covered, including:	**(3 453 895)**	**1 146 456**
profit for the year ended 31 December 2015	(3 453 908)	–
profit for the year ended 31 December 2014	–	1 146 443
adjustment of prior years profit	13	13
non-distributable amounts, including:	**79 812**	**79 697**
actuarial gains and losses on provisions for post-employment benefits	(706)	(821)
settlement of mergers with subsidiaries	80 518	80 518
Total retained earnings (accumulated losses)	**(3 374 083)**	**1 226 153**

On 23 April 2015, the Ordinary General Shareholders' Meeting of TAURON Polska Energia S.A. adopted a resolution on distribution of the profit for the financial year 2014 of PLN 1 146 443 thousand, where PLN 262 882 thousand was allocated to dividend for the shareholders and PLN 883 561 thousand – to reserve capital.

34. Earnings per share

Earnings per share (in PLN)	Year ended 31 December 2015	Year ended 31 December 2014
Basic and diluted, for profit (loss) for the year	(1.97)	0.65

Presented below is information about the earnings and number of shares which served as the basis for calculation of the basic and diluted earnings per share presented in the statement of comprehensive income.

	Year ended 31 December 2015	Year ended 31 December 2014
Net profit (loss) attributable to ordinary shareholders	(3 453 908)	1 146 443
Number of ordinary shares	1 752 549 394	1 752 549 394

35. Debt

	As at 31 December 2015	As at 31 December 2014
Long-term portion of debt		
Issued bonds	2 957 095	5 644 306
Loans received from the European Investment Bank	1 183 320	1 021 263
Loan from the subsidiary	709 170	709 267
Finance lease	26 961	30 169
Total	**4 876 546**	**7 405 005**
Short-term portion of debt		
Issued bonds	3 011 922	466 325
Cash pool loans received, including accrued interest	860 585	1 180 815
Loans from the European Investment Bank	140 871	139 148
Loan from the subsidiary	30 256	2 059
Overdraft	10 206	11 918
Finance lease	3 208	2 990
Total	**4 057 048**	**1 803 255**

35.1. Bonds issued

The tables below present the balances of the Company's liabilities arising from bonds issued, together with accrued interest, as at 31 December 2015 and 31 December 2014.

(in PLN '000)

Bonds as at 31 December 2015

Tranche/ Bank	Maturity date	Currency	As at balance sheet date		of which maturing within (after the balance sheet date)				
			Accrued interest	Principal at amortized cost	up to 3 months	3–12 months	1–2 years	2–5 years	over 5 years
C	12 December 2016	PLN	4 389	2 998 938	2 249 203	749 735	–	–	–
BGK*	20 December 2019	PLN	106	99 836	–	–	–	99 836	–
BGK*	20 December 2020	PLN	106	99 823	–	–	–	99 823	–
BGK*	20 December 2021	PLN	106	99 815	–	–	–	–	99 815
BGK*	20 December 2022	PLN	106	99 808	–	–	–	–	99 808
BGK*	20 December 2023	PLN	106	99 802	–	–	–	–	99 802
BGK*	20 December 2024	PLN	106	99 800	–	–	–	–	99 800
BGK*	20 December 2025	PLN	106	99 796	–	–	–	–	99 796
BGK*	20 December 2026	PLN	106	99 792	–	–	–	–	99 792
BGK*	20 December 2027	PLN	106	99 790	–	–	–	–	99 790
BGK*	20 December 2028	PLN	97	99 790	–	–	–	–	99 790
BGK*	20 December 2020	PLN	12	70 000	–	–	–	70 000	–
BGK*	20 December 2021	PLN	12	70 000	–	–	–	–	70 000
BGK*	20 December 2022	PLN	12	70 000	–	–	–	–	70 000
TPEA1119	4 November 2019	PLN	7 508	1 749 043	–	–	–	1 749 043	–
Total bonds			**12 984**	**5 956 033**	**2 249 203**	**749 735**	**–**	**2 018 702**	**938 393**

** Bank Gospodarstwa Krajowego.*

On 31 December 2015 Tranche C bonds maturing on 12 December 2016 were classified as liabilities maturing within 3 months due to the intention of early redemption. On 29 February 2016 the Company redeemed the bonds in question before maturity, as discussed in detail in Note 52 to these financial statements.

Bonds as at 31 December 2014

Tranche/ Bank	Maturity date	Currency	As at balance sheet date		of which maturing within (after the balance sheet date)				
			Accrued interest	Principal at amortized cost	up to 3 months	3–12 months	1–2 years	2–5 years	over 5 years
B	12 December 2015	PLN	485	299 716	–	299 716	–	–	–
B	30 January 2015	PLN	2 287	150 000	150 000	–	–	–	–
C	12 December 2016	PLN	4 849	2 997 442	–	–	2 997 442	–	–
BGK*	20 December 2019	PLN	115	99 797	–	–	–	99 797	–
BGK*	20 December 2020	PLN	115	99 791	–	–	–	–	99 791
BGK*	20 December 2021	PLN	115	99 787	–	–	–	–	99 787
BGK*	20 December 2022	PLN	115	99 784	–	–	–	–	99 784
BGK*	20 December 2023	PLN	115	99 781	–	–	–	–	99 781
BGK*	20 December 2024	PLN	115	99 781	–	–	–	–	99 781
BGK*	20 December 2025	PLN	115	99 780	–	–	–	–	99 780
BGK*	20 December 2026	PLN	115	99 777	–	–	–	–	99 777
BGK*	20 December 2027	PLN	115	99 776	–	–	–	–	99 776
TPEA1119	4 November 2019	PLN	7 953	1 748 810	–	–	–	1 748 810	–
Total bonds			**16 609**	**6 094 022**	**150 000**	**299 716**	**2 997 442**	**1 848 607**	**798 257**

** Bank Gospodarstwa Krajowego.*

Bonds were issued in a dematerialized form. These are unsecured coupon bonds with a floating interest rate plus a fixed margin. Interest is WIBOR 6M-based and is payable on a semi-annual basis.

Change in the balance of bonds excluding interest accrued in the year ended 31 December 2015 and in the comparable period has been presented below.

	Year ended 31 December 2015	Year ended 31 December 2014
Opening balance	**6 094 022**	**4 291 460**
Issue*	309 789	2 946 640
Redemption	(450 000)	(1 148 200)
Measurement change	2 222	4 122
Closing balance	**5 956 033**	**6 094 022**

** Including the cost of issue.*

Changes in the balance of bonds in the year ended 31 December 2015 resulted from the following events:

- On 30 January 2015 and on 12 December 2015 the Company redeemed Tranche B bonds with the par value of PLN 150 000 thousand and PLN 300 000 thousand, respectively, at their maturity.
- Pursuant to the agreement with Bank Gospodarstwa Krajowego, in 2015 the Company issued bonds with the total par value of PLN 310 000 thousand: one tranche with the par value of PLN 100 000 thousand and three tranches with the par value of PLN 70 000 thousand each.

  In July 2015 TAURON Polska Energia S.A. concluded an annex to the scheme agreement with Bank Gospodarstwa Krajowego concerning the bond issue scheme organization. Pursuant to the annex, the bond issue scheme amount was increased from PLN 1 000 000 thousand to PLN 1 700 000 thousand. Bank Gospodarstwa Krajowego acts as an arranger, underwriter and depositary. The bonds were issued to finance capital expenditure of the TAURON Group.

  The value of the bond scheme with securities of at maximum 15-year maturity periods and 6-month interest periods is PLN 1 700 000 thousand. As at the date of concluding the annex, PLN 300 000 thousand, constituting a portion of the amount increasing the bond issue scheme, was underwritten. Next, under another annex of 20 November 2015, the amount underwritten by Bank Gospodarstwa Krajowego was increased by PLN 400 000 thousand, to the total scheme amount of PLN 1 700 000 thousand. In accordance with the financing structure bonds will be issued in series in the years 2015–2016 and they will mature from 2020 to 2029. In December 2015 the Company issued bonds with the total par value of PLN 210 000 thousand maturing on 20 December 2020, 20 December 2021 and 20 December 2022 under the increased bond scheme.

Moreover, 17 500 TPEA1119 series bearer bonds with the total face value of PLN 1 750 000 thousand and the unit face value of PLN 100 thousand issued by TAURON Polska Energia S.A. in 2014 were listed in the Catalyst market in the year ended 31 December 2015. The first listing took place on 12 March 2015 and the last listing on 22 October 2019.

Conclusion of bond issue scheme agreements

On 24 November 2015, the Company, Bank Handlowy w Warszawie S.A., Bank of Tokyo-Mitsubishi UFJ (Holland) BV, Bank of Tokyo-Mitsubishi UFJ (Polska) S.A., Bank Zachodni WBK S.A., CaixaBank S.A. (Spółka Akcyjna) Branch in Poland, Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, ING Bank Śląski S.A. and Powszechna Kasa Oszczędności Bank Polski S.A. signed an agency and depositary agreement and an underwriting agreement providing for a bond issue scheme (the "Scheme") totaling PLN 6 270 000 thousand. The proceeds of the issue under the Scheme will be used for covering expenditures related to implementation of the investment program of the TAURON Group, refinancing its debt or covering corporate expenses of the Group.

As part of the Scheme, the Company will be able to issue bonds repeatedly until 31 December 2020. The said bonds will be unsecured, coupon, floating rate bearer securities with the par value of PLN 100 thousand each and maturity of 1, 3, 6, 12, 24, 36, 48 or 58 months. Their issue will be underwritten, which means that the underwriters (banks being parties to the underwriting agreement) will commit to purchase the bonds issued by the Company under the Scheme.

After the end of the reporting period, the Company issued bonds under the aforementioned Scheme, which has been discussed in more detail in Note 52 to these financial statements.

The Company hedges a portion of interest cash flows related to bonds issued under Tranche C using IRS contracts. The instruments are subject to hedge accounting, as discussed in Note 46 hereto.

The contracts signed by the Company with banks include legal and financial covenants which are commonly used in such transactions. As at 31 December 2015, none of these covenants were breached and the contractual provisions were complied with.

35.2. Loans from the European Investment Bank

As at 31 December 2015, the balance of loans obtained from the European Investment Bank was PLN 1 324 191 thousand, including interest accrued of PLN 8 130 thousand. As at 31 December 2014, the outstanding amount was PLN 1 160 411 thousand.

Change in the balance of loans from the European Investment Bank, excluding interest accrued is presented below.

	Year ended 31 December 2015	Year ended 31 December 2014
Opening balance	**1 153 996**	**1 286 651**
Granted*	294 705	–
Repaid	(132 818)	(132 818)
Measurement change	178	163
Closing balance	**1 316 061**	**1 153 996**

** Including cost of loans.*

In the year ended 31 December 2015, the Company repaid PLN 132 818 thousand of the principal amount and PLN 55 136 thousand of interest.

PLN 295 000 thousand, constituting a portion of the loan granted by the European Investment Bank under the agreement of July 2014, was disbursed on 17 July 2015. The purpose of the loan was financing an investment project related to energy production from renewable sources and energy distribution.

The portion in question will be repaid in equal principal instalments payable every 6 months from 15 September 2017 to 15 March 2027, while interest will be paid every 6 months starting from 15 September 2015. Interest rate is fixed and applies until 15 September 2019.

35.3. Loans granted by a subsidiary

As at 31 December 2015 the carrying amount of the loans granted by the subsidiary TAURON Sweden Energy AB (publ) was PLN 739 426 thousand (EUR 173 513 thousand), including PLN 2 130 thousand (EUR 500 thousand) of interest accrued as at the end of the reporting period. As at 31 December 2014 the carrying amount of the loan from a subsidiary was PLN 711 326 thousand (EUR 166 888 thousand).

Change in the balance of the loan from the subsidiary, excluding interest accrued is presented below.

