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FABRYKI MEBLI FORTE S.A.
ul. Biała 1
07-300 Ostrów Mazowiecka

Audit Opinion and Report
on the financial statements
for the period from 1 January to 31 December 2015

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AUDIT OPINION

for the General Meeting and Supervisory Board of Fabryki Mebli Forte S.A.

We have audited the accompanying financial statements of Fabryki Mebli Forte S.A. with its registered office in Ostrów Mazowiecka at ul. Biała 1, consisting of:

- introduction to the financial statements,
- the statement of financial position prepared as at 31 December 2015,
- the profit and loss account for the period from 1 January to 31 December 2015,
- the statement of comprehensive income for the period from 1 January to 31 December 2015,
- the statement of changes in shareholders' equity for the period from 1 January to 31 December 2015,
- the statement of cash flows for the period from 1 January to 31 December 2015,
- notes to the financial statements.

The Company's Management Board is responsible for the preparation in accordance with binding regulations of the financial statements and the Directors' Report on the Company's activities.

The Company's Management Board and members of its Supervisory Board are responsible for ensuring that the financial statements and the Directors' Report meet the requirements of the Accounting Act of 29 September 1994 (2013 Journal of Laws, item 330 with subsequent amendments), hereinafter referred to as "the Accounting Act".

Our responsibility was to audit the financial statements and to express an opinion on the consistency of these financial statements with the applicable accounting policies, and on whether the financial statements give a true and fair view, in all material respects, of the Company's financial result and financial position, as well as on the accuracy of the books of account constituting the basis for their preparation.

We performed the audit in accordance with:

1/ Chapter 7 of the Accounting Act,

2/ the auditing standards issued by the National Council of Certified Auditors in Poland.

We planned and performed the audit to obtain reasonable assurance that the financial statements are free of material misstatements. In particular, our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that our audit provided a reasonable basis for our opinion.

This document is a translation.
The Polish original should be referred to in matters of interpretation.

In our opinion, the audited financial statements, in all material respects:

a) give a true and fair view of the Company's financial position as at 31 December 2015, as well as of its financial result for the period from 1 January to 31 December 2015,

b) have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in the form of regulations by the European Commission, and in issues not regulated by these standards - in accordance with the requirements of the Accounting Act and the related implementing provisions, as well as on the basis of properly kept books of account,

c) are consistent with the applicable laws and regulations, and with the Company's Statute.

The Directors' Report on the Company's activities includes all information required by Article 49 of the Accounting Act and by the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (28 January 2014 Journal of Laws, item 133), and the information contained therein is consistent with the information presented in the audited financial statements.

Warsaw, 17 March 2016

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Authorized Audit Company No. 3355

Auditor in charge:

Artur Staniszewski
Certified Auditor No. 9841

On behalf of BDO Sp. z o.o.:

Dr. André Helin
Managing Partner
Certified Auditor No. 90004

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Audit Report
on the financial statements of
FABRYKI MEBLI FORTE S.A.
for the period from 1 January to 31 December 2015

I. GENERAL INFORMATION

1. Information about the Company

The Company does business as Fabryki Mebli FORTE Spółka Akcyjna [joint-stock company].

The Company's registered office is ul. Biała 1, 07-300 Ostrów Mazowiecka.

In accordance with the entry in the National Court Register and the Company's Statute, the Company's activities consist of the production and retail sale of furniture, mattresses and wood products.

The Company operates on the basis of:
- the Company's Statute prepared in the form of a notarial deed on 22 November 1994 (Rep. A No. 4358/94) with subsequent amendments,
- the Code of Commercial Partnerships and Companies.

On 23 June 2001 the Company was entered in the National Court Register at the Regional Court for the Capital City of Warsaw, XIV Business Division of the National Court Register, in number 21840.

The Company has been assigned tax identification number NIP: 759-000-50-82, as well as statistical identification number REGON: 550398784.

As at 31 December 2015 the Company's share capital amounted to 23 901 084 zł and consisted of 23 901 084 shares with a nominal value of 1 zł per share.

In 2015 the Company's share capital was raised by 150 thousand zł in the form of a conditional share capital increase stipulated in Resolution No. 21/2011 of the Ordinary General Meeting of 22 March 2011, associated with the realization of an Incentive Program for Members of the Company's Management Board. Persons eligible to exchange C series subscription warrants took up 150 000 G series shares by paying the issue price of the G series shares. The resulting share premium, less the costs of the issue, increased the Company's share capital by the amount of 1 568 thousand zł.

The Company's shareholders as at 31 December 2015, according to the information provided by the Management Board:

Shareholder	Number of shares	% of votes at General Meeting
MaForm SARL	7 763 889	32,48%
MetLife Open Pension Fund (MetLife OFE)	2 975 474	12,45%
Aviva Open Pension Fund Aviva BZ WBK	2 300 000	9,62%
ING Open Pension Fund	1 200 000	5,02%

As at 31 December 2015 the Company's equity totaled 438 030 thousand zł.

The function of entity manager is exercised by the Management Board.

As at 31 December 2015 the Company's Management Board comprised:

- Maciej Formanowicz - President of the Management Board
- Klaus Dieter Dahlem - Member of the Management Board
- Gert Coopmann - Member of the Management Board
- Mariusz Jacek Gazda - Member of the Management Board
- Maria Małgorzata Florczuk - Member of the Management Board

The following changes were made in the Company's Management Board in the audited period and before the end of the audit:

- on 2 February 2015 the Company received the resignation of Mr. Rafał Prendke from the position of Member of the Management Board effective 4 February 2015.

2. Information about the authorized audit company and the auditor in charge

The financial statements of Fabryki Mebli FORTE S.A. for the year 2015 have been audited by BDO Sp. z o.o. with its registered office in Warsaw, ul. Postępu 12, an entity authorized to audit financial statements, registered with the National Chamber of Certified Auditors in number 3355.

The auditor of the Company's financial statements starting from the year 2012 was selected by the Company's Supervisory Board in Resolution No. 14/2012 of 29 June 2012.

The audit was conducted based on an audit agreement signed on 21 May 2015, and performed under the direction of Artur Staniszewski, Certified Auditor No. 9841. The audit was performed from 1 February 2016, intermittently until the issue of the audit opinion. It was preceded with a review of the financial statements for the 1st half of 2015 and an interim audit.

We hereby declare that BDO Sp. z o.o., its management, the certified auditor and team performing the audit of the above-described financial statements meet the conditions required to issue an objective and independent opinion on the audited financial statements - as provided for in Article 56 par. 3 and 4 of the Act on certified auditors and their self-government, entities authorized to audit financial statements and on public supervision (2009 Journal of Laws No. 77, item 649 with subsequent amendments).

The Company's Management submitted all of the declarations, explanations and information requested by the auditor and necessary to perform the audit.

No limitations had been placed on the scope of the audit or on the methods selected by the auditor to perform the audit.

3. Information about the financial statements for the previous financial year

The books of account were opened based on the financial statements prepared for the period from 1 January to 31 December 2014, which had been audited by BDO Sp. z o.o. and given an unqualified opinion.

The Company's financial statements for the period from 1 January to 31 December 2014 were approved in Resolution No. 4/2015 passed by the General Meeting of 19 May 2015.

In its Resolution No. 6/2015 the General Meeting selected to distribute the Company's net profit for the period from 1 January to 31 December 2014, amounting to 74 612 392,95 zł, in the following manner:

- 47 502 168 zł for the payment of a dividend,
- 27 110 224,95 zł for the reserve capital.

The financial statements for the year 2014 were filed with the National Court Register on 22 May 2015.

II. FINANCIAL ANALYSIS

Presented below are selected items from the statement of financial position and the profit and loss account, as well as key financial ratios, compared to analogical amounts for the previous years.

1. Main statement of financial position and profit and loss account items (in '000 zł)

	31.12.2015	% of balance sheet total	31.12.2014	% of balance sheet total	31.12.2013	% of balance sheet total
Non-current assets	293 050	43,0	272 857	43,8	245 283	45,4
Current assets	388 344	57,0	349 767	56,2	294 442	54,6
Total assets	**681 394**	**100,0**	**622 624**	**100,0**	**539 725**	**100,0**
Equity	438 030	64,3	405 015	65,0	369 138	68,4
Liabilities	243 364	35,7	217 609	35,0	170 587	31,6
Total liabilities and equity	**681 394**	**100,0**	**622 624**	**100,0**	**539 725**	**100,0**

Item	2015	% of revenue	2014	% of revenue	2013	% of revenue
Sales revenue	954 706	100,0	821 631	100,0	666 554	100,0
Revenue from the sale of finished products, goods for resale and raw materials	(608 191)	(63,7)	(522 970)	(63,7)	(424 766)	(63,7)
Gross sales profit/loss	**346 515**	**36,3**	**298 661**	**36,3**	**241 788**	**36,3**
Sales costs	(217 528)	(22,8)	(175 424)	(21,4)	(141 914)	(21,3)
General administrative costs	(35 756)	(3,7)	(33 751)	(4,1)	(27 242)	(4,1)
Sales profit/loss	**93 231**	**9,8**	**89 486**	**10,9**	**72 632**	**10,9**
Profit/loss on other operating activities	(10 829)	(1,1)	(3 465)	(0,4)	(7 157)	(1,1)
Profit/loss on financial activities	6 206	0,7	6 016	0,7	4 237	0,6
Gross profit/loss	**88 608**	**9,3**	**92 037**	**11,2**	**69 712**	**10,5**
Income tax	(10 672)	(1,1)	(17 425)	(2,1)	(13 174)	(2,0)
Net profit/loss	**77 936**	**8,2**	**74 612**	**9,1**	**56 538**	**8,5**

2. Key financial ratios

	2015	2014	2013
Profitability ratios			
Gross sales profitability	9,8%	10,9%	10,9%
Net sales profitability	8,2%	9,1%	8,5%
Return on assets	11,4%	12,0%	10,5%
Return on equity	17,8%	18,4%	15,3%
Liquidity ratios			
Current ratio	1,7	3,1	3,1
Quick ratio	1,1	1,8	1,9
Operating ratios			
Receivable days	51	44	43
Inventory days	85	90	90
Debt ratios			
Payable days	31	29	30
Debt rate	0,4	0,3	0,3

3. Remarks

- Non-current assets accounted for 43,0% of the Company's total assets at the end of the audited period, having gone down from 43,8% at the end of 2014.
- Current assets have increased by 11,0% compared to the previous year, with their percentage share going up slightly from 56,2% to 57,0% of total assets.
- Although the Company's equity went up by 8,2% in the audited period, it accounted for 64,3% of total assets and liabilities at the end of 2015 compared to 65,0% last year.
- Sales revenue and the cost of goods sold have increased by 16,2% and 16,3%, respectively, as a result of which the gross sales profit reached 346 515 thousand zł and was by 16,0% higher than in the previous year.
- Due to an increase in sales costs and the unfavorable result achieved on other operating activities, the net result for the audited period was by 4,5% lower than in 2014.
- Net sales profitability has declined from 9,1% last year to 8,2% in the audited period.
- The return on assets ratio has gone down from 12,0% in the previous year to 11,4% in the audited period.
- The liquidity ratios recorded a decline due to a rise in short-term liabilities: the current fell from 3,1 to 1,7; the quick dropped from 1,8 to 1,1.
- The inventory days ratio has improved from 90 to 85 days.
- The payable days ratio amounts to 31 days, which constitutes a slight deterioration from the previous year.
- The receivable days ratio is up by 7 days from 2014 and amounts to 51 days.

In the course of the audit we found no indications that as a result of discontinuing or significantly limiting its operations the Company will not be able to continue as a going concern in at least the next reporting period.

III. DETAILED INFORMATION

1. Assessment of the Company's accounting and internal control systems

The Company has documentation describing its accounting methods, as set forth in Article 10 of the Accounting Act.

The Company's books of account are kept at its registered office. The Company's accounting records are computerized using the SAP system.

During our audit of the financial statements we performed a random check of the operation of the Company's accounting system. It was not an objective of the audit to express a comprehensive opinion on the operation of this system.

In the course of our audit we found no misstatements in the books of account, which could have a significant effect on the audited financial statements. Our audit has shown that:
- the accounting methods (policies) are valid and applied continuously, and that the books of account were opened correctly,
- economic transactions are documented accurately, completely and clearly, and correctly classified for entry in the books of account,
- the methods used to secure access to data and the data processing system are appropriate,
- accounting entries are complete and accurate, made continuously and are consistent with the corresponding source documents and financial statements,
- accounting documents, books of account and financial statements are properly protected.

The Company's inventory count of its assets and liabilities, conducted in accordance with the scope, due date and frequency requirements of the Accounting Act, was performed correctly, and the resulting differences have been settled in the books of account of the audited period.

2. Information about selected significant financial statements items

The most significant financial statements items have been described in the notes to the financial statements and in the Directors' Report on the Company's activities.

3. Additional information

Additional information on the Company's accounting methods, as well as other information, has been prepared completely and correctly, in accordance with the requirements of IFRS, and in matters no regulated by those standards - in accordance with the requirements of the Accounting Act.

4. Directors' Report

In accordance with the requirements of Article 49 of the Accounting Act and the Minister's of Finance Decree of 19 February 2009 on the current and periodic information submitted by the issuers of securities and the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (28 January 2014 Journal of Laws, item 133), the Company's Management prepared a report on the Company's activities. The information contained therein is consistent with the information presented in the audited financial statements.

AB

5. Management's Declaration

The Company's Management submitted a written declaration about the completeness of the books of account, disclosure of all contingent liabilities and absence of significant post-balance sheet events.

Warsaw, 17 March 2016

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Authorized Audit Company No. 3355

Auditor in charge:

Artur Staniszewski
Certified Auditor No. 9841

On behalf of BDO Sp. z o.o.:

Dr. André Helin
Managing Partner
Certified Auditor No. 90004

FABRYKI MEBLI „FORTE" S.A. in Ostrów Mazowiecka, ul. Biała 1, 07-300 Ostrów Mazowiecka, Poland,
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Dear Shareholders, Ladies and Gentlemen,

It is my pleasure to present you with the Consolidated Financial Report of the FORTE Capital Group for the year 2015.

2015 was another year confirming the effectiveness of the adopted development policy of FORTE SA. Not only have we achieved financial success shown through higher turnover and net profit, but we have also markedly increased the number of customers in our traditional as well as in new markets. This growing presence of ours on European and world markets is of great importance to us, proving the trust which customers are showing in our company.

In 2015 we also presented our development strategy for the next 5 years. We not only intend to double our turnover, but also want to strengthen of our business model through vertical integration: the construction of a modern production plant for our most important raw material – chipboard, to be used for our own furniture production. This new investment will allow for the next quantum jump in the development of FORTE and will solidify our position as one of the world's leading companies in the production of RTA furniture. More about our investment plans will follow later in this letter.

In terms of figures, last year can be summarized as follows: the FORTE Group generated a total turnover of 954 million PLN (a 16 % growth compared with 2014) and a net profit of 84,4 million PLN (an increase of 12,3 % compared to 2014). The Group produced a total of 3,5 million pieces of furniture which were sold to customers in 40 different countries, mainly situated in Europe, but also in Africa or Asia.

Despite the fact that our sales to the German-speaking countries, i.e. Germany, Austria and Switzerland ("DACH") rose by additional 10% as compared to last year, their relative share in our sales decreased from 61% in 2014 to 55 % in 2015. This was due to strong sales growth in France (+ 62 %) and Spain and Portugal (+ 88 %) as a result of which the share of Western Europe (excluding the DACH countries) in FORTE's sales reached 19 % - for the first time being ahead of sales volumes in Poland (16,7 %). This, despite the fact that absolute sales in Poland rose by another 10 %. Total exports increased to 83,3 % of sales (82,4% in 2014).

The positive result in 2015 was achieved thanks to our activities both in terms of investments and of organizational improvements. A major step forward constituted the opening of our new modern high-rack warehouse in Ostrów Mazowiecka, built at a cost of PLN 26 million, together with the reorganization of our logistics processes. These steps significantly improved the quality and timeliness of our services. With ongoing investments into our machinery park, we increased our yearly production capacity to 8.5 million furniture packs (more than 4 million pieces of furniture), in line with the expected increase in incoming orders.

The FORTE Group recognizes its staff and the environment within which the Group operates as key strategic elements of its success. With a view to allowing employees of FORTE to develop their personal and work-related skills on an ongoing basis and to further improve the attractiveness of FORTE as a leading employer in the region, we have last year launched the “FORTE Academy”, a dedicated training program, worked out in cooperation with the Warsaw University of Technology for both, administration employees and production workers. Through carefully worked out training programs, examinations and recognized certifications our interested employees will have the opportunity of improving their qualifications and to take a more active role in their individual career development.

FORTE continues to play an active role in its social environment. On 31 August 2015 the official opening of our first company kindergarten in Ostrów Mazowiecka took place. The very modern bi-lingual (Polish, English) company kindergarten, supplemented with a nursery division, was launched in order to service our employees. The purpose of the facility is to support young parents, enable their return to work without additional stress and facilitate a proper relationship between professional and private life. Various other local community initiatives and charity activities are supplementing our engagement for the environment we are part of and being the basis for our success.

I would like to add the following additional comments to the subject of our financial results: while G&A costs could be further reduced from 4,26 % of turnover (2014) to 3,89 % (2015), the reorganization of the logistics sector caused a one-time increase of magazine costs due to the part-time renting of additional space. A further cost element in 2015 was connected with the elimination of a substantial number of older product lines. Increase transport costs due to the reduced goods traffic to Russia are rather here to stay, as long as this situation continues.

Returning on more time to the important topic of our development program, I would like to stress that it was the stability of our earnings and our solid market position that led us in 2015 to decide on and start implementing our new investment program, setting the course of our Group’s development until the year 2021.

On 19 October 2015 the Supervisory Board approved the Company Development Plan submitted by the Management Board. Its main elements include:

a) Extension of FORTE’s production capacity of RTA furniture, in particular through the construction of a new furniture production plant,

b) Construction of a chipboard production plant of the newest generation, supposed to cover our raw material requirements in this field for years to come,

c) Further extension of the logistic-warehouse area.

Total investment expenditure until 2021 related to the realization of the Development Plan shall amount to PLN 600 million. We expect our new chipboard plant to start production in the first quarter of 2018 and FORTE’s fifth furniture plant to go into operation at the turn of 2018/2019.

Financing of the investment program has been secured by FORTE's management. In addition, the Polish government, acting through the Ministry of Economics, has recognized the importance of our investments for securing the existing and creating additional workplaces in our region by agreeing on a government grant in the amount of 57,1 million PLN. I would like to thank the Polish authorities at this occasion one more time for their support!

FORTE's Development Plan foresees to achieve a consolidated turnover of 400 million Euro by 2021, resulting from the production and sale of 6,5 million pieces of furniture, a safeguarding and optimization of the supply of chipboard - our most important raw material, as well as a gradual increase of profitability through the reduction of raw material costs.

It is FORTE's tradition to share its profit with its shareholders to the extent reasonably possible with a view to the internal financing requirements of the Company. For the last 3 financial years the dividends paid for one share amounted to PLN 0,95 (2012), PLN 1,5 (2013) and PLN 2 (2014). Also this year the Management Board will recommend payment of a dividend based on the profit generated in 2015. The amount of dividend proposed is still a matter of discussion within the Management Board of the company.

On behalf of the Management Board, I wish to thank all employees for their enormous dedication and commitment which formed the basis of the success of the FORTE Group in 2015. I equally thank all the shareholders for the trust and confidence they continue to place in us.

We feel well prepared to the challenges which lie ahead of us in the years to come !

Maciej Formanowicz
President of the Management Board

FABRYKI MEBLI „FORTE" S.A.

Separate financial statements for the period ended 31 December 2015

Statements prepared in accordance with the International Financial Reporting Standards

FABRYKI MEBLI „FORTE" S.A.
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www.forte.com.pl

Ostrów Mazowiecka, 17 March 2016

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PROFIT AND LOSS ACCOUNT

		For the reporting period ended on	
		31 December 2015	**31 December 2014**
Continued activity	**Note**		
Revenue from sales of goods, products and materials	9.1	945 906	813 146
Revenue from sales of services	9.1	8 800	8 485
Sales revenue		**954 706**	**821 631**
Cost of sales of sold goods, products and materials	9.6	(603 876)	(519 542)
Cost of sales of sold services	9.6	(4 315)	(3 428)
Cost of sales		**(608 191)**	**(522 970)**
Gross profit from sales		**346 515**	**298 661**
Other operating revenue	9.2	6 316	2 074
Costs of sales	9.6	(217 528)	(175 424)
General management costs	9.6	(35 756)	(33 751)
Other operating costs	9.3	(17 145)	(5 539)
Profit (loss) on operating activities		**82 402**	**86 021**
Financial revenue	9.4	6 411	6 190
Financial costs	9.5	(2 460)	(2 006)
Profit (loss) on derivative financial instruments	36.2	2 255	1 832
Profit (loss) before tax		**88 608**	**92 037**
Income tax	10	(10 672)	(17 425)
Profit (loss) on continued operations of the period		**77 936**	**74 612**
Discontinued operations		-	-
Profit (loss) on discontinued operations of the period		-	-
Profit (loss) of the period		**77 936**	**74 612**
Profit (loss) per one share for the period (in PLN):	13		
-basic		3.28	3.14
-diluted		3.28	3.14

STATEMENT OF COMPREHENSIVE INCOME

	Note	For the ended reporting period 31 December 2015	31 December 2014
Profit (loss) of the period		**77 936**	**74 612**
Other net comprehensive income, including:		**863**	**(3 108)**
Items which in the future will not be reclassified to the profit and loss account		**192**	**515**
Revaluation of employee benefit obligations	16.1	237	(438)
Deferred tax regarding employee benefits		(45)	83
Incentive scheme	37.1	-	870
Items which in the future may be reclassified to the profit and loss account		**671**	**(3 623)**
Hedge accounting		821	(4 466)
Income tax on other comprehensive income		(150)	843
Comprehensive income for the period		**78 799**	**71 504**

STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	Note	Status as at 31 December 2015	Status as at 31 December 2014
ASSETS			
Non-current assets		**293 050**	**272 857**
Tangible fixed assets	17	227 921	216 331
Intangible assets	19	1 124	16 559
Financial assets	18	-	29 858
Financial assets	21	64 005	10 109
Current assets		**388 344**	**349 767**
Inventory	22	138 879	149 013
Trade and other receivables	23	184 243	144 545
Services, as well as other liabilities payroll	25.,36.2	5 673	4 852
Income tax receivables		-	-
Other Provisions	24	2 859	2 665
Financial assets	26	10 844	593
Cash and cash equivalents	27	45 846	48 099
TOTAL ASSETS		**681 394**	**622 624**
LIABILITIES			
Total equity		**438 030**	**405 015**
Share capital	28.1	23 901	23 751
Surplus of share sale above their nominal value		113 214	111 646
Revaluation reserve from hedging instruments	28.2	4 596	3 925
Capital from merger		(1 073)	(1 073)
Incentive scheme	37.1	1 290	1 290
Other reserve capital	28.2	194 824	167 714
Retained earnings	28.3	101 278	97 762
Long-term liabilities		**20 563**	**103 492**
Interest-bearing loans and borrowings	29	11 094	86 678
Deferred income tax provision	10.2	4 871	10 941
Provision for benefits after the employment period	16.1.,30.	3 330	3 215
Other Provisions	30	37	61
Financial liabilities due to lease	15	1 231	2 597
Other long-term liabilities		-	-
Short-term liabilities		**222 801**	**114 117**
Liabilities due to financial derivative instruments	31	80 615	62 885
Current portion of interest-bearing loans and borrowings	29	103 535	9 821
Income tax liabilities	31	3 598	12 669
Provisions, deferred revenues and accruals	30	34 054	27 523
Financial liabilities due to lease	15	999	1 219
Total liabilities		**243 364**	**217 609**
TOTAL LIABILITIES		**681 394**	**622 624**

CASH FLOW STATEMENT

	For the reporting period ended on 31 December 2015	31 December 2014
Cash flows from operating activities		
Profit (loss) of the period	**77 936**	**74 612**
Adjustments by:	**(4 488)**	**(46 310)**
Depreciation	19 282	16 483
Foreign exchange (gains)/losses	1 186	3 058
Net interest and dividends	(4 330)	(3 629)
(Profit)/loss on investment activities	(106)	(105)
Change in the valuation of derivative financial instruments	(151)	1 349
Change in receivables	(39 692)	(45 050)
Change in inventories	10 134	(35 926)
Change in liabilities, excluding loans and borrowings	17 709	7 203
Change in accruals and deferrals	6 359	8 812
Change in provisions	(6 115)	(1 425)
Income tax paid	(26 009)	(16 301)
Current tax recognised in the profit and loss account	16 938	18 007
Provision for retirement benefits	307	332
Valuation of the Incentive Scheme	-	870
Other adjustments	-	12
Net cash flows from operating activities	**73 448**	**28 302**
Cash flows from investment activities		
Sale of tangible fixed assets and intangible assets	1 296	613
Purchase of tangible fixed assets and intangible assets	(37 547)	(43 777)
Purchase of financial assets	(86)	-
Obtained dividends	5 418	4 487
Interest received	56	83
Granted loans	(13 134)	(20)
Repayment of borrowings granted	20	697
Other investment inflows	-	-
Other investment expenditure	-	-
Net cash flows from investing activities	**(43 977)**	**(37 917)**
Cash flows from operating activities		
Contributions to capital	1 718	-
Inflows from loans and borrowings taken out	33 603	42 202
Repayment of loans and borrowings	(16 639)	(16 228)
Paid dividends	(47 502)	(35 627)
Paid interest	(1 163)	(935)
Repayment of liabilities on account of leasing	(1 718)	(1 021)
Other financial inflows	-	-
Other financial outflows	-	-
Net cash from financial activity	**(31 701)**	**(11 609)**
Net increase (decrease) in cash and cash equivalents	**(2 230)**	**(21 224)**
Net foreign exchange differences	23	(46)
Opening balance of cash	**48 099**	**69 277**
Closing balance of cash, including:	**45 846**	**48 099**
of limited disposability	-	-

Principles (of policy) of accounting as well as the enclosed explanatory notes constitute an integral part of the hereby financial statement.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Share capital	Surplus of share sale above their nominal value	Retained earnings (losses) retained	Revaluation reserve from hedging instruments	Other reserve capital	Capital from merger	Incentive scheme	Total
As at 01 January 2015	**23 751**	**111 646**	**97 762**	**3 925**	**167 714**	**(1 073)**	**1 290**	**405 015**
Changes of the accepted principles of accounting policy	-	-	-	-	-	-	-	**-**
Error corrections	-	-	-	-	-	-	-	**-**
As of 1 January 2015 post corrections	**23 751**	**111 646**	**97 762**	**3 925**	**167 714**	**(1 073)**	**1 290**	**405 015**
-increase of company Share capital	150	-	-	-	-	-	-	**150**
Write-off of result from previous years on reserve capital	-	-	(27 110)	-	27 110	-	-	**-**
settlement of incentive scheme G SERIES SHARES	-	1 568	-	-	-	-	-	**1 568**
Dividend payment for 2014	-	-	(47 502)	-	-	-	-	**(47 502)**
Reserves for employee benefits	-	-	192	-	-	-	-	**192**
Current result	-	-	77 936	-	-	-	-	**77 936**
Hedge accounting	-	-	-	671	-	-	-	**671**
Total revenues for the period	**-**	**-**	**78 128**	**671**	**-**	**-**	**-**	**78 799**
As at 31 December 2015	**23 901**	**113 214**	**101 278**	**4 596**	**194 824**	**(1 073)**	**1 290**	**438 030**

Principles (of policy) of accounting as well as the enclosed explanatory notes constitute an integral part of the hereby financial statement.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Share capital	Surplus of share sale above their nominal value	Retained earnings (losses) retained	Revaluation reserve from hedging instruments	Other reserve capitals	Capital from merger	Incentive scheme	Total
As at 01 January 2014	**23 751**	**111 646**	**80 043**	**7 548**	**146 803**	**(1 073)**	**420**	**369 138**
Changes of the accepted principles of accounting policy	-	-	-	-	-	-	-	-
Error corrections	-	-	-	-	-	-	-	-
As of 01 January 2014 post corrections	**23 751**	**111 646**	**80 043**	**7 548**	**146 803**	**(1 073)**	**420**	**369 138**
Write-off of result from previous years on reserve capital	-	-	(20 911)	-	20 911	-	-	-
Dividend payment for 2013	-	-	(35 627)	-	-	-	-	**(35 627)**
Reserves for employee benefits	-	-	(355)	-	-	-	-	(355)
Current result	-	-	74 612	-	-	-	-	74 612
Hedge accounting	-	-	-	(3 623)	-	-	-	(3 623)
Assessment of incentive programme	-	-	-	-	-	-	870	870
Total revenues for the period	**-**	**-**	**74 257**	**(3 623)**	**-**	**-**	**870**	**71 504**
As at 31 December 2014	**23 751**	**111 646**	**97 762**	**3 925**	**167 714**	**(1 073)**	**1 290**	**405 015**

Principles (of policy) of accounting as well as the enclosed explanatory notes constitute an integral part of the hereby financial statement.

ACCOUNTING PRINCIPLES (POLICY) AND ADDITIONAL EXPLANATORY NOTES

1. General information

Financial report of Fabryki Mebli „FORTE" S.A. covers the year ended on 31 December 2015 and includes comparative data for the year ended on 31 December 2014.

Fabryki Mebli „FORTE" S.A. was established by a Notarial Deed of 25 November 1993. The Parent Company's seat is located in Ostrów Mazowiecka, ul. Biała 1

The Parent Company is entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register (former XXI Economic Division), under KRS number 21840.

The Parent Company was assigned Statistical ID (REGON) number: 550398784

The Company has been incorporated for an indefinite term.

Main activities of the Parent Company include:

- production of furniture,
- provision of services in the scope of marketing, promotion, organisation, exhibitions, conferences,
- conducting trade activities domestically and abroad.

Composition of the Management Board of the Company

As at 31 December 2015, the Management Board of the Parent Company is composed of:

- Maciej Formanowicz – President of the Management Board
- Mariusz Jacek Gazda – Member of the Management Board
- Gert Coopmann – Member of the Management Board,
- Klaus Dieter Dahlem - Member of the Management Board,
- Maria Małgorzata Florczuk – Member of the Management Board,

Changes in the composition of the Management Board of the Company

On 2 February 2015, Rafał Prendke, submitted a statement of resignation from the position of Member of the Management Board as of 4 February 2015.

Identification and Approval of the financial statements

The Management Board elaborated the financial statements for the year ended on 31 December 2015 which were authorised for issue on 17 March 2016.

Group Investments

The Company has investments in the following subsidiaries:

Subsidiaries	Seat	Scope of activity	Percentage share of Company in capital 31/12/2015	31/12/2014
MV Forte GmbH	Erkelenz (Germany)	Dealership	100%	100%
Forte Möbel AG	Baar (Switzerland)	Dealership	99%	99%

Forte Baldai UAB	Wilno (Latvia)	Dealership	100%	100%
Forte SK S.r.o	Bratysława (Slovakia)	Dealership	100%	100%
Forte Furniture Ltd.	Preston (Great Britain)	Dealership	100%	100%
Forte Iberia S.l.u.	Walencja (Spain)	Dealership	100%	100%
Forte Mobilier S.a.r.l.	Lyon (France)	Dealership	100%	100%
Forte Mobila S.r.l.	Bacau (Romania)	Dealership	100%	100%
Kwadrat Sp. z o.o.	Bydgoszcz	Real estate service and lease	77.01%	77.01%
**Galeria Kwadrat Sp. z o.o.*	*Bydgoszcz*	*Management of real property*	*77.01%*	*77.01%*
TM Handel Sp. z o.o.	Warsaw	advisory services regarding the conduct of business activity and the management	100%	100%
TM Handel Sp. z o.o. S.K.A.	Ostrów Mazowiecka	Purchase, sale and the management of real property, advisory services regarding the conduct of business activity and the management	100%	100%
***Fort Investment Sp. z o.o.*	*Ostrów Mazowiecka*	*Purchase, sale and the management of real property, advisory services regarding the conduct of business activity and the management*	*100%*	*100%*
DYSTRI Sp. z o.o.	Ostrów Mazowiecka****	Storage and warehousing of goods	100%	-
TANNE Sp. z o.o.	Suwałki*****	Production activity	100%	-
ANTWERP Sp. z o.o.	Warsaw	Activity of central enterprises and holdings	100%	-
ANTWERP Sp. z o.o. S.K.A.	Wrocław	Lease of intellectual property, real property management	100%	-
*TERCEIRA Sp. z o.o.****	*Warsaw*	*Activity of central enterprises and holdings, rental and management of real property*	*100%*	-

*company indirectly related-100% subsidiary of Kwadrat Sp. z o.o.

