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THE GROUP
where the holding company is
FABRYKI MEBLI FORTE S.A.
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Audit Opinion and Report
on the consolidated 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 the Fabryki Mebli FORTE Group ("the Group"), where the holding company is Fabryki Mebli Forte S.A. ("the Holding Company") with its registered office in Ostrów Mazowiecka at ul. Biała 1, consisting of:

- the consolidated statement of financial position prepared as at 31 December 2015,
- the consolidated profit and loss account for the period from 1 January to 31 December 2015,
- the consolidated statement of comprehensive income for the period from 1 January to 31 December 2015,
- the statement of changes in consolidated shareholders' equity for the period from 1 January to 31 December 2015,
- the consolidated statement of cash flows for the period from 1 January to 31 December 2015,
- additional information on accounting methods and other information.

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

The Holding Company's Management Board and members of its Supervisory Board are responsible for ensuring that the consolidated 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 consolidated financial statements and to express an opinion on the consistency of these consolidated financial statements with the Group's accounting policies, on whether the consolidated financial statements give a true and fair view, in all material respects, of the Group'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 of the consolidated financial statements 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 consolidated 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 consolidated financial statements. The audit also included assessing the accounting principles used and significant estimates made by the managements of the Holding Company and the subsidiaries, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

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

a) give a true and fair view of the financial position of the Fabryki Mebli FORTE Group 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,

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

The Directors' Report on the Group'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

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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 consolidated financial statements of
THE GROUP
where the holding company is
FABRYKI MEBLI FORTE S.A.
for the period from 1 January to 31 December 2015

I. GENERAL INFORMATION

1. Information about the Holding Company

The holding company of the Fabryki Mebli FORTE Group is Fabryki Mebli Forte Spółka Akcyjna [joint-stock company] ("the Holding Company", "the Company").

The Holding 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 Holding Company's activities consist of the production and retail sale of furniture, mattresses and wood products.

The Holding 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 Registration Section, in number KRS 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 Holding Company's shareholders holding at least 5% of its share capital 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 Holding Company's equity totaled 438 030 thousand zł.

The function of group manager is exercised by the Holding Company's Management Board.

As at 31 December 2015 the Holding 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 Holding 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. Composition of the Group

The separate financial statements of the Holding Company for the financial year ended 31 December 2015 have been audited by BDO Sp. z o.o. and given an unqualified opinion.

As at 31 December 2015 the Fabryki Mebli FORTE Group comprised the following (direct and indirect) consolidated entities:

Company name	Auditor	Audit opinion	Consolidation method
MV Forte GmbH	Hans - Peter Anfang vereidigter Buchprufer	Unqualified	Acquisition accounting
Forte Möbel AG	Brag Buchhaltungs und Revisions AG	Unqualified	Acquisition accounting
Kwadrat Sp. z o.o.	Not audited	n/a	Acquisition accounting
Galeria Kwadrat Sp. z o.o.*	Not audited	n/a	Acquisition accounting
TM Handel Sp. z o.o. S.K.A.	Not audited	n/a	Acquisition accounting
Fort Investment Sp. z o.o.**	Not audited	n/a	Acquisition accounting
TANNE Sp. z o.o.	Not audited	n/a	Acquisition accounting
DYSTRI-FORTE Sp. z o.o	Not audited	n/a	Acquisition accounting
ANTWERP Sp. z o.o. S.K.A.	Not audited	n/a	Acquisition accounting
TERCEIRA Sp. z o.o.***	Not audited	n/a	Acquisition accounting

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

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

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

All of the consolidated entities had the same balance sheet date as the Holding Company.

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

The consolidated financial statements of the Fabryki Mebli FORTE Group 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 Group's financial statements starting from the year 2012 was selected by the Holding 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 15 February 2016, intermittently until the issue of the audit opinion. It was preceded with a review of the consolidated 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 Holding 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.

4. Information about the consolidated financial statements for the previous financial year

The Group's consolidated financial statements for the period from 1 January to 31 December 2014 had been audited by BDO Sp. z o.o. and given an unqualified opinion.

The Group's consolidated financial statements for the period from 1 January to 31 December 2014 were approved in Resolution No. 20/2015 passed by the General Shareholders Meeting of 19 May 2015.

The Group's consolidated 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 consolidated statement of financial position, consolidated profit and loss account and consolidated statement of comprehensive income, as well as key financial ratios, compared to analogical amounts for the previous years.