	Year ended 31 December 2015	Year ended 31 December 2014
Opening balance	**709 267**	**–**
Granted*	27 358	692 574
Measurement change	671	16 693
Closing balance	**737 296**	**709 267**

** Including cost of loans.*

The Company's liabilities due to loans granted by a subsidiary result from two loan agreements:

- PLN 711 228 thousand (EUR 166 896 thousand) of a long-term loan granted under an agreement entered into in December 2014 between TAURON Polska Energia S.A. and TAURON Sweden Energy AB (publ). The interest rate on a loan is fixed and interest is paid annually, in December, until the final loan repayment. The loan will be fully repaid on 29 November 2029.
- PLN 28 198 thousand (EUR 6 617 thousand) of a short-term loan granted under the agreement dated 27 July 2015, under which TAURON Sweden Energy AB (publ) extended a loan of EUR 6 600 thousand to the Company on 30 July 2015. The maturity date of the entire outstanding amount was set at 30 July 2016.

35.4. Cash pool

In order to optimize cash management, financial liquidity and financial revenue and expense the TAURON Group has introduced a cash pooling structure. On 18 December 2014 the Company concluded a new zero balancing agreement with PKO Bank Polski S.A. for a 3-year period with the possibility to extend the period by 12 months, with TAURON Polska Energia S.A. acting as an agent. The interest rates were determined on market terms.

The balances of receivables and liabilities arising from cash pool transactions have been presented in the table below.

(in PLN '000)

	As at 31 December 2015	As at 31 December 2014
Receivables from cash pool loans granted	20 846	29 166
Interest receivable on loans granted under cash pool agreement	97	58
Total Receivable	**20 943**	**29 224**
Loans received under cash pool agreement	859 575	1 178 761
Interest payable on loans received under cash pool agreement	1 010	2 054
Total Liabilities	**860 585**	**1 180 815**

Surplus cash obtained by the Company under the cash pool agreement is deposited in bank accounts.

Under the cash pool agreement the Company is entitled to use external financing in the form of an overdraft up to PLN 300 000 thousand and an intraday limit up to PLN 500 000 thousand. As at 31 December 2015 the Company had no outstanding amounts under the facilities in question.

35.5. Overdraft facilities

As at 31 December 2015 the balance of overdraft facilities reached PLN 10 206 thousand and included:

- agreement for an overdraft in EUR with Bank Gospodarstwa Krajowego concluded by the Company to finance transactions in emission allowances, power and gas for EUR 2 025 thousand (PLN 8 630 thousand);
- foreign currency (USD) overdraft agreement with mBank S.A. concluded by the Company for the purpose of financing margin deposits and commodity transactions – USD 404 thousand (PLN 1 576 thousand).

As at 31 December 2014 the balance of overdraft facilities reached PLN 11 918 thousand.

35.6. Finance lease liabilities

Future minimum finance lease payments and the current amount of minimum net lease payments are the following:

	As at 31 December 2015		As at 31 December 2014	
	Minimum lease payments	Present value of lease payments	Minimum lease payments	Present value of lease payments
Within 1 year	4 012	3 208	3 910	2 990
Within 1 to 2 years	4 150	3 442	4 032	3 208
Within 2 to 3 years	23 728	23 519	4 150	3 442
Within 3 to 5 years	–	–	23 728	23 519
Minimum lease payments, total	**31 890**	**30 169**	**35 820**	**33 159**
Less amounts representing finance charges	(1 721)	–	(2 661)	–
Present value of minimum lease payments, of which:	**30 169**	**30 169**	**33 159**	**33 159**
Current	3 208	3 208	2 990	2 990
Non-current	26 961	26 961	30 169	30 169

As at 31 December 2015, the finance lease liability resulted from the lease of investment property.

35.7. Operating lease liabilities

As at 31 December 2015 the Company used a real property located in Katowice at ul. ks. Piotra Ściegiennego 3, based on a lease agreement.

The Company's registered office is located at the leased premises with the usable area of 8 575 square meters. In 2015 the average monthly cost of lease with maintenance fees totaled PLN 484 thousand.

(in PLN '000)

36. Employee benefits

Change in provisions for employee benefits for the year ended 31 December 2015

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Jubilee bonuses	Provisions, total
Opening balance	**1 332**	**1 284**	**280**	**5 120**	**8 016**
Current service costs	216	90	27	1 010	**1 343**
Actuarial gains and losses, of which:	(25)	(86)	(31)	31	**(111)**
arising from changes in financial assumptions	(127)	(257)	(38)	(283)	**(705)**
arising from changes in demographic assumptions	(43)	(1)	2	(141)	**(183)**
arising from other changes	145	172	5	455	**777**
Benefits paid	(9)	(4)	(1)	(857)	**(871)**
Interest expense	33	30	7	118	**188**
Closing balance	**1 547**	**1 314**	**282**	**5 422**	**8 565**
Current	70	6	2	644	**722**
Non-current	1 477	1 308	280	4 778	**7 843**

Change in provisions for employee benefits for the year ended 31 December 2014

	Provision for retirement, disability and similar benefits	Employee electricity rates	Social Fund	Jubilee bonuses	Provisions, total
Opening balance	**1 058**	**627**	**157**	**3 941**	**5 783**
Current service costs	190	64	23	960	**1 237**
Actuarial gains and losses, of which:	181	571	95	501	**1 348**
arising from changes in financial assumptions	270	548	98	570	**1 486**
arising from changes in demographic assumptions	(104)	(51)	(10)	(112)	**(277)**
arising from other changes	15	74	7	43	**139**
Benefits paid	(140)	(4)	(2)	(450)	**(596)**
Interest expense	43	26	7	168	**244**
Closing balance	**1 332**	**1 284**	**280**	**5 120**	**8 016**
Current	20	6	1	638	**665**
Non-current	1 312	1 278	279	4 482	**7 351**

37. Other provisions

Change in other provisions for the year ended 31 December 2015

	Provision for energy certificates	Provision for onerous contracts with a jointly-controlled entity	Total provisions
Opening balance	**34 189**	–	**34 189**
Recognision	15	182 877	**182 892**
Reversal	(163)	–	**(163)**
Utilisation	(34 026)	–	**(34 026)**
Closing balance	**15**	**182 877**	**182 892**
Current	15	19 428	**19 443**
Non-current	–	163 449	**163 449**

(in PLN '000)

Change in other provisions for the year ended 31 December 2014

	Provision for energy certificates	Other provisions	Total provisions
Opening balance	**109 792**	**788**	**110 580**
Recognision	34 189	–	**34 189**
Reversal	(205)	(788)	**(993)**
Utilisation	(109 587)	–	**(109 587)**
Closing balance	**34 189**	**–**	**34 189**
Current	34 189	–	**34 189**
Non-current	–	–	**–**

Provision for onerous contracts with a jointly-controlled entity

As the schedule had not been met and the material technical terms of the contract signed with the general contractor of a gas and steam unit fueled with natural gas in Stalowa Wola, determining the safety and failure-free operation as well as the future efficiency and costs of operation of the unit, had been breached, Elektrociepłownia Stalowa Wola S.A. terminated the contract with the general contractor on 29 January 2016. At present, analyses are performed with a view to determining the further course of action and selecting a project implementation scenario. Elektrociepłownia Stalowa Wola S.A., its business partners and the banks financing the project will agree on the project completion formula. All the parties expressed their willingness to continue the project. A solution aimed at restoring financing is being worked out with the banks. The construction site is being taken over from the general contractor and works aimed at securing the equipment and its maintenance are being performed. The Company is negotiating amendments to the gas and electricity contracts with PGNIG S.A.

In relation to the above, in the year ended 31 December 2015 the Company recognized provision for onerous contracts with a jointly-controlled entity – Elektrociepłownia Stalowa Wola S.A. in the amount of PLN 182 877 thousand.

Under the long-term agreement concerning sale of electricity concluded by Elektrociepłownia Stalowa Wola S.A., the Company and PGNiG Energia S.A., the Company is obliged to buy a half of the volume of electricity for the price calculated as "cost plus" formula, covering production costs and ensuring servicing of the financing. The estimated provision is calculated based on the difference between planned market prices of electricity and costs resulting from the "cost plus" formula. The provision was estimated in the amount of PLN 123 254 thousand.

Under the comprehensive contract to supply gaseous fuels concluded by PGNiG S.A. and Elektrociepłownią Stalowa Wola S.A., Elektrociepłownią Stalowa Wola S.A. is obliged to pay for untaken gaseous fuels to PGNiG S.A. or to sell it on the market (the contract provision "take or pay"). The Company may be obliged to cover potential losses being a result of this provision. In the process of calculating the provision the volume of gaseous fuels for the years 2016–2018 was applied according to the contractual terms. The provision as at the end of the reporting period amounted to PLN 51 661 thousand, of which PLN 19 428 thousand was classified under current provision.

At the same time, in connection with the delay of the realization of the project, and thus the necessity to cover costs of operations of Elektrociepłowania Stalowa Wola S.A. the Company as at the end of the reporting period recognized the provision for the costs in question in the amount of PLN 7 962 thousand. The provisions for costs of realization of the contract to supply gaseous fuels and for the additional costs of operations have been recognized proportionally to the Company's share in a jointly-controlled entity.

Provision for energy certificates

In 2015, in order to fulfil the obligation to surrender energy certificates for 2014, the Company surrendered energy certificates of PLN 21 885 thousand, paid a substitution fee of PLN 12 113 thousand and incurred expenses of PLN 28 thousand related to surrendering, hence utilizing the provision in the amount of PLN 34 026 thousand. The surplus of the provision recognized at the end of 2014 over the amount applied of PLN 163 thousand was reversed, reducing costs in 2015.

As the end of the reporting period, the Company recognized a provision for PLN 15 thousand. The Company was obliged to recognize a lower provision for the obligation to surrender energy certificates in the year ended 31 December 2015 versus the comparable period because it had introduced organizational changes in the Group's electricity trading function, hence it did not sell electricity to end-buyers in the current reporting period.

(in PLN '000)

38. Accruals, deferred income and government grants

	As at 31 December 2015	As at 31 December 2014
Unused holidays	2 433	2 190
Bonuses	10 178	9 330
Accruals relating to post-service benefits for members of the Management Board/key management personnel	5 975	–
Other	910	1 665
Total current accruals, deffered income and government grants	**19 496**	**13 185**

39. Other current non-financial liabilities

	As at 31 December 2015	As at 31 December 2014
Taxes, customs, social security and other payables, of which:	**18 735**	**4 833**
Excise tax	–	1 594
VAT	14 539	–
Social security	2 594	2 046
Personal Income Tax	1 580	1 168
Other	22	25
Total	**18 735**	**4 833**

40. Significant items of the statement of cash flows

40.1. Cash flows from investing activities

Acquisition of shares

Expenditure for acquisition of shares of PLN 53 377 thousand resulted primarily from increasing the issued capital of TAURON Sweden Energy AB (publ), a subsidiary, by EUR 6 645 thousand (PLN 27 319 thousand) and transferring cash for taking up shares in the increased issued capital of PGE EJ 1 Sp. z o.o. of PLN 23 046 thousand, as described in detail in Note 23 hereto.

Purchase of bonds

Payments related to acquisition of bonds, in the amount of PLN 4 155 000 thousand, are related to acquisition of intra-group bonds issued by the following subsidiaries:

- TAURON Dystrybucja S.A., amounting to PLN 2 600 000 thousand;
- TAURON Ciepło Sp. z o.o., amounting to PLN 665 000 thousand;
- TAURON Wytwarzanie S.A., amounting to PLN 560 000 thousand;
- TAURON Wydobycie S.A., amounting to PLN 280 000 thousand;
- TAURON Obsługa Klienta Sp. z o.o., amounting to PLN 50 000 thousand.

Redemption of bonds

Inflows related to redemption of bonds, in the amount of PLN 2 267 266 thousand, are related to redemption of intra-group bonds by the related parties:

- TAURON Dystrybucja S.A., amounting to PLN 2 050 000 thousand;
- TAURON Ciepło Sp. z o.o., amounting to PLN 95 528 thousand;
- TAURON Obsługa Klienta Sp. z o.o., amounting to PLN 50 000 thousand;
- TAURON Wydobycie S.A., amounting to PLN 50 000 thousand;
- TAMEH HOLDING Sp. z o.o., amounting to PLN 21 732 thousand;
- TAURON Wytwarzanie S.A., amounting to PLN 6 thousand.