**company indirectly related-100% subsidiary of TM Handel Sp. z o.o. SKA

****company indirectly related-100% subsidiary of ANTWERP Sp. z o.o. S.K.A.

**** on 29 February 2016 a change to company seat was registered for DYSTRI-FORTE Sp. z o.o. New address of the company is Warsaw, ul. Nowogrodzka 50 lok 515

***** on 04 March 2016 a change to company seat was registered for TANNE Sp. z o.o. New address of the company is Warsaw, ul. Nowogrodzka 50 lok 515

Changes made to the composition of the Group during the reporting period

On 13 February 2015 a company was registered in KRS under the number 0000543794 named DYSTRI-FORTE Sp. z o.o. with its registered seat in Ostrow Mazowiecka, ul. ul. Biała 1 Company share capital amounts to PLN 5 thousand. The sole shareholder of DYSTRI-FORTE Sp. z o.o. is Fabryki Mebli „Forte" S.A.

On 26 February 2015 a company was registered in KRS under the number 0000546082 named TANNE Sp. z o.o. with its seat in Suwałki, ul. Północna 30. Company share capital amounts to PLN 5 thousand The sole shareholder of TANNE Sp. z o.o. is Fabryki Mebli „Forte" S.A.

On 11 June 2015 the subsidiary of Forte Mobila SRL submitted a motion for bankruptcy in the court in Bacau. Decision regarding ceasing the activity of Forte Mobila SRL is targeted at liquidation of non-profitable structures within the Capital Group of the Issuer. The submission of the motion for bankruptcy will not have an impact on the financial situation of the capital group, in particular, it will not translate into the current financial result, as the Company covered with reevaluation write-offs all assets held in this subsidiary in previous periods.

On 28 August 2015, Fabryki Mebli FORTE SA purchased 100% of shares in the company ANTWERP Sp. z o.o. with its seat in Warsaw at ul. Żelazna nr 67 lok.13, registered in KRS under the number 0000399974. Company share capital amounts to PLN 5 thousand

On 28 August 2015, Fabryki Mebli FORTE SA purchased 100% of shares in the company ANTWERP Sp. z o.o. –XXXIV – Joint-stock company with its seat in Wrocław, at ul. Św. Mikołaja 81, registered in KRS pod number 0000480008. Share capital of the company amounted to on the day of purchase PLN 50 thousand.

On 08 September 2015, Fabryki Mebli FORTE SA by a contribution in kind transferred to the company ANTWERP Sp. z o.o. XXXIV- limited joint-stock company the rights to property and intellectual property with total value of PLN 205 million (Notary act Rep. A no. 4149/2015). As a result of this contribution the share capital of ANTWERP Sp. z o.o company - XXXIV- joint-stock partnership was increased up to the amount of PLN 150 thousand The surplus of contribution in kind over the nominal value of the covered shares was transferred to the reserve capital.

On 08 September 2015 the subsidiary ANTWERP Sp. z o.o. obtained 100% of shares in the company TERCEIRA Sp. z o.o. with its seat in Warsaw at ul. Syta 99B/6, registered in KRS under the number 0000535948. Company share capital amounts to PLN 5 thousand

On 26 October 2015 ANTWERP Sp. z o.o. - XXXIV-S.K.A with its seat in Wrocław, obtained from TERCEIRA Sp. z o.o. bonds:

- 20 non-secured bearer's bonds of A series with total nominal value of PLN 200 000 for the total issue price equal to the nominal value of the bond,
- 17 non-secured bearer's bonds of B series with total nominal value of PLN 6 800 for the total issue price equal to the nominal value of the bond,

Rights resulting from the bonds were transferred onto ANTWERP Sp. z o.o. - XXXIV-S.K.A as of 26 October 2015 TERCEIRA Sp. z o.o. obliged itself to purchase bods on 31 October 2020. The redemption of bonds will take place via payment towards ANTWERP Sp. z o.o . -XXXIV-S.K.A of nominal value of bonds with due interest. Bonds are subject to interest rate of 4% per annum for the entire period of validity of bonds until the date of redemption.

At the same time, on 26 October 2015 ANTWERP Sp. z o.o. -XXXIV-S.K.A concluded with TERCEIRA Sp. z o.o. an agreement pursuant to which in order to be released from obligation of payment of liabilities in the amount of PLN 206,800 on account of obtaining bonds issued by TERCEIRA Sp. z o.o.. , ANTWERP Sp. z o.o. -XXXIV-S.K.A transferred onto Terceira Sp. z o.o. the enterprise encompassing the set of tangible and non-tangible assets designated for conduct of economic activity of the value of PLN 206 800. The key components of the enterprise ANTWERP Sp. z o.o. -XXXIV-S.K.A were the property rights to trademark and the ownership right to property located in Wrocław, Pzremyśl and Kraków.

On 7 December 2015 ANTWERP Sp. z o.o. -XXXIV-S.K.A purchased from ANTWERP Sp. z o.o. 100% shares in the company TERCEIRA Sp. z o.o.

On 7 December 2015 an increase of company share capital TERCEIRA Sp. z o.o. from PLN 5 thousand to PLN 55 thousand occurred. 100% of shares in the increased share capital of TERCEIRA Sp. z o. o. was covered by ANTWERP Sp. z o.o. - XXXIV-S.K.A in exchange for financial contribution of PLN 207 600. The surplus of value of the contribution over the nominal value of the obtained shares was transferred to the reserve capital of the company.

As at 31 December 2015 and as at 31 December 2014 the share in total number of votes held by the Company in its subsidiaries is equal to the share of Company in capital of these subsidiaries.

2. Important values based on professional judgment and estimations

2.1. Professional judgement

In the process of applying the accounting policies to the issues discussed below, management professional judgments had the greatest importance along with accounting estimations.

Classification of lease agreements

The Group classifies lease agreements as either operating or financial, based on the assessment of the extent to which the benefits and risks of ownership are transferred to the lessor and the lessee. The assessment is based on the economic content of each transaction.

Depreciation rates

Depreciation rates are determined based on the anticipated economic useful lives of tangible fixed assets and intangible assets. The economic useful lives are reviewed annually by the Group based on current estimates.

2.2. Uncertainty of estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of assets

The Group carried out the analysis of the impairment of inventories These results of the analysis of impairment of inventories have been presented in note 22 to the consolidated financial statements.

Fair value of financial instruments

The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. The Group applies professional judgement in selecting appropriate methods and assumptions. The methods used for measuring the fair value of financial instruments are presented in note 35.2

Valuation of provisions

Provisions for employee benefits are determined using actuarial valuations. The assumptions made in this respect are presented in note 16.1.

Deferred tax assets

The Group recognises a deferred tax asset on the basis of the assumption that taxable profit shall be achieved in future against which it can be utilised. The decrease in the tax results in the future could make this assumption unjustified.

3. Basis for preparation of the consolidated financial statements

These financial statements have been prepared with the assumption of continuous economic activity of the Company in the foreseeable future. As at the date of approval of these consolidated financial statements, the Company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continuing activity of the Group for at least 12 months following the balance sheet date as a result of any intended or compulsory withdrawal or significant limitation in the activities of the Group

These consolidated financial statements are presented in Polish zloty ("PLN") and all values are rounded to the nearest thousand (PLN '000) except when otherwise indicated.

These financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investment properties, which have been measured at fair value.

For the fulll understanding of the financial situtation and the results of operations of Fabryki Mebli „FORTE" S.A. as a Parent Company of Capital Group, the hereby report ought to be read jointly with the annual consolidated financial statements for the period ended on 31 December 2015.

These financial statements will be available on Company website www.forte.com.pl in accordance with the term compliant with one indicated within the current report concerning terms of submission of annual and consolidated financial statements for 2015.

Declaration of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the EU.

At the date of approval of these financial statements for issue, in light of the current process of IFRS endorsement in the EU and the nature of the Group's activities, there is no difference between the currently enacted IFRSs applied by the Group and the IFRSs endorsed by the European Union. IFRS cover standards and interpretations accepted by the International Accounting Standards Board ("IASB") and the International Financial Reporting Standards Interpretations Committee ("IFRIC").

Functional currency and presentation currency

The measurement currency of the Company and the reporting currency of these consolidated financial statements is the Polish zloty.

4. Changes in accounting principles and error corrections.

Principles (policy) of accounting applied within the hereby financial statement for 2015 are compliant with those applied while elaborating the annual financial statements for 2014, with the exception of the following changes:

The following new or changed standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee are effective from 1 January 2016:

- Amendments to different standards stemming from annual review of International Standards of Accounting (*Annual Improvements* 2010-2012)
- Amendments to different standards stemming from annual review of International Standards of Accounting (*Annual Improvements* 2011-2013)
- Amendment to IAS 19 Retirement benefits-employee benefits
- Interpretation of IFRS 21- Public levies

Their application had no impact on the results of operations or fianncial situation of the Group and resulted mainly in changes to applied accounting principles or, potentially, in expanding the scope of necessary disclosures or a change to the used terminology.

Key consequences of applying new regulations:

- Amendments to different standards stemming from annual review of International Standards of Accounting (*Annual Improvements* 2010-2012)

On 12 December 2013 further amendments to seven standards were issued, stemming from the draft proposed changes to International Standards for Financial Reporting, published in May of 2012. They apply mostly to annual periods commencing on 1 July 2014 or later.

As a result of the conducted IFRS review the following minor amendments to the 7 standards were introduced:

-witin IFRS 2 *Payments in the form of shares* the definitions of "conditions for acquisition of rights" and "market condition" and introduction of new definitions of "condition of completion" and "condition of service- in IFRS 3 *Merger of economic entities* it was made precise that the covered liability on account of conditional payment fulfilling the definition of financial liability falls under valuation on the day ending the reporting period up to the fair value and the result of valuation is included in the report on profit and loss,

-In IFRS 8 Operational segments, among others, the requirement of disclosing information regarding judgement by the management of the applied for the criteria of combining operational segments, as specified in par. 12 of IFRS 8 is introduced, together with a short description of these segments and the used indicators pointing to the similar economic features of segments combined on this basis,

-within IFRS 13 *Fair Value*, clarification to the Explanation of Motions to IFRS 13 was introduced, explaining that the deletion from IFRS 9 and IAS 39 appropriately paragraphs B5.4.12 and AG79 should not be incorrectly interpreted as an intention of the Cauncil to delete the possibility of valuation of short-term liabilities and trade liabilities evaluated at present at nominal value, stemming from the invoice,

-within IAS 16 *Tangible fixed assets* and IAS 38, Non-tangible values, information on the method of correcting hte balance value and amortization of components of fixed assets valued on the basis of subsequent days ending reporting periods was clarified ,

-within IAS 24 Disclosure of information on related entities a provision was added clarifying the definition of establishing relations between entities.

The application of amended standards has no impact on the financial statements of the Company.

The Company assesses that the above amendments will have an impact on additional disclosures stemming from the amended IFRS 8 *Operational segments.*

- Amendments to different standards stemming from annual review of International Standards of Accounting (Annual Improvements 2011-2013)

On 12 December 2013 further amendments to four standards were issued, stemming from the draft proposed changes to International Standards for Financial Reporting, published in November of 2012. They apply mostly to annual periods commencing on 1 July 2014 or later.

As a result of the conducted IFRS review the following minor amendments to the following standards were introduced:

– IFRS 1 *First application of IFRS*

– IFRS 3 *Mergers of economic entities*

– IFRS 13 *Wartość godziwa*, Fair value

– IFRS 40 *Investment properties*

Application of change of standards does not have any significant impact on financial report of the Company

- Amendment to IAS 19 *Retirement benefits-employee benefits*

The amendment was published on 21 November 2013 and applies to annual periods beginning on 1 July 2014 or later. The amendments particularise, and in some cases simplify, the principles of accounting for premiums of employees (or other third parties) contributed to specific contribution plans.

Application of the amended standard has no significant impact on the Company's financial statement, due to lack of specific contribution plans relating to the employee premiums.

Interpretation of IFRIC 21 *Levies*

The interpretation contains guidelines concerning identification of the moment, when the obligation arises to report in the entity's accounting books liabilities on account of paying certain fees to the State, other than fees covered by the present IFRS, e.g. IAS 12 *Income tax.* In some jurisdictions, regulations concerning selected fees indicate the existence of a dependency between appearance of the obligation to pay tax and the occurrence of specific events. Due to the complex nature of these regulations, entities have not always been clear as to the proper moment for reporting the concerned obligation in the accounting books. In accordance with the new interpretation, entities should treat as an event obligating to report the obligation to pay a fee to the State an action that directly results in such an obligation. For example, if the obligation to pay a fee depends on generation of revenue in the current period, then an action resulting in this obligation is generation of revenue in the current period. As pointed out by the Interpretation Committee, an entity has no customary obligation to pay fees for its future activities, despite the fact that it has no real possibility to cease conduct of a given business activity in the future. It has been emphasised that an obligation to pay a fee should be reported gradually, if the event resulting in the obligation takes place for some period of time.

Application of the interpretation has no significant impact on the Company's financial statement.

Both in the current reporting period, as well as in the comparative period, no error correction has been made.

5. Amendments to the existing standards and new regulations not binding for the periods beginning from 1 January 2016.

In this financial statement, the Company decided not to apply the published standards or interpretations prior to their effective date.

The following standards and interpretations were issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee, and have not yet come into force as at the balance sheet date:

- IFRS 9 *Financial instruments*

The new standard was published on 24 July 2014 and applies to annual periods beginning on 1 January 2018 or later. The purpose of the standard is to adjust the financial assets classification and introduce uniform principles of approach to impairment assessment concerning all financial instruments. The standard also introduces a new model of hedge accounting, in order to standardise the principles of reporting risk management information in the financial statements.

The Company will apply the new standard from 1 January 2018.

As at the day of preparation of the present financial statement, is not possible to make a credible estimation of the impact of application of the new standard. The Company commenced analysis of the effects of implementation of the new standard.

- IFRS 14 *Regulatory Deferral Accounts*

The new standard was published on 30 January 2014 and applies to annual periods beginning on 1 January 2016 or later. The new standard is temporary, as a result of the IASB works being in progress on regulating the method of settlement of operations under conditions of price adjustment. Standard. The standard introduces the principles of reporting assets and liabilities arising in connection with transactions on adjusted prices in the case, when the entity makes the decision to switch to IFRS.

The Company will apply the new standard no earlier than as of the date agreed by the European Union as the effective date of this standard. Due to the temporary nature of the standard, the European Commission decided not to initiate the formal approval procedure of the standard and to wait for the target standard.

Application of the amended standard will not have effect on the Company's financial statement.

- IFRS 15 *Revenue from Contracts with Customers*

The new unified standard was published on 28 May 2014 and applies to annual periods beginning on 1 January 2018 (originally - 2017) or later, and its earlier application is permitted. The standard establishes a uniform framework of reporting revenue and contains the principles that will replace most detailed guidelines for presenting revenue, currently existing in IFRS, in particular, in IAS 18 Revenues, IAS 11 Construction Contracts, and the related interpretations. On 11 September 2015, the International Accounting Standards Board published a project of amendments to the adopted standard, postponing the effective date of this standard by one year.

As at the day of preparation of the present financial statement, is not possible to make a credible estimation of the impact of application of the new standard.The Company commenced analysis of the effects of implementation of the new standard.

- IFRS 16 *Leasing*

The new standard was published on 13 January 2016 and applies to annual periods beginning on 1 January 2019 or later and its earlier application is permitted (but under condition of simultaneous application of IFRS 15). The standard replaces the previous regulations on leasing (among others, IAS 17) and completely changes the approach to leasing contracts of various nature, ordering the lessee to report in the balance sheets assets and liabilities on account of concluded lease contracts, regardless of their type.

As at the day of preparation of the present financial statement, is not possible to make a credible estimation of the impact of application of the new standard. The Company commenced analysis of the effects of implementation of the new standard.

- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

Amendments to IFRS 11 were published on 6 May 2014 and apply to annual periods beginning on 1 January 2016 or later. The purpose of the amendments is to present detailed guidelines explaining the way of reporting transactions of purchase of shares in joint operations, which constitute an undertaking. Amendments require application of principles identical to those applied in the case of business combinations.

Application of the amended standard will have no significant effect on the Company's financial statement.

- Amendments to IAS 16 and IAS 38 *Explanations with regard to acceptable methods of reporting depreciation and amortisation*

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets were published on 12 May 2014 and apply to annual periods beginning on 1 January 2016 or later. The amendments constitute additional explanations concerning the permitted depreciation methods. The purpose of the amendments is to indicate that the method of calculating depreciation of tangible fixed assets and intangible assets based on revenues is not proper, however, in the case of intangible assets this method may be applied under certain circumstances.

Application of the amended standard will have no significant effect on the Company's financial statement.

- Amendments to IAS 27: *Equity Method in Separate Financial Statements*

Amendments to IAS 27 were published on 12 August 2014 and apply to annual periods beginning on 1 January 2016 or later.N The amendments restore in IFRS the option of reporting in separate financial statements investments in subsidiaries, joint venture and affiliates using the method of ownership rights. When choosing this method, it should be used for each investment within a given category.

Application of the amended standard will have no significant effect on the Company's financial statement.

- Amendments to IFRS 10 and IAS 28: *Sales or contributions of assets between an investor and its associate/joint venture*

Amendments to IFRS 10 and IAS 28 were published on 11 September 2014 and apply to annual periods beginning on 1 January 2016 or later (effective date is currently postponed without indicating the initial date). The amendments particularise reporting of transactions, in which the parent company loses control over the subsidiary, which does not constitute a "business", as defined by IFRS 3 "Business Combinations", by means of sale of all or a part of shares held in this subsidiary to an affiliate or joint venture, recognised using the method of ownership rights.

The Company will apply the new standard no earlier than as of the date agreed by the European Union as the effective date of this standard. Currently, the European Commission has decided to postpone the formal approval procedure of the standard.

As at the day of preparation of the present financial statement, is not possible to make a credible estimation of the impact of application of the new standard.

- Amendments to various standards, resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2012-2014).

On 25 September 2014, as a result the performed IFRS review, small amendments were introduced to the following 4 standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, in the scope of requalification of assets or groups from "held for sale" to "held for distribution" or vice versa,

- IFRS 7 Financial instruments: Disclosures, for instance, in terms of applicability of the amendments to IFRS 7, concerning compensation principles for assets and financial liabilities, to condensed interim financial statements,

- IAS 19 Employee Benefits, in the scope of the currency of the "high quality corporate bonds" used in estimating the discount rate,

- IAS 34 Interim Financial Reporting, particularising how to specify that the disclosure required by paragraph 16A IAS 34 were provided elsewhere in the interim report.

They usually apply to annual periods beginning on 1 January 2016 or later. The Company will apply the amended standards for the made changes from 1 January 2016, unless different effective dates have been provided. The Company assesses that application of the amended standards will have no significant effect on the Company's financial statement, except for amendments to IAS 34, which may result in additional disclosures of information in the condensed interim financial statements of the Company.

- Amendments to IAS 1: *Disclosure Initiative*

On 18 December 2014, amendments to IAS 1 were published, under the broad Initiative aiming at improving the presentations and disclosures in the financial reports. These amendments are meant to further encourage entities to apply professional judgment in determining information that should be disclosed in their financial statements. For instance, the amendments particularise that materiality considerations apply to all parts of the financial statements and that including insignificant information can reduce usability of the strictly financial disclosures. Furthermore, the amendments particularise that the entities should exercise professional judgment when determining the place and ordering of the presented information when disclosing financial information. The published amendments are accompanied by the Exposure Draft of amendments to IAS 7 Statement of Cash Flows, which increases the disclosure requirements, concerning cash flows from financial activities, as well as cash and its equivalents in the entity.

The amendments can be applied immediately, and should be used obligatorily for annual periods beginning on 1 January 2016 or later.

The Company will apply the amendments from 1 January 2016, and they may result in changing the scope and/or form of disclosures presented in the financial statement.

- Amendments to IFRS 10, IFRS 12 and IAS 28: *Investment Entities: Applying the Consolidation Exception*

Amendments to IFRS 10, IFRS 12 and IAS 28 were published on 18 December 2014 and apply to annual periods beginning on 1 January 2016 or later.Their objective is to particularise requirements regarding accounting for investment entities.

The Company assesses that application of the amended standards will have no effect on the Company's financial statement.

- Amendments to IAS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*

Amendments to IAS 12 were published on 19 January 2016 and apply to annual periods beginning on 1 January 2017 or later.Their objective is to particularise requirements regarding recognition of deferred tax assets concerning financial debt instruments measured at fair value.

The Company assesses that application of the amended standards will have no effect on the Company's financial statement.

In the form approved by the EU, the IFRS do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, interpretations and their amendments, which - as at the date of approval of publication of the present financial statement - have not yet been adopted for use by the EU:

- IFRS 9 Financial Instruments, published on 24 July 2014,
- IFRS 14 Regulatory Deferral Accounts, published on 30 January 2014,
- IFRS 15 Revenue from Contracts with Customers, published on 28 May 2014,
- IAS 16 Leasing, published on 13 January 2016,
- Amendments to IFRS 10 and IAS 28: Sales or contributions of assets between an investor and its associate/joint venture, published on 11 September 2014,
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception, published on 18 December 2014,
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses, published on 19 January 2016.

6. Significant accounting policies

6.1. Shares and stocks in subsidiaries, created and joint enterprises

Shares and stocks in subsidiaries, created and joint enterprises are indicated according to historical costs in accordance with IAS 27 adjusted with write-offs on account of loss of value, established in line with the principles defined in IAS 36.

6.2. Revenues

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are recognised net of Value Added Tax (VAT) and discounts. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods and services

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be reliably measured.

Interest

Revenue is recognised as interest accrues (using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends

Dividends are recognised when the shareholders’ rights to receive the payment are established.

Government subsidies

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, its fair value is credited to a deferred income account and is systematically recognised in the profit and loss account over the estimated useful life of the relevant asset by way of equal, annual write-downs.

6.3. Earnings per share

Earnings per share for each reporting period are calculated as a quotient of the net profit for a given accounting period and the weighted average number of shares of the Parent Company outstanding in that period.

6.4. Leasing

The Group as a lessee

Financial leases which substantially transfer to the Group all risks and benefits arising from the ownership of leased items are capitalised at the date of lease commencement, according to the lower of the following two values: fair value of leased fixed assets, or the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, in a way to produce a constant rate of interest on the remaining balance of the liability. Financial costs are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the two periods: the lease term or the estimated useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of held asset are classified as operating leases. Operating lease payments and subsequent lease instalments are recognised as costs in the profit and loss account, on a straight-line basis and over the lease term.

The Group as a lessor

Leases where the lessor retains substantially all the risks and benefits of ownership of held asset are classified as operating leases. As the lessor, the Group enters into rental agreements for premises in investment real properties. Income under such agreements is recognised on a current basis in the profit and loss account.

6.5. Foreign currency translation

Transactions expressed in foreign currencies are converted to PLN at the exchange rate applicable as at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are converted to PLN according to the average foreign exchange rate established by the National Bank of Poland for a given currency, applicable as at the end of the reporting period. The resulting exchange rate differences are recognised under financial revenue/costs or, in the cases provided for in the accounting principles (policy), capitalised at the value of assets. Non-monetary assets and liabilities denominated in foreign currencies and recorded at their historical cost as at the date of the transaction. Non-monetary assets and liabilities measured at fair value are converted according . to the average exchange rate applicable as at the date of the measurement at fair value

The following exchange rates were accepted for the purposes of the balance sheet valuation

	31 December 2015	31 December 2014
USD	3,9011	3,5072
EUR	4,2615	4,2623
CHF	3,9394	3,5447
GBP	5,7862	5,4648

6.6. Borrowing costs

Borrowing costs, which can be directly attributed to purchase, creation or construction of fixed assets are capitalised as part of the cost of its construction. Borrowing costs include interest and foreign exchange gains or losses to the extent they are regarded as an adjustment of interest costs.

Other finance costs are recognised as an expense in the period.

6.7. Retirement benefits

In accordance with the applicable remuneration systems, employees of the Group companies are entitled to retirement severance pays. Retirement benefits are paid out as one-off benefit upon retirement. The amount of those benefits depends on the number of years of employment and the employee’s average salary. The Group creates a provision for future retirement benefits in order to allocate the costs of those allowances to the periods to which they relate.

In accordance with IAS 19, retirement benefits are post-employment defined benefits. The present value of such obligations as at each balance sheet date is determined by an independent actuary. The balance of these liabilities equals discounted payments which will be made in the future and accounts for staff turnover, and remuneration increase rate. Demographic information and information on staff turnover are based on historical information.

Benefit costs are divided into the following components:

- the current service cost (provision change resulting from the accumulation of liabilities over the period of the extensional traineeships and age of employees)
- interest costs (increase in liabilities related to interest rate; it is the product of the value of liabilities at the beginning of the year and the rate of interest used for the discount)
- actuarial profit/loss is a change resulting from differences between the assumptions and their implementation as well as changes adopted in the calculation of parameters and assumptions

The Group presents the first two components of defined benefit cost in the financial result.

Revaluations recognised in other comprehensive income are immediately reflected in retained earnings and will not be transferred to the profit and loss account.

6.8. Share-based payments

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuator using the Black-Scholes model. In the valuation of equity-settled transactions, only market factors are considered.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the Parent Company at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. In the current reporting period and in the comparative period no transactions there were no equity-settled transactions.

6.9. Taxes

Current tax

Current income tax assets and liabilities arising in the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

For the purposes of financial reporting, deferred tax is calculated using the liability method, on temporary differences arising as at the end of the reporting period between the tax value of assets and liabilities and their book value presented in the financial statements.

Deferred tax liability is recognised for all taxable temporary differences

- except where the deferred income tax liability arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax asset is recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised. to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account.

The Group offsets deferred tax assets and deferred tax liabilities only if it has a legally enforceable right to offset current tax receivables with liabilities, and deferred tax asset is related to the same taxpayer and the same tax authority.

Value Added Tax

Revenues, expenses, assets and liabilities are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

6.10. Tangible fixed assets

Tangible fixed assets are measured according to costs less accumulated depreciation and revaluation impairment write-downs. The initial cost of an item of tangible fixed assets comprises its purchase price and any directly attributable costs of purchase and bringing the asset to working condition for its intended use. Cost comprises also the cost of replacement of components of fixed assets when incurred if the recognition criteria are met. Subsequent expenditures, such as repair or maintenance costs, are expensed in the reporting period in which they were incurred.

Upon purchase, fixed assets are divided into components which represent items with a significant value and can be allocated a separate depreciation period. Major overhauls are also treated as a separate component.

The Group qualifies as fixed assets the right of perpetual usufruct of land, granted by way of administrative decision, which is considered equally with purchased land, assuming that it meets the definition of fixed assets.

Tangible fixed assets are depreciated using the straight line method over their estimated useful lives:

Type	2015	2014
Buildings and structures	25-50 years	25-50 years
Plant and machinery	5-50 years	5-50 years
Office equipment	3-10 years	3-10 years
Transport means	5-10 years	5-10 years
Computers	3-5 years	3-5 years
Leasehold improvements	5-10 years	5-10 years

Residual values, useful lives and depreciation methods of tangible fixed assets are reviewed annually, and, if necessary, adjusted retrospectively, i.e. with effect from the beginning of the completed financial year.

An item of tangible fixed assets is derecognised upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset) is recognised in the profit and loss account for the period in which derecognition took place.

Construction in progress (CIP) include assets in the course of construction or assembly and are recognised at acquisition price or cost of construction, less the possible impairment write-downs. Assets under construction are not depreciated until completed and brought into use.

6.11. Financial assets

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in the profit and loss account for the period in which it arose.

Investment property is derecognised when disposed of or permanently withdrawn from use and no future benefits are expected from its disposal. Gains or losses on derecognition of investment property are recognised in the profit and loss account for the year in which such derecognition took place.

Transfers of assets to investment property are made solely when changes occur in their use, evidenced by the ending of occupation by the owner, the conclusion of an operating lease, or the completion of construction or development of investment property. If an asset occupied by the Group as an owner-occupied asset becomes an investment property, the Group accounts for such a property in accordance with the policy stated under the item of Tangible fixed assets until the date of change in the manner of its use.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use.

6.12. Intangible assets

Intangible assets acquired separately or constructed (if they meet the criteria for recognition of R&D works) are measured on initial recognition at the purchase price or cost of construction. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at acquisition price or cost of construction less any accumulated depreciation and any revaluation impairment write-downs. Expenditures incurred for internally generated intangible assets, excluding capitalised development costs, are not capitalised and are charged against profits in the year in which they are incurred.

The useful lives of intangible assets are assessed by the Group to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The depreciation period and depreciation method for intangible assets with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates. Depreciation write-downs on intangible assets with finite lives are recognised in the profit and loss account in the expense category consistent with the function of a given intangible asset

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually either individually or at the cash generating unit level.

Useful lives are reviewed on an annual basis and, if necessary, are adjusted for with effect from the beginning of the financial year that has just ended.

Costs of research and development

R&D costs are written down to the profit and loss account when identified. Expenditure on development activities carried out within the project are carried forward to the next period, if it can be considered to be recovered in the future. After the initial recognition of expenditures on development, historical cost model is applied, requiring assets to be carried at purchase/manufacturing costs, less accumulated depreciation and accumulated impairment write-downs. All expenditure carried forward is amortised over the expected period of obtaining revenue from the sale of the project.

Costs of development works are tested for impairment annually – if the asset has not yet been put to use, or more often – when, during the reporting period, there is an indication of impairment showing that their carrying amount may not be recoverable.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents and licenses	Computer software	Other
Useful life	For patents and licenses used on the basis of a fixed-term agreement this period is assumed taking into account the additional period for which use can be extended.	5 years	5 years
5 years Depreciation method applied	Depreciated over the term of the contract – the straight-line method.	Using the straight-line method.	Using the straight-line method.
Internally generated or acquired	Acquired	Acquired	Acquired

	Patents and licenses	Computer software	Other
Verification for impairment	The annual assessment of whether there is any indication of impairment.	The annual assessment of whether there is any indication of impairment.	The annual assessment of whether there is any indication of impairment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

6.13. Impairment on non-financial non-current assets

An assessment is made at each reporting date to determine whether there is any indication that an asset from non-financial fixed assets may be impaired. If such indication exists, or in the case annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset or the cash-generating unit to which that asset has been allocated.

The recoverable amount of an asset or cash-generating unit is equal to the higher of the asset's or cash-generating unit's fair value less costs to sell or its value in use regardless of which of them is higher. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its adopted recoverable amount.In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Revaluation impairment write-downs on continuing operations are recognised in other operational costs.