1. Main items from consolidated statement of financial position, consolidated profit and loss account and consolidated statement of comprehensive income (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	347 977	47,1	282 107	44,2	254 070	45,8
Current assets	390 373	52,9	356 623	55,8	300 784	54,2
Total assets	**738 350**	**100,0**	**638 730**	**100,0**	**554 854**	**100,0**
Total equity	478 458	64,8	421 284	66,0	384 607	69,3
Total liabilities	259 892	35,2	217 446	34,0	170 247	30,7
Total liabilities and equity	**738 350**	**100,0**	**638 730**	**100,0**	**554 854**	**100,0**

	1.01.2015 - 31.12.2015	% of revenue	1.01.2014 - 31.12.2014	% of revenue	1.01.2013 - 31.12.2013	% of revenue
Sales revenue	954 275	100,0	822 414	100,0	666 365	100,0
Cost of goods sold	(608 265)	(63,7)	(524 263)	(63,7)	(424 924)	(63,8)
Gross sales profit/loss	**346 010**	**36,3**	**298 151**	**36,3**	**241 441**	**36,2**
Sales costs	(200 267)	(21,0)	(166 673)	(20,3)	(133 919)	(20,1)
General administrative costs	(36 864)	(3,9)	(34 716)	(4,2)	(28 167)	(4,2)
Sales profit/loss	**108 879**	**11,4**	**96 762**	**11,8**	**79 355**	**11,9**
Profit/loss on other operating activities	(10 720)	(1,1)	(3 158)	(0,4)	(6 934)	(1,0)
Profit/loss on financial activities	683	0,1	1 319	0,2	726	0,1
Gross profit/loss	**98 842**	**10,4**	**94 923**	**11,5**	**73 147**	**11,0**
Income tax	(14 469)	(1,5)	(19 771)	(2,4)	(15 227)	(2,3)
Net profit/loss	**84 373**	**8,8**	**75 152**	**9,1**	**57 920**	**8,7**
Total comprehensive income	**85 306**	**8,9**	**72 304**	**8,8**	**58 290**	**8,7**

2. Key financial ratios

	2015	2014	2013
Profitability ratios			
Gross sales profitability	11,4%	11,8%	11,9%
Net sales profitability	8,8%	9,1%	8,7%
Return on assets	11,4%	11,8%	10,4%
Return on equity	17,6%	17,8%	15,1%
Liquidity ratios			
Current ratio	1,8	3,2	3,2
Quick ratio	1,1	1,8	2,0
Operating ratios			
Receivable days	50	43	43
Inventory days	85	90	90
Debt ratios			
Payable days	29	28	28
Debt rate	0,4	0,3	0,3

3. Remarks

- Non-current assets accounted for 47,1% of total assets at the end of the audited period, having gone up from 44,2% at the end of 2014.
- Current assets have increased by 9,5% from the previous year, and constitute 52,9% of total assets.
- Although equity went up by 13,6% in the audited period compared to the previous year, it accounted for 64,8% of total assets and liabilities at the end of 2015 compared to 66,0% last year.
- Sales revenue and the cost of goods sold have grown by 16% from the year 2014, as a result of which the gross sales profit reached 346 010 thousand zł and was by 16,1% higher than the year before.
- Due to an increase in sales costs and the unfavorable result achieved on other operating activities, the Group's net result for the audited period was by 12,3% lower than in 2014.
- Net sales profitability is down from 9,1% last year to 8,8% in the audited period.
- At 11,4% the return on assets ratio has remained close to last year's value.
- The liquidity ratios recorded a decline due to a rise in short-term liabilities: the current dropped from 3,2 to 1,8; the quick fell from 1,8 to 1,1.
- The inventory days ratio has improved to 85 days in the audited period from 90 days last year.
- The receivable days ratio has increased by 7 days from the year 2014 and amounts to 50 days.
- The payable days ratio has remained close to last year's, i.e. at 29 days.

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

III. DETAILED INFORMATION

1. Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Fabryki Mebli FORTE Group have been prepared in accordance with the International Financial Reporting Standards endorsed by the European Union.

2. Completeness and correctness of consolidation documentation

The Group's consolidation documentation has been prepared in accordance with the requirements of the Minister's of Finance Decree of 25 September 2009 on the detailed methods used by entities other than banks, insurers and re-insurers to prepare the consolidated financial statements of groups (2009 Journal of Laws No. 169, item 1327).

In the course of the audit we found no un-remedied misstatements in the consolidation documentation with a significant effect on the audited consolidated financial statements, including with regard to the fulfilment of the requirements that consolidation documentation should comply with.

3. Methods used to value assets, liabilities and equity

The entities covered by the Group's consolidated financial statements apply consistent accounting principles and methods in the valuation of their assets and liabilities items.

4. Information about consolidated financial statements items

The structure of the Group's assets, liabilities and equity has been presented in the consolidated financial statements for the financial year ended 31 December 2015.