Loans granted

Expenditure for acquisition of 4 100 thousand CO_2 emission allowances from TAURON Wytwarzanie S.A. for PLN 142 024 thousand under the buy-sell-back transaction, as discussed in detail in Note 26 to these financial statements, has been presented under loans granted in the statement of cash flows.

The remaining expenditure related to loans granted result from portions of a VAT loan extended to the jointly-controlled entity Elektrociepłownia Stalowa Wola S.A. totaling to PLN 8 150 thousand and loans granted under agreements entered into in November and December 2015 totaling to PLN 17 950 thousand, as discussed in detail in Note 26 hereto.

Repayment of loans granted

Inflows due to repayment of loans are related to amounts repaid by Elektrociepłownia Stalowa Wola S.A. due under the VAT loan agreement in the total amount of PLN 14 000 thousand and repayment of a loan of PLN 500 thousand by TAMEH HOLDING Sp. z o.o., a jointly-controlled entity.

Interest received

Most proceeds from interest received are related to interest on acquired bonds of subsidiaries of PLN 262 231 thousand.

40.2. Cash flows from financing activities

Loans and borrowings taken out

Loans and borrowings taken out of PLN 322 358 thousand include a portion of a loan granted by the European Investment Bank under a credit facility agreement concluded in July 2014 of PLN 295 000 thousand and a loan from TAURON Sweden Energy AB (publ), a subsidiary, of EUR 6 600 thousand (PLN 27 358 thousand).

Loans and borrowings repaid

Expenses due to repayment of loans and borrowings result from repayment of instalments of a loan granted by the European Investment Bank in 2015 totaling to PLN 132 818 thousand.

Issuance of debt securities

Proceeds from issuing debt securities of PLN 310 000 thousand result from issuing bonds under the agreement with Bank Gospodarstwa Krajowego.

Redemption of debt securities

Expenditure for redemption of debt securities result from redemption of Tranche B bonds in the amount of PLN 450 000 thousand in 2015 in accordance with the schedule.

Interest paid

Expenditures due to interest paid were related to the fact that the Company paid interest on bonds issued of PLN 262 077 thousand and interest on loans of PLN 55 197 thousand.

(in PLN '000)

OTHER INFORMATION

41. Contingent liabilities

The Company's contingent liabilities arise mainly from collateral and guarantees granted to related parties. Contingent liabilities recognized as of 31 December 2015 and 31 December 2014:

Type of contingent liability	Company in respect of which contingent liability has been granted	Beneficiary	As at 31 December 2015		As at 31 December 2014	
			EUR	PLN	EUR	PLN
corporate guarantee	TAURON Sweden Energy AB (publ)	holders of bonds issued by TAURON Sweden Energy AB (publ)	168 000	715 932	168 000	716 066
blank promissory note	TAURON Wytwarzanie S.A.	Regional Fund for Environmental Protection and Water Management in Katowice		40 000		40 000
	TAURON Ciepło Sp. z o.o.			30 000		30 000
	TAURON Ciepło Sp. z o.o.			1 180		1 180
collateral of a bank guarantee	TAURON Sprzedaż Sp. z o.o.	Powszechna Kasa Oszczędności Bank Polski S.A.		593		281
	Kopalnia Wapienia Czatkowice Sp. z o.o.			912		492
	TAURON Wydobycie S.A.			76		–
	TAURON Dystrybucja S.A.			97		–
	TAURON Dystrybucja Serwis S.A.			507		217
collateral of a loan	Kopalnia Wapienia Czatkowice Sp. z o.o.	Regional Fund for Environmental Protection and Water Management in Kraków		1 145		1 145
collateral of a contract	TAURON Wytwarzanie S.A.	Polskie Sieci Elektroenergetyczne S.A.		5 000		5 000
collateral of a contract	TAURON Czech Energy s.r.o.	SPP CZ a.s.	300	1 278	300	1 279
collateral of a bank guarantee	Elektrociepłownia Stalowa Wola S.A.	Bank BGŻ BNP Paribas S.A.		–		62 582
registered pledges and financial pledge of shares	TAMEH Czech s.r.o. TAMEH POLSKA Sp. z o.o.	RAIFFEISEN BANK INTERNATIONAL AG		415 852		–

Changes in the year ended 31 December 2015:

- On 15 May 2015 TAURON Polska Energia S.A. established a financial pledge and registered pledges of 3 293 403 shares in the issued capital of TAMEH HOLDING Sp. z o.o., with the unit face value of PLN 100 and the total face value of PLN 329 340 thousand, constituting ca. 50% of shares in the issued capital of the entity for the benefit of RAIFFEISEN BANK INTERNATIONAL AG. As at 31 December 2015 the carrying amount of shares in TAMEH HOLDING Sp. z o.o. was PLN 415 852 thousand. The Company established a first lien registered pledge of shares with the maximum collateral amount of CZK 3 950 000 thousand and a first lien registered pledge of shares with the maximum collateral amount of PLN 840 000 thousand for the benefit of RAIFFEISEN BANK INTERNATIONAL AG. The Company also agreed to establish a financial pledge and registered pledges of new shares acquired or taken. Moreover, the Company assigned the rights to dividend and other payments.

  Agreement on establishing registered pledges and a financial pledge was concluded to secure transactions including the agreement for term loans and working capital loans, entered into by TAMEH Czech s.r.o. and TAMEH POLSKA Sp. z o.o. as original borrowers, TAMEH HOLDING Sp. z o.o. as the parent and the guarantor, and RAIFFEISEN BANK INTERNATIONAL AG as the agent and the collateral agent. Registered pledges are valid in the collateral period, i.e. until the total repayment or until release of the pledge by the pledgee. The financial pledge is valid in the entire collateral period or until a release by the pledgee, not later than on 31 December 2028.
- On 31 October 2015 the surety of TAURON Polska Energia S.A. securing the guarantee extended by Bank BGŻ BNP Paribas S.A. to collateralize transactions entered into by a joint arrangement Elektrociepłownia Stalowa Wola S.A. with an unrelated entity. The original expiry date of the surety was set at 12 September 2018.
- The Company provided collateral in the amount of EUR 3 500 thousand for the benefit of CEZ a.s. to secure a trade contract of TAURON Czech Energy s.r.o. The collateral expired on 30 June 2015.
- Under the framework agreement for bank guarantees concluded with PKO Bank Polski S.A., the bank issues guarantees for contracting parties of subsidiaries. As at 31 December 2015 the total balance of bank guarantees granted reached PLN 2 185 thousand (versus PLN 990 thousand as at 31 December 2014).

Claims filed by Huta Łaziska S.A.

Following the Company's business combination with Górnośląski Zakład Elektroenergetyczny S.A. ("GZE"), TAURON Polska Energia S.A. has become a party to a court dispute with Huta Łaziska S.A. ("Huta").

The key reason was the latter's failure to fulfil its obligation to pay the amounts due for electricity supplies, which led to discontinuation of electricity supplies to Huta Łaziska by GZE in 2001.

Based on a decision of 12 October 2001, the President of Energy Regulatory Office (ERO) ordered GZE to resume electricity supplies to Huta on such terms as set out in the agreement of 30 July 2001, in particular at the price of PLN 67/MWh until final resolution of the dispute, and on 14 November 2001 the dispute was finally resolved pursuant to a decision stating that discontinuation of electricity supplies was not unjustified. Huta appealed against that decision. On 25 July 2006 the Court of Appeals in Warsaw issued a final and binding decision ending a dispute concerning GZE's energy supplies to Huta. The court dismissed Huta's appeal against the decision of the Regional Court in Warsaw dated 19 October 2005, in which the court had dismissed Huta's appeal against the decision of the President of the Energy Regulatory Office. Huta filed a cassation appeal against the judgment of the Court of Appeals in Warsaw, which was dismissed by the judgment of the Supreme Court dated 10 May 2007.

Due to discontinuation of electricity supplies, Huta has raised a claim against GZE for damages amounting to PLN 182 060 thousand. Currently, an action is pending under Huta's suit of 12 March 2007 against GZE and the State Treasury represented by the President of ERO for the payment of PLN 182 060 thousand together with interest from the date of filing the suit to the date of payment, in respect of damages for alleged losses resulting from GZE's failure to comply with the decision of the President of the Energy Regulatory Office dated 12 October 2001. In this case, the courts of the first and second instance passed judgments favorable for GZE; however, in its judgment of 29 December 2011 the Supreme Court overruled the judgment of the Court of Appeals and remanded the case for reexamination by that Court. On 5 September 2012 the Court of Appeals overruled the judgment of the Regional Court and remanded the case for reexamination by the latter. The first hearing before the first instance court was held on 27 November 2012. In May 2015 a court expert prepared an opinion on correctness of settlements between the parties to the dispute. On 30 June 2015 TAURON Polska Energia S.A. lodged complaints against the opinion in question. Complaints against the opinion were also filed by Huta and the State Treasury. In its decision dated 16 September 2015 the court admitted an additional court expert's opinion concerning charges levelled by both parties as evidence. In the most recent pleading lodged, the Company's representative requested that the court expert be promptly excluded from attending the following hearing and that the court expert evidence be rejected. The most recent court hearing was held on 20 January 2016. The next court hearing has been scheduled for 20 May 2016.

Based on the Company's legal analysis of the claims raised by Huta and by its main shareholder, GEMI Sp. z o.o., the Company believes that the claims are groundless and the risk of their satisfaction is remote. As a result, no provision has been recognized by the Company for any costs associated with those claims.

Concluding an agreement to incur a contingent liability, i.e. the obligation to inject capital to Nowe Brzeszcze Grupa TAURON Sp. z o.o.

On 3 November 2015 TAURON Polska Energia S.A. concluded an agreement with a subsidiary Nowe Brzeszcze Grupa TAURON Sp. z o.o. Under the agreement the Company agreed to take all necessary steps to increase the issued capital of Nowe Brzeszcze Grupa TAURON Sp. z o.o. up to PLN 185 000 thousand upon a request of Nowe Brzeszcze Grupa TAURON Sp. z o.o. Nowe Brzeszcze Grupa TAURON Sp. z o.o. may file a request several times not later than on 29 June 2016. The Company committed to inject capital to Nowe Brzeszcze Grupa TAURON Sp. z o.o. to cover the costs of current operations of Nowe Brzeszcze Grupa TAURON Sp. z o.o. and to enable performing its investment projects. The contingent liability of TAURON Polska Energia S.A. would occur provided that Nowe Brzeszcze Grupa TAURON Sp. z o.o. and Spółka Restrukturyzacji Kopalń S.A. ("SRK") enter into an agreement for sale of a specified part of the Brzeszcze mining plant, constituting an organized part of the enterprise.

On 31 December 2015 the agreement for sale of a specified part of the Brzeszcze mining plant was concluded between Nowe Brzeszcze Grupa TAURON Sp. z o.o. and SRK. Under the agreement, Nowe Brzeszcze Grupa TAURON Sp. z o.o. acquired a specified part of the Brzeszcze mining plant constituting an organized part of the enterprise, including tangible and intangible assets used in mining, processing and trading in coal and methane for PLN 1. The parties agreed that the object of the sale would be handed over to the buyer on 1 January 2016.

The acquisition in question entails the obligation to return the state aid awarded to SRK to cover current production losses of the hard coal mining plant in Brzeszcze. The Buyer, continuing the business activities using the assets included in the object of the sale, is obliged to return the state aid in the amount resulting from the final settlement of the state aid between SRK and the awarding authority, not to exceed PLN 145 327 thousand plus interest accrued.

(in PLN '000)

Under the agreement between the Company and Nowe Brzeszcze Grupa TAURON Sp. z o.o. the issued capital of Nowe Brzeszcze Grupa TAURON had been increased by PLN 5 000 thousand by the date of approval of these financial statements for publication, as discussed in detail in Note 23 and Note 52 to these financial statements.