The Group performs an assessment at each reporting date as to whether there is any indication that previously recognised revaluation impairment write-downs may no longer exist or may have been reduced. If such indication exists, the Group makes an estimate of the recoverable amount. Previously recognised revaluation impairment write-downs are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last revaluation write-down was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no revaluation impairment write-downs been recognised for the asset in the previous years. Such a reversal of revaluation impairment write-down is immediately recognised as income in the profit and loss account. After a reversal of revaluation impairment write-down is recognised, the depreciation write-down referring to a given asset is adjusted in the future periods so as to allocate the asset's carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

6.14. Non-current assets held for sale

Fixed assets and disposal groups are classified as intended for sale if their carrying amount is more likely to be recovered through a sale transaction than as a result of their continued use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The classification of assets as intended for sale implies that the management of the Group intends to complete the sale within one year from the date of reclassification.

Fixed assets (and disposal groups) classified as intended for sale are posted at the lower of the following values: balance sheet value or fair value less selling expenses.

In the statement of financial situation, assets intended for sale (or disposal group) are presented as a separate item of assets. Should there be any liabilities related to the disposal group which are to be transferred in the transaction together with the disposal group, these liabilities are presented as a separate item of liabilities.

6.15. Inventory

Inventories are valued at the lower of acquisition price/cost of construction and net realisable value.

Costs incurred in bringing each inventory item to its present location and condition – both for this and the previous reporting period – are recognised as follows:

Materials	- purchase price determined on a weighted average basis;
Finished products and work in progress	- cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity utilisation, excluding external financing costs;

Goods	- purchase price determined on a weighted average basis;

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

6.16. Financial assets

Financial assets are classified into one of the following categories:

- financial assets held to maturity,
- Financial assets at fair value through profit or loss,
- Loans granted and receivables,
- financial assets available for sale.

Financial assets held to maturity

Financial assets held to maturity include investments with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold until maturity. Financial assets held to maturity are measured at amortised cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if they are falling due within more than 12 months from the balance sheet date.

Financial assets at fair value through profit or loss,

Financial assets purchased with the aim of generating profit with the short-term price fluctuations are classified as financial assets at fair value through profit or loss. Derivatives are also classified as held for trading unless they are designated for hedging instruments, as long as they are not hedging instruments within hedge accounting. Financial assets are measured at fair value, which takes into account their market value as at the balance sheet date without taking into account the cost of sale. Any changes in fair value of these financial instruments are recognised as other revenue or operating costs in the profit and loss account. Financial assets at fair value through profit or loss are classified as current assets.

When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss. It does not apply to cases where the embedded derivative does not significantly modify the cash flows or where it is clear that separation of the embedded derivative is prohibited. Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

(ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(iii) the financial liabilities asset contains an embedded derivative that would need to be separately recorded.

Loans granted and receivables

Loans granted and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted on an active market. Loans granted and receivables are classified under non-current assets as long as their maturities do not exceed 12 months from the balancing sheet date. Loans granted and receivables with maturities exceeding 12 months from the balance are calculated into fixed assets . Financial assets held to maturity are measured at amortised cost using the effective interest rate.

Financial assets available for sale.

All other financial assets are available-for-sale financial assets. Available-for-sale financial assets are measured at fair value, without deducting transaction costs, and taking into account their market value at the balance sheet date. Where no quoted market price is available and there is no possibility to determine their fair value using alternative methods, available-for-sale financial assets are measured at the purchase price, adjusted for any impairment write-downs. Positive and negative differences between the fair value and acquisition cost, net of deferred tax, of financial assets available for sale (if a quoted market price determined on the market is available or if the fair value can be determined using other reliable method), are taken to the revaluation reserve. Any decreases in the value of financial assets available for sale resulting from impairment are recognised as financial costs in the profit and loss account.

Purchase and sale of financial assets is recognised at the transaction date. Financial assets are initially recognised at fair value plus those transaction costs for all financial assets not carried at fair value through profit or loss that are directly attributable to the acquisition.

Financial assets are derecognised if the Group loses its control over contractual rights attached to those assets, which usually takes place upon sale of the asset or where all cash flows attributed to the given asset are transferred to an independent third party.

6.17. Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is an objective evidence of impairment on loans granted and receivables carried at amortised cost, the amount of revaluation impairment write-down is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (i.e. the effective interest rate assumed at initial recognition). The carrying amount of the asset is reduced either directly or through provision. The amount of the loss shall be recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which revaluation impairment write-downs are or continue to be recognised or are considered to be invariant are not included in the collective assessment of impairment.

If, in the subsequent period, the amount of impairment write-down decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment write-down is reversed. Any subsequent reversal of impairment revaluation write-downs is recognised in the profit and loss account, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost

If there is an objective evidence of impairment of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative instrument that is linked to and has to be settled through the delivery of such an unquoted equity instrument, the amount of the impairment write-down is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets.

Financial assets available for sale.

If there is an objective evidence of impairment of an available-for-sale financial asset, then the amount of the difference between the acquisition cost (net of any principal payment and depreciation and – in the case of financial assets valued according to amortised cost with the. application of effective interest rate method – the depreciation) and the current fair value (less any impairment write-down on that financial asset previously recognised in the profit or loss account) is removed from equity and recognised in the profit and loss account. Reversals of impairment write-downs on equity instruments classified as available for sale cannot be recognised in the profit and loss account unless, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment write-down was recognised in the profit and loss account, the impairment write-down is reversed, with the amount of reversal recognised in the profit and loss account.

6.18. Embedded derivative instruments

Embedded derivative instruments are separated from agreements and accounted for as derivative instruments if the following conditions are met:

- the economic nature and risks of the embedded derivative are not closely related to the economic nature and risks of the agreement in which the instrument is embedded;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative instrument;
- hybrid instrument (complex) is not recognised at fair value and changes in fair value are not recognised in the profit and loss account.

Embedded derivatives are recognised in a similar manner as individual derivatives that are not designated as hedging instruments.

The extent to which, in accordance with IAS 39, the economic characteristics and risks inherent to embedded derivative in a foreign currency are closely related to the economic characteristics and risks of the main agreement (main contract) also covers situations when the currency of the main agreement is commonly used in contracts to purchase or sell non-financial items in the market for a given transaction

Assessment of whether an embedded derivative should be separated is made by the Group upon its initial recognition.

6.19. Financial derivatives

Derivative instruments used by the Group to hedge its risks associated with changes in foreign exchange rates are foreign exchange forward contracts and zero-cost option strategies. Such derivative financial instruments at the balance sheet date are measured at fair value. The profit or loss is recognised in the profit and loss account, unless the derivative is designated as a hedging instrument in hedge accounting. In such case, the moment of the recognition of profit or loss depends on the nature of the hedge relationship.

Derivatives are carried as assets when the fair value balance is positive and as liabilities when the fair value balance is negative.

6.20. Hedge accounting

The Group's Parent Company applies the cash flow hedge accounting method, whose aim is to secure the planned sales revenues, which involve currency risk affecting the profit and loss account, and whose probability of occurrence is highly likely.

The main objective of cash flow hedge accounting is to protect the operating revenue against changes in the foreign exchange rate between the date of creation of foreign currency exposure and hedging transaction and the date of implementation of foreign currency exposure and hedging transaction.

To hedge future foreign currency transactions, the Group's Parent Company uses:

a/ forward contracts,

b/ symmetrical option strategies.

Hedging instruments are generally held to maturity. In exceptional cases, where circumstances justify the need, the Company may decide to roll over the hedging instrument.

Changes in fair value of hedging instruments are included in the Group's equity under the heading revaluation of hedging instruments. At the time of implementing the hedged sales revenue, changes in fair value of hedging instruments are recognised in the profit and loss account in the current sales revenue – for effective part and profit (losses) on derivative financial instruments – for the ineffective part.

At the inception of the hedge, the Parent Company formally designates and documents the hedging relationship and the risk management objective and strategy for undertaking the hedge.

Not less frequently than at hedge inception and on the last day of the financial year, assessment of the prospective effectiveness is made by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of future cash flows.

At the end of each month, measurement is performed of the effectiveness of hedging – retrospective efficiency – by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of the estimated future cash flows based on market data exchange on the valuation date.

Efficiency is considered to be high if ranges of 80% to -125%.

The Parent Company discontinues to apply hedge accounting if the hedging instrument expires or is sold, terminated, completed, or if does not meet the criteria for hedge accounting and if the entity cancels hedging relationship. Then, the cumulative profit or loss on the hedging instrument recognised in equity remains there until the planned transaction. If the transaction is not performed, the accumulated net result recognised in equity is immediately transferred to the profit and loss account.

6.21. Trade and other receivables

Trade receivables, generally characterised by 1 to 3 month maturity period, are recognised and carried at original invoice amount, less write-downs on any doubtful receivables

Write-downs on receivables are estimated when the collection of full amount is no longer probable. Non-recoverable receivables are written off the profit and loss account at the time of identifying their irrecoverability.

If the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, any increase in the balance due to the passage of time is recognised as finance income.

6.22. Cash and cash equivalents

Cash and their equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents balance consists of cash and cash equivalents as defined above.

6.23. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

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

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium received in connection with the liabilities.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as by calculating the cost with the effective interest rate method.

6.24. Liabilities due to financial derivative instruments

Short-term trade payables are carried at the amount due and payable.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated for hedging instruments. Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) or the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains embedded derivatives that would need to be separately recorded. Loans granted and receivables

Financial liabilities at fair value through profit or loss are measured at fair value, reflecting their market value at the balance sheet date less transaction costs. Changes in the fair value of these instruments are recognised in the profit and loss account as other costs or operating revenue.

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or if it expires. When an existing financial liability i s replaced by another from the same lender on substantially different terms, this is treated by the Group as a derecognition of the original liability and the recognition of a new liability. Similarly, if the terms of an existing liability are substantially modified, such a modification is treated by the Group as a derecognition of the original liability and the recognition of a new liability. Differences in the respective carrying amounts are recognised in the profit and loss account.

Other non-financial liabilities include, in particular, liabilities to the tax office in respect of value added tax and advance payment liabilities which will be settled by way of delivery of goods or services, or fixed assets. Other non-financial liabilities are recognised at the amount due.

6.25. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Costs relating to particular provisions are presented in the profit and loss account net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

7. Information on operating segments

As of 1 January 2009, new IFRS 8 "Operating segments" shall apply. Pursuant to the requirements of this standard, operating segments are to be identified on the basis of internal reports on components of the Group that are regularly reviewed by persons deciding on the allocation of resources to the given segment and assessing its financial results.

The Management Board conducted a detailed analysis of possibiities and reasonability of dividing operating segments based on IFRS 8. Internal analysis and reports for management purposes of the Group's Parent Company are based on the geographical directions of sales. Basically, each line of sales has an attributed person, who is directly responsible for the execution of sales plans and financial results.

Due to the fact that there is no possibility to obtain separate financial information that would be subject to a duty of disclosure for each direction of sales, the Management Board of the Parent Company decided not to separate the operating segments under IFRS 8.

8. Seasonality of operations

Seasonality can be observed in the Group's sales revenue.

The value of sales revenue achieved in the period of the last two years is presented below:

	Revenues from sales of products, materials, goods and services	Sales revenue – % of share
Q1 2015	254 932	26,70%
Q2 2015	190 707	19,98%
Q3 2015	223 886	23,45%
Q4 2015	285 181	29,87%
TOTAL 2015	**954 706**	**100 00%**
Q1 2014	211 980	25,80%
Q2 2014	189 757	23,10%
Q3 2014	189 395	23,05%
Q4 2014	230 499	28,05%
TOTAL 2014	**821 631**	**100,00%**

9. Revenue and costs

9.1. Sales revenue and geographic structure

Sales revenue	For the reporting period ended on	
	31.12.2015	**31.12.2014**
Revenue from sales of products, goods and materials	**945 906**	**813 146**
- products	927 273	798 578
- goods	11 081	8 611
- materials	7 552	5 957
Revenue from sales of services	**8 800**	**8 485**
Net sales revenue, in total	**954 706**	**821 631**
Geographic structure:		
- domestic	161 221	143 859
- export	793 485	677 772
Net sales revenue, in total	**954 706**	**821 631**
- including from related entities	42 321	40 233

Information on key customers

The biggest customers for the products of the Forte Group is Roller GmbH (Germany) and Steinhoff Group International (France). Share in turnover of each of those customers exceeded 10% of the total Group revenue. There are no formal ties between the customer and the Issuer.

9.2. Other operating revenue

Other operating revenue	For the reporting period ended on	
	31.12.2015	**31.12.2014**
Reversal of revaluation write-downs	249	596
Revaluation of investment real properties	1 422	106
Grants	117	268
Donations and compensations	4 232	881
Other	296	223
Total other operating revenue	**6 316**	**2 074**

9.3. Other operating costs

Other operating costs	For the reporting period ended on	
	31.12.2015	**31.12.2014**
Creation of revaluation write-downs	113	588
Liquidation and impairment write-downs on tangible fixed assets	176	11
Stocktaking surplus	5 944	2 613
Donations	321	722
Penalties and compensations	4 352	369
Costs of damage removal	2 231	195
Legal costs	40	22
Loss from the disposal of fixed assets	1 141	356
Costs of employee benefits	307	332
Scrapping of inventory	2 233	153
Other	287	178
Total other operating costs	**17 145**	**5 539**

9.4. Financial revenue

Financial revenue	For the reporting period ended on 31.12.2015	31.12.2014
Dividends	5 418	4 486
Interest	993	1 704
Other	-	-
Total financial revenue	**6 411**	**6 190**

9.5. Financial costs

Financial costs	For the reporting period ended on 31.12.2015	31.12.2014
Interest on loans and leasing	1 113	843
Impairment of financial assets	-	12
Commission on loans	72	80
Exchange gains with respect to financial assets and liabilities	1 269	1 057
Other	6	14
Total financial costs	**2 460**	**2 006**

9.6. Costs by type

Costs by type	For the reporting period ended on 31.12.2015	31.12.2014
Depreciation	19 282	16 483
Consumption of materials and energy	456 083	402 406
External services	195 888	172 633
Taxes and fees	7 872	8 004
Payroll	124 334	112 320
Social insurance and other benefits	29 183	26 424
License fees	6 718	-
Other costs by type	8 719	6 043
	848 079	**744 313**
Change in product inventory and accruals	4 182	(20 785)
Manufacturing cost of products for internal purposes	(4 671)	(1 651)
Costs of sales	(217 528)	(175 424)
General management costs	(35 756)	(33 751)
Manufacturing cost of sold products and services	**594 306**	**512 702**
Value of goods and materials sold	**13 885**	**10 268**
Cost of sales	**608 191**	**522 970**

9.7. Depreciation costs recognised in the profit and loss account

Depreciation costs in the profit and loss account	For the reporting period ended on 31.12.2015	31.12.2014
Depreciation costs recognised in the:		
Own cost of sales	15 197	12 880
Costs of sale	2 378	2 211
General administrative costs	1 707	1 392
	19 282	**16 483**

9.8. Costs of employee benefits

Costs of employee benefits	For the reporting period ended on 31.12.2015	31.12.2014
Costs of employee benefits recognised in the:		
Own cost of sales		
Costs of sale		
General administrative costs		
	153 517	**138 744**

10. Income tax

The main items of tax charge for the year ended 31 December 2015 and 31 December 2014 are as follows:

	For the reporting period ended on 31.12.2015	31.12.2014
Current income tax		
Current charge due to income tax	16 944	18 005
Adjustments related to current income tax from previous years	(6)	2
Deferred income tax		
Relating to the origination and reversal of temporary differences	(6 266)	(582)
Depreciation costs recognised in the profit and loss account	**10 672**	**17 425**

In the reporting period ended on 31 December 2015 the Company released the provision for deferred tax in the amount of PLN 5 599 thousand, concerning the difference between balance and tax value of assets submitted in kind to the subsidiary ANTWERP Sp. z o.o. –XXXIV – S.K.A.

The reason for releasing the provision for deferred tax was establishing of premises for creation of provision in relation to equalization of tax and balance values of assets as a result of taxable transaction.

10.1. Reconciliation of the effective tax rate

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for 12 months ended 31 December 2015 and 31 December 2014:

	For the reporting period ended on 31.12.2015	31.12.2014
Profit/(loss) before tax	**88 608**	**92 037**
Tax at the statutory rate applicable in Poland, i.e. 19% (2014: 19%)	16 836	17 487
Corrections concerning deferred income tax from previous years	(6)	2
Unrecognized tax loss	-	-
Costs not constituting tax base	524	912

Unrecognized tax loss	-	-
Revenue not constituting tax base	(1 083)	(976)
Temporary differences from previous years	(5 599)	-
Other	-	-
Tax at the effective rate being 12.04 % (2014: 18.90%)	10 672	17 425
Income tax (charge) recognised in the consolidated profit and loss account	10 672	17 425
Income tax attributable to discontinued operations	-	-
	77 936	**74 612**

10.2. Deferred income tax

Deferred income tax results from the following items:

Deferred income tax		**Balance Status as at**		**Profit and loss account For the reporting period ended on**	
Balance item	**Title of a temporary difference**	**31.12.2015**	**31.12.2014**	**31.12.2015**	**31.12.2014**
Deferred tax provision					
Tangible fixed assets	Revaluation of fixed assets	11 289	15 665	(4 375)	721
Tangible fixed assets	Lands in perpetual usufruct	1 901	2 137	(236)	-
Tangible fixed assets	Investment relief	135	182	(46)	(46)
Tangible fixed assets	Revaluation w rite-off for fixed assets	(1)	(1)	-	69
trade receivables and payables and other	Exchange rate differences	(730)	(194)	(535)	(196)
Accruals	Accruals	(3 012)	(2 909)	(104)	(1,167)
trade receivables and other	Revaluation write downs	(430)	(523)	93	(8)
Trade receivables and other	Compensations	248	-	248	-
Receivables/Payables on account of financial instrument derivatives	Short-term financial investments	-	-	-	(106)
Trade and other receivables, financial assets	Calculated interest	5	4	-	(2)
Reserves, Trade and other receivables	Revenues on Incoterms DDP and DAP conditions	(862)	(780)	(82)	60
Accruals	Provisions for the cost of transportation	129	125	4	10
Reserves	Revaluation of inventories	(519)	(576)	57	459
Post-employment benefits reserve	Provisions for post-employment benefits	(180)	(122)	(58)	(63)
Provisions and accruals	Accrued bonuses	(2 828)	(1 690)	(1 138)	(241)
Trade and other liabilities	Remuneration and surcharges on remuneration	(763)	(664)	(99)	(79)
Trade and other receivables	Liabilities overdue above 30 days	(65)	(64)	(1)	(18)
Financial assets	write-down on shares in subsidiaries	(81)	(78)	(3)	(2)
Surplus of share sale above their nominal value	Other	32	23	9	27
Deferred tax provision		**4 268**	**10 535**		
Derivative instrument revaluation recognized in the statement of comprehensive income		**1 078**	**927**		
Provision for for pension benefits -capital part recognized in the statement of comprehensive income		**(475)**	**(521)**		

 Principles (of policy) of accounting as well as the enclosed explanatory notes constitute an integral part of the hereby financial statement.

Total deferred tax provision	**4 871**	**10 941**	**(6 266)**	**(582)**

Deferred tax in the amount of PLN 45 thousand concerning employee benefits and PLN 150 thousand concerning hedge accounting is recognised directly in capitals.

11. Tax settlements

Current tax burden is calculated on the basis of the binding fiscal provisions. Tax burden is calculated on the basis of tax rates binding for a given financial year. The Company does not conduct activity in any Special Economic Zone which would diversify the principles of defining tax burdens in relation to the general provisions in this scope. Tax year as well as balance year overlap with calendar year.

12. Minimum lease payments, in total

The Act on Social Fund of 4 March 1994 with subsequent amendments requires the companies, whose employees' number exceeds 20, to establish and run a Social Fund. The Group operates such a Fund and creates periodical write-downs based on the minimum required amount. The Fund's purpose is to subsidize the Group's social activity, loans to employees and other social expenditure.

The Group has netted the assets of the Fund with the liability to the Fund, as these are not separate assets of the Group. Therefore, the net receivables on account of the Fund as at 31 December 2015 are PLN 34 thousand (as at 31 December 2014– net receivables amounted to PLN 671 thousand).

The composition and nature of assets, liabilities and costs related to the Social Fund are presented in the following tables:

	31.12.2015	31.12.2014
Assets contributed to the Fund	-	-
Loans granted to employees	1 729	1 666
Cash	1 525	1 839
Liabilities due to the Fund	(3 220)	(2 834)
Balance after offsetting	**34**	**671**
Write-downs on the Fund during the financial period	**3 294**	**2 921**

13. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period (adjusted by the influence of dilutive options and all dilutive convertible redeemable preference shares).

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	For the reporting period ended on	
	31.12.2015	31.12.2014
Net profit (loss) from continued operations	77 936	74 612
Loss from discontinued operations	-	-
Net profit (loss)	77 936	74 612
Net profit (loss) attributed to normal shareholders, applied to calculate diluted earnings per share	77 936	74 612

	Status as at 31.12.2015	31.12.2014
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	23 781 084	23 751 084
Impact of dilution:	-	-
Bonds convertible into shares	-	-
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share-	23 781 084	23 751 084

Profit (loss) per share attributable to Shareholders of the : Parent Company in the period (in PLN)	**31.12.2015**	**31.12.2014**
-basic	3.28	3.14
-diluted	3.28	3.14

In the period between the balance sheet date and the date of compiling these financial statements, no other transactions on ordinary shares or potential ordinary shares occurred.

14. Dividend paid and proposed

The Parent Company's Management Board will propose a dividend payment for 2015, allocating a portion of the profit generated in the period. As at the publication of this report, the Management Board of the Parent Company has not presented the details of dividend payments.

By virtue of a resolution of the Annual General Meeting of the Parent Company 19 May 2015, the decision was made to distribute the Parent Company net profit for the financial year 2014 in the amount of PLN 74 612 thousand, allocating PLN 47 502 thousand to the payment of dividend and PLN 27 110 thousand to supplementary capital. The amount of dividend per share amounted to PLN 2. The dividend record date was set for 27 May 2015. Dividend was paid on 11 June 2015

15. Leasing

15.1. Financial lease and hire purchase commitments

The Group as a lessee as at 31 December 2015 has financial leasing agreements on machinery, equipment and means of transport with the option to buy. The leased assets are secured by blank promissory notes.

The periods for which the lease agreements have been concluded are: 60 months for machinery and equipment, and 25 months for the means of transport and servers.

Residual value has been determined in the range from 0.05% to 0.17% of the initial value of leased machinery and equipment, approx. 14% for buildings and 1% for transport and servers.

As at 31 December 2015 and 31 December 2014, future minimum rentals payable under financial leases are as follows:

	Minimum payments 31.12.2015	31.12.2014
Within 1 year	1 071	1 357
In the period from 1 to 2 years	1 265	1 265
In the period from 2 to 5 years	9	1 440
Over 5 years	-	-
Minimum lease payments, in total	**2 345**	**4 062**
Minus financial costs	(115)	(246)
Present value of minimum lease payments	**2 230**	**3 816**
Short-term	999	1 219
Long-term	1 231	2 597

15.2 Liabilities on account of leasing agreements and lease agreements with purchase option

The Group concluded within the reporting period ended on 31 December 2015 operational leasing agreement for agreements for lease of transportation vehicles. Validity term of agreements is either 24 or 36 months, residual value was calculated at 30-35% of initial value of leased items.

As per 31 December 2015 future minimum fees on account of operational leasing agreements are presented as follows:

	Minimum payments	
	31.12.2015	**31.12.2014**
Within 1 year	326	368
In the period from 1 to 5 years	200	269
Over 5 years	-	-
Future minimum lease payments, in total	**526**	**637**

15.3 Operating lease receivables

As per 31 December 2015 the Company does not appear as leasing provider. Investment properties possessed so far which were the subject of long-term lease were submitted in kind to subsidiary ANTWERP Sp. z o.o. SKA.

	Status as at	
	31.12.2015	**31.12.2014**
Within 1 year	-	913
In the period from 1 to 5 years	-	2 078
Over 5 years	-	-
	-	**2 991**

16. Employee benefits

16.1. Pensions and other post-employment benefits

The Group's Entities pays to retiring employees retirement benefits in the amount set out in the Labour Code. As a result – based on a valuation carried out by a professional actuarial company – the Group recognised a provision for the current value of this retirement benefit liability. The following table sets forth the amount of the provision and movements in the benefit liability over the period.

The principal assumptions used by the actuary in determining retirement and other benefit obligations as at the balance sheet date are shown below:

	Status as at	
	31.12.2015	**31.12.2014**
Discount rate (%)	2,9%	2,3%
Expected inflation rate (%)	2,5%	2,5%
Employee turnover ratio (%)	11,9-14,8%	11,4-13,7%
Discount rate (%)	3,5%	3,5%

	Change of status	
Provision for pensions and disablement benefits	**2015**	**2014**
As at 1 January	3 382	2 611
	78	104
Interest costs	361	273
Costs of current employment	-	-
Costs of past employment and limitations of benefit programme	(132)	(45)
Benefits paid	(7)	16
Actuarial profit/(loss) from changes in demographic assumptions	(211)	516
Actuarial profit/(loss) from changes in economic assumptions	(19)	(93)

Actuarial profit/(loss) from differences between the assumptions and the implementation	-	-
Status as at 31 December	**3 452**	**3 382**
Of which:		
longterm	3 330	3 215
short-term	122	167

Short-term provision for pensions and disablement benefits was recognised as short-term liabilities/provisions and accruals or deferrals.

Amounts recognised in the comprehensive income:

	2015	**2014**
Costs of benefits:		
Costs of current employment	(361)	(273)
Interest costs	(78)	(104)
Components of the programme costs recognised in the financial result:	**(439)**	**(377)**
Actuarial profit/(loss) from changes in demographic assumptions	7	(16)
Actuarial profit/(loss) from changes in economic assumptions	211	(516)
Actuarial profit/(loss) from differences between the assumptions and the implementation	19	93
Current components of the programme costs recognised in equity	**237**	**(439)**
Total amount of the programme costs recognised in capital	676	(238)
Total annual costs:	**(202)**	**(816)**

Below we have presented – in accordance with IAS 19 – the sensitivity of liabilities to changes in the discount rate and the rate growth of remuneration. Increase and decrease of interest rates by 0.5% has been adopted:

Assumptions	% change	Impact on the provision for pensions and disablement benefits
Discount rate (%)	0.5%	(161)
	(0,5%)	175
Predicted growth rate of remuneration (in %)	0.5%	189
	(0.5%)	(176)

17. Tangible fixed assets

	Status as at	
	31.12.2015	**31.12.2014**
Land	12 850	12 772
Buildings and structures	84 204	79 213
Technical equipment and machines	112 594	96 307
Means of transport	6 874	6 636
Other tangible fixed assets	4 787	3 777
Fixed assets under construction	6 612	17 626
Total	**227 921**	**216 331**

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other	Fixed assets under construction	Total
Net value as at 01 January 2015	**12 772**	**79 213**	**96 307**	**6 636**	**3 777**	**17 626**	**216 331**
Increase	1 363	11 193	32 614	1 600	1 451	34 057	82 278
Including financial lease	-	-	-	*134*	-	-	*134*
Decreases including:	(1 285)	(7 606)	(5 705)	(628)	(59)	(45 071)	(60 354)
sale	-	-	*(3 918)*	*(17)*	-	-	*(3 935)*
kind	*(1 285)*	*(7 249)*	-	-	-	-	*(8 534)*
liquidation	-	*(357)*	*(1 787)*	*(611)*	*(59)*	-	*(2 814)*
Elimination of redemption as a result of the sale of assets	-	4 284	3 354	596	18	-	8 252
Revaluation impairment write-down:	-	-	(1 100)	-	-	-	(1 100)
Reversal of revaluation impairment write-down recognised in the profit and loss account	-	-	1 100	-	-	-	1 100
Depreciation write-down for the period	-	(2 880)	(13 976)	(1 330)	(400)	-	(18 586)
Foreign exchange differences adjustment	**12 850**	**84 204**	**112 594**	**6 874**	**4 787**	**6 612**	**227 921**
As at 01 January 2015							
Gross amount	12 772	104 206	200 118	14 473	6 302	17 626	355 497
Accumulated depreciation and revaluation impairment write-down	-	(24 993)	(103 811)	(7 837)	(2 525)	-	(139 166)
Net value	**12 772**	**79 213**	**96 307**	**6 636**	**3 777**	**17 626**	**216 331**
As at 31 December 2014							
Gross amount	12 850	107 793	227 027	15 445	7 694	6 612	377 421
Accumulated depreciation and revaluation impairment write-down	-	(23 589)	(114 433)	(8 571)	(2 907)	-	(149 500)
Net value	**12 850**	**84 204**	**112 594**	**6 874**	**4 787**	**6 612**	**227 921**

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other	Fixed assets under construction	Total
Net value as at 1 January 2014	**12 772**	**76 657**	**79 020**	**6 028**	**3 854**	**9 705**	**188 036**
Increase	-	5 489	28 915	2 202	249	40 567	77 422
Including financial lease			*921*	*987*			*1 908*
Other decreases	-	(37)	(3 379)	(1 147)	(19)	(32 646)	(37 228)
Elimination of redemption as a result of the sale of assets	-	10	2 750	827	17	-	3 604
Reversal of revaluation impairment write-down	-	-	-	-	-	-	-

recognised in the profit and loss account							
Reversal of revaluation impairment write-down recognised in the profit and loss account	-	-	365	-	-	-	365
Depreciation write-down for the period		(2 906)	(11 364)	(1 274)	(324)	-	(15 868)
Net value as at 31 December 2014	**12 772**	**79 213**	**96 307**	**6 636**	**3 777**	**17 626**	**216 331**
As at 1 January 2014							
Gross amount	12 772	98 754	174 582	13 418	6 072	9 705	315 303
Accumulated depreciation and revaluation impairment write-down	-	(22 097)	(95 562)	(7 390)	(2 218)		(127 267)
Net value	**12 772**	**76 657**	**79 020**	**6 028**	**3 854**	**9 705**	**188 036**
As at 31 December 2014							
Gross amount	12 772	104 206	200 118	14 473	6 302	17 626	355 497
Accumulated depreciation and revaluation impairment write-down	-	(24 993)	(103 811)	(7 837)	(2 525)	-	(139 166)
Net value	**12 772**	**79 213**	**96 307**	**6 636**	**3 777**	**17 626**	**216 331**

Fixed tangible assets in total which remain at disposal of the Company as at 31 December 2015 reached the value of PLN 227 921 thousand (as per 31 December 2014 PLN 216 331 thousand). As of 31 December 2015 the Company was not in possession of fixed tangible assets as designated for sales (as per 31 December 2014: none).

Impairment write-downs

Revaluation write-downs on fixed assets	**2015**	**2014**
Revaluation write-down as at 1 January	3	368
Creation	1 100	-
Release	(1 100)	(365)
Revaluation write-down as at 31 December	**3**	**3**

Assets pledged as security

The balance sheet value of tangible fixed assets used as at 31 December 2015 by the Group on the basis of financial lease agreements and lease agreements with the option of repurchase is PLN 3 194 thousand, of which PLN 737 thousand relates to the lease of machinery and equipment, PLN 2 360 thousand relates to the lease of means of transport, and PLN 97 thousand relates to the lease of other tangible fixed assets (as at 31 December 2014: PLN 4 744 thousand).

Land and buildings with the balance sheet value of PLN 79 215 thousand (As at 31 December 2014: PLN 74 745 thousand) are covered by mortgages established to secure bank loans of the Group (note 30 –interest-bearing loans and borrowings)

Additionally, machinery and equipment with the balance sheet value of PLN 46 749 thousand are subject to registered pledge (as at 31 December 2014: PLN 17 973 thousand).

The capitalised external financing costs in the reporting period ended 31 December 2015 did not occur (As at 31 December 2014 they amounted to PLN 83 thousand).