The data disclosed in the Group's consolidated financial statements are consistent with the consolidation documentation.

5. Additional information

The information presented in the introduction and notes to the consolidated financial statements, containing a description of significant accounting methods and other information, has been presented completely and correctly in all material respects.

6. Management's Declaration

The Holding 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.

7. Directors' Report

The Directors Report on the Group's activities in the financial year ended 31 December 2015 includes all information required by Article 49 par. 2 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, and the information contained therein is consistent with the information presented in the audited consolidated financial statements.

Warsaw, 17 March 2016

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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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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. CAPITAL GROUP

Consolidated financial statements for the period ended 31 December 2015

Statements prepared in accordance with the International Financial Reporting Standards

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Ostrów Mazowiecka, 17 March 2016

TABLE OF CONTENTS

Consolidated profit and loss account 1
Consolidated statement of comprehensive income 5
Consolidated statement of financial situation (balance sheet) 6
Consolidated cash flow statement 7
Consolidated statement of changes in equity 8
Consolidated statement of changes in equity 9
Accounting principles (polisy) and additional explanatory notes 10
1. General information 10
2. Composition of the Group 10
3. Approval of the financial statements 12
4. Important values based on professional judgment and estimations 12
   4.1. Judgments 12
   4.2. Uncertainty of estimates 12
5. Basis for preparation of the consolidated financial statements 12
   5.1. Declaration of compliancei 13
   5.2. Functional currency and presentation currency 13
6. Changes in accounting principles and error corrections (to be updated) 13
7. Amendments to the existing standards and new regulations which are not in effect for periods beginning as at 1 January 2015. 15
8. Summary of significant accounting policies 17
   8.1. Consolidation principles 17
   8.2. Revenues 17
   8.3. Earnings per share 17
   8.4. Leases 17
   8.5. Foreign currency translation 18
   8.6. Borrowing costs 18
   8.7. Retirement benefits 18
   8.8. Share-based payments 18
   8.9. Taxes Current tax 19
   8.10. Tangible fixed assets 20
   8.11. Investment properties 20
   8.12. Intangible assets 21
   8.13. Impairment on non-financial non-current assets 22
   8.14. Non-current assets held for sale 22
   8.15. Inventory 22
   8.16. Financial assets 23
   8.17. Impairment of financial assets 23
   8.18. Embedded derivative instruments 24
   8.19. Financial derivatives 24
   8.20. Hedge accounting 25
   8.21. Trade and other receivables 25
   8.22. Cash and cash equivalents 25
   8.23. Interest-bearing loans and borrowings 26
   8.24. Trade and other receivables 26
   8.25. Provisions 26
9. Information on operating segments 26
10. Seasonality of operations 27
11. Revenue and costs 27
   11.1. Sales revenue and geographic structure 27
   11.2. Other operating revenue 28
   11.3. Other operating costs 28
   11.4. Financial revenue 28
   11.5. Financial costs 28
   11.6. Costs by type 28

11.7. Depreciation costs recognised in the profit and loss account 29
11.8. Costs of employee benefits 29
12. Income tax 29
12.1. Tax expense 29
12.2. Reconciliation of the effective tax rate 30
12.3. Deferred income tax 30
13. Social assets and liabilities 31
14. Earnings per share 31
15. Dividend paid and proposed 32
16. Leases 32
16.1. Financial lease and hire purchase commitments 32
16.2. Operating lease liabilities – the Group as a lessee 33
16.3. Operating lease receivables – the Group as a lessor 33
17. Employee benefits 33
17.1. Employee share incentive programmes 33
17.2. Pensions and other post-employment benefits 33
18. Tangible fixed assets 34
19. Investment properties 37
20. Intangible assets 38
21. Non-current assets held for sale 39
22. Long-term financial assets 40
23. Inventory 41
24. Trade and other receivables 42
25. Receivables from to derivative instruments of financial instruments 44
26. Deferrals 44
27. Other short-term financial assets 44
28. Cash and cash equivalents 44
29. Share capital and supplementary/reserve capital 44
29.1. Share capital 44
29.2. Premium share 45
29.3. Other capital 45
29.4. Retained earnings 46
29.5. Minority share 46
29.6. Financial Reporting in Hyperinflationary Economies 47
30. Interest-bearing loans and borrowings 47
31. Provisions and accruals 49
31.1. Change in provisions 49
31.2. Deferred revenues and accruals 49
32. Trade and other liabilities (short-term) 50
33. Contingent liabilities 51
34. Court cases 51
35. Financial instruments 52
35.1. Carrying value 52
35.2. Fair value 54
35.3. Fair value hierarchy 54
35.4. Income, costs, profit and loss positions related to financial instruments recognised in the profit and loss account. 56
36. Financial risk management objectives and policies 58
36.1. Interest rate risk 58
36.2. Currency risk 59
36.3. Credit risk 62
36.4. Liquidity risk 62
37. Capital management 63
38. Related party disclosures 63
38.1. Parent Company of the Group 65
38.2. Entity with significant influence over the Group 65
38.3. Joint venture in which the Parent Company is a venturer 65
38.4. Terms and conditions of transactions with related partiesi 65