Tax inspection proceedings

The Company is a party to inspection proceedings instigated by the Director of the Tax Inspection Office in Warsaw ("Director of the TIO"). The inspection covers the reliability of declared taxable amounts and the correctness of calculation and payment of value-added tax for individual months from October 2013 to April 2014.

The Director of the TIO carries out evidentiary proceedings in the form of written communication with the Company and questioning witnesses. In its subsequent letters the Company responded to requests sent by the Director of the TIO and presented all explanations and documents required. The period of the inspection proceedings was prolonged by the Director of TIO a few times and the new deadline has been set at 28 April 2016.

The inspection proceedings are expected to be closed in 2016, but no precise closing date can be determined. As at the date of preparing these financial statements the Director of the TIO did not present any opinion on the evidence collected, at this stage any possible consequences of his final decision cannot be indicated yet.

42. Collateral against liabilities

Agreement/transaction	Collateral	Collateral amount
Bond Issue Scheme dated 16 December 2010 with subsequent annexes	declaration of submission to enforcement	• up to PLN 1 560 000 thousand, valid until 31 December 2016 – as regards Tranche A and Tranche B (repaid); • up to PLN 6 900 000 thousand, valid until 31 December 2018 – as regards Tranche C, Tranche D and Tranche E (not disbursed)
Long-term Bond Issue Scheme in Bank Gospodarstwa Krajowego	declaration of submission to enforcement	up to PLN 2 550 000 thousand, valid until 20 December 2032
Framework bank guarantee agreement with PKO Bank Polski S.A. The bank guarantee limit securing transactions may be used by the Company and the TAURON Group companies. As at 31 December 2015 the guarantee limit amounted to PLN 100 000 thousand.	authorization to debit the bank account maintained by PKO Bank Polski S.A.	up to PLN 125 000 thousand
collateral of transactions made by the Company	bank guarantee under the framework agreement for bank guarantees extended at the request of the Company to secure transactions with unrelated entities	• up to EUR 1 000 thousand (PLN 4 262 thousand) – a guarantee for CAO Central Allocation Office GmbH (currently: Joint Allocation Office S.A.), valid until 5 February 2016 • a performance bond up to PLN 6 300 thousand (Polskie Sieci Elektroenergetyczne S.A.) valid until 11 February 2016 • a performance bond up to PLN 3 864 thousand (Operator Gazociągów Przesyłowych GAZ – SYSTEM S.A.) valid until 30 November 2016
collateral of transactions made by subsidiaries	bank guarantees under the framework agreement for bank guarantees extended at the request of the Company to secure transactions and liabilities of subsidiaries	for the total amount of PLN 2 185 thousand (Note 41 to these financial statements)
Agreement with Bank Zachodni WBK S.A. on bank guarantees for Izba Rozliczeniowa Giełd Towarowych S.A.	authorization to debit the bank account maintained by BZ WBK S.A.	up to PLN 150 000 thousand

(in PLN '000)

Agreement/transaction	Collateral	Collateral amount
Agreement with Bank Zachodni WBK S.A. on bank guarantees for Izba Rozliczeniowa Giełd Towarowych S.A. The bank guarantee limit securing transactions may be used by the Company and the TAURON Group companies.	bank guarantee extended at the request of the Company to secure stock exchange transactions made by members of IRGiT (Commodity Clearing House)	up to PLN 20 000 thousand valid until 15 January 2016
overdraft agreements with PKO Bank Polski S.A. (up to PLN 300 000 thousand and an intraday limit agreement up to PLN 500 000 thousand)	authorizations to debit the bank account maintained by PKO Bank Polski S.A.	up to the total amount of PLN 800 000 thousand
overdraft agreement with Bank Gospodarstwa Krajowego (in EUR, up to EUR 25 000 thousand)	authorization to debit the bank account maintained by Bank Gospodarstwa Krajowego	up to PLN 106 538 thousand (EUR 25 000 thousand)
	declaration of submission to enforcement	up to EUR 50 000 thousand valid until 31 December 2019
securing transactions entered into on European exchanges	Deposits related to transactions entered into on European exchanges to secure transactions concluded thereon, mainly future contracts concerning emission allowances. The Company transfers margin deposits for such transactions to separate bank accounts.	as at 31 December 2015, the total amount was PLN 22 067 thousand
collateral for the Company's transactions entered into on Polish Power Exchange	Alienation agreement between TAURON Polska Energia S.A. and Izba Rozliczeniowa Giełd Towarowych S.A. ("IRGIT")	Under the collateral, the number of allowances recorded on the Company's account in the National Register of Allowances reached 5 183 500 EUA. The agreement is binding until 31 March 2016.
	Alienation agreement between TAURON Wytwarzanie S.A. and IRGiT	The agreement covered a freeze on the CO_2 emission allowances in the Register of Allowances held by TAURON Wytwarzanie S.A. in the amount of 8 000 000 EUA. Under alienation agreement TAURON Wytwarzanie S.A. guaranteed repayment of the Company's liabilities to IRGiT in the period ended 31 March 2016.
finance lease agreement concerning an investment property	The agreement covers an investment property. The agreement is collateralized by two blank promissory notes, assignment of receivables and authorization to debit a bank account.	As at 31 December 2015 the carrying amount of the leased asset was PLN 28 935 thousand.

43. Capital commitments

As at 31 December 2015 the Company had a capital commitment towards a subsidiary Nowe Brzeszcze Grupa TAURON Sp. z o.o. to increase its issued capital up to the authorized amount of PLN 185 000 thousand, as discussed in detail in Note 41 to these financial statements.

44. Related party disclosures

44.1. Transactions with related parties and State Treasury companies

The Company enters into transactions with related parties, as presented in Note 2 to these financial statements. In addition, due to the fact that the State Treasury of the Republic of Poland is the Company's major shareholder, State Treasury companies are treated as related parties. Transactions with State Treasury companies are mainly related to the operating activities of the Company and are made on an arm's length basis.

The total value of revenue and expense resulting from transactions with the aforementioned entities and the balances of receivables and liabilities has been presented in the tables below.

(in PLN '000)

Revenue and expense

	Year ended 31 December 2015	Year ended 31 December 2014
Revenue from subsidiaries, of which:	**10 797 524**	**9 268 704**
Revenue from operating activities	8 838 001	7 781 876
Dividend income	1 510 624	1 075 565
Other operating income	6 746	32 999
Other finance income	442 153	378 264
Revenue from jointly-controlled entities	**49 599**	**12 996**
Revenue from State Treasury companies	**778 452**	**746 965**
Costs from subsidiaries, of which:	**(4 085 897)**	**(2 996 319)**
Costs of operating activities	(4 047 257)	(2 964 182)
Finance costs	(38 640)	(32 137)
Costs incurred with relation to transactions with jointly-controlled entities	**(3 536)**	**(4 038)**
Costs from State Treasury companies	**(1 129 348)**	**(949 131)**

Receivables and liabilities

	As at 31 December 2015	As at 31 December 2014
Loans granted to subsidiaries and receivables from subsidiaries, of which:	**9 584 859**	**7 523 691**
Trade receivables	462 421	712 846
Loans granted under cash pool agreement plus interest accrued	20 941	29 224
Loans granted	1 337 406	–
Other financial receivables	302	282
Receivables from the TCG	97 148	4 353
Bonds	7 666 641	6 776 986
Loans granted to jointly-controlled entities and receivables from jointly-controlled entities	**224 046**	**226 471**
Receivables from State Treasury companies	**133 784**	**95 890**
Liabilities to subsidiaries, of which:	**1 919 518**	**2 218 946**
Trade payables	337 087	299 189
Loans received under cash pool agreement plus interest accrued	831 205	1 180 815
Other loans received	739 426	711 326
Liabilities arising from the TCG	6 440	21 480
Other financial liabilities	5 239	5 239
Other non-financial liabilities	121	897
Liabilities to jointly-controlled entities	**729**	**4 966**
Liabilities to State Treasury companies	**62 372**	**114 941**

Revenue from related parties includes revenue from sales of coal and biomass to TAURON Wytwarzanie S.A. and TAURON Ciepło Sp. z o.o., which is presented in the statement of comprehensive income less cost in the amount of the surplus constituting the revenue due to agency services, presented in detail in Note 11.

An increase in costs of operating activities in the year ended 31 December 2015 against the comparable period was mainly due to an increase in purchases of electricity from TAURON Wytwarzanie S.A. The value of purchased electricity was PLN 2 657 076 thousand in 2015 and PLN 1 484 895 thousand in the preceding year.

In the year ended 31 December 2015, PSE S.A. and PKP Energetyka S.A. were the major business partners of TAURON Polska Energia S.A. among State Treasury companies in terms of sales revenue. The revenue from the aforementioned entities represented 87% of the total revenue generated in transactions with State Treasury companies.

The highest costs resulted from transactions with Kompania Węglowa S.A., PGE Polska Grupa Energetyczna S.A., Katowicki Holding Węglowy S.A. and Jastrzębska Spółka Węglowa S.A. and they accounted for 90% of total expenses incurred as a result of purchases from State Treasury companies.

(in PLN '000)

In connection with contracts concluded with a jointly-controlled entity – Elektrociepłownia Stalowa Wola S.A. as at 31 December 2015 the Company recognized a provision for onerous contracts in the amount of PLN 182 877 thousand, as described in detail in Note 37 to these financial statements.

The Company enters into material transactions in the energy market through Izba Rozliczeniowa Giełd Towarowych S.A. As it is only responsible for organization of commodities exchange trading, the Company does not classify purchase and sales transactions made through this entity as related-party transactions.

44.2. Executive compensation

The amount of compensation and other benefits paid to the Management Board, Supervisory Board and other key executives of the Company in the year ended 31 December 2015 and 31 December 2014 has been presented in the table below.

	Year ended 31 December 2015	Year ended 31 December 2014
Management Board	**11 225**	**9 144**
Short-term employee benefits (salaries and surcharges)	7 333	7 022
Post-service benefits for a Member of the Management Board	2 820	600
Termination benefits	–	750
Other	1 072	772
Supervisory Board	**1 118**	**908**
Short-term employee benefits (salaries and surcharges)	1 118	908
Other members of key management personnel	**14 588**	**12 819**
Short-term employee benefits (salaries and surcharges)	12 392	11 672
Post-employment benefits	1 134	140
Other	1 062	1 007
Total	**26 931**	**22 871**

The note does not present costs of the Company's recognition of a provision for post-service benefits payable to Members of the Management Board in the amount of PLN 5 795 thousand and provisions for post-service benefits payable to other top executives of PLN 180 thousand, which are expected to be paid after the reporting date. The provisions in question were presented in these financial statements under accruals.

No loans have been granted from the Company's Social Benefits Fund to members of the Company's Management Board, Supervisory Board or other key executives.