Capital commitments

As at 31 December 2014 net receivables of the Group amounted to PLN 1 376 thousand. (As at 31 December 2014: PLN 1 315 thousand). This amount concerns primarily the expenditures on tangible fixed assets under construction and the purchase of machinery and equipment.

Purchase and sale

In the 12-month period ended 31 December 2015, the Group purchased tangible fixed assets with a value of PLN 37 075 thousand (in the comparative period ended 31 December 2014: PLN 42 871 thousand) and sold tangible fixed assets with net value of: PLN 2 287 thousand (in the comparative period ended 31 December 2014: PLN 563 thousand).

The most significant capital expenditures include expenses for infrastructure modernisation of buildings in all the factories of the Parent Company and investments for the extension and modernization of machine park.

18. Financial assets

The Company owns an investment property-shopping centre in Wrocław with an area of approx. 7 thousand sqm.

In the second quarter of 2015 the Company ordered an update of valueation of the property to the valuation expert in relation to the planned transaction of contribution in kind of the property. As a result of the update of the valuation as of 30 June 2015 an increase in fair value occurred for the above property in the amount of PLN 1 422 thousand.

On 8 September 2015 the Company transferred the rights to the above noted investment property as a contribution in kind to the subsidiary ANTWERP Sp. z o.o. -XXXIV-S.K.A.

As of 31 December 2015 the Company has not held any investment properties.

	Fair value change 2015	2014
Opening balance as at the beginning of the reporting period	29 857	29 751
Increase (later expenses)	1 422	106
- land purchase	*1 422*	*106*
- reclassification of fixed assets under construction	(31 279)	-
Closing balance as at the end of the reporting period	**-**	**29 857**
	For the reporting period ended on	
	31.12.2015	**31.12.2014**
Interest income from the rent of investment real property	1 254	1 951
Costs resulting from repair and maintenance, including:	70	29
costs that brought rental income during the period	*67*	*26*
costs that did not bring rental income during the period	*3*	*3*

The Group has no contractual commitments for the purchase, construction or development of investment real estate, as well as repairs, maintenance and improvements.

Fair value hierarchy

As at 31 December 2015, the Company did not own any investment property.

As at 31 December 2015, the hierarchy of fair value was as follows:

	Level 1	Level 2	Level 3	**Fair value as at 31.12.2015**
Property in Wrocław	-	-	29 857	**29 857**

19. Intangible assets

	Status as at

	31.12.2015	31.12.2014
Patents and licenses	464	447
Other intangible assets	-	15 272
Completed development works	660	840
Investments in progress	-	-
Total	**1 124**	**16 559**

On 8 September 2015 the Company transferred in kind to the subsidiary ANTWERP Sp. z o.o. -XXXIV-S.K.A. the rights to trade marks with total balance value of PLN 15,272 thousand.

	Patents and licenses	Other	Completed developmen t works	Investments in progress	Total
Net value as of 1 January 2015	**447**	**15 272**	**840**	**-**	**16 559**
Increase	203	-	330	-	553
Decrease	-	(15 741)	-	-	(15 741)
In kind	-	*(15 272)*	-	-	*(15 272)*
Depreciation write-down for the period	(186)	-	(510)	-	(696)
Reclassification of intangible assets	-	469	-	-	469
Elimination of redemption as a result of the sale	**464**	**-**	**660**	**-**	**1 124**
Elimination of redemption as a result of the reclassification					
Net value as at 31 December 2015					
	5 569	16 553	1 657	-	23 779
As at 01 January 2014 2015	(5 122)	(1 281)	(817)	-	(7 220)
Gross amount	**447**	**15 272**	**840**	**-**	**16 559**
Accumulated depreciation and revaluation impairment write-down					
Net value					
	5 772	812	1 987	-	8 571
As at 31 December 2015	(5 308)	(812)	(1 327)	-	(7 447)
Net value	**464**	**-**	**660**	**-**	**1 124**

	Patents and licenses	Other	Completed developmen t works	Investments in progress	Total
Net value as at 1 January 2014	**434**	**15 272**	**914**	**-**	**16 620**
Increase	154	-	400	-	554
Decrease	-	-	-	-	-
Depreciation write-down for the period	(141)	-	(474)	-	(615)
Net value as at 31 December 2014	**447**	**15 272**	**840**	**-**	**16 559**
As at 01 January 2014					
Gross amount	5 415	16 553	1 257	-	23 225
Accumulated depreciation and revaluation impairment write-down	(4 981)	(1 281)	(343)	-	(6 605)
Net value	**434**	**15 272**	**914**	**-**	**16 620**
As at 31 December 2014					
Gross amount	5 569	16 553	1 657	-	23 779
Accumulated depreciation and revaluation impairment write-down	(5 122)	(1 281)	(817)	-	(7 220)
Net value	**447**	**15 272**	**840**	**-**	**16 559**

Expenditure on research and development

In the reporting period ended 31 December 2015, the Group made expenditure on research and development recognised in the profit and loss account in the amount of PLN 1 418 thousand (in 2014: PLN 717 thousand).

Description of securities established on intangible assets:

No securities are established on the intangible assets of the Group.

Intangible assets designated for sale

As per the balancing day there were no intangible assets designated for sale in the Company.

Intangible assets with indefinite useful life

As at 31 December 2015 the Company had no intangible assets with indefinite useful life. In the previous year this refered to the trademark rights which were transferred onto the Company subsidiary ANTWERP Sp. z o.o. –XXXIV – S.K.A. on 8 September 2015. The balance value of the trademark right amounted to PLN 15 272 thousand.

20. Non- current assets held for sale

As at 31 December 2015, the Group did not have non-current assets classified as held for sale

21. Long-term financial assets

	Status as at	
	31.12.2015	**31.12.2014**
Long-term financial assets		
Shares and interest in subsidiaries non-listed and not covered by consolidation	59 140	8 083
Other shares and interest	3	3
Other	-	-
	59 143	**8 086**
Other long-term financial assets		
Borrowings to related entities note 34.1	4 736	1 891
Long-term receivables	65	71
Other	61	61
	4 862	**2 023**
Total long-term financial assets	**64 005**	**10 109**

Shares and interest in subsidiaries excluded from consolidation are valuated at historical cost less the possible impairment write-downs

Shares and interest in subsidiaries not covered by consolidation as at 31 December 2015:

Company name	Type of relationship	Takeover date/significant influence	Value of shares at acquisition price	Revaluation adjustments	Carrying amount of shares
MV Forte GmbH	Subsidiary	14.08.1992	1 838	-	1 838
Forte Baldai UAB	Subsidiary	16.04.1999	164	-	164
Forte Möbel AG	Subsidiary	02.03.1999	352	-	352
Forte SK S r o	Subsidiary	13.12.2002	96	-	96
Forte Furniture Ltd.	Subsidiary	10.08.2005	6	-	6
Forte Iberia S.l.u.	Subsidiary	15.09.2005	63	-	63

Forte Mobilier S.a.r.l.	Subsidiary	17.11.2005	399	(399)	-
Kwadrat Sp. z o.o.	Subsidiary	18.12.2008	5 514	-	5 514
Forte Mobila S.r.l.	Subsidiary	12.09.2008	12	(12)	-
TM Handel Sp. z o.o.	Subsidiary	12.05.2008	-	-	-
TM Handel Sp. z o.o. S.K.A.	Subsidiary	30.10.2012	50	-	50
TANNE Sp. z o.o.	Subsidiary	26.02.2015	5	-	5
DYSTRI-FORTE Sp. z o.o.	Subsidiary	13.02.2015	5	-	5
ANTWERP Sp. z o.o.	Subsidiary	03.09.2015	5	-	5
ANTWERP Sp.z o.o. SKA	Subsidiary	03.09.2015	51 042	-	51 042
TOTAL			**59 551**	**(411)**	**59 140**

Shares and interest in subsidiaries not covered by consolidation as at 31 December 2014:

Company name	Type of relationship	Takeover date/significant influence	Value of shares at acquisition price	Revaluation adjustments	Carrying amount of shares
MV Forte GmbH	Subsidiary	14.08.1992	1 838	-	1 838
Forte Baldai UAB	Subsidiary	16.04.1999	164	-	164
Forte Möbel AG	Subsidiary	02.03.1999	352	-	352
Forte SK S r o	Subsidiary	13.12.2002	96	-	96
Forte Furniture Ltd.	Subsidiary	10.08.2005	6	-	6
Forte Iberia S.l.u.	Subsidiary	15.09.2005	63	-	63
Forte Mobilier S.a.r.l.	Subsidiary	17.11.2005	399	(399)	-
Kwadrat Sp. z o.o.	Subsidiary	18.12.2008	5 514	-	5 514
Forte Mobila S.r.l.	Subsidiary	12.09.2008	12	(12)	-
TM Handel Sp. z o.o.	Subsidiary	12.05.2008	-	-	-
TM Handel Sp. z o.o. S.K.A.	Subsidiary	30.10.2012	50	-	50
TOTAL			**8 494**	**(411)**	**8 083**

The Group's shares in other entities are as follows:

for the year ended 31 December 2015 and 31 December 2014

Company name	Registered office	Scope of activity	Carrying value of shares
Meblopol	Poznań	Trade	3
Total			**3**

21.1. Tests for the loss of value of shares in subsidiaries

Financial data obtained from subsidiaries the shares of which have not been covered by impairment losses do not indicate a loss of value of shares, therefore, no tests for loss of value of shares in subsidiaries were conducted.

22. Reserves

	Status as at 31.12.2015	31.12.2014
Materials (at acquisition price)	47 164	52 104
Production in progress (at manufacturing price) Finished products:	24 433	22 761
End products:		
According to acquisition price/manufacturing price	65 091	70 739
According to net realisable value	64 467	70 115
Goods	2 815	4 033
Total inventories, at the lower of the two: acquisition price (cost of construction) and realisable value.	**138 879**	**149 013**

Changes in inventory revaluation write-down were as follows:

	Change of status 2015	2014
Revaluation write-down as at 1 January	3 034	5 450
Increase	-	376
Decrease	(301)	(2 792)
Revaluation write-down as at 31 December	**2 733**	**3 034**

Calculation of inventory revaluation write-downs recognised in the books of the Group was performed on the basis of reviews, analyses of inventories in all material groups, as well as experience in the management of slow-moving materials.

Assortment items remaining in the Group's warehouse have been subjected to a comprehensive analysis. Replacements have been selected, design works have been carried towards technological changes, and attempts have been made to complete furniture from the existing semi-finished products. In the case of indices, for which obtaining the full value may be questionable in the opinion of the Group, the percentage of value was determined that could be recoverable.

In addition, there was a detailed analysis of the degree of wear and damage to the pallets as returnable packaging.

In this way, it was estimated that at the balance sheet date the value of revaluation write-down on inventories should amount to PLN 2 733 thousand Within 2014 year: PLN 3 034 thousand).

Impairment write-down on inventories has been recognized in the profit and loss account under the item of the cost of sales and other operating costs

Bank loan security was established on inventories of finished goods, work in progress, goods and materials, with a value of PLN 31 139 thousand . Within 2014 year: PLN 25 779 thousand).

23. Trade and other receivables

	:atus as at 31.12.2015	31.12.2014
Income tax receivables	**-**	**-**
Trade receivables from related parties	13 072	9 296
Receivables under supplies and services from other entities	-	-
Other receivables from related parties	138 478	110 762
Other budget receivables	30 964	23 794
Other receivables from third parties	1 729	693
Total (net) receivables	**184 243**	**144 545**
Revaluation write-down on receivables	2 459	3 022
Gross receivables	**186 702**	**147 567**

Receivables under supplies and services with repayment period outstanding after balance sheet day (gross):

	Status as at 31.12.2015	31.12.2014
a) up to 1 month	93 674	71 572
b) over 1 month and up to 3 months	24 280	17 668
c) over 3 months and up to 6 months	97	27
d) over 6 months and up to 1 year	-	-
e) over 1 year	-	-
f) overdue receivables	35 959	33 813
Total trade receivables (gross)	**154 010**	**123 080**
Revaluation write-down on receivables	(2 459)	(3 022)
Total trade receivables (net)	**151 551**	**120 058**

Total overdue trade receivables (gross) divided into receivables overdue by:

	:atus as at 31.12.2015	31.12.2014
a) up to 1 month	26 929	24 275
b) over 1 month and up to 3 months	4 765	5 893
c) over 3 months and up to 6 months	858	474
d) over 6 months and up to 1 year	756	623
e) over 1 year	2 651	2 548
Total overdue trade receivables (gross)	**35 959**	**33 813**
Revaluation write-down on receivables	(2 459)	(3 022)
Total overdue trade receivables (net)	**33 500**	**30 791**

For terms and conditions of related party transactions, refer to note 34.1. of additional notes and explanations.

Trade receivables are non-interest bearing and are payable on 1 to 3-month terms.

The Group has a policy to sell only to verified customers. Owing to that, as the management believes, there is no additional credit risk that would not be covered by the doubtful debt revaluation write-down related to trade receivables of the Group.

As at 31 December 2015, the Company's trade receivables in the amount of PLN 2 459 thousand (As at 31 December 2014: PLN 3 022 thousand) were considered uncollectible and therefore subject to impairment write-down.

Revaluation write-down on receivables was recognized in the profit and loss account under the item of other operating costs.

Changes in revaluation write-downs on receivables were as follows:

	Change of status 2015	2014
Revaluation write-down as at 1 January	3 022	2 906
Creation	114	591
Used	(450)	(244)
Release	(227)	(231)
Revaluation write-down as at 31 December	**2 459**	**3 022**

The table below lists trade receivables which were overdue as at 31 December 2015 and 31 December 2014:

			Overdue, but recoverable				
	Total equity	**Not overdue**	< 30 days	30 – 90 days	90– 180 days	180–365 days	>365 days

31 Dec 2015	151 551	118 051	26 929	4 765	858	756	192
31 Dec 2014	120 058	89 267	24 275	5 893	469	154	-

24. Accruals

Accruals	atus as at 31.12.2015	31.12.2014
Property and motor insurance	837	704
Fairs	576	105
Research and development	1 218	1 210
Business trips	-	28
Other	228	618
	2 859	**2 665**

25. Short-term financial assets

Short term financial assets	Status as at 31.12.2015	31.12.2014
Fair value of derivatives (zero cost option strategies)	5 673	4 852
	5 673	**4 852**

For details of loans granted to subsidiaries, refer to point 36.2 of additional notes and explanations.

26. Other short term financial assets

Other short-term financial assets	Status as at 31.12.2015	31.12.2014
Borrowings granted	10 810	578
Interest on loans granted to related entities	34	15
	10 844	**593**

For details of loans granted to subsidiaries, refer to point 34.1 of additional notes and explanations.

27. Cash and cash equivalents

	atus as at 31.12.2015	31.12.2014
Cash at bank and in hand	10 082	5 629
Other cash (overnight deposits and deposits under three months)	35 764	42 470
	45 846	**48 099**

Cash and cash equivalents at bank earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents as at 31 December 2015 is PLN 45 846 thousand 31 December 2014 PLN 48 099 thousand.

As at 31 December 2015, the Group did not hold cash of limited disposability (as at 31 December 2014: did not occur).

28. Share capital and supplementary/reserve capital

28.1. Share capital

Share capital (shares in units)	Status as at 31.12.2015	31.12.2014
Series A ordinary shares with a nominal value of PLN 1 each	8 793 992	8 793 992
Series B ordinary shares with a nominal value of PLN 1 each	2 456 380	2 456 380
Series C ordinary shares with a nominal value of PLN 1 each	6 058 000	6 058 000
Series D ordinary shares with a nominal value of PLN 1 each	2 047 619	2 047 619
Series E ordinary shares with a nominal value of PLN 1 each	4 327 093	4 327 093
Series F ordinary shares with a nominal value of PLN 1 each	68 000	68 000
Series G ordinary shares with a nominal value of PLN 1 each	150 000	150 000
	23 901 084	**23 751 084**

On 26 October 2015 the Company obtained a decision by the District Court for the city of Warsaw in Warsaw, XIV Economic Department of KRS of 19 October 2015 pursuant to which an increase of Company share capital has been registred with the issue of 150 000 shares of G series of nominal value of PLN 1 each.

Upon registering of the increase of capital, the value of share capital of the Company amounts to PLN 23 901 084, which constitutes 23 901 084 share units. The total number of votes stemming from all the issued shares post registration of the change to the value of share capital of the Company amounts to 23 901 084.

Nominal value of shares

All issued shares have a nominal value of PLN 1 and have been fully paid or covered by contribution in kind.

Shareholders' rights

Shares of all series are equal with respect to the distribution of votes, dividends or repayment of capital.

Major Shareholders

Shareholders with at least 5% of the total number of shares of the Company as at 21 March 2016:

Item	Shareholder	Number of held shares and votes	% stake in share capital	% share in the overall number of votes
1	MaForm SARL	7 763 889	32,48%	32,48%
2	MetLife Otwarty Fundusz Emerytalny (MetLife OFE)	2 975 474	12,45%	12,45%
3	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	2 300 000	9,62%	9,62%
4	ING Otwarty Fundusz Emerytalny	1 200 000	5,02%	5,02%

28.2. Share Premium

During the reporting period ended on 31 December 2015 an increase in share capital above the nominal value of shares occurred in relation to the realization of the incentive scheme for the Members of the Management Board. The amount of the increase was at the level of PLN 1 568 thousand (31 December 2014: did not occur).

Other capital

Revaluation reserve from financial instruments

	Status as at	
	31.12.2015	31.12.2014
Opening balance of accumulated result on financial instruments hedging cash flows	3 925	7 548
Amount recognised in equity in the reporting period due to hedging transactions	5 088	(39)
Amount recognised in profit and loss account due to:		
- ineffectiveness of the transactions concluded	(2 255)	(1 832)
- conclusion of transactions subject to hedging	(2 012)	(2 595)
- discontinuance of hedge accounting	-	-
Deferred income tax	(150)	843
Closing balance of accumulated result on financial instruments hedging cash flows	**4 596**	**3 925**

Other reserve and supplementary capital

	Statutory supplementary capital	Other reserve capital	Total
As at 01 January 2015	1 250	166 464	167 714
Write-down on gains for investments and the financing of the current activities of the Group	-	27 110	27 110
As at 31 December 2015	**1 250**	**193 574**	**194 824**

	Statutory supplementary capital	Other reserve capital	Total equity
As at 01 January 2014	1 250	145 553	146 803
Write-down on gains for investments and the financing of the current activities of the Group	-	20 911	20 911
As at 31 December 2014	**1 250**	**166 464**	**167 714**

According to the requirements of the Code of Commercial Companies, the Parent Company is obliged to establish supplementary capital in order to cover losses. At least 8% of profit for the fiscal year reported in the Parent Company's individual financial statements is allocated to the supplementary capital until the capital reaches at least one third of the Parent Company's share capital.

The General Meeting of Stockholders takes decisions about the use of the supplementary capital; however a part of the reserve capital in the amount of one third of the initial capital may be only used to cover the loss reported in the individual financial statements of the Parent Company, and it is not subject to distribution to other purposes.

On the basis of the resolutions of the Parent Company's General Meeting reserve capital can be used in particular to increase the share capital or for the payment of dividends to shareholders.

28.3. Retained earnings

Retained earnings	31.12.2015	31.12.2014
Net profit	77 936	74 612
Undistributed profit	23 342	23 150
	101 278	**97 762**

Undistributed profit comes from the valuation of fixed assets at fair value determined at the transition to IFRS less deferred tax.

There were no restrictions regarding the payment of dividends as at 31 December 2015 (31 December 2014: did not occur).

28.4. Financial fixed assets

Under IAS 29 Financial Reporting in Hyperinflationary Economies it is required that economic entities which conducted business activity in hyperinflationary economy should restate equity items (except for retained profit and any surpluses related to the assets revaluation) by applying the general price index, commencing from dates when these equities were contributed or were otherwise created. It is assumed that hyperinflation occurred in Poland in the years 1989–1996.

doubtful when it is not clear what the effects of the adjustment are on the basis of the CCC. Therefore, according to the Management Board, recognition of the hyperinflation adjustment directly in the Group's equity shown in the balance sheet could be misleading for the readers of the report, hence, taking into account the provisions of IAS 1. 17 appropriate amounts and method of conversion are included only in the following table (in '000 PLN). Given the information outlined below financial statements present fairly the financial position and cash flows of the Group, and is in compliance with IFRS.

Share capital in the books at the end of 1996	17 308
Share capital after hyperinflation indices	25 758
Result of hyperinflation adjustment on share capital	(8 450)
Reserve capital in the books at the end of 1996	50 273
Reserve capital after hyperinflation indices	60 277
Result of hyperinflation adjustment on reserve capital	(10 004)
Total result of hyperinflation adjustment on retained profit	**(18 454)**

29. Interest- bearing loans and borrowings

Short-term	**Nominal interest rate %**	**Loan currency**	**31.12.2015**	**31.12.2014**
mBank S.A. – capital loan in the amount of 2 400 thousand EUR-short-term portion	1 M EURIBOR	by 31.12.2018	2 557	2 220
mBank S.A. – capital loan in the amount of 1 000 thousand EUR-short-term portion	depending on the currency used O/N WIBOR or O/N EURIBOR or O/N LIBOR	by 15.12.2016	5 065	4 461
PKO BP S.A. – investment loan in the amount of 3 500 thousand Short-term portion:	1 M EURIBOR	by 22.12.2018	3 140	3 140
PKO BP S.A.– capital loan in the amount of 55 000 thousand PLN-short-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR	by 19.12.2016	51 138	34 098
ING Bank Śląski S.A. – capital loan in the amount of 45 000 thousand PLN-short-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR or 1M LIBOR	by 31.10.2016	41 635	-
Total short-term			**103 535**	**9 821**

Long-term	**Nominal interest rate %**	**Loan currency**	**31.12.2015**	**31.12.2014**

PKO BP S.A.–capital loan in the amount of PLN 55 500 thousand-long-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR	by 19.12.2016	-	34 098
ING Bank Śląski S.A. – capital loan in the amount of PLN 45 000 thousand-long-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR or 1M LIBOR	by 31.10.2016	-	36 599
PKO BP S.A. – investment loan in the amount of EUR 3 500 thousand-long-term portion	1 M EURIBOR	by 22.12.2018	6 180	9 322
mBank S.A. – investment loan in the amount of EUR 2 400 thousand-long-term portion	1 M EURIBOR	by 31.12.2018	4 914	6 659
Total long-term			**11 094**	**86 678**

Bank loan securities as at	**31 December 2015**
PKO BP S.A. – investment loan in the amount of EUR 3 500 thousand	1. Registered pledge on purchased movable assets of value not lower than EUR 5 130 thousand 2. An assignment of rights from the insurance policy 3. Blank promissory note issued by the Borrower with the Borrower's promissory note declaration
mBank S.A. – investment loan in the amount of EUR 2 400 thousand	1. Registered pledge on purchased machines and equipment up to the maximum amount of security of EUR 3 600 thousand 2. Cession of rights from insurance policy
PKO BP S.A. – capital loan in the amount of PLN 55 000 thousand	1. Registered pledge on inventory in the factory in Hajnówka with the value not less than PLN 26 000 thousand, together with the assignment of rights under the insurance contract 2. Joint capped mortgage in the amount of PLN 55 000 thousand on real estates located in Hajnówka and Ostrów Mazowiecka, together with the assignment of rights under the insurance contract. 3. Blank promissory note issued by the Borrower with the Borrower's promissory note declaration.
ING Bank Śląski S.A. – capital loan in the amount of PLN 45 000 thousand	1. Registered pledge on movable assets in the factory in Suwałki up to a maximum amount of PLN 54 000 thousand, together with the assignment of rights under the insurance contract. 2. Joint capped mortgage up to a maximum amount of PLN 54 000 thousand on the right of perpetual usufruct of land and ownership right of buildings in the factory in Suwałki, together with the assignment of rights under the insurance contract.
mBank S.A. – capital loan in the amount of EUR 1 000 thousand	1. Blank promissory note issued by the Borrower with the Borrower's promissory note declaration.

Breakdown of loans due to currency type (translated into PLN, in PLN `000)

Currency	**Status as at**	
	31.12.2015	**31.12.2014**
PLN	-	-
EUR	97 862	85 270

USD	16 767	11 229
	114 629	**96 499**

With the nominal interest rate the margin of the bank should be additionally taken into account, which ranges between:

0.80% -1% for loans taken in USD

On 3 November 2015, the Board of Directors of the Parent Company signed with ING Bank Śląski S.A. another complementary agreement to the credit agreement of 24 June 2003. The subject matter of the complementary agreement was increase in the amount of credit up to the amount of PLN 45 000 000. At the same time, the collateral was changed, i.e. the value of collateral mortgage was changed from PLN 48 000 000 to PLN 54 000 000 , established on the right of perpetual usufruct to the land real estate located in Suwałki at ul. Północna 30, as well as on the ownership rights to the buildings and equipment erected thereon. Furthermore, there was an increase in the value of the registered pledge on moveable property, located in the seat of the Parent Company in Ostrów Mazowiecka and the factory of the Parent Company in Suwałki, from the highest collateral amount in the amount of PLN 48 000 000 to PLN 54 000 000.

On 11 December 2015, the Parent Company concluded with mBank S.A. an annex to the multi-currency overdraft agreement of 20.12.2013, extending the credit period to 14 December 2016. Other terms of the credit agreement remained unchanged.

On 15 December 2015, the Parent Company signed an annex to the credit agreement with PKO Bank Polski S.A, changing the amount of overdraft from PLN 45 000 000 to PLN 55 000 000. At the same time, the values of collaterals were increased, i.e. joint open mortgage over the properties in Ostrów Mazowiecka and Hajnówka up to the amount of PLN 55 000 000, and registration pledge on inventory in Hajnówka to the lowest collateral amount of PLN 26 000 000.

30. Deferred revenues and accruals

Provision for employee benefits after the employment period has been described in note 16.1.

Long-term accruals	**Status as at** **31.12.2015**	**31.12.2014**
Long-term accrued/deferred income due to:		
Subsidy to purchased tangible fixed assets	37	61
Short term accurals, including:	**31.12.2015**	**31.12.2014**
Accrued/deferred expenses due to:		
Commissions	2 380	1 786
Bonuses for customers	18 054	12 023
Bonuses	1 941	2 561
Leaves	5 102	5 169
Balance sheet audit costs	34	56
External services	4 369	4 121
Other costs	178	45
Short-term provisions:		
Short-term provision for benefits after the employment period	122	167
Guarantee repairs	1 850	1 571
Accrued/deferred income due to::		
Subsidy to purchased tangible fixed assets	24	24
	34 054	**27 523**

The amount of PLN 18 054 thousand is a provision created by the Group for future bonuses payable due to sales realised in 2015 to customers from, above all, the German, Swiss and Austrian markets. The bonuses will be paid by setting them off against payments occurring after the balance sheet date.

The amount of PLN 4 369 000 is a reserve established by the Group for costs of external services, in particular: marketing, credit insurance and disposal.

As at the balance sheet date ended 31 December 2015, the Group created a provision for the bonus for the Management Board in the amount of PLN 5 102 thousand.

The Group creates a provision for the costs of expected repairs and returns of products sold during the last year based on the level of warranty repairs and returns recorded in previous years. Assumptions used to calculate the provision for warranty repairs and returns are based on current sales levels and currently available information about returns and 1-year guarantee and warranty period for all sold products.

31. Trade and other liabilities (short-term)

	Status as at 31.12.2015	31.12.2014
Liabilities arising from supplies and services	**61 242**	**46 032**
Towards related entities	8 833	3 736
To other entities	52 091	41 680
Advances received for deliveries	318	616
Liabilities from tax, customs, social insurance and other benefits i	**5 043**	**4 379**
Personal income tax	1 070	937
Social insurance	3 673	3 390
Other	300	52
Other liabilities	**14 330**	**12 474**
Payroll liabilities to employees	11 932	10 070
Capital commitments	1 376	1 315
Other liabilities	1 022	1 089
	80 615	**62 885**
Liabilities relating to corporate income tax	3 598	12 669
Total liabilities	**84 213**	**75 554**

Terms and conditions of the above financial liabilities

For terms and conditions of related party transactions, refer to point 34.1 of additional notes and explanations. Trade liabilities do not bear interest and they are usually payable within 7 to 45 days. Other liabilities do not bear interest and are payable within 1 month.

The amount resulting from the difference between the liabilities and receivables from taxes on goods and services is paid to the relevant tax authorities on a monthly basis.

Interest payable is normally settled at maturity periods throughout the financial year.

32. Contingent liabilities

On 27 March 2013, the Parent Company issued four guarantees for loans taken out by FURNIREX Sp. z o.o. with its registered seat in Hajnówka to finance a technological investment to a total amount of PLN 18 299 thousand.

FURNIREX Sp. z o.o. made an offer to the Parent Company, according to which it invested the funds received under the technological loans in modern investments located in a production area in Hajnówka leased from Forte. FURNIREX Sp. z o.o. uses modern technologies to provide services of processing entrusted material for FORTE and other furniture manufacturers.

Guarantees were granted for BRE Bank S.A. (currently mBank S.A.) for the period to 30 June 2018. Balance of loans as at 31 December 2015 amounts to PLN 3 009 thousand (31 December 2014: PLN 4 553 thousand)

On 14 December 2015, the Parent Company provided a guarantee and committed to pay all cash liabilities of the subsidiary DYSTRI-FORTE Sp. z o.o., having its registered office in Ostrów Mazowiecka at ul. Biała 1, resulting from the credit agreement of 14 December 2015 concluded between DYSTRI-FORTE Sp. z o.o. and ING Bank Śląski SA. The Parent Company undertook to satisfy any liabilities of the Borrower, covering, in particular, full repayment of the principal amount of the credit, interests, commission, fees and other costs, up to the amount of EUR 8 700 000, until 29 October 2024. As at 31 December 2015, the credit balance amounts to PLN 19 805 000.

33. Court cases

There are no court proceedings whose total value constitutes at least 10% of the Group's own funds.

34. Information on related entities

34.1. Transactions with related entities

The following table presents total amounts of transactions concluded with subsidiaries. The transactions concern products, goods and services as well as purchase of services.

Related entity		Sale to related entities	Purchase from related entities	Receivables from related entities	Liabilities towards related entities
MV Forte GmbH	31.12.2015	1 218	15 816	1 146	3 293
	31.12.2014	1 174	14 678	1 041	2 644
Forte Möbel AG	31.12.2015	32 974	2 515	6 948	869
	31.12.2014	28 132	2 816	5 441	387
Forte Baldai UAB	31.12.2015	-	176	-	14
	31.12.2014	-	252	-	21
Forte SK S.r.o.	31.12.2015	-	1 105	-	93
	31.12.2014	7	1 907	1	126
Forte Furniture Ltd.	31.12.2015	-	623	-	-
	31.12.2014	-	502	-	44
Forte Iberia S.l.u	31.12.2015	5	1 004	25	-
	31.12.2014	24	755	-	1
Forte Mobilier S.a.r.l.	31.12.2015	-	-	-	-
	31.12.2014	-	486	-	-
Forte Mobila S.r.l.	31.12.2015	-	-	24	-
	31.12.2014	7	491	25	-
TM Handel Sp. z o.o.	31.12.2015	4 419	3 461	320	232
	31.12.2014	10 887	1 382	2 788	513
TM Handel Sp. z o.o. S.K.A	31.12.2015	1	-	-	-
	31.12.2014	1	10	-	-
FORT INVESTMENT Sp. z o.o.	31.12.2015	-	-	-	-
	31.12.2014	1	-	-	-
Dystri Sp. z o.o.	31.12.2015	2 753	-	3 611	-
	31.12.2014	-	-	-	-
Terceira Sp. z o.o.	31.12.2015	169	5 531	57	4 332
	31.12.2014	-	-	-	-
Tanne Sp. z o.o.	31.12.2015	766	-	941	-
	31.12.2014	-	-	-	-
Antwerp Sp. z o.o. SKA	31.12.2015	16	1 266	-	-
	31.12.2014	-	-	-	-
Total	**31.12.2015**	**42 321**	**31 497**	**13 072**	**8 833**

31.12.2014	**40 233**	**23 279**	**9 296**	**3 736**

Joint venture in which the Parent Company is a venturer

The Group's Parent Company does not conduct joint ventures.