38.5. Transactions involving the Management Board, key managerial staff and members of their immediate families. 65
38.6. Remuneration of the Group's senior management 66
38.7. Participation of senior executives in the employee programmes and schemes 67
39. Employment structure....67
40. Subsequent events after the reporting period....68

CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the reporting period ended	
		31 December 2015	**31 December 2015**
Continued operations	**Note**		
Revenue from sales of goods, products and materials	11.1	947 694	814 366
Revenue from sales of services	11.1	6 581	8 048
Sales revenue		**954 275**	**822 414**
Cost of sales of sold goods, products and materials		(605 389)	(520 835)
Cost of sales of sold services		(2 876)	(3 428)
Cost of sales	11.6	**(608 265)**	**(524 263)**
Gross profit (loss) from sales		**346 010**	**298 151**
Other operating revenue	11.2	6 505	2 412
Costs of sales		(200 267)	(166 673)
General administrative costs		(36 864)	(34 716)
Other operating costs	11.3	(17 225)	(5 570)
Profit (loss) on operating activities		**98 159**	**93 604**
Financial revenue	11.4	1 317	1 675
Financial costs	11.5	(2 889)	(2 188)
Profit (loss) on derivative financial instruments	36.2	2 255	1 832
Profit (loss) before tax		**98 842**	**94 923**
Income tax	12	(14 469)	(19 771)
Profit (loss) on continued operations of the period		**84 373**	**75 152**
Discontinued operations		-	-
Profit (loss) on discontinued operations of the period		-	-
Profit (loss) of the period		**84 373**	**75 152**
Attributable to:			
Shareholders of the Parent Company		**84 405**	**75 168**
Non-controlling shareholders		(32)	(16)
Profit (loss) per share attributable to Shareholders of the : Parent Company in the period (in PLN)			
- basic		3,55	3,16
- diluted		3,55	3,16

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the reporting period ended 31 December 2015	31 December 2015
Profit (loss) of the period		**84 373**	**75 152**
Other net comprehensive income, including:		**933**	**(2 848)**
Items which in the future will not be reclassified to the profit and loss account		**192**	**515**
Revaluation of employee benefit obligations	17.2	237	(438)
Deferred tax regarding employee benefits		(45)	83
Incentive Scheme	38.5	-	870
Items which in the future may be reclassified to the profit and loss account		**741**	**(3 363)**
Foreign exchange differences on translation of foreign operations		71	260
Hedge accounting	36.2	821	(4 466)
Income tax on other comprehensive income	36.2	(151)	843
Comprehensive income for the period		**85 306**	**72 304**
Attributable to:			
Shareholders of the Parent Company		85 388	72 320
Non-controlling shareholders		(32)	(16)

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

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	Note	31 December 2015	31 December 2014
ASSETS			
Non-current assets		**347 977**	**282 107**
Tangible fixed assets	18	259 403	217 009
Intangible assets	20	16 409	16 566
Financial assets	22	505	464
Deferred income tax assets	12.3	-	-
Investment properties	19	71 660	48 068
Prepayments and accruals			
		390 373	**356 623**
Current assets	23	139 022	149 013
Inventory	24	187 333	144 039
Trade and other receivables	25		
	36.2	5 673	4 852
services, as well as other liabilities payroll	24	274	1
Income tax receivables	26	2 946	2 934
Deferred revenues and accruals	27	93	41
Financial assets	28	55 032	55 743
TOTAL ASSETS		**738 350**	**638 730**
LIABILITIES			
Total equity		**478 458**	**421 284**
Equity (attributable to shareholders of the Parent Company), including:		**474 796**	**417 590**
Basic equity	29.1	23 901	23 751
Surplus of share sale above their nominal value	29.2	113 214	111 646
Exchange differences on translation of foreign operations		711	640
Revaluation reserve from hedging instruments	29.3	4 595	3 925
Incentive Scheme		17 654	-
Other reserve capital		1 290	1 290
Retained earnings	29.3	195 044	167 812
Capital attributable to non-controlling shareholders	29.4	118 387	108 526
	29.5	**3 662**	**3 694**
Long-term liabilities			
Interest-bearing loans and borrowings		**41 095**	**105 085**
Deferred income tax provision	30	29 325	86 678
Provision for benefits after the employment period	12.3	7 062	12 425
Other Provisions	17.2	3 440	3 324
Deferred revenues and accruals	31.1	-	-
Financial liabilities due to lease	31.2	37	61
Other long-term liabilities	16.1	1 231	2 597
		-	-
Short-term liabilities			
financial instruments financial		**218 797**	**112 361**
Liabilities due to financial derivative instruments	32	74 053	60 831
Current portion of interest-bearing loans and borrowings	30	105 109	9 822
Income tax liabilities	32	3 777	12 669
Provisions, deferred revenues and accruals	31	34 859	27 820
Financial liabilities due to lease	16.1	999	1 219
Total liabilities		**259 892**	**217 446**
TOTAL LIABILITIES		**738 350**	**638 730**