(in PLN '000)

45. Financial instruments

45.1. Carrying amount and fair value of financial instrument classes and categories

Categories and classes of financial assets	Note	As at 31 December 2015		As at 31 December 2014	
		Carrying amount	Fair value	Carrying amount	Fair value
1 Financial assets at fair value through profit or loss		**5 684**	**5 684**	**1 811**	**1 811**
Derivative instruments	25	5 684	5 684	1 811	1 811
2 Financial assets available for sale		**30 302**	**–**	**5 181**	**–**
Long-term shares	23	30 302	–	5 181	–
3 Loans and receivables		**9 942 813**	**10 049 948**	**7 991 292**	**8 204 820**
Trade receivables	30	579 446	579 446	941 842	941 842
Bonds	24	7 666 641	7 772 086	6 798 726	7 012 254
Loans granted under cash pool agreement	35.4	20 943	20 943	29 224	29 224
Other loans granted	26	1 561 315	1 563 005	204 698	204 698
Other financial receivables		114 468	114 468	16 802	16 802
4 Financial assets excluded from the scope of IAS 39		**15 902 892**	**–**	**20 804 618**	**–**
Shares in subsidiaries	23	15 487 040	–	20 388 766	–
Shares in jointly-controlled entities	23	415 852	–	415 852	–
5 Cash and cash equivalents	32	**168 255**	**168 255**	**1 228 880**	**1 228 880**
Total financial assets, of which in the statement of financial position:		**26 049 946**		**30 031 782**	
Non-current assets		**24 807 239**		**26 536 141**	
Shares		15 933 194		20 809 799	
Bonds		7 451 601		5 522 725	
Loans granted		1 417 165		198 331	
Other financial assets		5 279		5 286	
Current assets		**1 242 707**		**3 495 641**	
Trade and other receivables		709 594		982 582	
Bonds		215 040		1 276 001	
Loans granted		144 150		6 367	
Derivative instruments		5 668		1 811	
Cash and cash equivalents		168 255		1 228 880	

Categories and classes of financial liabilities	Note	As at 31 December 2015		As at 31 December 2014	
		Carrying amount	Fair value	Carrying amount	Fair value
1 Financial liabilities at fair value through profit or loss		**16 631**	**16 631**	**15 183**	**15 183**
Derivative instruments	25	16 631	16 631	15 183	15 183
2 Financial liabilities measured at amortized cost		**9 426 384**	**9 445 560**	**9 811 465**	**9 849 118**
Arm's length loans, of which:		2 924 202	2 943 378	3 052 552	3 090 205
Liability under the cash pool loan	35.4	860 585	860 585	1 180 815	1 180 815
Loans from the European Investment Bank	35.2	1 324 191	1 346 344	1 160 411	1 198 064
Loans from the subsidiary	35.3	739 426	736 449	711 326	711 326
Overdraft	35.5	10 206	10 206	11 918	11 918
Bonds issued	35.1	5 969 017	5 969 017	6 110 631	6 110 631
Trade payables		493 936	493 936	594 007	594 007
Other financial liabilities		28 017	28 017	42 244	42 244
Liabilities due to purchases of fixed and intangible assets		1 006	1 006	113	113
3 Liabilities under guarantees, factoring and excluded from the scope of IAS 39		**30 169**	**30 169**	**33 159**	**33 159**
Liabilities under finance leases	35.6	30 169	30 169	33 159	33 159
4 Hedging instruments (relating to liabilities)	25	**95 467**	**95 467**	**180 933**	**180 933**
Total financial liabilities, of which in the statement of financial position:		**9 568 651**		**10 040 740**	
Non-current liabilities		**4 897 441**		**7 503 745**	
Debt		4 876 546		7 405 005	
Other financial liabilities		5 739		5 239	
Derivative instruments		15 156		93 501	
Current liabilities		**4 671 210**		**2 536 995**	
Debt		4 057 048		1 803 255	
Trade and other payables		517 220		631 125	
Derivative instruments		96 942		102 615	

(in PLN '000)

Financial instruments measured at fair value as at the end of the reporting period, i.e. assets and liabilities measured at fair value through profit or loss and hedging derivatives subject to hedge accounting were measured in line with the method described in Note 6 to these financial statements. Fair value hierarchy disclosures were discussed in Note 45.2.

Financial instruments classified to other categories of financial instruments:

- The Company carried out fair value measurement of fixed-rate financial instruments, which included bonds acquired by the Company, a loan extended to a subsidiary, loans granted by the European Investment Bank and a loan from a subsidiary as at 31 December 2015 and 31 December 2014. The fair value measurement was carried out based on the present value of future cash flows discounted using an interest rate applicable to a given bond or loan, i.e. applying market interest rates. The measurement resulted in Level 2 classification in fair value hierarchy.
- The fair value of other financial instruments held by the Company (excluding financial assets available for sale and excluded from the scope of IAS 39) as at 31 December 2015 and 31 December 2014 did not significantly differ from their values presented in the financial statements for the respective periods, due to the following reasons:
  - the potential discounting effect relating to short-term instruments is not significant;
  - the instruments are related to arm's length transactions.

  Consequently, the fair value of the instruments in question was disclosed in the tables above at the carrying amount.
- The Company did not disclose the fair value of shares in companies not quoted on active markets, categorized to financial assets available for sale. The Company is unable to reliably estimate the fair value of shares held in companies which are not listed on active markets. They are measured at cost less impairment losses as at the end of the reporting period. Similarly, in accordance with the Company's accounting policy, shares in subsidiaries and jointly-controlled entities (joint arrangements) – financial assets excluded from the scope of IAS 39 – are also measured at cost less impairment losses.

  Following impairment testing of shares as at 31 December 2015, discussed in detail in Note 6 to these financial statements, the Company recognized an impairment loss on shares in subsidiaries of PLN 4 931 147 thousand.

45.2. Fair value hierarchy

Fair value hierarchy of financial instruments measured at fair value as at 31 December 2015 and 31 December 2014:

Classes of financial instruments	As at 31 December 2015		As at 31 December 2014	
	1 level	2 level	1 level	2 level
Assets				
Derivative instruments – commodity	2 225	–	312	–
Derivative instruments – currency	–	404	–	–
Derivative instruments – CCIRS	–	3 055	–	1 499
Liabilities				
Derivative instruments – commodity	2 208	–	562	–
Derivative instruments – CCIRS	–	14 423	–	1 241
Derivative instruments – IRS	–	95 467	–	194 313

The method of fair value measurement of financial instruments has been described in Note 6 to the financial statements.

(in PLN '000)

45.3. Revenue, expenses, gain and loss items included in the statement of comprehensive income by category of financial instruments

Year ended 31 December 2015

	Assets/liabilities at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Financial liabilities measured at amortized cost	Hedging instruments	Financial assets/liabili-ties excluded from the scope of IAS 39	Total
Dividends	–	–	–	–	–	1 510 624	**1 510 624**
Interest income/(expense)	13 595	–	455 865	(266 969)	(89 380)	(705)	**112 406**
Commissions	–	–	–	(12 561)	–	–	**(12 561)**
Exchange differences	1 835	–	(22)	(2 628)	–	813	**(2)**
Impairment/revaluation	2 425	–	(78)	–	–	(4 931 147)	**(4 928 800)**
Other	(8 438)	–	–	–	–	–	**(8 438)**
Net profit/(loss)	**9 417**	**–**	**455 765**	**(282 158)**	**(89 380)**	**(3 420 415)**	**(3 326 771)**
Remeasurement	–	–	–	–	85 932	–	**85 932**
Other comprehensive income	**–**	**–**	**–**	**–**	**85 932**	**–**	**85 932**

Year ended 31 December 2014

	Assets/liabilities at fair value through profit or loss	Financial assets available for sale	Loans and receivables	Financial liabilities measured at amortized cost	Hedging instruments	Financial assets/liabili-ties excluded from the scope of IAS 39	Total
Dividends	–	1 271	–	–	–	1 075 565	**1 076 836**
Interest income/(expense)	12 300	–	388 816	(279 385)	(75 699)	(1 019)	**45 013**
Commissions	–	–	–	(14 017)	–	–	**(14 017)**
Exchange differences	3 527	–	118	(17 154)	–	–	**(13 509)**
Impairment/revaluation	(12 236)	–	(173)	–	–	–	**(12 409)**
Gain/(loss) on disposal of investments	–	(19)	–	–	–	32 442	**32 423**
Other	(614)	–	–	–	–	–	**(614)**
Net profit/(loss)	**2 977**	**1 252**	**388 761**	**(310 556)**	**(75 699)**	**1 106 988**	**1 113 723**
Remeasurement	–	–	–	–	(20 207)	–	**(20 207)**
Other comprehensive income	**–**	**–**	**–**	**–**	**(20 207)**	**–**	**(20 207)**

In the year ended 31 December 2015, total gains/losses on the IRS hedging instrument falling within the scope of hedge accounting were an effective hedge, recognized as appropriate in other comprehensive income. Gains/losses from revaluation of the hedging instrument, recognized in other comprehensive income, were recognized in profit/loss for the period as finance costs resulting from interest on issued bonds when the hedged item, i.e. interest on bonds, affected the profit/loss for the period. The profit/loss for the period was charged with PLN 89 380 thousand, where PLN 88 914 thousand was the amount paid in respect of hedges used in relation to closed interest periods and PLN 466 thousand resulted from remeasurement of instruments related to interest on bonds accrued as at the end of the reporting period.

46. Financial risk management

The TAURON Group has implemented the policy for management of specific risks in the area of finance, which defines the strategy for management of the currency and interest rate risk. The policy has also introduced hedge accounting in the Group, which lays down the principles and defines the types of hedge accounting, along with the accounting treatment of hedging instruments and hedged items, to be applied as part of hedge accounting under IFRS. The policy for specific risk management in the area of finance and hedge accounting principles are applicable to the cash flow risk and not to the fair value risk due to its limited significance for the Group.

Hedge accounting

As at 31 December 2015 the Company concluded hedging transactions subject to specific risk management policy. In March 2012 the Company hedged the interest rate risk arising from bonds issued under the Bond Issue Scheme (Tranche A and Tranche C), by entering into an interest rate swap (IRS) transaction for a term of 5 years. The aforementioned transaction was concluded due to fluctuations in the projected future cash flows from interest payments resulting from the issue of bonds in PLN with a floating interest rate based on WIBOR 6M. The Company hedged 80% of such cash flows. Following early redemption of Tranche A bonds carried out on 29 December 2014, the Company no longer applied hedge accounting to IRS contracts hedging the bonds redeemed. The contract in question was settled at maturity, i.e. in December 2015. As at 31 December 2015, all interest rate swaps hedging Tranche C bonds were subject to hedge accounting. The accounting treatment of the aforementioned hedging transactions has been presented in detail in Note 33.4 to these financial statements.

Risks related to financial instruments, the Company is exposed to in its business operations:

- credit risk;
- liquidity risk;
- market risk, including:
  - interest rate risk;
  - currency risk;
  - commodity price risk related to commodity derivative instruments.

46.1. Credit risk

Credit risk regards potential credit events that may have the form of a contractor's insolvency, partial repayment of receivables, a material payment delay or another unpredicted breach of contract terms.

The credit risk related to other financial assets of the Company results from the inability to make payment by the other party to the agreement, where the maximum exposure is equal to the carrying amount of the instruments.

Classes of financial assets held by the Company that give rise to credit risk exposure with different characteristics include:

- trade receivables and receivables from sale of non-current assets;
- bonds;
- loans granted;
- other financial receivables;
- cash and cash equivalents;
- derivatives;
- other financial assets.

46.1.1. Credit risk related to trade and other financial receivables

The Company monitors credit risk related to its operations on on-going basis. In 2015, the Company was exposed to contractor's credit risk resulting from trade contracts concluded. To mitigate the risk, as a part of the regular analysis of reliability and financial standing of its contractors, in justified cases the Company required security in the form of bank, insurance or corporate guarantees. It has also introduced clauses which enable suspending energy supplies in case of default under timely payment of liabilities.

Trade receivables are due from institutional clients; they bear no interest and usually have a 30-day maturity period. Sales transactions are only entered into with clients subject to a verification procedure. This – in the opinion of the Management – eliminates any additional credit risk, over the level defined by the allowance for bad debts applied to the Company's trade receivables.

As at 31 December 2015 and 31 December 2014 the largest item in trade receivables were receivables from TAURON Sprzedaż Sp. z o.o., a subsidiary, amounting to PLN 257 446 thousand and PLN 331 459 thousand, respectively.

The ageing analysis and allowances for current trade and other receivables have been presented below.