Terms and conditions of transactions with related parties

All transactions with related entities are conducted under terms used by the Group in relations with unrelated entities.

Loans and credits granted to the related entities

In the reporting period ended 31 December 2015, the Company granted loans to the following subsidiaries:

-on 21 May 2015 to the subsidiary Fort Investment with its registered seat in Ostrów Mazowiecka for the amount of PLN 2 100 thousand with the possibility of is use until 31 December 2015. The final term of loan repayment was established for 31 December 2020. On 29 September 2015 an Annex was signed increasing the amount of loan by PLN 5 000 thousand. The final repayment date for the loan remained unchanged.

-on 30 June 2015 the Company signed Annex to the loan agreement concluded on 4 March 2013 with company Galeria Kwadrat Sp. z o.o. Annex establishes the final repayment term for the loan on 30 June 2021.

-on 28 August 2015 to the subsidiary Fort Investment with its registered seat in Ostrów Mazowiecka, company Dystri-Forte Sp. z o.o. for the amount of PLN 5 000 thousand. The repayment date for the loan was established for 31 March 2016. Subsequently, on 19 November 2015 an Annex was signed increasing the loan amount up to PLN 40 thousand and subsequently on 17 December 2015 an Annex increasing the loan amount up to PLN 7,620 thousand was signed. The final repayment date of the loan was established for 30 June 2016.

-on 7 October 2015 within Forte Mobilier company with its seat in Lyon for the amount of EUR 10 thousand. The date for total repayment was established for 31 December 2017.

-on 7 October 2015 in company Antwerp Sp. z o.o. with its seat i n Warsaw for the amount of PLN 10 thousand. Date of repayment of the loan was set for the day of 31 July 2016.

-on 20 November 2015 for the company Tanne Sp. z o.o. with its seat in Suwałki for the amount of PLN 100 thousand. The date of loan repayment was established for 31.12.2016. On 28 December 2015 an Annex was signed increasing the amount of loan up to PLN 1 700 thousand and shortening the repayment period until 29 February 2016.

Balance of loans granted to non-consolidated subsidiaries as at 31 December 2015:

Related entity	Loan amount	Loan currency	Payment term	Loan balance as at 31.12.2015	Interest amount as at 31.12. 2015
Subsidiaries:					
Kwadrat Sp. z o. o.	439	EUR	June 2018	1 388	3
Galeria Kwadrat Sp. z o.o.	1,254	PLN	June 2020	1 020	7
Fort Investment Sp. z o.o.	5,000	PLN	December 2015	2 802	17
Dystri- Forte Sp. z o.o.	7,620	PLN	June 2016	7 616	7
Dystri- Forte Sp. z o.o.	227	EUR	June 2016	967	-
Fort Mobilier S.a.r.l.	10	EUR	December 2017	43	-
Tanne Sp. z o.o.	1,700	PLN	February 2016	1 700	-
Antwerp Sp. z o.o.	10	PLN	July 2016	10	-
Total:				**15 546**	**34**
Including:					
Short term portion:					
Kwadrat Sp. z o o				347	3
Write-down on gains for				170	7

investments and the financing of the current activities		
Dystri- Forte Sp. z o.o.	7 616	7
Dystri- Forte Sp. z o.o.	967	-
Tanne Sp. z o.o.	1 700	-
Antwerp Sp. z o.o.	10	-
Fort Investment Sp. z o.o.	-	17
Total:	**10 810**	**17**
Long term portion:		
Kwadrat Sp. z o o	1 041	-
Galeria Kwadrat Sp. z o.o.	850	-
Fort Mobilier S.a.r.l.	43	-
Fort Investment Sp. z o.o.	2 802	-
Total:	**4 736**	**-**

The above loans were granted on market terms (bearing variable interest based on EURIBOR / WIBOR plus margin)

Balance of loans granted to non-consolidated subsidiaries as at 31 December 2014:

Related entity	Loan amount in thousands	Loan currency	Payment term	Loan balance as at 31.12.2014	Interest amount as at 31.12. 2014
Subsidiaries:					
Kwadrat Sp. z o. o.	439	EUR	June 2018	1 388	6
Galeria Kwadrat Sp. z o.o.	1 254	PLN	June 2020	1 020	9
Forte SK S. r. o.	1 260	PLN	Dec 2015	41	-
Fort Investment Sp. z o.o.	20	PLN	Dec 2015	20	-
Total:				**2 469**	**15**

35. Financial instruments

35.1. Carrying value

Classification of financial instruments according to IAS 39 as at 31 December 2015									
	Financial assets held to maturity	Financial assets at fair value through profit or loss,	Financial assets available for sale.	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from IAS 39	**Total**
Financial fixed assets:	**-**	**-**	**3**	**4 736**	**-**	**-**	**-**	**-**	**4 739**
Financial assets	-	-	3	4 736	-	-	-	-	4 739
Financial current assets:	**-**	**-**	**-**	**209 967**	**-**	**-**	**5 673**	**-**	**215 640**
Receivables from supplies and services as well as other receivables	-	-	-	153 277	-	-	-	-	153 277
Receivables from derivative instruments	-	-	-	-	-	-	5 673	-	5 673
Cash and cash equivalents	-	-	-	45 846	-	-	-	-	45 846
Other financial assets	-	-	-	10 844	-	-	-	-	10 844
Long-term financial liabilities:	**-**	**-**	**-**	**-**	**-**	**(11 094)**	**-**	**(1 231)**	**(12 325)**
Interest-bearing loans and borrowings	-	-	-	-	-	(11 094)	-	-	(11 094)
Financial liabilities due to lease -	-	-	-	-	-	-	-	(1 231)	(1 231)
Other financial liabilities	**-**	**-**	**-**	-	-	**(167 175)**	-	**(999)**	**(168 174)**
Short-term liabilities	-	-	-	-	-	(63 640)	-	-	(63 640)
Liabilities arising from supplies and services as well as other liabilities	-	-	-	-	-	(103 535)	-	-	(103 535)
Liabilities related to derivative instruments	-	-	-	-	-	-	-	(999)	(999)
	-	**-**	**3**	**214 703**	**-**	**(178 269)**	**5 673**	**(2 230)**	**39 880**

Classification of financial instruments according to IAS 39 as at 31 December 2014	Financial assets held to maturity	Financial assets at fair value through profit or loss,	Financial assets available for sale.	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from the scope of IAS 39	Total
Financial fixed assets:	**-**	**-**	**3**	**1 891**	**-**	**-**	**-**	**-**	**1 894**
Financial assets	-	-	3	1 891	-	-	-	-	1 894
Financial current assets:	**-**	**-**	**-**	**168 750**	**-**	**-**	**4 852**	**-**	**173 602**
Receivables from supplies and services as well as other receivables	-	-	-	120 058	-	-	-	-	120 058
Receivables from derivative instruments	-	-	-	-	-	-	4 852	-	4 852
Cash and cash equivalents	-	-	-	48 099	-	-	-	-	48 099
Other financial assets	-	-	-	593	-	-	-	-	593
Long-term financial liabilities:	**-**	**-**	**-**	**-**	**-**	**(86 678)**	**-**	**(2 597)**	**(89 275)**
Interest-bearing loans and borrowings	-	-	-	-	-	(86 678)	-	-	(86 678)
Financial liabilities due to lease -	-	-	-	-	-	-	-	(2 597)	(2 597)
Other financial liabilities	**-**	**-**	**-**	-	-	**(57 641)**	-	**(1 219)**	**(58 860)**
Short-term liabilities	-	-	-	-	-	(47 820)	-	-	(47 820)
Liabilities arising from supplies and services as well as other liabilities	-	-	-	-	-	(9 821)	-	-	(9 821)
Liabilities related to derivative instruments	-	-	-	-	-	-	-	(1 219)	(1 219)
	-	**-**	**3**	**170 641**	**-**	**(144 319)**	**4 852**	**(3 816)**	**27 361**

35.2. Fair value

	Over 5 years		As at 31 December 2014	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Financial fixed assets	4 739	4 739	1 894	1 894
Receivables from derivative instruments	5 673	5 673	4 852	4 852
Cash and cash equivalents	45 846	45 846	48 099	48 099
Other current financial assets	10 844	10 844	593	593
Interest-bearing loans and borrowings	(11 094)	(11 094)	(86 678)	(86 678)
Financial liabilities due to lease	(1 231)	(1 231)	(2 597)	(2 597)
Current portion of loans and borrowings	(103 535)	(103 535)	(9 821)	(9 821)
Financial liabilities due to lease	(999)	(999)	(1 219)	(1 219)

The Group does not compare the carrying amounts and fair values of the classes of financial instruments that are of short-term receivable or liability nature.

Shares and interest included in the available-for-sale financial assets relate to non-quoted entities with regard to which there is no possibility of determining their actual fair value using alternative methods are valuated at the purchase price adjusted by any impairment write-downs.

35.3. Fair value hierarchy

The following note presents only disclosures for financial instruments measured in the balance sheet at fair value.

	As at 31 December 2015		As at 31 December 2014	
	Level 2	**Level 3**	**Level 2**	**Level 3**
Financial fixed assets	-	3	-	3
Receivables from derivative instruments	5 673	-	4 852	-
Liabilities related to derivative instruments	-	-	-	-
	5 673	**3**	**4 852**	**3**

Methods of determining fair value of financial instruments

Level I

In the reporting period ended 31 December 2015 the Group had no financial instruments measured at fair value classified to level I (as at 31 December 2014: none).

Level II

For level II the Group classifies receivables or liabilities from derivative instruments. Changes in fair value of derivatives that meet hedge accounting criteria include, in part, effective for the Group's equity and the ineffective portion in the profit and loss account. At the time of implementation of the hedged sales revenue, changes in fair value of hedging instruments are recognised in the profit and loss account. Changes in the fair value of derivative instruments which do not meet the criteria for applying hedge accounting policies are recognized in the profit and loss account for the current period.

Fair value of derivatives is determined using valuation models for financial instruments and publicly available exchange rates (exchange rate for EUR – 4.2615) and interest rates (IM -12 M WIBID, 1M-12M EURIBOR). Indicators of exchange rates volatility are sourced from Reuters and are as follows

EUR/PLN PUT -variability plane as at the end of December 2015

Tenor	Maturity	ATM Bid	ATM Ask
DD	02/01/2016	4,46%	8,88%
2 Days	02/01/2016	4,46%	8,88%
5 Days	05/01/2016	4,97%	7,97%
6 Days	06/01/2016	5,14%	7,67%
1 Week	07/01/2016	5,31%	7,36%
2 Weeks	14/01/2016	5,89%	7,37%
3 Weeks	21/01/2016	6,08%	7,31%
1 Month	31/01/2016	6,25%	7,15%
2 Months	29/02/2016	6,30%	7,10%
3 Months	30/03/2016	6,37%	7,09%
4 Months	30/04/2016	6,44%	7,15%
5 Months	31/05/2016	6,52%	7,21%
6 Months	30/06/2016	6,59%	7,26%
7 Months	31/07/2016	6,63%	7,29%
8 Months	31/08/2016	6,67%	7,32%
9 Months	01/10/2016	6,71%	7,36%
10 Months	01/11/2016	6,75%	7,39%
11 Months	02/12/2016	6,79%	7,42%
1 Year	31/12/2016	6,82%	7,45%
1Y 3M	02/04/2017	6,87%	7,55%
1Y 6M	30/06/2017	6,91%	7,66%
1Y 9M	30/09/2017	6,92%	7,73%
2 Years	31/12/2017	6,93%	7,81%
3 Years	31/12/2018	7,21%	8,11%
5 Years	31/12/2020	7.28%	7.99%
7 Years	31/12/2022	7.31%	7.92%
10 Years	31/12/2025	7.32%	7.87%

EUR/PLN CALL -variability plane as at the end of December 2015

Tenor	Maturity	ATM Bid	ATM Ask
DD	02/01/2016	4,46%	8,88%
2 Days	02/01/2016	4,46%	8,88%
5 Days	05/01/2016	4,97%	7,97%
6 Days	06/01/2016	5,14%	7,67%
1 Week	07/01/2016	5,31%	7,36%
2 Weeks	14/01/2016	5,89%	7,37%
3 Weeks	21/01/2016	6,08%	7,31%
1 Month	31/01/2016	6,25%	7,15%
2 Months	29/02/2016	6,30%	7,10%
3 Months	30/03/2016	6,37%	7,09%
4 Months	30/04/2016	6,44%	7,15%
5 Months	31/05/2016	6,52%	7,21%
6 Months	30/06/2016	6,59%	7,26%
7 Months	31/07/2016	6,63%	7,29%
8 Months	31/08/2016	6,67%	7,32%
9 Months	01/10/2016	6,71%	7,36%
10 Months	01/11/2016	6,75%	7,39%
11 Months	02/12/2016	6,79%	7,42%
1 Year	31/12/2016	6,82%	7,45%
1Y 3M	02/04/2017	6,87%	7,55%
1Y 6M	30/06/2017	6,91%	7,66%
1Y 9M	30/09/2017	6,92%	7,73%
2 Years	31/12/2017	6,93%	7,81%
3 Years	31/12/2018	7,21%	8,11%
5 Years	31/12/2020	7.28%	7.99%
7 Years	31/12/2022	7.31%	7.92%
10 Years	31/12/2025	7.32%	7.87%

The Company uses [illegible] e valuation of European options.

Exchange rates at which currency options are executes are presented in note 36.2 Hedge accounting.

Level III

Level III covers shares in non-listed companies, for which it is not possible to reliably determine their fair value. For these companies, there are no active markets and no comparable transactions with the use of the same instruments. In the statement of financial situation, these shares are valued at the purchase price net of impairment write-downs.

	Status as at	
	31.12.2015	**31.12.2014**
As of the beginning of the period	3	3
Revaluation write-downs	-	-
Sale	-	-
As of the end of the period	**3**	**3**

In the reporting period there was no reclassification or transfer of financial instruments between different levels (in the comparable period: none).

35.4. Income, costs, profit and loss positions related to financial instruments recognised in the profit and loss account

Income, costs, profit and loss positions (including interest-related income and costs) as at 31 December 2015

	Financial assets held to maturity	Assets/financial liabilities at fair value through profit or loss	Financial assets available for sale.	Loans and receivables	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from IAS 39	**Total**
Income/(expense) due to interest	-	-	-	993	(1 053)	-	(132)	**(192)**
Foreign exchange profits/(losses)	-	-	-	(454)	(815)	-	-	**(1 269)**
(Establishment)/reversal of revaluation write-downs	-	-	-	136	-	-	-	**136**
Dividends	-	-	26	-	-	-	-	**26**
Profits/(losses) on sale/execution of financial instruments	-	-	-	-	-	-	-	**-**
Adjustment of sales due to hedging transactions	-	-	-	-	-	2 012	-	**2 012**
Profits/(losses) due to the valuation and execution of derivatives in the period	-	-	-	-	-	2 255	-	**2 255**
Net profit(loss) total	**-**	**-**	**26**	**675**	**(1 868)**	**4 267**	**(132)**	**2 968**

 Principles (of policy) of accounting as well as the enclosed explanatory notes constitute an integral part of the hereby financial statement.

Income, costs, profit and loss positions (including interest-related income and costs) as at 31 December 2014								
	Financial assets held to maturity	Assets/financial liabilities at fair value through profit or loss	Financial assets available for sale.	Loans and receivables	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from the scope of IAS 39	**Total**
Income/(expense) due to interest	-	-	-	1 704	(839)	-	(84)	**781**
Foreign exchange profits/(losses)	-	-	-	2 798	(3 855)	-	-	**(1 057)**
(Establishment)/reversal of revaluation write-downs	-	-	-	(360)	-	-	-	**(360)**
Dividends	-	-	26	-	-	-	-	**26**
Profits/(losses) on sale/execution of financial instruments	-	-	-	-	-	-	-	**-**
Adjustment of sales due to hedging transactions	-	-	-	-	-	2 595	-	**2 595**
Profits/(losses) due to the valuation and execution of derivatives in the period	-	-	-	-	-	1 832	-	**1 832**
Net profit(loss) total	**-**	**-**	**26**	**4 142**	**(4 694)**	**4 427**	**(84)**	**3 817**

36. Financial risk management objectives and policies

Apart from derivatives, the Group's principal financial instruments comprise bank loans, bonds, cash, treasury bills and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors and contract liabilities, which arise directly from its operations. The Group also performs transactions involving derivatives, primarily zero-cost option strategies. The purpose of these transactions is to manage interest rate risk and currency risk arising in the course of business activity of the Group.

It is – and has been throughout the audited period – the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board verifies and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments. The accounting policies of the Group relating to derivatives are set out in note 6.19.

36.1. Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. that bear interest at floating interest rates (WIBOR, EURIBOR, LIBOR) increased by a margin In order to analyse the sensitivity to changes in the interest rate of long-term financial liabilities of the Group, i.e. loans and obligations under financial lease, their interest rate has been assumed to decline per annum for EURIBOR by 0.05 percentage point and decrease per annum for WIBOR by 0.20 percentage point, as well as an increase for LIBOR – by 0.30 percentage point. (2014: WIBOR- an decrease by 0.25 percentage points; EURIBOR decrease by 0.10 percentage point, LIBOR – increase by 0.80 percentage point)

The Group does not have any hedging instruments against interest rate risk.

Interest rate risk – sensitivity analysis

The following table shows the sensitivity of gross financial result to reasonably possible changes in interest rates assuming that other factors do not change, in relation to liabilities bearing floating interest rate. No impact has been shown on the Group's equity.

	Increase in percentage points	Impact on gross financial result
Year ended on 31.12.2015		
PLN	-0,20%	(1)
EUR	-0,05%	(6)
USD	0,30%	-
Year ended on 31.12.2014		
PLN	-0,25%	(3)
EUR	-0,10%	(80)
USD	0,80%	54

The carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

31 December 2015 – variable interest rate

	<1 year	1–2 years	2-5 years	> 5 years	Total
Bank loans	103 535	5 697	5 397		114 629
Financial lease	999	1 231	-	-	2 230

31 December 2014 – variable interest rate

	<1 year	1–2 years	2-5 years	> 5 years	Total
Bank loans	9 821	70 697	15 981	-	96 499
Financial lease	1 219	1 201	1 396	-	3 816

The effective interest rate for loans taken by the Group as at 31 December 2015 was 0.8604 % (in 2014: 0.9109 %).

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

36.2. Currency risk

The Group has sales transactions currency exposures. Such an exposure arises from sales and purchases made by an operating unit in currencies other than its functional currency. Approximately 83% of the Group's sales transactions are denominated in currencies other than the functional currency of the operating unit performing the sales.

The Group seeks to negotiate the terms of the hedging derivatives in such a way as to match the terms of the hedged item and providing maximum effectiveness of the hedge.

The following table shows the sensitivity of gross profit due to changes in the fair value of monetary assets and liabilities to reasonably
possible fluctuations in the EUR, GBP and USD (in total) assuming that other factor do not change.

For the needs of the analysis assumptions were made regarding changes in currency exchange rates based on published market forecasts: for data on 31 December 2015 an increase was assumed of all the mentioned exchange rates by. 3% for EURO and 10% for USD (2014: increase of EUR AND USD by 5%) and a decrease of all noted currencies by 3% over the year (2014: decrease by 5%)

	Percentage changes in	Impact on gross financial	Impact on
31 December 2015			
Trade receivables	+3%/ +10%	4 098	-
Loans granted	+3%/ +10%	72	-
Cash	+3%/ +10%	264	-
Hedging instruments	+3%/ +10%	-	(2 333)
Trade liabilities	+3%/ +10%	(971)	-
Bank loans	+3%/ +10%	(4 613)	-
Financial lease	+3%/ +10%	(30)	-
Total influence of increase of exchange		**(1 180)**	**(2 333)**
Trade receivables	- 3 %	(4 019)	-
Loans granted	- 3 %	(72)	-
Cash	- 3 %	(262)	-
Hedging instruments	- 3 %	-	25 124
Trade liabilities	- 3 %	971	-
Bank loans	- 3 %	3 439	-
Financial lease	- 3 %	30	-
Total influence of the decrease of		**87**	**25 124**
31 December 2014			
Trade receivables	5%	5 540	-
Loans granted	5%	69	-
Cash	5%	254	-
Hedging instruments	5%	-	(18 898)
Trade liabilities	5%	(1 084)	-
Bank loans	5%	(4 825)	-
Financial lease	5%	(107)	-
Total influence of increase of the		**(153)**	**(18 898)**
Trade receivables	-5%	(5 540)	-

Loans granted	-5%	(69)	-
Cash	-5%	(254)	-
Hedging instruments	-5%	-	23 384
Trade liabilities	-5%	1 084	-
Bank loans	-5%	4 825	-
Financial lease	-5%	107	-
Total influence of the decrease of		**153**	**23 384**

Currency risk hedging

The basic method of managing the currency risk hedging strategies use derivative instrument.

To hedge future foreign currency transactions, the Company uses symmetrical option strategies.

The impact of derivatives on the statement of financial position.

As per 31 December 2015 the fair value of open items within derivative instruments amounted to PLN 5 673 thousand. Their total volume was incorporated as receivables on account of derivative financial instruments.

The impact of derivatives on financial result and other comprehensive income

In the reporting period ended 31 December 2015, the result on derivatives amounted to PLN 4 266 thousand and concerned the implementation of the expiring option strategies covered by hedge accounting (status as at 31 December 2014 PLN 4 427 thousand).

The impact of derivatives on the result of the period

	01.01-31.12.2015	01.01-31.12.2014
Influence on sales revenue	2 011	2 595
Impact on other operating revenue/costs, of which:	2 255	1 832
- due to the execution of derivatives in the period	*2 255*	*1 884*
- due to the valuation of derivatives in the period	-	*(52)*
Proceeds from derivatives on the result of the period, in total:	**4 266**	**4 427**

Hedge accounting

Summary of the more important hedge accounting policies has been presented in note 6.20. According to them, changes in fair value of hedging instruments include, in part, the effective equity of the Parent Company and the ineffective portion in the profit and loss account. At the time of implementation of the hedged sales revenue, changes in fair value of hedging instruments are recognised in the profit and loss account.

Not less frequently than at hedge inception and on the last day of each month, assessment of the prospective effectiveness is made by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of future cash flows.

At the end of each month, measurement is performed of the effectiveness of hedging – retrospective efficiency – by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of the estimated future cash flows based on market data exchange on the valuation date.

Revaluation reserve from hedging instruments

Revaluation reserve from financial instruments is presented in item 28.3 of additional explanatory notes.

Fair value foreign exchange contracts

As at 31 December 2015, the fair value of foreign exchange contracts that meet the criteria for hedge accounting amounted to PLN 5 673 thousand and as the effective value it was recognised in total in reserves from revaluation and receivables from derivative financial instruments.

The following table contains data on the fair values and the related settlement terms, as well as summary information on the amount (volume) that constitutes the basis of future payments and the price of execution of effective forward contracts. Settlement terms are consistent with the terms in which the amount charged to the revaluation reserve in respect of the transaction will be charged to the profit and loss account.

Currency	Amount in currency	Type of transaction	Date of conclusion	Date of performance	Exchange rate	Name of the Bank	Fair value
EUR	6 000	Put Option	03.2014	01.2016-03.2016	4,3000	PKO BP S.A.	318
EUR	6 000	Call Option	03.2014	01.2016-03.2016	4,7465	PKO BP S.A.	-
EUR	18 000	Put Option	04.2014	01.2015-04.2016	4,2500	PKO BP S.A.	588
EUR	18 000	Call Option	04.2014	01.2015-04.2016	4,6850	PKO BP S.A.	(5)
EUR	3 000	Put Option	08.2014	08.2016	4,2500	PKO BP S.A.	197
EUR	3 000	Call Option	08.2014	08.2016	4,6550	PKO BP S.A.	(33)
EUR	9 000	Put Option	10.2014	09-10.2016	4,2300	PKO BP S.A.	578
EUR	9 000	Call Option	10.2014	09-10.2016	4,5800	PKO BP S.A.	(251)
		Put Option					
EUR	9 000	Call Option	06.2015	07-09.2017	4,2260	PKO BP S.A.	800
EUR	9 000		06.2015	07-09.2017	4,5000	PKO BP S.A.	(1 037)
EUR	21 000	Put Option	07.2015	07-12.2017	4,2700	PKO BP S.A.	2 275
EUR	21 000	Call Option	07.2015	07-12.2017	4,5166	PKO BP S.A.	(2 548)
EUR	15 500	Put Option	08.2015	09.2017-06.2018	4,2800	PKO BP S.A.	1 837
EUR	15 500	Call Option	08.2015	09.2017-06.2018	4,6670	PKO BP S.A.	(1 549)
EUR	54 000	Put Option	10.2015	06.2018-09.2018	4,3000	PKO BP S.A.	6 294
EUR	54 000	Call Option	10.2015	06.2018-09.2018	4,6300	PKO BP S.A.	(4 888)
EUR	12 000	Put Option	11.2015	10.2018-11.2018	4,3000	PKO BP S.A.	1 659
EUR	12 000	Call Option	11.2015	10.2018-11.2018	4,7070	PKO BP S.A.	(1 614)
Total						**PKO BP S.A.**	**2 621**
EUR	7 000	Put Option	08.2014	05-07.2016	4,2300	mBank S.A.	343
EUR	7 000	Call Option	08.2014	05-07.2016	4,6000	mBank S.A.	(64)
EUR	6 000	Put Option	10.2014	08-09.2016	4,2200-4,2500	mBank S.A.	371
EUR	6 000	Call Option	10.2014	08-09.2016	4,5440	mBank S.A.	(166)
EUR	15 000	Put Option	11.2014	10-12.2016	4,2300	mBank S.A.	1 048
EUR	15 000	Call Option	11.2014	10-12.2016	4,6100	mBank S.A.	(463)
EUR	10 500	Put Option	12.2014	01-03.2017	4,3000	mBank S.A.	1 119
EUR	10 500	Call Option	12.2014	01-03.2017	4,6030-4,6770	mBank S.A.	(376)

EUR	18 500	Put Option	08.2015	09.2017-06.2018	4,2800	mBank S.A.	2 173
EUR	18 500	Call Option	08.2015	09.2017-06.2018	4,6400	mBank S.A.	(1 915)
EUR	25 500	Put Option	12.2015	08-11.2018	4,3500	mBank S.A.	3 889
EUR	25 500	Call Option	12.2015	08-11.2018	4,6700	mBank S.A.	(2 995)
Total						**mBank S.A.**	**2 964**
EUR	6 000	Put Option	06.2014	05-06.2016	4,2000	ING Bank Śląski S.A.	213
EUR	6 000	Call Option	06.2014	05-06.2016	4,6135	ING Bank Śląski S.A.	(33)
EUR	3 000	Put Option	08.2014	07.2016	4,2500	ING Bank Śląski S.A.	184
EUR	3 000	Call Option	08.2014	07.2016	4,6412	ING Bank Śląski S.A.	(26)
EUR	7 500	Put Option	12.2014	01-11.2016	4,3000	ING Bank Śląski S.A.	573
EUR	7 500	Call Option	12.2014	01-11.2016	4,5000	ING Bank Śląski S.A.	(185)
EUR	32 000	Put Option	06.2015	01-06.2017	4,2000	ING Bank Śląski S.A.	2 271
EUR	32 000	Call Option	06.2015	01-06.2017	4,4818	ING Bank Śląski S.A.	(2 909)
Total						**ING Bank Śląski S.A.**	**88**

Risks related to forward foreign exchange contracts are the risks of interest rate, exchange rate and the insolvency of a given counterparty. Credit risk is limited, however, because the counterparty to the transaction are banks with high financial standing.

36.3. Credit risk

The Group operates a procedure for granting the counterparty trade credit limit and describing its form of security. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

A greater part of the trade receivables is insured, or secured by bank guarantees due to the central settlement. In addition, receivables from counterparties are regularly monitored by the trade and financial regulatory bodies. In the event of overdue receivables, in accordance with the applicable procedures sales are halted and debt collection begins.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments with positive fair value, the Group's exposure to credit risk arises from default of the counter party.

There are no significant concentrations of credit risk within the Group.

36.4. Liquidity risk

The lack of funds risk is monitored by the Group with the use of the periodical liquidity planning tool. This tool takes into account the maturity dates of investments and financial assets (e.g. receivable accounts, other financial assets) as well as projected cash flows from operating activity.

The Group's objective is to maintain balance between the continuity and flexibility of funding through the use of various sources such as bank overdrafts, bank loans, and financial leases.

The table below provides an analysis of the Group's financial liabilities as at 31 December 2015 and as at 31 December 2014 by maturity based on contractual non-discount payment terms.

31 December 2015	**<1 year**	**1–2 years**	**2-5 years**	**> 5 years**	**Total**
Bank loans	103 535	5 697	5 397		114 629
Financial lease	999	1 231	-	-	2 230
Trade and other receivables	80 615	-	-	-	80 615

	185 149	**12 325**	**-**	**-**	**197 474**

31 December 2014	**<1 year**	**1–2 years**	**2-5 years**	**> 5 years**	**Total equity**
Bank loans	9 821	70 697	15 981	-	96 499
Financial lease	1 219	1 201	1 396	-	3 816
Trade and other receivables	62 885	-	-	-	62 885
	73 925	**71 898**	**17 377**	**-**	**163 200**

37. Capital management

The Group's main objective when managing the capital is to maintain good credit rating and safe capital ratios that can support the Group's operating activities and increase its value to the shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. In the reporting periods ended 31 December 2015 and 31 December 2014, there were no changes to the Company's objectives, policies and processes for managing capital.

The Group monitors capital using the leverage ratio calculated as the ratio of net debt to net debt plus total equity. The Group's policy is to keep the ratio between 20% and 40%.

	31.12.2015	**31.12.2014**
Interest-bearing credits and loans	114 629	96 499
Financial lease	2 230	3 816
Trade and other liabilities, provisions, accruals/deferrals	126 505	117 293
Cash and cash equivalents	(45 846)	(48 099)
Net debt	**197 518**	**169 509**
Share capital	23 901	23 751
Surplus of share sale above their nominal value	113 214	111 646
Other reserve capital	194 824	167 714
Revaluation reserve	4 596	3 925
Capital from merger	(1 073)	(1 073)
Incentive scheme	1 290	1 290
Retained earnings	101 278	97 762
Total capital	**438 030**	**405 015**
Capital and net debt ratios	**635 548**	**574 524**
Gearing ratio	**31.08%**	**29.50%**

37.1. Transactions involving the Management Board, key managerial staff and members of their immediate families.

Incentive Scheme for Members of the Management Board of the Parent Company and the issue of series D, E and F subscription warrants with the exclusion of the pre-emptive right to series D, E and F subscription warrants

On 10 June 2014 the Ordinary Meeting of Shareholders of FABRYKI MEBLI „FORTE" S.A. approved an introduction of an incentive scheme for Members of the Management Board of the Company (" Incentive Scheme").

The purpose of the Incentive Scheme is to strive for further development of the Capital Group of the Company and its subsidiaries ("Capital Group") by creating motivational mechanisms for persons responsible for Company management, which would refer to the financial results of the Capital Group and an increase of share value.

The programme is of settlement program character via emission of capital instruments in exchange for services provided-total of 356,220 subscription warrants of the Company in 3 series with issue price equal to the arithmetic mean of rate of shares of the Company listed on WSE, calculated on the basis of ratings of these shares in the period from 28 April 2014 to 10 June 2014.