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

CONSOLIDATED CASH FLOW STATEMENT

	For the reporting period ended	
	31 December 2015	**31 December 2014**
Cash flows from operating activities		
Profit (loss) of the period	**84 405**	**75 168**
Adjustments by:	**(6 241)**	**(41 163)**
(Profit)/loss of non-controlling shareholders	(32)	(17)
Depreciation	19 688	16 837
Foreign exchange (gains)/losses	1 091	3 143
Net interest and dividends	693	862
(Profit)/loss on investment activities	(92)	(39)
Change in the valuation of derivative financial instruments	(151)	1 349
Change in receivables	(43 294)	(44 904)
Change in inventories	9 991	(35 926)
Change in liabilities, excluding loans and borrowings	12 994	6 959
Change in accruals and deferrals	7 049	8 745
Change in provisions	(5 408)	(1 032)
Income tax paid	(29 122)	(18 575)
Current tax recognised in the profit and loss account	19 956	20 314
Foreign exchange differences	105	13
Provision for retirement benefits	307	332
Valuation of the Incentive Scheme	-	870
Other adjustments	(16)	(94)
Net cash flows from operating activities	**78 164**	**34 005**
Cash flows from investment activities		
Sale of tangible fixed assets and intangible assets	1 296	669
Purchase of tangible fixed assets and intangible assets	(68 475)	(44 253)
Real property investments	(97)	-
Sale of financial assets	-	-
Purchase of financial assets	(5)	-
Dividends received	363	26
Interest received	-	17
Repayment of borrowings granted	-	531
Borrowings granted	(52)	-
Other investment inflows	-	-
Other investment outflows	-	-
Net cash flows from investing activities	**(66 970)**	**(43 010)**
Cash flows from financing activities		
Inflows from loans and borrowings taken out	53 409	42 202
Repayment of loans and borrowings	(16 639)	(16 228)
Repayment of leasing liabilities	(1 718)	(1 021)
Dividends paid to shareholders of the Parent Company	(47 502)	(35 627)
Dividends paid to non-controlling shareholders	-	-
Interest paid	(1 163)	(935)
Other financial inflows	1 718	-
Other financial outflows	-	-
Net cash flows from financial activities	**(11 895)**	**(11 609)**
Net increase (decrease) in cash and cash (equivalents)	**(701)**	**(20 614)**
Net foreign exchange differences (from the opening balance translation)	10	(238)
Opening balance of cash	**55 743**	**76 119**
Closing balance of cash, including:	**55 032**	**55 743**
of limited disposability	-	-