(in PLN '000)

Balance of trade and other receivables as at 31 December 2015

	Not past due	Past due			Total
		<30 days	30–360 days	>360 days	
Value of item before allowance/write-down					
Trade receivables	579 311	156	48	90	**579 605**
Other financial receivables	130 148	12	525	1 886	**132 571**
Total	**709 459**	**168**	**573**	**1 976**	**712 176**
Allowance/write-down					
Trade receivables	(15)	(6)	(48)	(90)	**(159)**
Other financial receivables	–	(12)	(525)	(1 886)	**(2 423)**
Total	**(15)**	**(18)**	**(573)**	**(1 976)**	**(2 582)**
Value of item net of allowance (carrying amount)					
Trade receivables	579 296	150	–	–	**579 446**
Other financial receivables	130 148	–	–	–	**130 148**
Total	**709 444**	**150**	**–**	**–**	**709 594**

Balance of trade and other receivables as at 31 December 2014

	Not past due	Past due			Total
		<30 days	30–360 days	>360 days	
Value of item before allowance/write-down					
Trade receivables	931 635	8 900	1 400	–	**941 935**
Other financial receivables	40 740	–	–	931	**41 671**
Total	**972 375**	**8 900**	**1 400**	**931**	**983 606**
Allowance/write-down					
Trade receivables	–	(93)	–	–	**(93)**
Other financial receivables	–	–	–	(931)	**(931)**
Total	**–**	**(93)**	**–**	**(931)**	**(1 024)**
Value of item net of allowance (carrying amount)					
Trade receivables	931 635	8 807	1 400	–	**941 842**
Other financial receivables	40 740	–	–	–	**40 740**
Total	**972 375**	**8 807**	**1 400**	**–**	**982 582**

46.1.2. Credit risk related to other financial assets

According to the Company credit risk exposure of other categories of financial assets is insignificant. Bonds acquired by the Company and loans granted concern transactions with related parties. The items in question had not been overdue as at the end of the reporting period.

The Company manages credit risk related to cash by diversifying banks where it deposits its cash surplus. All entities the Company concludes deposit transactions with operate in the financial sector. They include high-rating banks with sufficient equity and stable, strong market position.

Entities the Company concludes derivative transactions with in order to hedge against interest rate and foreign exchange risk operate in the financial sector. They are Polish banks with high financial rating, sufficient equity and strong, stable market position.

46.2. Liquidity risk

The Company maintains balance between continuity, flexibility and cost of financing by using various sources of financing, which enable management of liquidity risk and effective mitigation of risk consequences.

Liquidity is managed at the Capital Group level. Further, the TAURON Group has adopted *Liquidity management policy for the TAURON Group*, thanks to which the liquidity position of the TAURON Group is optimized and thus the liquidity risk is mitigated in the TAURON Group and in individual Group entities.

Additionally, in order to minimize the possibility of cash flow interruption and the risk of loss of liquidity, the TAURON Group, as in previous years, used the cash pooling mechanism. Regardless of funds collected by its individual members, cash pooling is linked to a flexible credit facility in the form of overdraft. Under the cash pool agreement the Company is entitled to use external financing in the form of an overdraft of PLN 300 000 thousand and an intraday limit up to PLN 500 000 thousand.

(in PLN '000)

Apart from an overdraft made available under the cash pool agreement, the Company is entitled to use foreign currency overdrafts:

- up to USD 2 000 thousand, with the outstanding amount of USD 404 thousand as at the reporting date;
- up to EUR 25 000 thousand, with the outstanding amount of EUR 2 025 thousand as at the reporting date.

Ageing structure of financial liabilities presenting undiscounted payments under applicable agreements has been presented below.

Financial liabilities as at 31 December 2015

	Carrying amount	Contractual undiscounted payments*	Including contractual undiscounted payments maturing during the period (from the reporting date)					
			less than 3 months	3–12 months	1–2 years	2–3 years	3–5 years	over 5 years
Financial liabilities other than derivative instruments								
Interest-bearing loans and borrowings (including bonds issued)	**8 903 425**	**(10 058 683)**	(3 165 489)	(1 068 064)	(309 686)	(317 432)	(2 584 315)	(2 613 697)
Trade liabilities	**493 936**	**(493 936)**	(493 893)	(21)	(22)	–	–	–
Liabilities due to purchases of fixed and intangible assets	**1 006**	**(1 006)**	(506)	–	(500)	–	–	–
Other financial liabilities	**28 017**	**(28 017)**	(22 247)	(531)	–	(5 239)	–	–
Liabilities under finance lease	**30 169**	**(31 890)**	(977)	(3 035)	(4 150)	(23 728)	–	–
Derivative financial liabilities:								
Derivate instruments – IRS	**95 467**	**(96 559)**	–	(96 559)	–	–	–	–
Derivate instruments – CCIRS	**14 423**	**(68 165)**	–	2 749	2 662	988	(4 350)	(70 214)
Derivate instruments – commodity	**2 208**	**(985)**	–	(251)	(734)	–	–	–
Total	**9 568 651**	**(10 779 241)**	**(3 683 112)**	**(1 165 712)**	**(312 430)**	**(345 411)**	**(2 588 665)**	**(2 683 911)**

** Negative values indicate a cash outflow. Estimations of future payments to be made in selected periods may be positive for some derivatives, i.e. they may indicate a cash inflow, but the value resulting from measurement of such instruments during the entire term to maturity is negative (liability).*

Financial liabilities as at 31 December 2014

	Carrying amount	Contractual undiscounted payments*	Including contractual undiscounted payments maturing during the period (from the reporting date)					
			less than 3 months	3–12 months	1–2 years	2–3 years	3–5 years	over 5 years
Financial liabilities other than derivative instruments								
Interest-bearing loans and borrowings (including bonds issued)	**9 175 101**	**(10 449 395)**	(1 373 868)	(619 067)	(3 332 267)	(281 745)	(2 394 309)	(2 448 139)
Trade liabilities	**594 007**	**(594 007)**	(593 942)	(21)	(22)	(22)	–	–
Liabilities due to purchases of fixed and intangible assets	**113**	**(113)**	(113)	–	–	–	–	–
Other financial liabilities	**42 244**	**(42 244)**	(37 005)	–	–	–	(5 239)	–
Liabilities under finance lease	**33 159**	**(35 820)**	(958)	(2 952)	(4 032)	(4 150)	(23 728)	–
Derivative financial liabilities:								
Derivate instruments – IRS	**194 313**	**(198 470)**	–	(103 415)	(95 055)	–	–	–
Derivate instruments – CCIRS	**1 241**	**(45 378)**	–	1 190	2 351	1 389	(1 224)	(49 084)
Derivate instruments – commodity	**562**	**(580)**	–	(580)	–	–	–	–
Total	**10 040 740**	**(11 366 007)**	**(2 005 886)**	**(724 845)**	**(3 429 025)**	**(284 528)**	**(2 424 500)**	**(2 497 223)**

** Negative values indicate a cash outflow. Estimations of future payments to be made in selected periods may be positive for some derivatives, i.e. they may indicate a cash inflow, but the value resulting from measurement of such instruments during the entire term to maturity is negative (liability).*

As at 31 December 2015 the Company had granted guarantees, sureties and other forms of collateral to related parties for the total amount of PLN 796 720 thousand (excluding registered and financial pledges of shares), as discussed in detail in Note 41 to these financial statements. The key item is a corporate guarantee granted to a subsidiary to collateralize bonds issued by the entity up to EUR 168 000 thousand (PLN 715 932 thousand). Bondholders are guarantee beneficiaries. The guarantee is valid in the entire bond period, i.e. until the redemption date of 3 December 2029. The guarantees and sureties granted by the Company constitute contingent liabilities and do not considerably affect the liquidity risk of the Company.

(in PLN '000)

46.3. Market risk

Market risk results from possible adverse impact of fluctuations of the fair value of financial instruments or related future cash flows due to market price changes on the Company's performance.

The Company identifies the following types of market risk it is exposed to:

- interest rate risk;
- currency risk;
- commodity price risk related to commodity derivative instruments.

46.3.1. Interest rate risk

The Company is exposed to the risk of interest rate changes related to floating interest rate borrowings acquired and investing in assets with floating and fixed interest rates. The Company is also exposed to lost benefit risk related to a decrease in interest rates of fixed interest rate debt.

The purpose of interest rate risk management is to limit negative effects of market interest rate fluctuations on the Company's cash flows to an acceptable level, and to minimize finance costs. In order to hedge interest rate risk related to floating-interest rate bonds issued, in 2012 the Company concluded interest rate swaps contracts, as discussed in detail in Note 46 to these financial statements.

Carrying amount of financial instruments of the Company exposed to the interest rate risk, by age has been presented below. The Company has issued floating interest rate bonds only. A portion of bonds with interest cash flow fluctuations hedged with interest rate swaps was presented in the tables below together with measurement of these hedging instruments under fixed-rate financial instruments.

Interest rate risk as at 31 December 2015 – floating rate

Financial instruments	<1 year	1–2 years	2–3 years	3–5 years	>5 years	Total
Financial assets						
Bonds	901	60 000	–	–	30 000	**90 901**
Loans granted	23 050	–	–	–	221 802	**244 852**
Cash and cash equivalents	168 255	–	–	–	–	**168 255**
Total	**192 206**	**60 000**	**–**	**–**	**251 802**	**504 008**
Financial liabilities						
Arm's length loans	860 585	–	–	–	–	**860 585**
Overdraft	10 206	–	–	–	–	**10 206**
Bonds issued	8 594	–	–	2 018 701	938 394	**2 965 689**
Total	**879 385**	**–**	**–**	**2 018 701**	**938 394**	**3 836 480**

Interest rate risk as at 31 December 2015 – fixed rate

Financial instruments	<1 year	1–2 years	2–3 years	3–5 years	>5 years	Total
Financial assets						
Bonds	214 139	37 900	2 198 701	5 125 000	–	**7 575 740**
Loans granted	142 044	1 195 362	–	–	–	**1 337 406**
Total	**356 183**	**1 233 262**	**2 198 701**	**5 125 000**	**–**	**8 913 146**
Financial liabilities						
Arm's length loans	171 127	147 479	162 214	324 428	1 258 369	**2 063 617**
Bonds issued	3 003 328	–	–	–	–	**3 003 328**
Hedging derivative instruments (IRS)	95 467	–	–	–	–	**95 467**
Total	**3 269 922**	**147 479**	**162 214**	**324 428**	**1 258 369**	**5 162 412**

(in PLN '000)

Interest rate risk as at 31 December 2014 – floating rate

Financial instruments	<1 year	1–2 years	2–3 years	3–5 years	>5 years	Total
Financial assets						
Bonds	87 771	–	–	50 000	2 000 000	**2 137 771**
Loans granted	35 591	–	–	–	198 331	**233 922**
Cash and cash equivalents	1 228 880	–	–	–	–	**1 228 880**
Total	**1 352 242**	**–**	**–**	**50 000**	**2 198 331**	**3 600 573**
Financial liabilities						
Arm's length loans	1 180 815	–	–	–	–	**1 180 815**
Overdraft	11 918	–	–	–	–	**11 918**
Bonds issued	461 476	–	–	1 848 607	798 257	**3 108 340**
Total	**1 654 209**	**–**	**–**	**1 848 607**	**798 257**	**4 301 073**

Interest rate risk as at 31 December 2014 – fixed rate

Financial instruments	<1 year	1–2 years	2–3 years	3–5 years	>5 years	Total
Financial assets						
Bonds	1 188 230	60 000	35 695	3 007 030	370 000	**4 660 955**
Total	**1 188 230**	**60 000**	**35 695**	**3 007 030**	**370 000**	**4 660 955**
Financial liabilities						
Arm's length loans	141 207	132 733	132 732	265 464	1 199 601	**1 871 737**
Bonds issued	4 849	2 997 442	–	–	–	**3 002 291**
Hedging derivative instruments (IRS)	88 673	92 260	–	–	–	**180 933**
Total	**234 729**	**3 222 435**	**132 732**	**265 464**	**1 199 601**	**5 054 961**

Other financial instruments of the Company which have not been included in the tables above bear no interest and therefore are not exposed to the interest rate risk.

46.3.2. Currency risk

The Company's exposure to currency risk by financial instrument classes as at 31 December 2015 and 31 December 2014 has been presented in the tables below.