The issue price of Company share of H series was established via resolution of the Supervisory Board of 27 October 2014 for the amount 46.19. Each warrant authorizes to obtain one share of H series for the issue price.

The table below presents the scope of the adopted incentive scheme, in accordance with the agreed Rules of the Incentive Scheme.

	Series D	**Series E**	**Series F**
Number of subscription warrants	118 740	118 740	118 740
Vesting period	10.06.2014 - 31.12.2014	01.01.2015 - 31.12.2015	01.01.2016 - 31.12.2016
Conditions for entitlement to acquire warrants	1/ non-reporting by auditor any significant concerns to the consolidated annual financial statements of the Capital Group for the financial year 2014;	1/ non-reporting by auditor any significant concerns to the consolidated annual financial statements of the Capital Group for the financial year 2015;	1/ non-reporting by auditor any significant concerns to the consolidated annual financial statements of the Capital Group for the financial year 2016;
	2/ increase by at least 10% of net profit per Company's share as at 31 December 2014 compared to the result as at 31 December 2013	2/ increase by at least 10% of net profit per Company's share as at 31 December 2015 compared to the result as at 31 December 2014	2/ increase by at least 10% of net profit per Company's share as at 31 December 2016 compared to the result as at 31 December 2015
	3/ increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2014 compared to the average price of the Company's shares on the WSE in December 2013	3/ increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2015 compared to the average price of the Company's shares on the WSE in December 2014	3/ increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2016 compared to the average price of the Company's shares on the WSE in December 2015
	3/ serving as a Member of the Management Board for at least six months in a given period and remaining at the position at the end of the given period, as well as obtaining the acknowledgement of fulfilment of duties of a Member of the		

Management Board of the Company during the given period

Increase of net profit per 1 Company share which constitutes a condition for offering Warrants for a given period is established on the basis of the consolidated annual financial statement of the Capital Group, reviewed by the auditor and approved by the resolution of the General Meeting of Shareholders of the Company.

Execution of rights from Warrants may occur no earlier than post one year from the formal decision of their obtaining and no later than by 30 November 2018.

Series of the incentive scheme ought to be treated as separate programmes in the understanding of IFRS 2.

Fair value of the Incentive Scheme

Fair value for the programme for D series was established in the amount PLN 991 thousand. The report created on 31 December 2015 the amount recognized was PLN 496 thousand-in the increase of own equity in the position of incentive scheme and in employee benefit costs. On 31 December 2015 a subsequent analysis of conditions authorizing to obtain shares. Due to non-fulfilment of conditions for programme realization, the previously identified 50% of fair value of the programme was derecognized in costs of employee benefits.

The number and weighted average prices of warrants execution are as follows:

	Series	Number of warrants	weighted average execution price
As at 01.01.2015 including		**356 220**	
	D	118 740	46.19
	E	118 740	46.19
	F	118 740	46.19
Change during reporting period, including:			
Granted in 2015	E	118 740	46.19
As at 01.01.2015 including:			
Possible for realizing as at 31.12.2015		**237 480**	
Change during reporting period, including:	D	118 740	46.19
	F	118 740	46.19

37.2. Entity with significant influence over the Group

Information about the entities holding more than 5% of the share capital of the Parent Company are presented in Note 28.

37.3. Terms and conditions of transactions with related entities

All transactions with related entities are conducted under terms used by the Group in relations with unrelated entities.

37.4. Remuneration of the Group's senior management

Remuneration paid or payable to the members of the Management Board and Supervisory Board of the Group

	Period of 12 months ended

	31.12.2015	31.12.2014
Remuneration for Management Board	**11 800**	**11 106**
in the Issuer's enterprise	**11 017**	**10 489**
Maciej Formanowicz	4 348	3 229
Gert Coopmann	2 558	2 935
Klaus Dieter Dahlem	1 922	1 666
Maria Florczuk	729	520
Mariusz Gazda	1 022	813
Robert Rogowski	-	614
Rafał Prendke	438	712
for performing functions in the Governing Bodies of the subsidiaries	**783**	**617**
Maciej Formanowicz	537	403
Gert Coopmann	246	214

On 22 April 2015 Mr Władysław Frasyniuk submitted a declaration of resignation as of 19 May 2015 from performing the function of Member of Supervisory Board. The reason of resignation were personal matters.

Supervisory Board:	**279**	**216**
Zbigniew Sebastian	69	48
Władysław Frasyniuk	17	42
Stanisław Krauz	52	42
Marek Rocki	-	19
Tomasz Domagalski	52	42
Stefan Golonka	52	23
Jerzy Smardzewski	37	-

Detailed changes in the composition of the Supervisory Board have been specified in point 10 of corporate governance.

Remuneration paid or payable to other members of key management personnel

	Year ended 31.12.2015	31.12.2014
Short-term employee benefits (salaries and overheads)	5 921	5 167
Jubilee awards	-	-
Benefits after the employment period	25	-
Revenues from dissolution of employment	-	-
Share-based employee benefits	-	-
Total remuneration paid to key management personnel (except for members of the Management Board and the Supervisory Board)	**5 946**	**5 167**

37.5. Participation of senior executives in the employee programmes and schemes

No employee share incentive programmes were in force in the reporting period.

38. Employment structure

Average employment in the Group in the period from January to December 2015 was as follows:

	2015	2014

Management Board of the Company	5	5
Administration	187	179
Sales Department	585	463
Production Division	2 107	1 857
Other	133	129
Total	**3 017**	**2 633**

39. Events occurring after balance end of reporting period

On 19 January 2016 the Company concluded with ING Bank Śląski an agreement on the following zero cost sale transactions of call and Put purchase options securing against foreign exchange risk:

1. 2 500 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2017-10-27
2. 2 500 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2017-11-27
3. 2 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-01-29
4. 2 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-02-26
5. 2 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-03-27
6. 2 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-04-26
7. 2 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-05-28
8. 2 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-06-27
9. 2 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-07-27
10. 2 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-08-27
11. 2 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-09-26
12. 2 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-10-29
13. 2 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-11-23
14. 5 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-12-14
15. 5 000 000 EUR – Put 4,4500 – Call 4,7800 with expiry date 2018-12-27

Total nominal amount of subject transaction amounted to EUR 74 000 thousand (EUR 37 000 thousand per each type of option), which constitutes the equivalent of the amount PLN 329 226 thousand. The agreement does not contain specific conditions deviating from those generally applied for this type of transactions and provisions regarding contractual penalties.

On 27 January the Company obtained decision of District Court in Białystok, IX Land and Mortgage Register Department about conduct on 22 January 2016 of entry in favour of ING Bank Śląski S.A of total mortgage up to the amount of EUR 6 000 thousand, on property right of the Company constituting non-residential premises in Białystok at Gen. Władysława Andersa 11 (flat 1 and 2) for which the District Court in Białystok, IX Land and Mortgage Register Department maintains land and mortgage registers no. BI1B/00228951/3 and KW BI1B/00228952/0.

Mortgage has been set in relation to the surety granted by the Company in favour of ING Bank Śląski S.A for liabilities of subsidiary DYSTRI-FORTE Sp. z o.o., stemming from loan agreement concluded between ING Bank Śląski S.A. and DYSTRI-FORTE Sp. z o.o. on 14 December 2015 pursuant to which DYSTRI-FORTE Sp. z o.o. a loan was obtained in the amount of EUR 7 250 thousand.

The Fund does not exclude also obtaining shares in case of the right increase of value or changes in the market situation or Company's performance on rights of perpetual usufruct of the property of the Company and on the right of ownership to buildings and structures located in Hajnówka at ul. 3 Maja 51, for which the District Court in Bielsko Podlaskie, IX Off-site Department of Land and Mortgage Register conducts land and mortgage registers with the following numbers BI2P/00017202/7, BI2P/00017198/5, BI2P/00027286/2, BI2P/00007254/3.

On 5 February 2016 the Management Board obtained information regarding finalization as of 5 February 2016 of backrupcy proceedings of the subsidiary FORTE MOBILA S.R.L. z with its seat in Bacau (Romania).

The book value of the assets in the books of the Company on which the mortgage was set amounts to PLN 15 504 014.27. Rejestracja podwyższenia kapitału zakładowego nastąpiła w dniu 29 lutego 2016.

On 15 February 2016 the Registered Court for the city of Warsaw, XIII Economic Department of the National Court Register conducted registration of an increase of share capital of company TERCEIRA Sp. z o.o. from PLN 5 thousand to PLN 55 thousand. 100% shares in the increased share capital of TERCEIRA Sp. z o.o were taken by ANTWERP Sp. z o.o. -XXXIV-S.K.A in exchange for financial contribution in the amount of PLN 207,600 thousand. The surplus of value of the contribution over the nominal value of the obtained shares was transferred to the reserve capital of the company.

Signatures of persons entrusted with maintenance of accounts

Anna Wilczyńska

....

Signatures of all members of the Management Board

President of the Management Board	**Member of the Management Board**
Maciej Formanowicz	**Gert Coopmann**
....	....
Member of the Management Board	**Member of the Management Board**
Klaus Dieter Dahlem	**Maria Florczuk**
....	....

Member of the Management Board

Mariusz Gazda

....

Ostrów Mazowiecka, 17 March 2015

FABRYKI MEBLI „FORTE" S.A.

Management Board's report on the operations of Fabryki Mebli „FORTE" for the period ended 31 December 2015

FABRYKI MEBLI „FORTE" S.A.
ul. Biała 1
07-300 Ostrów Mazowiecka
Polska
www.forte.com.pl

Ostrów Mazowiecka, 17 March 2016

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CURRENT FINANCIAL AND OPERATIONAL STANDING

This Report on the operations of the Issuer – Fabryki Mebli "FORTE" S.A. – in 2015 was prepared on the basis of § 91 of the Regulation of the Minister of Finance of 19 February 2009 concerning current and periodic information provided by securities issuers and conditions of recognising as equivalent information required under the regulations of a state not being a member state (Journal of Laws of 28 January 2014, item 133).

1. Basic information on Fabryki Mebli FORTE S.A.

1.1. Information on the Parent Company

Fabryki Mebli „FORTE" S.A. ("Company") was established by a Notarial Deed of 25 November 1993. The Company's seat is located in Ostrów Mazowiecka, ul. Biała 1.

The company is entered into the National Court Register maintained by the District Court for the city of Warsaw in Warsaw, XIV Economic Department of National Court Register (former XXI Economic Department) under KRS number 21840.

The Parent Company was assigned the statistical number REGON: (550398784)

The duration of the Company is perpetual.

Main activities of the Company include:

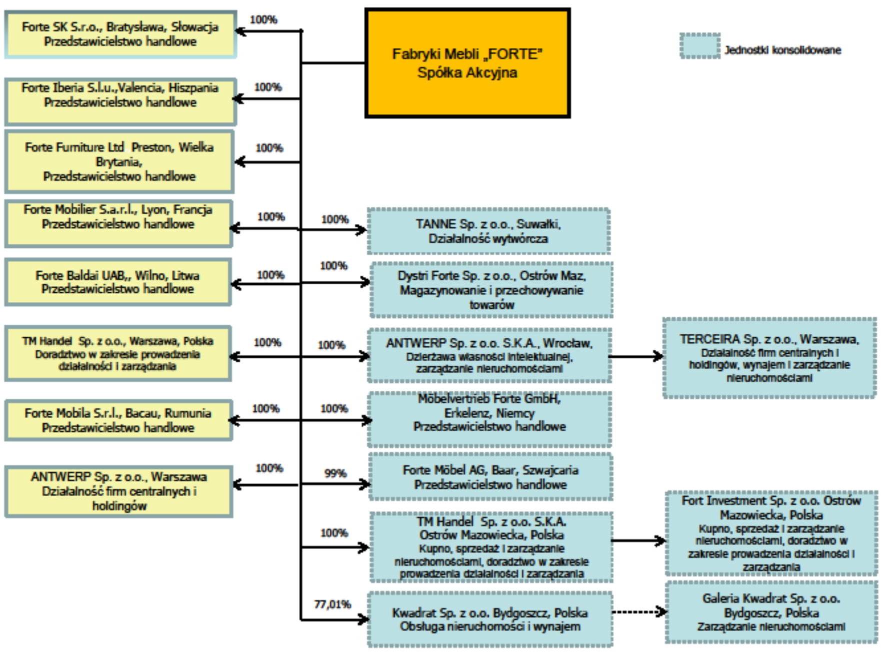
- production of furniture,
- provision of services in the scope of marketing, promotion, organisation, exhibitions, conferences,
- conducting trade activities domestically and abroad.

Fabryki Mebli „FORTE" S.A. conducts its operations by means of its four country branches:

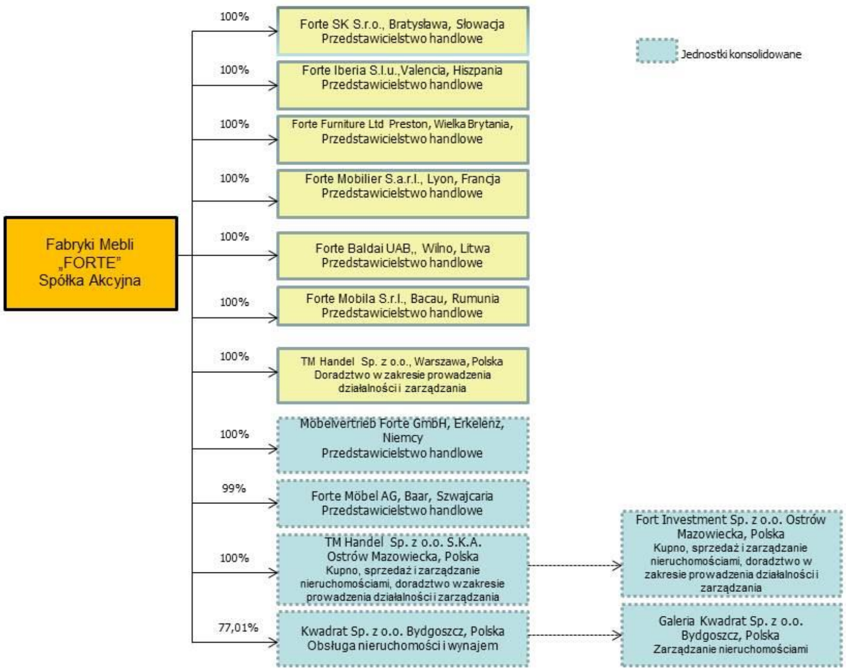
- Ostrów Mazowiecka ul. Biała 1 – HQ – the head office of the Company together with the Management Board and manufacturing plant;
- Suwałki ul. Północna 30 – manufacturing plant;
- Hajnówka ul. 3-go Maja 51 – manufacturing plant;
- Białystok ul. Generała Andersa 11 – manufacturing plant;

and furniture stores in Wrocław, Toruń, Przemyśl, Białystok and Warsaw.

The Company is a Parent Company and forms the Capital Group together with other entities. As at 31 December 2015 the the capital group was composed of:



As at 31 December 2014 the capital group was composed of:



1.2. Company Management Board

Management Board composition as at the balance sheet date ended 31 December 2015

Maciej Formanowicz – President of the Management Board

Gert Coopmann – Member of the Management Board

Klaus Dieter Dahlem – Member of the Management Board

Maria Florczuk – Member of the Management Board

Mariusz Gazda – Member of the Management Board

On 2 February 2015 the Company obtained a notification regarding resignation by Mr Rafał Prendke from performing the function of Member of the Management Board as of 4 February 2015.

1.3. Supervisory Board

Supervisory Board composition as at the balance sheet date ended 31 December 2015

Zbigniew Sebastian – Chairman

Stefan Golonka

Stanisław Krauz

Tomasz Domagalski

Jerzy Smardzewski

On 22 April 2015 Mr Władysław Frasyniuk submitted a declaration of resignation as of 19 May 2015 from performing the function of Member of the Supervisory Board. The cause of resignation were personal matters

1.4. Forte's mission and policy

Mission: Production leader, reliable supplier of modern furniture systems, which meets customer needs.

The objective of Fabryki Mebli "FORTE" S.A. is to:

- Continually increase the value of the company, and thus ensure that the shareholders receive a higher-than-average return on invested capital,
- Ensure the supply of goods and services meeting the requirements of Customers in a wide range of their needs taking into account specific market requirements,
- Achieve full satisfaction of our Customers,
- Strengthen the opinion of a credible and reliable partner,
- Build creative relationships in the work environment through shaping the awareness and personality of people,
- Provide conditions ensuring safety and health at work,
- Conduct activities in an environmentally acceptable way,
- Be committed to preserving the values of FSC.

The above-mentioned policy is implemented by the Company through:

- Constant monitoring of activities and their effects in financial terms and of Customer satisfaction, continued improvement of the Organisation Management System with the use of PN-EN ISO 9001:2009 Quality Management Systems,
- Continuous improvement of processes and product design so that their production is safer and their operational parameters meet Customer expectations and needs,
- Forming the attitudes of safe handling through the identification of threats and creation of technical, economical and organisational conditions leading to a reduction of risks,
- Acting in accordance with legal requirements and other regulations regarding the activities of the Organisation, the product, health and safety at work and environmental protection.

The effectiveness and efficiency of the Integrated Quality Management System and FSC is subject to continued commitment and responsibility of the Management Board.

1.5. Key events attended by the Issuer in 2015

2015	**JANUARY** • NEC Fairs, Birmingham, Great Britain • Begros Verbandmesse Fairs in Colone, Germany **FEBRUARY** • Partnertage Fairs in Barntrup, Germany • MEBLE POLSKA Fairs, Poznań **MAY** • Steinhoff Group Fairs in Barntrup, Germany **JUNE** • Partner days fairs FORTE 2015 in Ostrów Mazowiecka **SEPTEMBER** • International Furniture Fairs in Ostrów • MOW fairs in Barntrup, Germany

1.6. Awards and honours

- January 2015- Title of ORZEŁ EXPORTU for FORTE, awarded by the "Rzeczpospolita" magazine for the Best Exporter in the Masovian Voivodeship. Award of ORZEŁ EXPORTU in the category Export Personality also granted to the President of FORTE, Maciej Formanowicz.
- February 2015-Distinction for the brand with an emblem " Good Brand-Quality, Trust, Reputation" awarded by the editors of . "Forum Biznesu" and " Biznes Trendy"
- March 2015- main award from the editors of the monthly Meble Plus and Biznesmeblowy.pl portal in the contest Product of 2015 for the collection of furniture Kashmir.
- May 2015-FORTE on the list of "500 Largest Polish Companies" within the contest of Rzeczpospolita magazine.
- June 2015- 3rd place in the ranking of "200 Largest Polish Companies" of Wprost Weekly.
- July 2015-1st place in the ranking of Meble Plus for the Best Producer of Cabinet Furniture 2015.
- September 2015-prestigeous award ŻAGIEL ROZWOJU for the collection of bedroom furniture BELLEVUE during 42nd edition of International Furniture Fairs in Ostróda.
- November 2015-special award for the Chairman of the Management Board of FORTE, Maciej Formanowicz, in the 13th edition of the contest EY Entrepreneur of the Year.
- November 2015-FORTE in the group of "TOP 20 most dynamically developing Polish exporters" in the ranking of Gazeta Bankowa "COMPANY WITH ENERGY"
- December 2015- Distinction in the category " Bedroom and wardrobe space" for the bedroom Bellevue in the contest
  „ Good Design 2016".

2. Information concerning basic products, goods and services

Value sales in individual assortments (in PLN '000):

Assortment	2015		2014		Change during the period
	Value	Share	Value	Share	%
Cabinet furniture	927 273	97,1%	798 578	97.2%	16.1%
Goods	11 081	1,2%	8 611	1.1%	28.7%
Materials	7 552	0,79%	5 957	0.7%	26.8%
Services	8 800	0,91%	8 485	1.0%	3.7%
Total	**954 706**	**100%**	**821 631**	**100%**	

Due to the diversity of its assortment, the Company does not present the volume structure of sales as the value structure gives a complete picture of the sales structure and its changes.

According to the Company's strategy, it focuses its activities on the production of residential self-assembly type of furniture. Complementarity and coherence of the offer is additionally ensured with mounted furniture of higher price range, imported tables, chairs and decorative additions. The products offered by Fabryki Mebli "FORTE" S.A. have been recognisable in the market for many years and are highly regarded by the customers.

The product offer of Forte consists of modern and functional furniture designed both by an internal, specialized BRP team and European designers cooperating with the Company.

3. Information about markets, including the division into domestic and foreign markets.

In 2015 export sales of Forte amounted to PLN 793,485 thousand and comprised 83.1 % of total sales (in 2014 it was at the level of PLN 677 772 thousand- – 82.5 %). German-speaking markets (Germany, Austria, Switzerland) remain export leading markets to which total sales in 2015 comprised approx. 56% of total sales and France, Spain and Great Britain as well as countries of Central-Eastern Europe.

The Company focuses its activities on the German market mainly on cooperation with the leading furniture chains gathered within furniture consumer groups.

Sales in the second largest Polish market amounted to PLN 161 221 thousand. (16.9 %) against PLN 143 859 thousand (17.5 %) in 2014 and concentrated on the two main distribution channels: traditional furniture stores and retail chains.

The largest recipients of Company goods are: Roller GmbH with headquarters in Germany and Steinhoff International Group with headquarters in France. Roller GmbH and Steinhoff International Group's share in Fabryki Mebli "FORTE" S.A.'s sales income exceeded 10%. There are no formal ties between the customer and the Company.

4. Information concerning sources of supply of materials for production, goods and services

In 2015 purchase of materials, goods and services from national suppliers constituted 74.8% of total purchase of the Company.

The key supplier of raw materials for the Company was Pfleiderer Group. Pfleiderer's share in Fabryki Mebli "FORTE" S.A. sales income exceeded 10%. There are no formal ties between the supplier and the Company.

Purchase from import in 2015 constituted 25.2% of total purchases. The main direction of import for the Company was German market-29.7% and Romania-approx. 6% within the total value of imported purchase.

5. Information concerning contracts important for the activity.

Insurance contracts entered into by the Issuer in 2015:

- in co-insurance with Generali T.U. .S.A, TUiR "WARTA" S.A., Gothaer Towarzystwo Ubezpieczeń S.A. and InterRisk Towarzystwo Ubezpieczeń S.A Vienna Insurance Group: insurance period 25/09/2015 – 24 September 2015
  - property insurance from acts of God – the sum insured PLN 578 746 thousand
  - insurance of the loss of profit – the sum insured PLN 193 753 thousand
- in TUiR "WARTA" S.A. :period of insurance 25 September 2015 – 24 September 2016
  - electronic equipment insurance against all risks – the sum insured PLN 5 505 thousand
  - business liability insurance – the sum insured PLN 15 000 thousand
  - insurance of cargo in transport – the sum insured PLN 463 292 thousand
  - electronic equipment insurance against all risks – the sum insured PLN 8,013 thousand
- with AIG Europe Limited Sp. z o.o.: insurance period 01 April 2015 – 31 March 2016
  - liability insurance of the Members of the Issuer's Bodies – the sum insured EUR 15 000 thousand.

6. Information about material transactions concluded with related entities on conditions other than arm's length conditions.

All transactions with related entities are conducted under market terms used by the Issuer in relations with unrelated entities.

Detailed information regarding transactions concluded with related entities have been included in Notes 34 of the financial statements.

7. Information regarding credits and loans.

Short-term	Nominal interest rate %	Due date	31.12.2015	31.12.2014
mBank S.A. – investment loan in the amount of EUR 2 400 thousand - short-term portion	1 M EURIBOR	by 31.12.2018	2 557	2 220
mBank S.A. – working capital loan in the amount of EUR 1 000 thousand - short-term portion	depending on the currency used O/N WIBOR or O/N EURIBOR or O/N LIBOR	by 15.12.2016	5 065	4 461
PKO BP S.A. -investment loan in the amount 3 500 thousand EUR- short-term portion	1 M EURIBOR	by 22.12.2018	3 140	3 140
PKO BP S.A.– working capital loan in the amount of PLN 55 000 thousand - short-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR	by 19.12.2016	51 138	34 098
ING Bank Śląski S.A. – working capital loan in the amount EUR 45 000 thousand - short-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR or 1M LIBOR	by 31.10.2016	41 635	-
Short-term total			**103 535**	**9 821**

Long-term	Nominal interest rate %	Due date	31.12.2015	31.12.2014
PKO BP S.A.– working capital loan in the amount of PLN 55 000 thousand - long-term portion:	depending on the currency used 1M WIBOR or 1M EURIBOR	by 19.12.2016	-	34 098
ING Bank Śląski S.A. – working capital loan in the amount 45 000 thousand EUR- long-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR or 1M LIBOR	by 31.10.2016	-	36 599
PKO BP S.A. -investment loan in the amount 3 500 thousand EUR- - long-term portion	1 M EURIBOR	by 22.12.2018	6 180	9 322
mBank S.A. – investment loan in the amount of EUR 2 400 thousand -long-term portion	1 M EURIBOR	by 31.12.2018	4 914	6 659
Total Long-term			**11 094**	**86 678**

Bank loan securities as at	31 December 2015
PKO BP S.A. – investment loan in the amount of EUR 3,500 thousand EUR	1. Registered pledge on movable assets of value no less than EUR 5 130 thousand 2. Assignment of rights under the insurance contract 3. In blanco bill of exchange by the Borrower with blank promissory note
mBank S.A. – investment loan in the amount of EUR 2,400 thousand EUR	1. Registered pledge on purchased machines and devices up to the highest sum of security of 3,600 thousand EURO 2. Assignment of rights under the insurance contract
PKO BP S.A. – working capital loan in the amount of PLN 55,000 thousand	1. Registered pledge on inventory in the factory in Hajnówka with the value no less than PLN 26 000 thousand, together with the assignment of rights under the insurance contract 2. Joint capped mortgage in the amount of PLN 45 000 thousand on real estates located in Hajnówka and Ostrów Mazowiecka, together with the assignment of rights under the insurance contract. 3. Blank bill of exchange issued by the Borrower equipped in promissory note declaration
ING Bank Śląski S.A. PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand.	1. Registered pledge on movable assets in the plant in Suwałki and Ostrów Mazowiecka up to the highest amount of security of PLN 54 000 thousand with assignment of right under the insurance contract. 2. Joint capped mortgage up to a maximum amount of PLN 54 000 thousand on the right of perpetual usufruct of land and ownership right of buildings in the factory in Suwałki, together with the assignment of rights under the insurance contract
mBank S.A. – working capital loan in the amount of EUR1,000 thousand EUR	1. Blank bill of exchange issued by the Borrower equipped in promissory note declaration

Breakdown of loans due to currency type (translated into PLN, in PLN `000)

Currency	Status as at	
	31.12.2015	31.12.2014

PLN	-	-
EURO	97 862	85 270
USD	16 767	11 229
	114 629	**96 499**

For nominal interest rate value the bank's margin must be considered additionally, within the range of: 0.80% - 1.00 % for loans in EUR and USD.

On 3 November 2015 the Company Management Board signed a subsequent supplementary loan agreement with ING Bank Śląski S.A. to the existing loan agreement of 24 June 2003. The subject of the supplementary agreement was an increase of the amount of loan up to PLN 45 000 thousand. At the same time, the loan collateral was amended, that is the value of joint capped mortgage was increased from PLN 48,000 thousand up to the amount of PLN 54 000 thousand established on the perpetual usufruct rights to the land property located in Suwałki at ul. Północna 30 as well as on the ownership rights to the buildings and devices located therein. The value of registered pledge on the movable assets located in the headquarters of the Company in Ostrów Mazowiecka and the plant of the company in Suwałki was increased from the highest amount of security of PLN 48 000 thousand to the amount PLN 54 000 thousand.
On 11 December 2015 the Company concluded with mBank S.A. Annex to the multi-currency working capital loan of 20 December 2013, expanding the loan duration period until 14 December 2016. The remaining conditions of the loan agreement were unchanged.

On 15 December 2015 the Management Board of the Company signed an Annex to the loan agreement with PKO Bank Polski S.A. amending the amount of working capital credit from PLN 45 000 thousand to PLN 55 000 thousand. At the same time, the values of loan collaterals were increased, that is joint capped mortgage for property in Ostrów Mazowiecka and Hajnówka up to the amount PLN 55 000 thousand and registered pledge on stocks in Hajnówka up to the lowest amount of collateral of PLN 26 000 thousand.

8. Information concerning loans granted in the fiscal year.

In the reporting period ended 31 December 2015, the Company granted loans to the following subsidiaries:

-on 21 May 2015 to the subsidiary Fort Investment with its registered seat in Ostrów Mazowiecka for the amount of PLN 2 100 thousand with the possibility of is use until 31 December 2015. The final term of loan repayment was established for 31 December 2020. On 29 September 2015 an Annex was signed increasing the amount of loan by PLN 5 000 thousand. The final repayment date for the loan remained unchanged.
-on 30 June 2015 the Company signed Annex to the loan agreement concluded on 4 March 2013 with company Galeria Kwadrat Sp. z o.o. Annex establishes the final repayment term for the loan on 30 June 2021.
-on 28 August 2015 to the subsidiary Fort Investment with its registered seat in Ostrów Mazowiecka, company Dystri-Forte Sp. z o.o. for the amount of PLN 5 000 thousand. The repayment date for the loan was established for 31 March 2016. Subsequently, on 19 November 2015 an Annex was signed increasing the loan amount up to PLN 40 thousand and subsequently on 17 December 2015 an Annex increasing the loan amount up to PLN 7 620 thousand was signed. The final repayment date of the loan was established for 30 June 2016.
-on 7 October 2015 within Forte Mobilier company with its seat in Lyon for the amount of EUR 10 thousand. The date for total repayment was established for 31 December 2017.
-on 7 October 2015 in company Antwerp Sp. z o.o. with its seat i n Warsaw for the amount of PLN 10 thousand. Date of repayment of the loan was set for the day of 31 July 2016.
-on 20 November 2015 for the company Tanne Sp. z o.o. with its seat in Suwałki for the amount of PLN 100 thousand. The date of loan repayment was established for 31 December 2016. On 28 December 2015 an Annex was signed increasing the amount of loan up to PLN 1 700 thousand and shortening the repayment period until 29 February 2016.

Balance of granted loans as at 31 December 2015 has been presented in the below table:

Related entity	Loan level in thousands	Loan currency	Due date	Loan balance as at 31.12.2015 in PLN thousands	Interest amount as at 31.12.2015 in thousand PLN
Subsidiaries					
Kwadrat Sp. z o. o.	439	EURO	June 2018	1 388	3
Galeria Kwadrat Sp. z o.o.	1 254	PLN	June 2020	1 020	7
Fort Investment Sp. z o.o.	5 000	PLN	December 2015	2 802	17
Dystri- Forte Sp. z o.o.	7 620	PLN	June 2016	7 616	7
Dystri- Forte Sp. z o.o.	227	EURO	June 2016	967	-
Forte Mobilier S.a.r.l.	10	EURO	December 2017	43	-

Tanne Sp. z o.o.	1 700	PLN	February 2016	1 700	-
Antwerp Sp. z o.o.	10	PLN	July 2016	10	-
Total:				**15 546**	**34**
Including:					
Short-term portion:					
Kwadrat Sp. z o o				347	3
Galeria Kwadrat Sp. z o.o.				170	7
Dystri- Forte Sp. z o.o.				7 616	7
Dystri- Forte Sp. z o.o.				967	-
Tanne Sp. z o.o.				1 700	-
Antwerp Sp. z o.o.				10	-
Fort Investment Sp. z o.o.				-	17
Total:				**10 810**	**17**
Long-term portion:					
Kwadrat Sp. z o o				1 041	-
Galeria Kwadrat Sp. z o.o.				850	-
Forte Mobilier S.a.r.l.				43	-
Fort Investment Sp. z o.o.				2 802	-
Total:				**4 736**	**-**

The above loans were granted on market conditions (variable interest rate based on EURIBOR /WIBOR plus margin).