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

	Attributable to the shareholders of the Parent Company										
	Equity primary	**Surplus of share sale above their nominal value**	**Foreign exchange differences with calculation of foreign entity.**		**Equity primary**	**Surplus of share sale above their nominal value**	**Foreign exchange differences with calculation of foreign entity.**		**Equity primary**	**Share of non-controlling shareholders Surplus of share sale above their nominal value**	**Total equity Foreign exchange differences with calculation of foreign entity.**
As at 01 January 2015	**23 751**	**111 646**	**640**	**-**	**1 290**	**108 526**	**3 925**	**167 812**	**417 590**	**3 694**	**421 284**
Changes in Accounting Principles (Policy)	-	-	-	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	-	-	-	-	-	-
As at 01 January 2015 after adjustments	**23 751**	**111 646**	**640**	**-**	**1 290**	**108 526**	**3 925**	**167 812**	**417 590**	**3 694**	**421 284**
Payment of dividend for 2013	150	1 568	-	-	-	-	-	-	1 718	-	**1 718**
Reclassification to reserve capital	-	-	-	-	-	(47 502)	-	-	(47 502)	-	**(47 502)**
Inclusion of an entity to consolidation	-	-	-	-	-	(27 232)	-	27 232	-	-	**-**
	-	-	-	17 654	-	-	-	-	17 654	-	**17 654**
Provisions for employee benefits	-	-	-	-	-	(2)	-	-	(2)	-	**(2)**
Incentive Scheme											
Current result	-	-	-	-	-	192	-	-	192	-	**192**
Hedge accounting	**-**	**-**	**-**	**-**		84 405	-	-	84 405	(32)	**84 373**
Minority result	**-**	**-**	**-**	**-**	**-**	**-**	670	-	670	-	**670**
Foreign exchange differences	-	-	71	-	-		-	-	71	-	**71**
Comprehensive income for the period	-	-	**71**	**-**	**-**	**84 597**	**670**	**-**	**85 338**	**(32)**	**85 306**
As at 31 December 2015	**23 901**	**113 214**	**711**	**17 654**	**1 290**	**118 387**	**4 595**	**195 044**	**474 796**	**3 662**	**478 458**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Attributable to the shareholders of the Parent Company									
	Equity Primary	Surplus of share sale above their nominal value	Foreign exchange differences with calculation of foreign entity.	Equity Primary	Surplus of share sale above their nominal value	Foreign exchange differences with calculation of foreign entity.		Equity Primary	Share of non-controlling shareholders Surplus of share sale above their nominal value	Total equity Foreign exchange differences with calculation of foreign entity.
As at 1 January 2014	**23 751**	**111 646**	**380**	**420**	**90 348**	**7 548**	**146 803**	**380 896**	**3 711**	**384 607**
Changes in Accounting Principles (Policy)	-	-	- -	-	-	-	-	-	-	-
Error adjustments	-	-	- -	-	-	-	-	-	-	-
As at 1 January 2014 after adjustments	**23 751**	**111 646**	**380**	**420**	**90 348**	**7 548**	**146 803**	**380 896**	**3 711**	**384 607**
Payment of dividend for 2012	-	-	-	-	(35 626)	-	-	(35 626)	(1)	**(35 627)**
Reclassification to reserve capital	-	-	-	-	(21 009)	-	21 009	-	-	**-**
Inclusion of an entity to consolidation	-	-	-	-	-	-	-	-	-	**-**
Provisions for employee benefits	-	-	-	-	(355)	-	-	(355)	-	**(355)**
Incentive Scheme	-	-	-	870	-	-	-	870	-	**870**
Current result	-	-	-	-	75 168	-	-	75 168	(16)	**75 152**
Hedge accounting	-	-	-	-	-	(3 623)	-	(3 623)	-	**(3 623)**
Minority result	-	-	260	-	-	-	-	260	-	**260**
Foreign exchange differences	-	-	**260**	**870**	**74 813**	**(3 623)**	**-**	**72 320**	**(16)**	**72 304**
Comprehensive income for the period	**23 751**	**111 646**	**640**	**1 290**	**108 526**	**3 925**	**167 812**	**417 590**	**3 694**	**421 284**

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

The Fabryki Mebli FORTE Capital Group (the "Group") consists of Fabryki Mebli FORTE S.A. and its subsidiaries (see Note 2). The consolidated financial statements of the Group cover 12 months ended 31 December 2015 and contain comparative data for the year ended 31 December 2014.

Fabryki Mebli "FORTE" S.A. ("Parent Company", "Company") 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, under KRS number 21840.

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

The Parent Company and its subsidiaries comprising the Capital Group have 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.

2. Composition of the Group

The Fabryki Mebli FORTE Group includes the following consolidated subsidiaries:

Subsidiaries (full consolidation method):	Registered office	Scope of activities	Percentage share of the Group in capital	
			31/12/2015	31/12/2015
MV Forte GmbH	Erkelenz (Germany)	Dealership	100%	100%
Forte Möbel AG	Baar (Switzerland)	Dealership	99%	99%
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. SKA	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%*
TANNE Sp. z o.o.	Suwałki ****	Production activity	100%	-
DYSTRI-FORTE Sp. z o.o	Ostrów Mazowiecka *****	Storing and storaging of goods	100%	-
ANTWERP Sp. z o.o. S.K.A.	Wrocław	Lease of intellectual property, property management	100%	-
*TERCEIRA Sp. z o.o.****	*Warszawa*	*Activity of central companies and holdings, rental and management of properties*	*100%*	-

* indirectly related company - 100% subsidiary of Kwadrat Sp. z o.o.
** indirectly related company - 100% subsidiary of TM Handel Sp. z o.o.
*** indirectly related company - 100% subsidiary of ANTWERP Sp. z o.o.
****company as of 04.03.2016 changed its seat from Suwałki to Warsaw
*****company as of 29.02.2016 changed its seat from Ostrów Mazowiecka to Warsaw

The Group includes subsidiaries, specified in note 22, excluded from consolidation on the basis of an insignificant impact of their financial data on the consolidated statements.