Currency position as at 31 December 2015

	Total carrying amount in PLN	EUR		USD	
		in currency	in PLN	in currency	in PLN
Financial assets					
Trade receivables and other financial receivables	693 914	801	3 414	96	376
Cash and cash equivalents	168 255	7 002	29 838	338	1 317
Derivatives (assets)	5 684	334	1 425	205	800
Total	**867 853**	**8 137**	**34 677**	**639**	**2 493**
Financial liabilities					
Arm's length loans	2 924 202	173 513	739 426	–	–
Overdraft	10 206	2 025	8 630	404	1 576
Trade and other financial liabilities	521 953	1 529	6 515	1	4
Derivatives (liabilities)	112 098	242	1 032	301	1 176
Total	**3 568 459**	**177 309**	**755 603**	**706**	**2 756**
Net currency position		**(169 172)**	**(720 926)**	**(67)**	**(263)**

(in PLN '000)

Currency position as at 31 December 2014

	Total carrying amount in PLN	EUR		USD	
		in currency	in PLN	in currency	in PLN
Financial assets					
Trade receivables and other financial receivables	958 644	1 096	4 671	–	–
Cash and cash equivalents	1 228 880	5 049	21 520	444	1 557
Derivatives (assets)	1 811	–	–	89	312
Total	**2 189 335**	**6 145**	**26 191**	**533**	**1 869**
Financial liabilities					
Arm's length loans	3 052 552	166 888	711 326	–	–
Overdraft	11 918	2 796	11 918	–	–
Trade and other financial liabilities	636 251	1 379	5 877	91	320
Derivatives (liabilities)	196 116	132	562	–	–
Total	**3 896 837**	**171 195**	**729 683**	**91**	**320**
Net currency position		**(165 050)**	**(703 492)**	**442**	**1 549**

In 2015 and in 2014 TAURON Polska Energia S.A. used forward transactions under its currency risk management policy. The objective of these transactions is to hedge currency risk related to trade transactions of the Company. The Company has not used hedge accounting to hedge currency risk. As the end of the reporting period, the Company recognized an asset due to measurement of currency forwards of PLN 404 thousand.

In 2014 the Company entered into a Coupon Cross Currency Swap (CCIRS) contract, whose fair value measurement is exposed to changes in EUR/PLN rate. The transaction is excluded from hedge accounting. As at 31 December 2015 CCIRS was measured at PLN (11 368) thousand. After the end of the reporting period, on 12 February 2016, the said transaction was closed and on 15 February 2016 it was settled in cash, as a result of which the Company received PLN 5 400 thousand.

46.3.3. Commodity price risk related to commodity derivative instruments

The Company concludes derivative contracts, with underlying instruments being commodities and raw materials. The Company's exposure to price risk inherent in commodity derivative instruments is related to a risk of changes in the fair value of the said instruments, driven by fluctuations of prices of the underlying raw materials/commodities. In most cases the Company hedged the risk by way of entering into opposite transactions. This way the Company hedges the price risk related to commodity derivative instruments. The risk is limited to open long and short positions concerning a given commodity or raw material.

As at 31 December 2015 open positions included forward and future contracts for emission allowances and a future contract for gas. As at 31 December 2015 the total carrying amount of all derivative contracts for emission allowances was PLN 433 thousand (the asset item of PLN 1 425 thousand and the liability item of PLN 992 thousand) and in case of the derivative contract for gas it was PLN 40 thousand (liability item).

As at 31 December 2014 the Company's exposure to commodity risk related to commodity derivative instruments held was insignificant and concerned one open position only.

46.3.4. Market risk – sensitivity analysis

As for financial instruments held, TAURON Polska Energia S.A. is exposed mostly to the risk of EUR/PLN and USD/PLN exchange rate changes and changes in reference interest rates for PLN and EUR.

The analysis of sensitivity to changes in market risk factors is conducted by means of a scenario analysis. The Company relies on expert scenarios reflecting its judgment concerning the behavior of individual market risk factors in the future.

The scenario analyses presented herein are aimed at examining the effect of changes in market risk factors on the Company's financial performance. The scope of the analysis includes only those positions which meet the IFRS definition of financial instruments.

The potential changes in foreign exchange rates have been determined within a horizon until the date of the next financial statements and calculated on the basis of annual implied volatility for FX options quoted on the interbank market for a given currency pair as at the end of the reporting period or, in the absence of quoted market prices, on the basis of historical volatility for a period of one year preceding the end of the reporting period.

(in PLN '000)

The interest rate risk sensitivity analysis is conducted by the Company using the parallel shift in the yield curve by the potential change in reference interest rates within a horizon until the date of the next financial statements. The interest rate risk sensitivity analysis has been carried out based on average reference interest rates in the year. The scale of potential changes in interest rates has been estimated on the basis of implied volatility for interest rate options quoted on the interbank market for currencies which expose the Company to the interest rate risk as at the end of the reporting period.

In the interest rate risk sensitivity analysis, the effect of changes in risk factors has been determined for interest income/expense related to financial instruments measured at amortized cost and for the fair value of floating interest rate financial instruments measured at fair value as at the end of the reporting period.

Presented below is the sensitivity analysis for the interest rate risk, currency risks and price risk to which the Company is exposed as at the end of the reporting period, along with the effect of potential changes in individual risk factors on the gross financial profit/loss as well as other comprehensive income (gross), by classes of financial assets and liabilities.

Interest rate risk sensitivity analysis

The Company identifies its exposure to the interest rate risk for WIBOR and EURIBOR. As at 31 December 2015 the EURIBOR interest rate risk was insignificant. The tables below present sensitivity of the gross financial profit/loss as well as other gross comprehensive income to reasonably possible changes in interest rates within a horizon until the date of the next financial statements, assuming that all other risk factors remain unchanged.

Year ended 31 December 2015

Classes of finacial instruments	31 December 2015		Sensitivity analysis for interest rate risk as at 31 December 2015			
			WIBOR			
	Carrying amount	Value at risk	WIBOR + 66 bp		WIBOR -66 bp	
			Profit/(Loss)	*Other comprehensive income*	*Profit/(Loss)*	*Other comprehensive income*
Bonds	7 666 641	90 901	600	–	(600)	–
Loans granted	1 582 258	244 852	1 616	–	(1 616)	–
Cash and cash equivalents	168 255	168 255	905	–	(905)	–
Derivatives (assets)	5 684	3 055	(3 360)	–	3 360	–
Arm's length loans	2 924 202	860 585	(5 680)	–	5 680	–
Bonds issued	5 969 017	5 969 017	(39 396)	–	39 396	–
Derivates (liabilities)	112 098	109 890	(34 443)	10 085	34 443	(10 085)
Total			**(79 758)**	**10 085**	**79 758**	**(10 085)**

Year ended 31 December 2014

Classes of finacial instruments	31 December 2014		Sensitivity analysis for interest rate risk as at 31 December 2014					
			WIBOR				EURIBOR	
	Carrying amount	Value at risk	WIBOR + 69 bp		WIBOR -69 bp		EURIBOR + 97 bp	EURIBOR - 97 bp
			Profit/(Loss)	*Other com-prehensive income*	*Profit/(Loss)*	*Other com-prehensive income*	*Profit/(Loss)*	*Profit/(Loss)*
Bonds	6 798 726	2 137 771	14 751	–	(14 751)	–	–	–
Loans granted	233 922	233 922	1 614	–	(1 614)	–	–	–
Cash and cash equivalents	1 228 880	1 228 880	8 320	–	(8 320)	–	209	(209)
Derivatives (assets)	1 811	1 499	(4 624)	–	4 624		(223)	223
Arm's length loans	3 052 552	1 180 815	(8 148)	–	8 148	–	–	–
Overdraft	11 918	11 918	–	–	–	–	(116)	116
Bonds issued	6 110 631	6 110 631	(42 163)	–	42 163	–	–	–
Derivates (liabilities)	196 116	195 554	(36 212)	31 773	36 212	(31 773)	(26 016)	26 016
Total			**(66 462)**	**31 773**	**66 462**	**(31 773)**	**(26 146)**	**26 146**

(in PLN '000)

Currency risk sensitivity analysis

The Company identifies foreign currency risk related to EUR/PLN and USD/PLN exchange rates. The tables below present sensitivity of the gross financial profit/loss to reasonably possible changes in the EUR/PLN and USD/PLN exchange rates within a horizon until the date of the next financial statements, assuming that all other risk factors remain unchanged.

Year ended 31 December 2015

Classes of finacial instruments	31 December 2015		Sensitivity analysis for currency risk as at 31 December 2015			
			EUR/PLN		USD/PLN	
	Carrying amount	Value at risk	exchange rate EUR/PLN +7.15%	exchange rate EUR/PLN - 7.15%	exchange rate USD/PLN +11.43%	exchange rate USD/PLN - 11.43%
			Profit/(Loss)	*Profit/(Loss)*	*Profit/(Loss)*	*Profit/(Loss)*
Trade and other financial receivables	693 914	3 790	244	(244)	43	(43)
Cash and cash equivalents	168 255	31 156	2 133	(2 133)	151	(151)
Derivatives (assets)	5 684	5 684	3 078	(3 078)	92	(92)
Overdraft	10 206	10 206	(617)	617	(180)	180
Arm's length loans	2 924 202	739 426	(52 869)	52 869	–	–
Trade and other financial liabilities	521 953	6 519	(466)	466	(1)	1
Derivatives (liabilities)	112 098	16 631	21 587	(21 587)	(135)	135
Total			**(26 910)**	**26 910**	**(30)**	**30**

The exposure to risk as at 31 December 2015 is representative for the Company's exposure to risk during the annual period preceding the aforementioned date.

Year ended 31 December 2014

Classes of finacial instruments	31 December 2014		Sensitivity analysis for currency risk as at 31 December 2014			
			EUR/PLN		USD/PLN	
	Carrying amount	Value at risk	exchange rate EUR/PLN +7.7%	exchange rate EUR/PLN - 7.7%	exchange rate USD/PLN +12.89%	exchange rate USD/PLN - 12.89%
			Profit/(Loss)	*Profit/(Loss)*	*Profit/(Loss)*	*Profit/(Loss)*
Trade and other financial receivables	958 644	4 671	360	(360)	–	–
Cash and cash equivalents	1 228 880	23 077	1 657	(1 657)	201	(201)
Derivatives (assets)	1 811	1 811	1 925	(1 925)	40	(40)
Overdraft	11 918	11 918	(918)	918	–	–
Arm's length loans	3 052 552	711 326	(54 772)	54 772	–	–
Trade and other financial liabilities	636 251	6 197	(452)	452	(41)	41
Derivatives (liabilities)	196 116	1 803	25 162	(25 162)	–	–
Total			**(27 038)**	**27 038**	**200**	**(200)**

The exposure to risk as at 31 December 2014 is representative for the Company's exposure to risk during the annual period preceding the aforementioned date, except for transactions made at the end of 2014. They include loans and borrowing granted at arm's length, such as a loan granted to the Company by a subsidiary in December 2014 and individual classes of derivative instruments, i.e. assets and liabilities, such as the CCIRS transaction of November 2014.

Analysis of sensitivity to commodity price risk related to commodity derivative instruments

The analysis of sensitivity to changes in emissions risk factors is conducted by the Company by means of a scenario analysis. The scenarios reflect the Group's assessment of individual risk factors in the future and are aimed to analyses the effect of changes in risks on the Company's financial performance.

	Carrying amount as at 31 December 2015			Increase		Decrease	
	price (EUR)	Assets	Liabilities	price (EUR)	Impact on profit (loss)	price (EUR)	Impact on profit (loss)
Derivative instruments – commodity (emission allowances)	8.25–8.29	1 425	992	8.53–8.57	(122)	4.83–4.85	1 490

47. Operational risk

The Company is exposed to adverse effects of risks related to changes in cash flows and financial performance in the domestic currency due to changes in prices of goods in the open market position.

Operational risk is managed at the level of the TAURON Group, which has been presented in detail in Note 50 to the consolidated financial statements of the TAURON Polska Energia S.A. Capital Group for the year ended 31 December 2015. The Company manages its operational risk following the Operational risk management policy developed and adopted in the TAURON Group, which defines the principles and general terms of managing operational and commercial risk at the level of the TAURON Group. The document implements market practices and operational risk solutions applied to trading in electricity and related products tailored to the structure of the TAURON Group and energy industry requirements.