Balance of granted loans as at 31 December 2014:

Related entity	Loan amount in PLN thousand	Loan currency	Due date	Loan balance as at 31.12.2014	Interest amount as at 31 December 2014
Subsidiaries					
Kwadrat Sp. z o. o.	439	EURO	June 2018	1 388	6
Galeria Kwadrat Sp. z o.o.	1,254	PLN	June 2020	1 020	9
Forte SK S. r. o.	1,260	PLN	December 2015	41	-
Fort Investment Sp. z o.o.	20	PLN	December 2015	20	-
Total:				**2 469**	**15**

9. Information concerning guarantees and sureties granted and received in the fiscal year.

On 14 December 2015 the Company provided surety and obliged itself to execute all financial obligations of its subsidiary DYSTRI-FORTE Sp. z o.o. with its seat in Ostrów Mazowiecka at ul. Biała 1 resulting from the loan agreement of 14 December 2015 concluded between DYSTRI-FORTE Sp. z o.o. and ING Bank Śląski S.A.. FORTE company obliged itself to fulfil all the obligations of the Borrower, covering in particular the total repayment of the main loan amount, interest, commissions, fees and other costs up to the amount of EUR 8 700 thousand. until 29 October 2024.

10. Description of the use of securities issue proceeds by the Issuer.

Within the period covered by the report the issue of shares of G series occurred with nominal value of 1PLN for each share unit in relation to the realization of the incentive scheme for Members of the Management Board of the Company. The revenue on account of obtaining by the authorized managers of shares of G series amounted to PLN 1 728 thousand, while the costs of issue of the shares amounted to PLN 9 9 thousand.

Registering the increase in company share capital occurred on 19.10.2015. Company share capital was increased up to PLN 150 thousand. Surplus on sale of shares above their nominal value amounted to PLN 1 568 thousand and was referred to the reserve capital of the Company.

11. Differences between the financial results indicated in the annual report and earlier forecasts for the given year.

The Issuer did not publish financial result forecasts for 2015.

12. Assessment and its justification, concerning the management of financial resources.

Net working capital	2015	2014
Current assets	388 344	349 767
Short-term liabilities	(222 801)	(114 117)
Net working capital	165 543	235 650
Ratio of net working capital (net working capital /total assets)	24,3%	37,8%

Debt analysis	2015	2014
Total liabilities	243 364	217 609
Total debt ratio (total debts/total liabilities)	35,7%	34,95%
Credit rating (net profit + amortisation)/ total debts)	39,9%	41,86%

As at 31 December 2015, Fabryki Mebli "FORTE" S.A.’s long-term liabilities amounted to PLN 20 563 thousand and consisted mainly of liabilities from loans and borrowings (PLN 11 094 thousand), representing 54% of total long-term liabilities.

As at 31 December 2015, short-term liabilities amounted to PLN 222,801 thousand and consisted mainly of trade accounts payable (PLN 103 535 thousand), representing 46.5% and reserves and accruals (PLN 80 615 thousand) constituting 36.2% of total short-term liabilities.

The Company has a low level of debt and good financial liquidity. There are no threats to the Company’s ability to pay its incurred liabilities.

13. Assessment of ability to fulfil investment plans in comparison to the resources available

The Issuer's investment plan for 2016 amounts to PLN 40 000 thousand and assumes mainly investments in improvement of productivity through purchase of modern machinery and equipment to all the factories of the Company as well as recreation of some parts of amortised tangible assets. Investments planned in 2016 will be financed partly from company's own resources and partly from bank loans. At the time of publication of the hereby report final decisions regarding the method of financing the investment for the year 2016 have not yet been made.

14. Information regarding financial instruments in respect of: risk: price change, credit risk, risk of significant disturbances to cash flows and risk of a loss of the financial liquidity.

The Company performs transactions involving derivatives, primarily zero-cost option strategies. The purpose of these transactions is to manage currency risk arising in the course of business activity of the Company.

Apart from derivatives, the Company's principal financial instruments comprise bank loans, finance leases with buy option, cash, short-term deposits and short term corporate bonds. The main purpose of these financial instruments is to raise finance for the Company's operations and optimal management of generated asset surplus. The Company has various other financial instruments such as trade debtors and trade creditors and contract liabilities, which arise directly from its operations.

It is – and has been throughout the audited period – the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board verifies and agrees on policies for managing each of these risks and they are summarised below. The Company also monitors the market price risk arising from all financial instruments held.

14.1. Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations that bear interest at floating interest rates (WIBOR, EURIBOR, LIBOR) increased by a margin. In order to analyse the sensitivity to changes in the interest rate of long-term financial liabilities of the Company, i.e. loans and obligations under finance lease, their interest rate has been assumed to decline per annum for EURIBOR by 0.05 percentage point and increase per annum for. WIBOR by 0.20% percentage point, % and increase per annum for LIBOR by 0.30 points % (2014: WIBOR decrease by 0.25% percentage point, as well as for EURIBOR decrease by 0.10% percentage points –increase by 0.80% percentage points.

The Company does not have any hedging instruments against interest rate risk as it does not perceive this risk to be major in terms of conducted business.

Interest rate risk — sensitivity analysis

The sensitivity of gross profit due to rationally feasible changes in the interest rate are described in item 36. of additional explanatory notes to the financial statements.

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the given instrument. The other financial instruments of the Company that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

14.2. Currency risk

The company is at currency risk which occurs as a result of the conduct by the Company of sale and purchase in currencies other than the valuation currency. About 83 % of the Company's sales transactions are denominated in foreign currencies, mainly in EUR.

The Company seeks to negotiate the terms of the hedging derivatives in such a way as to match the terms of the hedged item and providing maximum effectiveness of the hedge.

The sensitivity of gross profit due to changes in the fair value of monetary assets and liabilities to reasonably possible fluctuations in the EUR, GBP and USD (in total) exchange rates are described in item 36 of additional explanatory notes to the financial statements

Currency risk hedging

The basic method of managing the currency risk are hedging strategies which use derivative instruments. To hedge future foreign currency transactions, the Company uses symmetrical option strategies and forward contracts.

Impact of derivatives on the statement of financial position

As at 31 December 2015, the fair value of open items in derivatives amounted to PLN 5 673 thousand and was recognised in total as receivables from derivative financial instruments. (2014: PLN 4 852 thousand).

Impact of derivatives on financial result and other comprehensive income

In the reporting period ended 31 December 2015, the result on derivatives amounted to PLN 4 266 thousand and concerned the implementation of the expiring option strategies covered by hedge accounting (status as at 31 December 2015: PLN 4 427 thousand).

Impact of derivatives on the result of the period

	01.01-31.12.2015	01.01-31.12.2014
Influence on sales revenue	2 011	2 595
Impact on revenue/ financial costs, of which:	2 255	1 832
due to the execution of derivatives in the period	*2 255*	*1 884*
due to the valuation of derivatives in the period	-	*(52)*

Proceeds from derivatives on the result of the period, in total:	**4 266**	**4 427**

Hedge accounting

The Company uses cash flow hedge accounting. According to the principles of such accounting, changes in fair value of hedging instruments are included in the effective part in the equity of the Company and in the ineffective part in the profit and loss account. At the time of implementation of the hedged sales revenue, changes in fair value of hedging instruments are recognised in the profit and loss account.

Not less frequently than at hedge inception and on the last day of each month, assessment of the prospective effectiveness is made by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of future cash flows.

At the end of each month measurement is performed of the effectiveness of hedging – retrospective efficiency – by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of the estimated future cash flows based on market data exchange on the valuation day.

Revaluation reserve from hedging instruments

Revaluation reserve from financial instruments is presented in item 28.3 of additional explanatory notes to the financial statements.

Fair value of foreign exchange contracts

Collective data on the fair values and the related settlement terms, as well as summary information on the amount (volume) that constitutes the basis of future payments and the price of execution of effective forward contracts is presented in item 36.2 of additional explanatory notes to the financial statements.

Risks related to forward foreign exchange contracts are the risks of interest rate, exchange rate and the insolvency of a given counterparty. Credit risk is limited, however, because the counterparty to the transaction are banks with high financial standing.

14.3. Credit risk

The Company operates a procedure for granting the counterparty trade credit limit and describing its form of security. It is the Company's policy that all customers who trade on credit terms are subject to credit verification procedures.

A greater part of the trade receivables is insured, or secured by bank guarantees due to the central settlement. In addition, receivables from counterparties are regularly monitored by the trade and financial regulatory bodies. In the event of overdue receivables the sales are halted and debt collection begins.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, available-for-sale financial assets and derivative instruments with positive fair value, the Company's exposure to credit risk arises from default of the counter party.

There are no significant concentrations of credit risk in the Company.

14.4. Liquidity risk

The Company is exposed to liquidity risk resulting from the relation of short-term liabilities to current assets. The lack of funds risk is monitored by the Company with the use of the periodical liquidity planning tool. This tool takes into account maturity dates both of investments and financial assets (e.g. receivables accounts, other financial assets) and forecast cash flows from operating activity.

The Company's objective is to maintain a balance between continuity and .flexibility of funding through the use of various sources such as bank loans, and finance leases.

Detailed information on liquidity risk are described in item 36.4. of additional explanatory notes to the financial statements.

15. Commentary to basic financial parameters of the Company

Description	2015	2014	% Change
Sales revenue	954 706	821 631	16,2%
Cost of sales	(608 191)	(522 970)	16,3%
Gross profit from sales	346 515	298 661	16,0%
Gross profit from sales	36,3%	36,3%	

Operating profit (EBIT)	82 402	86 021	(4,2%)
EBITDA	101 684	102 504	(0,8%)
Gross profit	88 608	92 037	(3,7%)
Net profit	77 936	74 612	4,4%
Net return on sales	8.2%	9.1%	
Return on equity (ROE)	17.8%	18.4%	
Return on assets (ROA)	11.4%	12.0%	

The finished 2015 year was yet another year in which the Company noted a positive trend of increase in sale results and net profits.

Revenues from sales in 2015 amounted to PLN 954 706 thousand and compared to the same period of the previous year increased by 16,2 % (in terms of value by PLN 133 075 thousand).

In the opinion of the Management Board obtaining such positive sales results was possible due to the consequent strengthening of partner business relations as well as permanent development of the product offer, the ability to adjust the offer to the expectations of individual markets and ensuring professional logistics care and post-sale service.

Gross profitability on sales remained at the sales level as in the previous year and was 36,3%.

The main reasons for maintaining the profitability are: positive impact of increased production scale on lower unit costs, stable situation on the basic raw materials prices market and good results of budget discipline.

Cost of sales the cost of sales to revenue ratio was 22,8% against 21,4% in the same period last year. In terms of value, cost of sales increased by PLN 42 104 thousand.

The main item in this group of costs is transportation costs. The indicator of sales revenue load by transportation costs amounted in 2015 to 8,3% against 7,9% in the previous year. Several factors have influenced the rate increase: significantly higher dynamics of sale growth on the Spanish market, where the costs of transportation are relatively high, adapting the method of packaging and delivery of products exactly in accordance with the needs of the biggest customers and decrease in goods traffic to Russia.

Another factor affecting the increase in sale costs was significant increase in rented warehouse spaces and consequently, the increase in their handling costs, as well as costs of licence fees of the trademark in relation to its contribution to the subsidiary company.

General costs – the costs to revenue ratio was 3,7% against 4,1% in 2014.

Other operating expenses at the end of 2015 amounted to PLN 17 145 thousand (compared to PLN 5 539 thousand in 2014)

The most important items in this cost group include:

- costs associated with the liquidation of products damaged during production and logistics processes and liquidation of models, which were withdrawn from the offer in 2015 (every year the company replaces approx. 40% of the collection) and which the company was unable to sell. This item, i.e. PLN 5 944 000, is higher than in the previous years, which was caused by the lack of sufficient storage space at the beginning of the year. In the subsequent years, thanks to the launching of new warehouse with an area of over 15 000 m2 in Ostrów Mazowiecka, the costs should return to the level from previous years – i.e. below 0.4% of turnover.

- penalty charges due to delayed deliveries – lack of sufficient storage space and logistic capabilities in the peak of the season, i.e. October 2014 – February 2015, resulting from the demand that increased Company's expectations, had a negative impact on timely implementation of the orders of the customers, which resulted in the payment of penalties by the Company in the amount of PLN 4 352 000. The Management Board considers this to be a one-time event, because due to increase of the warehouse spaces and reorganization of the processes that manage the chain of delivery to the customers, this problem should not occur in the following years.

- inventory differences – such significant inventory shortages – PLN 2 233 000 result from the imperfections of the stock management systems that have been used so far by the Company. In 2015, along with the increase in storage space, the Company implemented a brand new, fully computerized, management system WMS in all locations, along with the procedures of regular audits in the context of stock status compliance. The Management Board believes that the above-mentioned actions will allow to maximally reduce the possibility of the occurrence of inventory difference in the following years.

-the last significant item in this cost category – the amount of PLN 2 230 000– consists of the liquidation cost of the damages associated with the construction catastrophe, which was the collapse of the part of production hall in Suwałki. The company received compensation in this respect amounting to PLN 2 200 000, the value of which has been listed in the item of other operating income.

Other operating expenses at the end of 2015 amounted to PLN 6,316 thousand (compared to PLN 2 074 thousand in 2014) The most important items in this category of income include: Received compensations – PLN 4 232 000 (this amount includes PLN 2 200 000 due to construction catastrophe in Suwałki and PLN 1 260 000 due to delayed performance of the investment contract) and valuation of the investment real estate - PLN 1 422 000.

Operating profit amounted to PLN 8 402 thousand (8.6% of revenues), and was lower by 4,2% than the operating

profit earned in the same period of last year.

Financial revenues amounted to PLN 6 411 thousand (compared to PLN 6 190 thousand in 2014). The most significant item in the category of financial revenues constitute the obtained dividends- PLN 5 418 thousand.

Financial costs amounted to PLN 2 460 thousand (compared to PLN 2 006 thousand in 2014) Basic items of the financial costs comprise of interest on loans and leasing - PLN 1 113 000 and exchange rate differences - PLN 1 269 000.

Net profit of the Company amounted to PLN 77 936 000 (8.2% of income) and was higher by 4.5% compared to the net profit in 2014.

A positive impact on the net result in 2015 (PLN 5 599 000) had the release of reserves for deferred tax relating to the real estate, contributed to the subsidiary company within optimization project, which took place in III quarter of the year.

16. Evaluation of factors and unusual events affecting the result of business activity for the financial year, including determination of the degree of influence of these factors and unusual events on the achieved result.

There were no other factors or unusual events besides those described in section 15 of this report.

17. Situation on the basic raw materials market is perceived as quite stable.

2015 was another year in which the company has achieved financial success expressed in increased turnover and net result, expanded the product offer and increased the number of its customers both on European market and global market.

The adopted development strategy of Forte Group for the next 5 years do not only assumes the significant increase in sale income, but also the strengthening of the base of operation through adopted Development Plan, which foresees: the construction of a modern production plant from the chipboard intended for internal needs, construction of a brand new furniture production plant and further expansions of the logistics and storage area. The Management Board assumes that planned actions will enable further dynamic development of FORTE and that they will establish Company's position as one of the world's leading companies in the production of self-assembly furniture.

Total investment expenditures until 2021, associated with implementation of the Forte Group's Development Plan, will amount to approx. 600 million PLN. Financing of the investment program has been secured by the Company's Management Board. Moreover, the significance of FORTE Group's investment has been recognized by the Ministry of Economy as essential for securing existing jobs and creating additional jobs in the region by granting a government grant to fund the investment in the amount of 57.1 million PLN.

18. Changes in basic principles of company management of Issuer and his capital group

Did not occur.

19. Any agreements concluded between the Company and the Management staff regarding compensation in case of their resignation or dismissal from the performed function without an important cause or in case their recall or dismissal is due to merger by acquisition

The Company concluded the following with persons managing:

agreement providing that in case of termination of service of the CEO, he/she will be entitled to severance pay equal to 24 monthly salaries calculated on the basis of the average monthly salary for the last twelve months of employment;

agreement providing that in the case of recalling the Manager compensation equal to his 6 month remuneration, , unless the basis for the dismissal will be any of the following reasons: committing a crime by the Manager against the Company, serious and culpable violation by the Manager of the provisions in the field of securities trading, breach of essential contractual obligations, existence of a permanent impediment to the exercise by the Manager of the function of the member of Management Board lasting longer than two months in total. The agreement also provides that the Manager may terminate the agreement in the event of a breach by the Company of the relevant obligations under the agreement In this case, the Manager will be entitled to compensation in the amount of 6 of his/her monthly salaries. Also in the case of non-appointment of the Manager for the 2014-2019 term of the Management Board, the given member of the Management

Board will be entitled to compensation in the amount of his/her 6 monthly salaries, with the exclusion of the cases specified above on the side of the Manager.

20. Employment, HR policy in Forte. FORTE

The structure of employment according to professions education, gender and the type of work performed

Employment structure	Status as at: 2015	2014
according to education		
University degree	15%	14%
Secondary education	46%	46%
Vocational	28%	28%
Primary education	11%	12%
as per gender		
Women	30%	28%
Men	70%	72%
according to the type of work		
Blue-collar workers	83%	83%
White-collar workers	17%	17%

As at the end of 2015, the Company was employing 3 017 people as compared to 2 909 people in 2014. The 3.7% increase in employment in comparison to the number as at the end of 2014 derived from greater sales and associated expansion of tasks in production and logistics areas.

The Company's employment structure in 2015 was dominated by manual labourers with secondary education, similarly to 2014. Men represented approx. 70% of human resources at Forte.

20.1. Development and training

Training

Internal training schemes are an excellent opportunity to improve and harmonise the knowledge of our employees. The trainings are conducted both by internal experts-employees of Company, and by external trainers and lecturers. Such trainings conducted by internal trainers give the employees an opportunity to better understand the needs of the company, as well as to get to know their co-workers and tasks assigned to other organisational units. This type of trainings and workshops are also an excellent opportunity to implement new solutions in the company, such as e.g. new procedures or new tools.

On the other hand, trainings conducted by external experts and trainers are necessary in the case of providing new knowledge and competences, which the company's employees do not possess.

In 2015, the recruitment for newly created position of Training Coordinator was carried out. The task of Training Coordinator is to plan and organize trainings for employees.

FORTE academy

In 2015, the FORTE Academy was created. Under its auspices, two major development projects were launched:

Comprehensive Leadership Program, which is addressed to all directors working in the Company, focused on strategic management in a modern production company.

Postgraduate studies, whose program includes operational management in a modern production company. Postgraduate studies are an open program and every FORTE employee who has a degree and who has passed recruitment process can take part in it.

In the following years, further development of FORTE Academy is planned. Also, the trainings for line employees are supposed to be launched within the framework of FORTE Academy.

English for children and staff

The Company continued in 2015 its innovative educational project together with the AMF Foundation, intended for children of workers of the factory in Ostrów Mazowiecka, called Forte School of Languages [Szkoła Języków Forte]. It offers free classes of English and German for school-aged children.

Kindergarten and nursery

In September 2015, the opening of company kindergarten along with nursery division „Yellow Elephant" took place, which is located by the Company's factory in Ostrów Mazowiecka. Kindergarten, along with nursery division, has been constructed and equipped according to the highest European standards, with the aim of improving the comfort of work for young parents – employees of the Company. Education in this facility is conducted with the use of bilingual system (Polish-English) according to the original curriculum.

20.2. Apprenticeship plans and practices.

For two years now, FORTE has been carrying out active cooperation with the Department of Wood Technology of Warsaw University of Life Science and Poznań University of Life Sciences, which mainly consists of implementation of joint undertakings, which may result in new construction and technological solutions. The Company offers participation in professional internships for university students with individual student profiles, offering new projects realized by students in the form of diploma thesis or contests. Forte company also successfully commenced similar cooperation with other universities, among others, Technical University in Białystok, University of Ecology and Management in Warsaw. In the second half of 2015 FORTE established cooperation with vocational high schools educating pupils in classes of wood technology, mechanics or carpentry in each of its locations. Pupils will be able to undergo apprenticeships in plants and use the professional, practical knowledge of experts working in FORTE and in the future they might commence their career path at FORTE.

21. Amount of remuneration, rewards and benefits, including under incentive or bonus schemes based on the Issuer's capital.

On 10 June 2014 Annual General Meeting of Shareholders approved introduction of an incentive programme for the Members of Management Board.

The aim of Incentive Program is to strive for development of the Company's Capital Group and its subsidiaries through the creation of incentive mechanisms for people responsible for management, relating to the financial results of the Capital Group and increasing the value of Company shares.

This program is settled by issuing equity instruments in exchange for provided services – a total of 356 220 personal Subscription Warrants of the Company in three series at the issue prices equal to the arithmetic mean of share price of the Company, listed on the Warsaw Stock Exchange, calculated based on the exchange quotations of these shares in the period from 28 April 2014 to 10 June 2014.

The issue price of the Company share of series H has been adopted with the Resolution of the Supervisory Board dated 27 October 2014, in the amount of 46,19 PLN. Each Warrant entitles to acquire one share of series H for the issue price.

The table below presents the scope of the adopted incentive scheme for unrealised Series, in accordance with the agreed Rules of the Incentive Scheme.

	Series D	**Series E**	**Series F**
Number of subscription warrants	118 740	118 740	118 740
Vesting period	10.06.2014 - 31.12.2014	01.01.2015 - 31.12.2015	01.01.2016 - 31.12.2016
Conditions for entitlement to acquire warrants	1/ non submission by the statutory auditor of any major reservations with regards to the consolidated annual financial report of the Capital Group for the financial year 2014, 2/ increase by at least 10% of net profit per Company's share as at 31 December 2014 as compared to the result from the end of 2013 3/ increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2014 as compared to the average price of the Company's shares on the	1/ non submission by the statutory auditor of any major reservations with regards to the consolidated annual financial report of the Capital Group for the financial year 2015, 2/ increase by at least 10% of net profit per Company's share as at 31 December 2015 as compared to the result from the end of 2014 3/ increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2015 as compared to the average price of the Company's shares on the	1/ non submission by the statutory auditor of any major reservations with regards to the consolidated annual financial report of the Capital Group for the financial year 2016, 2/ increase by at least 10% of net profit per Company's share as at 31 December 2016 as compared to the result from the end of 2015 3/ increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2016 as compared to the average price of the Company's shares on the

WSE in December 2013	WSE in December 2014	WSE in December 2015

3/ serving as a Member of the Management Board for at least six months in the given period and remaining at the position at the end of the given period, as well as obtaining acknowledgement of fulfilment of duties of the Member of the Management Board of the Company during the given period

Increase of net profit per one Company share constituting the condition for offering the Warrants for a given period is established on the basis of the consolidated annual financial report of the Capital Group, investigated by the statutory auditor and approved via a resolution by the Annual Meeting of Shareholders of the Company.
Execution of rights from Warrants may take place no sooner than post the period of 1 year from the formal decision concerning their take over and no later than on 30 November 2018.
Series of the incentive programme are considered as separate programmes in the meaning of MSSF 2.

Fair value of incentive scheme

Fair value of the program for series E was determined in the amount of PLN 991 000. In the report prepared as of 30 June 2015, the amount of PLN 496 000 was recognized – in the increase of equity in the position of incentive program and in the costs of employee benefits. As of 31 December 2015, another analysis of the conditions that entitle to acquire the warrants was conducted. Due to the failure to comply with conditions for program implementation, previously recognized 50% of the fair value of the program was derecognized from the costs of employee benefits.

The number and weighted average prices of the implementation of warrants are as follows:

	Series	Number of warrants	average weighted price of completion
Occurs as per 01.01.2015 including:		**356 220**	
	D	118 740	46,19
	E	118 740	46,19
	F	118 740	46,19
Change during reporting period			
Expired in 2015	E	118 740	46,19
Occurring as per 31.12.2015		**237 480**	
Possible for completion as per 31.12.2015	D	118 740	46,19
	F	118 740	46,19

Remuneration paid or payable to the members of the Management Board and Supervisory Board of the Company

	Period of 12 months ended	
	31.12.2015	**31.12.2014**
Management Board's remuneration, including:	**11 800**	**11 106**
in the Issuer's enterprise	**11 017**	**10 489**
Maciej Formanowicz	4 348	3 229
Gert Coopmann	2 558	2 935
Klaus Dieter Dahlem	1 922	1 666
Maria Florczuk	729	520
Mariusz Gazda	1 022	813
Robert Rogowski	-	614
Rafał Prendke	438	712
for performing functions in the governing bodies of the subsidiaries	**783**	**617**
Maciej Formanowicz	537	403
Gert Coopmann	246	214

On 22 Apri 2015 Mr Władysław Frasyniuk submitted a declaration of resignation as of 19 May 2015 from performing the function of Member of the Supervisory Board. The cause of resignation were personal matters.

Supervisory Board:	**279**	**216**
Zbigniew Sebastian	69	48
Władysław Frasyniuk	17	42
Stanisław Krauz	52	42
Marek Rocki	-	19
Tomasz Domagalski	52	42
Stefan Golonka	52	23
Jerzy Smardzewski	37	-

Detailed changes in the composition of the Supervisory Board have been described in point 10 of corporate governance.

22. Specification of the total number and face value of the Issuer's shares held by members of the management and supervisory bodies.

Issuer's managing and supervising persons		**Number of shares with a nominal value of PLN 1 each.**
Klaus Dahlem	Member of the Management Board	50 000
Gert Coopmann	Member of the Management Board	50 000
Zbigniew Sebastian	Chairman of the Supervisory Board	300
Dariusz Bilwin	Proxy	1 500

23. Fabryki Mebli "Forte" S.A. share price performance

Shares of Fabryki Mebli "Forte" S.A. are listed on the Warsaw Stock Exchange in Warsaw in the continuous trading system.

Key data on Forte shares:

Key data	**2015**	**2014**
Company's net profit in PLN '000	77 936	74 612
The highest share price in PLN	62,50	59,45
The lowest share price in PLN	49,39	35,70
Share price at the end of the year in PLN	53,40	51,50
P/E ratio as of the end of the year	16,38	16,39
Number of shares on the stock exchange (in items)	23 901 084	23 751 084
Average daily trading volume (in items)	21 526	31 135

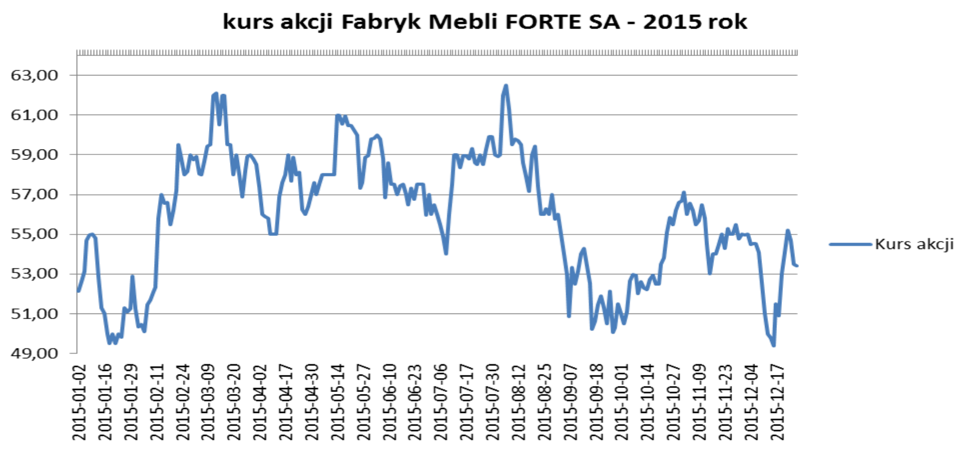


Chart. Chart showing price of shares of Forte S.A. in 2015
(source: http://www.gpwinfostrefa.pl/GPWIS2/pl/emitents/quotations/FORTE,PLFORTE00012

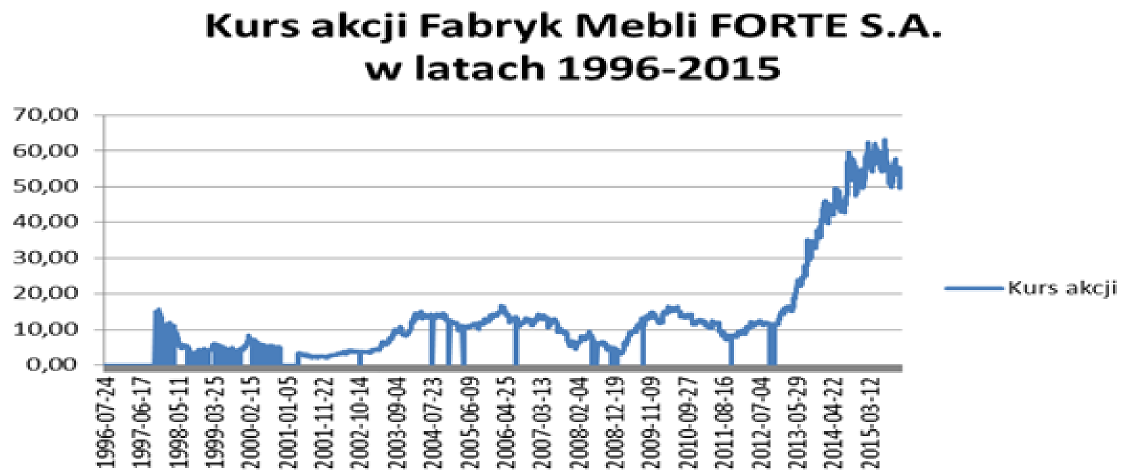


Chart. Price of shares of Forte S.A. in years 1996-2015
(source: http://www.gpwinfostrefa.pl/GPWIS2/pl/emitents/quotations/FORTE,PLFORTE00012)

24. Information concerning agreements known to the Issuer which may change the proportion of shares held by the existing shareholders.

The Issuer does not possess such information.

25. Information concerning control system of the employee s hare programme.

Did not occur.

26. Information on court proceedings whose total value constitutes at least 10% of the Issuer's own funds.

Did not occur.

27. Information on the contract with an entity authorised to audit financial statements.

In the reporting period and the comparative period, the Company entered into the following agreements with BDO Sp. z o.o. as an entity authorised to audit financial statements:

On 21 May 2015:

- For the audit of the interim separate financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 30 June 2015. For the execution of the above agreement, the parties agreed on remuneration in the amount of PLN 32 thousand net.
- For the audit of separate financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 31 December 2015. For the execution of the above agreement, the parties agreed on remuneration in the amount of PLN 56 thousand net.

On 15 May 2014:

- For the audit of the interim separate financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 30 June 2014. For the execution of the above agreement, the parties agreed on remuneration in the amount of PLN 32 thousand net.
- For the audit of separate financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 31 December 2014. For the execution of the above agreement, the parties agreed on remuneration in the amount of PLN 56 thousand net.

28. Structure of assets and liabilities

Liquidity and efficiency analysis	2015	2014
Current liquidity (current assets/ short-term liabilities)	1,7	3,1
Quick liquidity (current assets – inventories/ short-term liabilities)	1,1	1,8
Receivables rotation in days (average trade receivables * 365/ sales revenues)	51	44
Inventory turnover in days (average inventory * 365/ own cost of sales)	85	90
Liabilities rotation in days (average trade liabilities * 365/ own cost of sales)	31	29
Rotation of current assets in days (average current assets * 365 / sales revenues) 143	141	143

Characteristics of the balance sheet structure	2015		2014		% Change
	in PLN '000	% of the balance sheet total	in PLN '000	% of the balance sheet total	2015/2014
Non-current assets	293 050	43,0%	272 857	43,8%	7,4%
Current assets	388 344	57,0%	349 767	56,2%	11,0%
Total assets	**681 394**	**100%**	**622 624**	**100%**	
Equity	438 030	64,3%	405 015	65,0%	8,15%
Long-term liabilities and provisions	20 563	3,0%	103 492	16,6%	(80,1%)
Short-term liabilities and provisions	222 801	32,7%	114 117	18,4%	95,2%
Total equity and liabilities	**681 394**	**100%**	**622 624**	**100%**	

In 2015, the Company recorded an increase in **balance sheet total** by PLN 58 770 thousand.