As at 31 June 2015 and as at 31 December 2014, the percentage of voting rights held by the Parent Company in the subsidiaries corresponded to the percentage held in the share capital of those entities.

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 Ostrowi Mazowieckiej, 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 revaluation 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 National Court Register under the KRS 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 National Court Register 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.

Composition of the Management Board of the Parent 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 the Parent Company obtained a statement of resignation by Rafal Prendke from performing the function of the Member of the Management Board of the Issuer as at 4 February 2015.

3. Approval of the financial statements

These consolidated financial statements were authorised for issue by the Management Board on 17 March 2016.

4. Key values based on professional judgement and estimations

4.1. Judgments

In the process of applying the accounting policies to the issues discussed below, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

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.

4.2. 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 23 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 36.2.

Valuation of provisions

Provisions for employee benefits are determined using actuarial valuations. The assumptions made in this respect are presented in note 17.2.

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.

5. Basis for preparation of the consolidated financial statements

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.

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 consolidated financial statements were drawn up with the assumption of the Group continuing as a going concern 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.

5.1. 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").

5.2. Functional currency and presentation currency

The measurement currency of the Parent Company and other companies included in these consolidated financial statements and the reporting currency of these consolidated financial statements is the Polish zloty.

The functional currency of foreign subsidiaries are the following currencies:

- Möbelvertrieb Forte GmbH – EUR
- Forte Möbel AG – CHF

6. 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 financial 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:
- within 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 Council 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 the 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 *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.

7. Amendments to the existing standards and new regulations not binding for the periods beginning from 1 January 2015.

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. 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:

Amendments to IAS 27 were published on 12 August 2014 and apply to annual periods beginning on 1 January 2016 or later.
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:

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.

8. Summary of significant accounting policies

8.1. Consolidation principles

These consolidated financial statements comprise the financial statements of Fabryki Mebli FORTE S.A. and the consolidated financial statements of its subsidiaries for the year ended 31 December 2015. The financial statements of the subsidiaries have been adjusted to be IFRS compliant and prepared for the same reporting period as the financial statements of the Parent Company, using consistent accounting policies and based on unified accounting policies concerning transactions and economic events of a similar nature. To eliminate any discrepancies in accounting policies used, relevant adjustments are made.

All significant balances and transactions between the Group companies, including unrealised gains on intra-group transactions, were fully eliminated. Unrealised losses are eliminated, unless they represent indicator of impairment.

Subsidiaries are consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases. The Parent Company exercises control when it holds, directly or indirectly, through its subsidiaries, more than a half of votes in a particular company, unless it can be proven that such ownership does not determine the exercise of control. Control is also exercised if the company has the power to govern the financial or operating policy of an enterprise so as to obtain benefits from its activities.

8.2 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

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.

Rental income (operational leasing)

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

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.

8.3 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.

8.4 Leases

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.

8.5 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

Financial statements concerning foreign operations are translated to the Polish currency in the following manner:

-individual balance sheet items at the average rate determined by the National Bank of Poland as at the balance sheet date;

- Möbelvertrieb Forte GmbH – EUR – 4,2615
- Forte Möbel AG – CHF – 3,9341

individual items of the profit and loss account at the exchange rate constituting the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the date ending each month.

- Möbelvertrieb Forte GmbH – EUR – 4,1848
- Forte Möbel AG – CHF – 3,9341

The exchange differences arising from the translation to the presentation currency are taken directly to equity and recognised as a separate item. On disposal of a foreign entity, the cumulative amount of deferred exchange differences recognised in equity and relating to that particular foreign entity shall be recognised in the profit and loss account.

8.6 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.

8.7 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.

8.8 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.

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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

8.9 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.

8.10 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
Means of transport	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.

8.11 Investment properties

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.

8.12 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.

	Patents and licenses	Computer software	Other
Internally generated or acquired	Acquired	Acquired	Acquired
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.

8.13 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.

8.14 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

8.15 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.

8.16 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: (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

Loans granted and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted on an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet date. Loans granted and receivables with maturities exceeding 12 months from the balance sheet date are classified under non-current assets. Loans granted and receivables with maturities exceeding 12 months from the balance . sheet date are classified under non-current asset They 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.

8.17 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.

8.18 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.

8.19 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.

8.20 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 unlikely.

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.

8.21 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. Bad debts are written off when identified.

If the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to present value using a discount rate that reflects current market assessments of the time value of money. Where discounting is used, any increase in the balance due to the passage of time is recognised as finance income.