The Company's exposure to the risk of prices of goods reflects the volume of electricity and gas acquired. The volume and cost of electricity and gas acquired have been presented below.

Fuel type	Unit	2015		2014	
		Volume	Purchase cost	Volume	Purchase cost
Electricity	MWh	49 387 348	8 420 914	47 147 770	7 781 085
Gas	k m^3	112 918	119 583	388 529	83 886
Total			**8 540 497**		**7 864 971**

As for trading in coal and biomass the Company is not exposed to the price risk, as it acts as an agent generating revenue from agency trading only.

48. Finance and capital management

Finance and capital is managed at the level of the TAURON Polska Energia S.A. Capital Group, which has been presented in detail in Note 51 to the consolidated financial statements for the year ended 31 December 2015.

49. Employment structure

The following note presents average headcount in the annual periods ended 31 December 2015 and 31 December 2014.

	Year ended 31 December 2015	Year ended 31 December 2014
Management	5	5
Administration	237	214
Sales department	98	105
Total	**340**	**324**

50. Fee of the certified auditor or the entity authorized to audit financial statements

Information concerning the fee of the certified auditor has been presented in the Management Board's report on the activities of TAURON Polska Energia S.A. for the 2015 financial year (Section 4.13).

51. Structure of financial statements broken down by business activity type in line with Article 44 of the Energy Law

Under Article 44.2 of the Energy Law, TAURON Polska Energia S.A., as an energy company, is obliged to disclose specific items of the balance sheet and the statement of profit or loss broken down by individual types of business activities in notes to these financial statements.

The Company has identified the following types of business activities in accordance with Article 44.2 of the Energy Law:

- Trade in gaseous fuels
- Other activity

(in PLN '000)

The principles of preparing a statement of comprehensive income (statement of profit or loss) broken down by type of business activity

The Company keeps accounting records which enable separate calculation of expense and revenue and the profit/loss for individual types of activities.

The Company has directly separated sales revenue and cost of sales related to individual types of activities.

Selling and distribution expenses related to the entire sales process carried out by the Company were divided proportionally to the sales revenue generated by the Company.

Other operating activity and other financing activities have been identified as those related to other business activities of the Company.

General and administrative expense of the Company is incurred for the benefit of the entire Capital Group, hence it has been recognized in the statement of comprehensive income as unallocated items and is not directly attributable to a specific business activity, as such attribution would be unjustified. Also CIT charged to profit or loss has been presented under unallocated items.

Statement of comprehensive income by type of activity for the financial year 2015

	Gas	Other activity	Unallocated items	Total
Sales revenue	122 835	9 050 195	–	**9 173 030**
Cost of sales	(120 041)	(9 065 641)	–	**(9 185 682)**
Gross profit (loss)	**2 794**	**(15 446)**	**–**	**(12 652)**
Other operating income	–	7 103	–	**7 103**
Selling and distribution expenses	(271)	(19 997)	–	**(20 268)**
Administrative expenses	–	–	(96 341)	**(96 341)**
Other operating expenses	–	(2 134)	–	**(2 134)**
Operating profit (loss)	**2 523**	**(30 474)**	**(96 341)**	**(124 292)**
Dividend income	–	1 510 624	–	**1 510 624**
Other finance income	–	473 546	–	**473 546**
Finance costs	–	(5 310 672)	–	**(5 310 672)**
Profit (loss) before tax	**2 523**	**(3 356 976)**	**(96 341)**	**(3 450 794)**
Income tax expense	–	–	(3 114)	**(3 114)**
Net profit (loss) for the year	**2 523**	**(3 356 976)**	**(99 455)**	**(3 453 908)**

Statement of comprehensive income by type of activity for the financial year 2014

	Gas	Other activity	Unallocated items	Total
Sales revenue	77 263	8 612 536	–	**8 689 799**
Cost of sales	(75 807)	(8 451 048)	–	**(8 526 855)**
Gross profit	**1 456**	**161 488**	**–**	**162 944**
Other operating income	–	2 821	–	**2 821**
Selling and distribution expenses	(225)	(25 061)	–	**(25 286)**
Administrative expenses	–	–	(80 365)	**(80 365)**
Other operating expenses	–	(1 462)	–	**(1 462)**
Operating profit	**1 231**	**137 786**	**(80 365)**	**58 652**
Dividend income	–	1 076 836	–	**1 076 836**
Other finance income	–	434 491	–	**434 491**
Finance costs	–	(397 452)	–	**(397 452)**
Profit before tax	**1 231**	**1 251 661**	**(80 365)**	**1 172 527**
Income tax expense	–	–	(26 084)	**(26 084)**
Net profit for the year	**1 231**	**1 251 661**	**(106 449)**	**1 146 443**

The principles of preparing a statement of financial position (balance sheet) broken down by type of business activity

The Company has directly separated trade receivables, trade payables and other receivables and other liabilities related to individual types of its business activities.

Equity, provisions for employee benefits, cash and income tax receivables and payables have been disclosed as unattributed items in the statement of financial position.

The remaining assets and liabilities are related to other activities of the Company.

(in PLN '000)

Statement of financial position by type of activity as at 31 December 2015

	Gas	Other activity	Unallocated items	Total
ASSETS				
Non-current assets, of which:	**–**	**24 866 370**	**–**	**24 866 370**
Shares	–	15 933 194	–	**15 933 194**
Bonds	–	7 451 601	–	**7 451 601**
Loans granted	–	1 417 165	–	**1 417 165**
Current assets, of which:	**28 489**	**1 411 042**	**168 255**	**1 607 786**
Trade and other receivables	28 489	681 105	–	**709 594**
Bonds	–	215 040	–	**215 040**
Loans granted	–	144 150	–	**144 150**
Cash and cash equivalents	–	–	168 255	**168 255**
TOTAL ASSETS	**28 489**	**26 277 412**	**168 255**	**26 474 156**
EQUITY AND LIABILITIES				
Equity	**–**	**–**	**16 592 497**	**16 592 497**
Non-current liabilities, of which:	**–**	**5 060 890**	**8 228**	**5 069 118**
Debt	–	4 876 546	–	**4 876 546**
Deferred income tax liability	–	–	385	**385**
Provisions for employee benefits	–	–	7 843	**7 843**
Current liabilities, of which:	**4 807**	**4 724 077**	**83 657**	**4 812 541**
Debt	–	4 057 048	–	**4 057 048**
Deferred income tax liability	–	–	82 935	**82 935**
Trade and other payables	4 767	512 453	–	**517 220**
Provisions for employee benefits	–	–	722	**722**
TOTAL EQUITY AND LIABILITIES	**4 807**	**9 784 967**	**16 684 382**	**26 474 156**

Statement of financial position by type of activity as at 31 December 2014

	Gas	Other activity	Unallocated items	Total
ASSETS				
Non-current assets, of which:	**–**	**26 585 870**	**31 141**	**26 617 011**
Shares	–	20 809 799	–	**20 809 799**
Bonds	–	5 522 725	–	**5 522 725**
Deferred tax asset	–	–	31 141	**31 141**
Current assets, of which:	**1 323**	**2 484 932**	**1 237 264**	**3 723 519**
Income tax receivables	–	–	8 384	**8 384**
Trade and other receivables	1 323	981 259	–	**982 582**
Bonds	–	1 276 001	–	**1 276 001**
Loans granted	–	6 367	–	**6 367**
Cash and cash equivalents	–	–	1 228 880	**1 228 880**
TOTAL ASSETS	**1 323**	**29 070 802**	**1 268 405**	**30 340 530**
EQUITY AND LIABILITIES				
Equity	**–**	**–**	**20 239 567**	**20 239 567**
Non-current liabilities, of which:	**–**	**7 503 745**	**7 351**	**7 511 096**
Debt	–	7 405 005	–	**7 405 005**
Provisions for employee benefits	–	–	7 351	**7 351**
Current liabilities, of which:	**3 325**	**2 585 877**	**665**	**2 589 867**
Debt	–	1 803 255	–	**1 803 255**
Trade and other payables	3 325	627 800	–	**631 125**
Provisions for employee benefits	–	–	665	**665**
Other provisions	–	34 189	–	**34 189**
TOTAL EQUITY AND LIABILITIES	**3 325**	**10 089 622**	**20 247 583**	**30 340 530**

52. Events after the end of the reporting period

Issuance of debt securities

On 8 January 2016 the Company issued long-term bonds with the total face value of PLN 210 000 thousand under the agreement with Bank Gospodarstwa Krajowego with the following redemption dates:

- Tranche of PLN 70 000 thousand with the redemption date of 20 December 2023;
- Tranche of PLN 70 000 thousand with the redemption date of 20 December 2024;
- Tranche of PLN 70 000 thousand with the redemption date of 20 December 2025.

Capital increase of Nowe Brzeszcze Grupa TAURON Sp. z o.o.

On 31 December 2015 the Extraordinary General Shareholders' Meeting of Nowe Brzeszcze Grupa TAURON Sp. z o.o. decided to increase the issued capital of the entity by PLN 2 900 thousand by way of issuing 29 000 shares with the par value of PLN 100 each, which will be acquired by the Company for PLN 1 000 per one share for the total amount of PLN 29 000 thousand. By the end of the reporting period neither the capital increase had been registered nor had the funds been paid to increase the capital. The funds increasing the issued capital were paid by the Company on 8 January 2016. The capital increase was registered on 29 January 2016.

Redemption and issue of debt securities

On 29 February 2016, the Company purchased 22 500 bonds out of 30 000 C series bonds issued on 12 December 2011 as part of the bond issue scheme of 16 December 2010, for purposes of redemption. The remaining 7 500 C series bonds are not subject to early buyback and are to be bought back on 12 December 2016 in accordance with the terms of issue. The bonds were purchased at the issue price of PLN 100 thousand. Thus, the total par value of the bonds purchased and redeemed by the Company is PLN 2 250 000 thousand. The purchase price was increased by interest due from the beginning of the last interest period preceding the purchase to the bond purchase date. The bonds were purchased for purposes of redemption under bilateral agreements concluded by TAURON and the C series bond holders, primarily with a view to prolonging the due date of the debt assumed by the Company in the form of bonds. The funds necessary to refinance the bonds were secured as part of a new bond issue scheme of 24 November 2015.

Under the new scheme, on 29 February 2016 the Company issued 22 500 bonds with the total par value of PLN 2 250 000 thousand, maturing on 29 December 2020. The bonds were issued in PLN as unsecured, dematerialized and coupon securities. They were acquired at the issue price equal to the par value, i.e. PLN 100 thousand. Interest was determined by reference to WIBOR 6M plus a fixed margin. The bonds will be bought back at the issue price at the buyback date and interest will be payable in arrears, at the end of each interest period, to bond holders holding the bonds as at the record date. Interest on bonds is payable on a semi-annual basis (with the first period of four months). The bonds were acquired by the financial institutions being parties to the bond issue scheme agreements, i.e. Bank BGŻ BNP Paribas S.A., Bank Handlowy w Warszawie S.A., Bank of Tokyo-Mitsubishi UFJ (Holland) BV, Bank of Tokyo-Mitsubishi UFJ (Polska) S.A., Bank Zachodni WBK S.A., CaixaBank S.A. (Spółka Akcyjna) Branch in Poland, Industrial and Commercial Bank of China (Europe) S.A. Branch in Poland, ING Bank Śląski S.A., mBank S.A. and Powszechna Kasa Oszczędności Bank Polski S.A.

These financial statements of TAURON Polska Energia S.A., prepared for the year ended 31 December 2015 in accordance with the International Financial Reporting Standards as endorsed by the European Union have been presented on 76 consecutive pages.

Management Board of the Company

Katowice, 8 March 2016

Remigiusz Nowakowski	– President of the Management Board	....
Jarosław Broda	– Vice-President of the Management Board	....
Kamil Kamiński	– Vice-President of the Management Board	....
Marek Wadowski	– Vice-President of the Management Board	....
Piotr Zawistowski	– Vice-President of the Management Board	....

Oliwia Tokarczyk – Head of the Accounting and Tax Department ....