Fixed assets increased by PLN 20 193 thousand which is the effect of a surplus of the investment expenditure over annual depreciation.

The increase in **current assets** by PLN 38 577 thousand is mainly due to the increase in inventories (PLN 39 698 thousand) and receivables (PLN 10 251 thousand).

An increase in the **balance of receivables** from supplies and services is a derivative of significantly higher sales in the last months of 2015, compared to the end of 2014.

On the side of **liabilities** there have been increases of liabilities connected with: bank loans (by PLN 18 130 thousand), trade and other payables (by 17 730 thousand) and provisions and accruals (by PLN 6 531 thousand). Liabilities arising from the income tax have decreased (PLN 9 071 000) due to the payment of higher monthly advances in simplified form by the Company, compared to the previous year.

The increase in **bank loans** balance arises from the Company's foreign exchange risk management policy as well as from the use of loans for financing investments in 2015.

Increase in the balance of **trade liabilities** is the consequence of increased production. The Company timely performs all of its obligations which is confirmed by a stable 30 day indicator of rotation of liabilities.

The increase in **reserves and accruals** is due to, above all, an increase of sales revenues and the level of reserves on bonuses and non-inclusion of clients whose settlement will be conducted in 2016.

The Company maintains a good financial liquidity. The closing **balance of cash** at the end of the reporting period was PLN 45 846 thousand, which as compared to the end of 2014 was a decrease by PLN 2 253 thousand.

29. Major events which influenced the activity and financial results of the Issuer in the financial year and after the end of the year, and those whose influence may be apparent in the forthcoming years.

In 2015, the Company continued to implement a number of projects in various areas of operations – from sales and its support, further modernisation of factories, development of IT systems and support systems for supply chain management.

Among the most important events of 2015, the Company may include:

- production of record volume of furniture sets and reaching a record level of revenues on sales,
- handover for use by the subsidiary of FORTE of modern storehouse of high storage capacity in Ostrów Mazowiecka which to a significant degree impacted the increase in logistical capacities of the Company and the quality and on time delivery,
- elaboration of development strategy for the upcoming period of 5 years,
- implementation of electronic document flow in the Customer Service Office which had a key impact on optimizing and managing the processes in the entire supply chain area,
- implementation of a number of original systems in Logistics Department which significantly shortened the realization time of planning processes and enabled the controls over the entire process. Through implementation of these solutions the Company is able to control the logistics process from its planning stage to the delivery stage to the client,
- implementation of Business discovery class system-quick view which, within the area of advanced data analysis enables the control of indicators and which supports making business decisions,
- continuation of manufacturing processes optimisation, among others, by development of investments allowing for the further increase of production capacity

30. Description of the structure of major capital investments made within the given financial year.

On 13.02.2015 a company DYSTRI-FORTE Sp. z o.o. was registered under KRS number 0000543794 with its seat in Ostrów Mazowiecka at ul. Biała 1. Company share capital amounted to PLN 5 000. The sole shareholder of DYSTRI-FORTE Sp. z o.o. is the Issuer.

On 26 February 2015 the company TANNE Sp. z o.o. was registered under the KRS number 0000546082 with its seat in Suwałki ul. Północna 30 Company share capital amounted to PLN 5,000. The sole shareholder of TANNE Sp. z o.o. is the Issuer.

On 28 August 2015 the Issuer obtained 100% shares in the company ANTWERP Sp. z o.o. with its seat in Warsaw at ul. Żelazna no. 67/3, registered with KRS number 0000399974. Company share capital amounted to PLN 5 000.

On 28 August 2015 the Issuer obtained 100% of shares in the company ANTWERP Sp. z o.o. –XXXIV – limited joint-stock partnership with its seat in Wrocław, at ul. Św. Mikołaja 81, registered in KRS under the number 0000480008. Company share capital amounted to PLN 50 thousand on the purchase date.

On 08 September 2015 the Issuer transferred via contribution in kind onto company ANTWERP Sp. z o.o. -XXXIV- limited joint-stock company the rights to property and intellectual property with total value of PLN 205 million (Notary act Rep. A no. 4149/2015). As a result of this contribution the share capital of ANTWERP Sp. z o.o company -XXXIV- joint-stock partnership was increased up to the amount of PLN 150 thousand The surplus of contribution in kind over the nominal value of the covered shares was transferred to the reserve capital.

On 08 September 2015 the subsidiary ANTWERP Sp. z o.o. obtained 100% of shares in the company TERCEIRA Sp. z o.o. with its seat in Warsaw at ul. Syta 99B/6, registered in KRS under the number 0000535948. Company share capital amounts to PLN 5 thousand

On 26 October 2015 ANTWERP Sp. z o.o. -XXXIV-S.K.A with its seat in Wrocław, obtained from TERCEIRA Sp. z o.o. bonds:

- 20 non-secured bearer's bonds of A series with total nominal value of PLN 200 000 for the total issue price equal to the nominal value of the bond,
- 17 non-secured bearer's bonds of B series with total nominal value of PLN 6 800 for the total issue price equal to the nominal value of the bond,

Rights resulting from the bonds were transferred onto ANTWERP Sp. z o.o. -XXXIV-S.K.A as of 26 October 2015 TERCEIRA Sp. z o.o. obliged itself to purchase bods on 31 October 2020. The redemption of bonds will take place via payment towards ANTWERP Sp. z o.o. -XXXIV-S.K.A of nominal value of bonds with due interest. Bonds are subject to interest rate of 4% per annum for the entire period of validity of bonds until the date of redemption.

At the same time, on 26 October 2015 ANTWERP Sp. z o.o. -XXXIV-S.K.A concluded with TERCEIRA Sp. z o.o. an agreement pursuant to which in order to be released from obligation of payment of liabilities in the amount of PLN 206,800

on account of obtaining bonds issued by TERCEIRA Sp. z o.o.. , ANTWERP Sp. z o.o. -XXXIV-S.K.A transferred onto Terceira Sp. z o.o. the enterprise encompassing the set of tangible and non-tangible assets designated for conduct of economic activity of the value of PLN 206 800. The key components of the enterprise ANTWERP Sp. z o.o. -XXXIV-S.K.A were the property rights to trademark and the ownership right to property located in Wrocław, Przemyśl and Kraków.
On 7 December 2015 ANTWERP Sp. z o.o. -XXXIV-S.K.A purchased from ANTWERP Sp. z o.o. 100% shares in the company TERCEIRA Sp. z o.o.

On 7 December 2015 an increase of company share capital TERCEIRA Sp. z o.o. from PLN 5 thousand to PLN 55 thousand occurred. 100% of shares in the increased share capital of TERCEIRA Sp. z o. o. was covered by ANTWERP Sp. z o.o. -XXXIV-S.K.A
in exchange for financial contribution of PLN 207 600. The surplus of value of the contribution over the nominal value of the obtained shares was transferred to the reserve capital of the company.

31. Description of off-balance sheet items by counterparty, object and value.

On 27 March 2013 the Company granted four loan guarantees for loans taken by FURNIREX Sp. z o.o. with its seat in Hajnówka for the financing of technological investment of total value of PLN 18 299
FURNIREX Sp. z o.o. submitted an offer to the Dominating Company pursuant to which it invested the means obtained from technological loans into modern investments which were located in the production areas rented out from Forte S.A. in Hajnówka. FURNIREX Sp. z o.o. with the use of modern technologies uses the services of processing the obtained material for FORTE and for other furniture producers. Guarantees were granted for BRE Bank S.A. (current mBank S.A.) with the validity period until 30 June 2018. Loan balance as per 31 December 2015 amounts to PLN 3 009 thousand (31 December 2014 PLN 4 553 thousand).

On 14 December 2015 the Company provided surety and obliged itself to execute all financial obligations of its subsidiary DYSTRI-FORTE Sp. z o.o. with its seat in Ostrów Mazowiecka at ul. Biała 1 stemming from loan agreement of 14 December 2015 concluded between DYSTRI-FORTE Sp. z o.o. and ING Bank Śląski SA. Company obliged itself to fulfil all liabilities of the Borrower covering in particular the total repayment of the main amount of the loan, interest, commission, fees and other costs up to the amount of EUR 8 700 thousand until 29 October 2024. Loan balance as per 31 December 2015 amounts to PLN 19 805 thousand

32. Selected financial data converted on the basis of the following exchange rates.

- Individual items of assets and liabilities as at 31 December 2015 were converted by the average exchange rate of EUR 1 dated 31 December 2015 (1 EUR = PLN 4.2615). Particular items of the profit and loss account and the cash flow statement for the year 2015 were calculated on the basis of exchange rates constituting the arithmetic mean of rates established on the last day of each month (average per 1 EUR in 2015 = PLN 4.1848).
- Individual items of assets and liabilities as at 31 December 2014 were converted by the average exchange rate of EUR 1 dated 31 December 2014 (1 EUR = PLN 4.2623). Particular items of the profit and loss account and the cash flow statement for the year 2014 were calculated on the basis of exchange rates constituting the arithmetic mean of rates established on the last day of each month (average per 1 EUR in 2014 = PLN 4.1893).

33. Statement of the Management Board concerning the entity authorised to audit financial statements of the Issuer.

The Management Board of Fabryki Mebli "FORTE" S.A. represents that the entity authorised to audit the financial statements reviewing the annual financial statements of the Issuer was selected in accordance with the provisions of law and meets the conditions required to issue unbiased and independent audit reports, in line with the regulations in force and professional standards.

34. Statement of the Management Board regarding the reliability of the financial statements of the Issuer.

The Management Board of Fabryki Mebli "FORTE" S.A. represents that, to the best of their knowledge, the annual financial statements of the Issuer for 2015 and comparative data were prepared in accordance with the binding accounting principles and truly, accurately and clearly reflect the actual and financial situation and the financial result of the Issuer.

Moreover, the Management Board represents that the annual Management Board's report on the operations contains a true description of the development and achievements as well as the condition of the Issuer, including basic risks and threats.

President of the Management Board
Maciej Formanowicz

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Member of the Management Board
Gert Coopmann

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Member of the Management Board
Klaus Dieter Dahlem

………………………

Member of the Management Board
Maria Florczuk

………………………

Member of the Management Board
Mariusz Gazda

………………………

Ostrów Mazowiecka, 17 March 2016

II CORPORATE GOVERNANCE

In accordance with § 91(5)(4) of the Regulation of the Minister of Finance of 19 February 2009 concerning current and periodic information provided by securities Issuers and conditions of recognising as equivalent information required under the regulations of a state not being a member state (Journal of Laws No 33, item 259, as amended), the Management Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka (hereinafter: the "Company" of "FORTE") submits the statement regarding the Company's application of the principles of corporate governance in 2015. Declaration concerning Corporate Governance principles applied by the Company in 2014 constitutes a separate part of the report of activities of FORTE and is published on the internet website of the Company.

1. Set of corporate governance principles observed by the Issuer and the place where their content is available for the public, and provisions waived by the Issuer with the explanation of the reasons for the waiver.

The Management Board of the Company represents that in 2015 the Company observed corporate governance principles included in the document "Code of Best Practice for WSE Listed Companies" constituting an appendix to Resolution No 12/1170/2007 of the Exchange Supervisory Board of 4 July 2007 as amended. The above noted document is available to the public on the following website of the Warsaw Stock Exchange S.A.: http://www.corp-gov.gpw.pl/publications.asp.

In 2015 the Company did not follow the below principles of corporate governance:

Part I principle No 5

"The company should have a remuneration policy in place, as well as rules for defining the policy. The remuneration policy should in particular define the form, structure and level of remuneration of members of supervisory and management bodies. In determining the remuneration policy for members of supervisory and management bodies, the European Commission Recommendation of 14 December 2004 should apply, fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC)."

The Company does not apply the above-mentioned principle in the part regarding the remuneration policy and the rules of its defining in relation to supervisory and management bodies. The Company applies Remuneration Regulations determining the principles of remuneration and granting cash benefits to the employees of FORTE. In accordance with the valid provisions of law and the Company's Articles of Association, the principles of granting remuneration and the amount of remuneration for Members of the Supervisory Board are determined by the Annual General Meeting, and the decision on the amount of remuneration for the Company's Management Board is made by the Supervisory Board.
The amount of remuneration of members of the Company's bodies and other benefits granted to these individuals during a given financial year are presented in the annual financial statements of the Company.

Part I principle No 9

"The WSE recommends to public companies and their shareholders that they ensure "a balanced proportion of women and men in the management and supervisory functions in their enterprises, thus reinforcing the creativity and innovation of the companies' economic activity.

The Company pursues a policy of appointing competent, creative persons with adequate education and working experience as members of supervisory and management bodies. Other factors, including gender, may not be a factor in the above-mentioned scope. FORTE does not consider as justifiable to introduce regulations based on pre-set parities on account of gender. Decisions regarding the selection of persons supervising and managing the company shall remain the responsibility of the authorized Company bodies.

Part I principle No 12

"The Company should enable its shareholders to exercise the voting rights during general meeting either in person or by proxy, outside the venue of the general meeting, with the use of electronic means of communication."

According to the Company, the manner of holding previous General Meetings adequately enables shareholders to participate in the General Meeting and to exercise their rights in this scope. Taking into consideration the costs related to ensuring the participation of shareholders in the General Meeting with the use of means of electronic communication as well as the risks and scarce experience of the market in the scope, the Company decided in 2013 not to enable its shareholders to participate in the general meeting with the use of electronic means of communication. As the use of modern technology becomes more widespread and adequate safety level of their application is ensured, the Company will consider applying this principle in practice.

Part II principle No 1 item 9a 9

"The Company operates a corporate website and, apart from information required by law, places on it (...) the record of the proceedings of the general meeting, in the form of audio or video."

According to the Management Board, the history of the previous General Meetings of FABRYKI MEBLI "FORTE" S.A. does not require making and placing on the website of the record in the form of audio or video. The General Meetings take place in the registered seat of the Company, and therefore participation in them is not hindered in any manner for Shareholders interested in the proceedings. Moreover, in accordance with binding provisions, the Company places on its website the notice of the General Meeting together with the agenda, draft resolutions and any required documentation and announces it to the public in the form of a current report. The proceedings of the General Meeting are recorded in detail in the form of notarial minutes. Additionally, the publication of required current reports and posting relevant information on the Company's website enables the Shareholders to review all material information regarding the General Meetings. Such principles guarantee transparency of the proceedings of the General Meetings, and will ensure their full and actual record. The Company does not exclude the possibility of applying the above-mentioned principle in the future

Part IV principle No 10

"The Company should enable its shareholders to participate in the General Meeting using electronic means of communication in the following manner:
1) real-time transmission of the general meeting,
2) real-time bilateral communication where shareholders may take the floor during the general meeting from a location other than the location of the general meeting."

In accordance with binding provisions, the Company places on its website the notice of the General Meeting together with the agenda, draft resolutions and any required documentation and announces it to the public in the form of a current report. The proceedings of the General Meeting are recorded in detail in the form of notarial minutes. Additionally, the publication of required current reports and posting relevant information on the Company's website enables the Shareholders to review all material information regarding the General Meetings.
Taking into consideration the lack of a developed market practice, organising the General Meeting with the use of electronic means of communication bears significant risks of both legal and technical nature. The applicable provisions of law do not determine the status of a shareholder participating in the General Meeting with the use of electronic means of communication, despite not taking part in the voting, which gives rise to additional doubts and may expose both the Company and the shareholders to unnecessary legal risk.

On 13 October 2015 the Supervisory Board of the Warsaw Stock Exchange S.A. passed a resolution no 26/1413/2015 on acceptance of the new set of rules of corporate governance under the name " Good Practices of Companies listed on WSE 2016" (further referred to as Good Practices 2016). New rules are in place from 1 January 2016 and are available on the official internet website of the Warsaw Stock Exchange S.A under the address:
https://static.gpw.pl/pub/files/PDF/RG/DPSN2016__GPW.pdf

FORTE complies with the majority of recommendations and detailed principles included in Good Practices 2016 with the exclusion of:

Recommendation IV R2. -Bearing in mind the possibility of fulfilling the requirements necessary for the correct identification of the shareholder and maintaining the right level of safety of electronic communication throughout the Annual General Meeting of Shareholders, in particular, during the process of voting at the General Meeting, the Company decided not to apply this recommendation in its part. In the course of the Meeting of Shareholders the Company will enable the shareholders to execute their voting rights in persons or via proxy.

Principle:
I. Z. (1) (20) -According to the Management Board, the history of the previous General Meetings of FABRYKI MEBLI "FORTE" S.A. does not require making and placing on the website of the record in the form of audio or video. The General Meetings take place in the registered seat of the Company, and therefore participation in them is not hindered in any manner for Shareholders interested in the proceedings. Moreover, in accordance with binding provisions, the Company

places on its website the notice of the General Meeting together with the agenda, draft resolutions and any required documentation and announces it to the public in the form of a current report. The proceedings of the General Meeting are recorded in detail in the form of notarial minutes. Additionally, the publication of required current reports and posting relevant information on the Company's website enables the Shareholders to review all material information regarding the General Meetings.

III. Z. (3) -the Company currently conducts intense works targeted at introducing and applying international standards of professional practices of internal audits within the internal audit of the Company. The Company will immediately pass the information to public regarding the application of the above rule.

IV. Z. (2) -Current concentrated structure of the shareholding of the Company does not include incurring any significant additional costs related to organization of the transmission. Currently applied principles of participation in Meetings of Shareholders are compliantwith the regulations in place of the code of trade companies, Statute of the Company and other provisions of law. Organization of the course of Meetings of Shareholders sufficiently secures the interest of all shareholders.

V. Z. (6) -the Company currently partly applies this principle. Within internal regulations of the Company (Management Board Regulations, Regulation of the Supervisory Board) principles of proceedings related to the occurrence of conflict of interests have been described, however, they are not described in such detail as they are within the above principle.

VI. Z. (4) The Company applies Remuneration Regulations determining the principles of remuneration and granting cash benefits to the employees of FORTE. In accordance with the valid provisions of law and the Company's Articles of Association, the principles of granting remuneration and the amount of remuneration for Members of the Supervisory Board are determined by the General Meeting, and the decision on the amount of remuneration for the Company's Management Board is made by the Supervisory Board.

The amount of remuneration of members of the Company's bodies and other benefits granted to these individuals during a given financial year are presented in the annual financial statements of the Company.

2. Description of the basic characteristics of internal control and risk management systems applied by the.Issuer with respect to the process of preparing financial statements and consolidated financial statements

Management Board of the Company is responsible for the conduct of Company accounts in accordance with the Act of 29 September 1994 on accounts (Journal of Law, no. 121, item 591 as amended) and the internal control system and efficiency of its functioning in the process of creating financial reports.

A Member of the Management Board responsible for financial matters supervises the process of preparing the Company's financial statements and interim reports. Both separate and consolidated statements are prepared by the employees of the Finance Office controlled by the Chief Accountant and the Member of the Management Board responsible for the Company's finances.

In order to provide reliability and correctness of the process of elaboration of financial reports a number of control mechanisms have been designed and implemented which are an integral part of the reporting system. These mechanisms consist, above all, in applying on an ongoing basis verification of reported data with accounting books, analytical data and other documents constituting the basis for elaboration of financial reports and the provisions of law in force iin the scope of accounting rules and principles of elaboration of financial reports.

The process of preparing financial data for the purpose of reporting is automated, and subject to formalised operational and acceptance procedures.

The Company possesses relevant procedures for preparing financial statements which payment ensuring the complete and correct recognition of all business transactions in a given scope. These procedures include in particular:

- adequate internal communication in the scope of preparing the process of preparing financial statements,
- detailed planning of all activities related to the preparation of the financial statements and determining a detailed activity scheduled together with assigning responsibility of individual persons for given actions.

The monitoring of the completeness of economic events is additionally supported by the V-desk electronic document circulation system. This system records in particular all incoming invoices, as well as all agreements concluded by the Issuer. Access to electronic circulation of documents is grounded in the scope of their competence to authorised Company staff.

The V-desk system covers the registration, factual description, boasting and acceptance of invoices – in accordance with competences assigned by the Management Board.

Accepted invoices are imported to the SAP R3 operating system after prior verification of the correctness of accounting descriptions by the Accounting Office employees.

FABRYKI MEBLI "FORTE" S.A. keeps accounting books in the integrated SAP R/3 system, in accordance with the accounting policy of the Company approved by the Management Board, based on the International Accounting Standards.

The structure of the system ensures clear division of competences, consistency of accounting entries and control between the general ledger and sub-ledgers. High flexibility of the system allows for its ongoing adjustment to the changing accounting principles and other legal regulations.

The company has implemented a new investment procedure the key objective of which is to enable full supervision over every stage of planning ad realization of an investment. The ongoing analysis f investment processes ensures reliable financial, material and tangible information of an investment. It allows to identify potential errors, deviations or any irregularities within the realization of individual stages of an investment immediately. Thanks to this it is possible to implement necessary corrections related to the investment processes on an ongoing basis and, in particular, to perform correct and reliable calculations.

The company manages risk in relation to the process of preparing financial statements also through current monitoring of changes in external provisions and regulations regarding reporting requirements and through preparing for their implementation significantly in advance.
A certified auditor is appointed by the Supervisory Board after consulting the Company's Management Board. A certified auditor is appointed by the Supervisory Board after consulting the Company's Management Board. The results of the audit are presented by the auditor to the management of the Company at closing meetings.

3. Shareholders holding directly or indirectly significant stakes of shares.

In accordance with the most current information as held by the Company, the shareholding structure as at 31 December 2015 was as follows:

No.	Shareholder	Number of held shares and votes	% stake in share capital	% share in the overall number of votes
(1)	MaForm SARL	7 763 889	32.48%	32.48%
(2)	MetLife Otwarty Fundusz Emerytalny (MetLife OFE)	2 975 474	12.45%	12.45%
(3)	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	2 300 000	9.62%	9.62%
(4)	ING Otwarty Fundusz Emerytalny	1 200 000	5.02%	5.02%

4. Holders of any securities which provide special control rights.

The Company did not issue securities which provide special control rights.

5. Restrictions on voting rights, such as restrictions on the execution of voting rights by a shareholder of a defined part or amount of votes, time-related restrictions on the execution of voting rights or subscriptions, in accordance with which, in cooperation with the company, equity rights related to securities are separate from the ownership of securities.

The Company does not provide for any restrictions regarding exercising the right to vote.

6. Limitations in transferring the ownership right to the Issuer's securities

There are no limitations in transferring the ownership right to the Company's securities.

7. Description of principles concerning the appointment and dismissal of managers and their entitlements, in particular the right to decide on the issuance or redemption of shares.

In accordance with the Company's Articles of Association, the Management Board consists of between one and five members appointed for a joint term of office. The number of the Management Board Members is determined by the Supervisory Board, which also appoints the President of the Management Board and other Members of the Management Board. The Management Board is appointed for a joint three-year term of office. In accordance with the Code of Commercial Companies, Members of the Management Board may be dismissed by the Supervisory Board at any moment. The Supervisory Board determines the terms and conditions of remunerating Members of that Management Board, including the provisions of agreements and appointment letters binding Members of the Management Board with the Company. In accordance with the Articles of Association of the Company, the Management Board directs the activities of the Company and represents it before third parties. The work of the Management Board is managed by the President of the Management Board. The scope of activities of the Management Board includes all matters related to managing the Company not restricted to the competencies of the Company's other bodies.
The powers of the Management Board of the Company related to the right to decide on redeeming shares do not deviate from the regulations contained in the Code of Commercial Companies.

8. Principles of introducing amendments to the articles of association or memorandum of association of the Issuer.

Articles of Association of the Company are amended in accordance with mandatory provisions of the Code of Commercial Companies, i.e. Art. 430 et seq., by way of a resolution of the General Meeting of the Company.
The General Meeting of the Company may authorise the Supervisory Board to establish the consolidated text of the amended Articles of Association of the Company.
Company Management, acting pursuant to the Regulation of the Ministry of Finance regarding current information and periodical information submitted by the Issuers of stocks and the conditions for considering as equivalent the information required by the provisions of law of non-member country as of 19 February 2009 (Journal of Laws no. 33, item 259 as amended) informs the shareholders of the intended, conducted changes to the content of the Company Statute and regarding elaboration of the unified text of the Statute including the changes made, by publishing current reports and by placing the current text of the Statute on the internet website of the Company.

9. The manner of functioning of the general meeting and its principle powers and a description of the rights of shareholders and the manner of their execution, in particular the principles arising from regulations of the general meeting, if such regulations have been adopted and are not a direct resultof the existing law.

The manner of functioning of the General Meeting of Fabryki Mebli "FORTE" S.A. and its powers as well as the rights of shareholders and the manner of their execution are determined by the following documents:

1. the Commercial Companies Code,
2. the Company's Articles of Association,
3. Regulations of General Meetings.

The schedule of works regarding organising General Meetings is planned in such a way as to duly perform obligations towards shareholders and allow them to execute their rights.
On 19 May 2015, the General Meeting was convened by the Company's Management Board through a notice published on the Company's website at least 26 days prior to the date of the General Meeting, and in a manner specified for transmitting current information according to the provisions on public offering and conditions governing the introduction of financial instruments to organised trading and on public companies. Resolutions adopted by the General Meeting were published on the Company's website.
Resolutions of the General Meeting are adopted by a simple majority of the votes cast, unless the provisions of law or the Company's Articles of Association provide otherwise. Votes in favour or against a resolution are considered votes cast.
The following matters were reserved in the Articles of Association to the exclusive decision of the General Meeting:

- terms and conditions and manner of redeeming shares of the Company,
- terms and conditions of issuing utility certificates in exchange for redeemed shares,
- creating reserve capital and earmarked funds,
- allocating reserve capital,
- allocating pure profit earned by the Company.

A resolution of the General Meeting is not required for the purchase and sale of .real property, perpetual usufruct, and a share in real property, sale and transfer of property use rights, encumbrance of real estate, establishing of limited real rights on the Company assets (decisions on such matters are reserved for the Company's Supervisory Board).
Representatives of the media may be present during the General Meeting.
The participants of the Annual General Meeting of the Company always include Members of the Management Board and the Supervisory Board and the Company's certified auditor. The course of the Annual General Meeting was compliant with the provisions of the Code of Commercial Companies and the Company's Regulations of General Meetings. Members of the Management Board, Supervisory Board and the certified auditor of the Company present during the Meeting, were ready to give any explanations and respond to the shareholders' questions in the scope of their competencies in accordance with the binding provisions of law.

Shareholders can participate in the General Meeting and exercise the voting right in person or through a proxy.

10. Composition of issuer's managing, supervising and administering bodies, changes they underwent during the last financial year and description of their activities.

SUPERVISORY BOARD

The Company's Supervisory Board acts on the basis of the provisions of the Code of Commercial Companies, the Company's Articles of Association and the Regulations of the Supervisory Board of Fabryki Mebli "FORTE" S.A. with its registered seat

in Ostrów Mazowiecka. Supervisory Board consists of between five and seven members. The Chairman of the Supervisory Board is appointed by the General Meeting. From among its members, the Supervisory Board appoints the Vice Chairman and secretary, if necessary. If the number of members of the Supervisory Board falls below the minimum number set out in the Code of Commercial Companies, the General Meeting supplements /appoints/ the Supervisory Board for the remaining part of the term of office.
The term of office of the Supervisory Board is four years. In accordance with resolution No 25/2011 adopted on 10 June 2014, the Annual General Meeting of Fabryki Mebli "FORTE" S.A. established a five-person Supervisory Board of the Company in the current term of office.
In 2015, the Supervisory Board of Fabryki Mebli "FORTE" S.A. was composed of:
Zbigniew Sebastian – Chairman,
Stefan Golonka – Vice-Chairman,
Tomasz Domagalski - Member,
Stanisław Krauz - Member,
Jerzy Smardzewski - Member.

Changes in the composition of the Supervisory Board of the Company throughout 2015 were as follows:
-on 22 April 2015 Mr Władysław Frasyniuk submitted resignation from the function of Member of the Supervisory Board effective as of 19 May 2015.
-on 19 May 2015 Mr Jerzy Smardzewski was appointed for the Supervisory Board.

The exclusive competence of the Supervisory Board includes in particular adopting resolutions on matters regarding:

a) purchasing and selling real property, perpetual usufruct or a share in real property, selling and transferring rights to use real property, encumbrance on real property, establishing limited property rights on the property of the Company,
b) taking out loans exceeding the Company's financial plan,
c) granting sureties to the amount exceeding in total the equivalent of EUR 150,000,
d) taking over the obligations of third parties,
e) accepting and establishing pledges and other securities, except for a pledge and securities related to the ordinary business of the Company in the amount not exceeding in total the equivalent of EUR 150,000,
f) concluding, terminating and amending lease agreements and other such agreements, if they are concluded for a period longer than three years and when the annual lease rent paid by the Company exceeds the equivalent of EUR 150,000,
g) leasing the enterprise or its part,
h) purchasing and selling establishments and branches of the Company,
i) selling the Company's enterprise or its part,
j) approving employee participation in profits and granting special pension rights,
k) establishing the annual plan for the enterprise (in particular investment in financial plans), as well as strategic plans,
l) granting borrowings outside the ordinary course of trade to a total amount exceeding the equivalent of 50.000 EUR.

Meetings of the Supervisory Board are held when necessary, but at least three times in a financial year.
The Members of the Supervisory Board may cast their vote in writing via another Member of the Supervisory Board. The Supervisory Board may also adopt resolutions in writing or through direct remote communication means. A resolution is valid if all Members of the Supervisory Board have been notified of the content of the draft resolution.
Taking into consideration the fact that in the current term of office the Supervisory Board is composed of five persons, the functions of the Audit Committee are performed by the whole Supervisory Board.
No other committees were established in the Company.

MANAGEMENT BOARD

The Company's Management Board acts on the basis of the provisions of the Code of Commercial Companies, the Company's Articles of Association and the Regulations of the Management Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka. The Management Board consists of between one and seven members appointed for a joint term of office. The Management Board of Fabryki Mebli "FORTE" S.A. was appointed for a new, five-year term of office for the years 2014-2019. In the period from 1 January to 31 December 2015, the Management Board was composed of:
Maciej Formanowicz – President of the Management Board,
Gert Coopmann – Member of the Management Board,
Klaus Dieter Dahlem – Member of the Management Board,
Maria Florczuk – Member of the Management Board

Mariusz Gazda – Member of the Management Board

Rafał Prendke – Member of the Management Board– performed his function to 4 February 2015.

In accordance with the Articles of Association of the Company, the Management Board directs the activities of the Company and represents it before third parties. The work of the Management Board is managed by the President of the Management Board. The scope of activities of the Management Board includes all matters related to managing the Company not restricted to the competencies of the Company's other bodies. Resolutions of the Management Board are adopted by a simple majority of votes cast.

In the event of equal split of votes, the Management Board President's vote prevails.
The following persons are authorised to make declarations of will and contract obligations on behalf of the Company: the President of the Management Board acting independently, two Members of the Management Board acting jointly, one Member of the Management Board acting jointly with a registered signatory.

President of the Management Board **Maciej Formanowicz**	**Member of the Management Board** **Gert Coopmann**
....	....
Member of the Management Board **Klaus Dieter Dahlem**	**Member of the Management Board** **Maria Florczuk**
....	....
Member of the Management Board **Mariusz Gazda**	
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Ostrów Mazowiecka, 17 March 2016