Other receivables include, in particular, advance payments for future purchases of fixed tangible assets, intangible assets and inventories. Advances are presented in accordance with the nature of assets to which they refer – as fixed assets or current assets. As non-monetary assets, advances are not subject to discount.

8.22 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.

8.23 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.

8.24 Trade and other receivables

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 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.

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.

8.25 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.

9. Information on operating segments

As of 1 January 2009, new IFRS 9 "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.

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.

10. 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	255 770	26.80%
Q2 2015	190 922	20.01%
Q3 2015	224 158	23.49%
Q4 2015	283 425	29.70%
TOTAL 2015	**954 275**	
Q1 2014	212 043	25.78%
Q2 2014	190 749	23.20%
Q3 2014	189 172	23.00%
Q4 2014	230 450	28.02%
TOTAL 2014	**822 414**	**100 .00%**

11. Revenue and costs

11.1. Sales revenue and geographic structure

Sales revenue	**For the reporting period ended 31.12.2015**	**31.12.2014**
Revenue from sales of products, goods and materials	**947 694**	**814 366**
- products	930 313	799 839
- goods	9 858	8 609
- materials	7 523	5 918
Revenue from sales of services	**6 581**	**8 048**
Net sales revenue, in total	**954 275**	**822 414**
Geographic structure:		
- domestic	158 970	144 540
- export	795 305	677 874
Net sales revenue, in total	**954 275**	**822 414**
- including from related entities	4 424	10 925

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.

11.2. Other operating revenue

Other operating revenue	For the reporting period ended 31.12.2015	31.12.2014
Reversal of revaluation write-downs	255	681
Profit on sale of tangible fixed assets	-	39
Revaluation of investment real properties	1 422	106
Subsidies	117	268
Donations and compensations	4 274	881
Other	437	437
Total other operating revenue	**6 505**	**2 412**

11.3. Other operating costs

Other operating costs	For the reporting period ended 31.12.2015	31.12.2014
Creation of revaluation write-downs	113	588
Liquidation and impairment write-downs on tangible fixed assets	190	11
Scrapping of inventory	5 944	2 613
Donations	321	722
Penalties and compensations	4 352	369
Costs of damage removal	2 231	195
Loss from the disposal of fixed assets	1 141	356
Costs of employee benefits	307	332
Scrapping of inventory	2 233	153
Other	393	231
Total other operating costs	**17 225**	**5 570**

11.4. Financial revenue

Financial revenue	For the reporting period ended 31.12.2015	31.12. 2014
Dividend from related entities not covered by consolidation	363	25
Interest	947	1 650
Other	7	-
Total financial revenue	**1 317**	**1 675**

11.5. Financial costs

Financial costs	For the reporting period ended 31.12.2015	31.12. 2014
Interest on loans and leasing	1 116	847
Commission on loans	72	80
Exchange gains with respect to financial assets and liabilities	1 673	1 235
Other	28	26
Total financial costs	**2 889**	**2 188**

11.6. Costs by type

	For the reporting period ended	

Costs by type	31.12.2015	31.12. 2014
Depreciation	19 688	16 837
Consumption of materials and energy	459 201	403 961
External services	177 264	158 040
Taxes and fees	8 206	8 097
Payroll	130 050	117 365
Social insurance and other benefits	29 724	27 002
Other costs by type	9 090	6 600
	833 223	**737 902**
Change in product inventory and accruals	3 761	(20 785)
Manufacturing cost of products for internal purposes	(4 671)	(1 651)
Costs of sales	(200 267)	(166 673)
General administrative costs	(36 864)	(34 716)
Manufacturing cost of sold products and services	**595 182**	**514 077**
Value of goods and materials sold	**13 083**	**10 186**
Cost of sales	**608 265**	**524 263**

11.7. Depreciation costs recognised in the profit and loss account

Depreciation costs in the profit and loss account	For the reporting period ended 31.12.2015	31.12. 2014
Depreciation costs recognised in the:		
Own cost of sales	15 197	12 880
Costs of sale	2 405	2 565
General administrative costs	2 086	1 392
Total depreciation costs	**19 688**	**16 837**

11.8 Costs of employee benefits

Costs of employee benefits	For the reporting period ended 31.12.2015	31.12. 2014
Costs of employee benefits recognised in the:		
Own cost of sales	96 951	88 685
Costs of sale	33 258	31 447
General administrative costs	29 565	24 235
Total costs of employee benefits	**159 774**	**144 367**

12. Income tax

12.1. Tax expense

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

Income tax	For the reporting period ended 31.12.2015	31.12. 2014
Current income tax		
Current charge due to income tax	19 962	20 312
Adjustments related to current income tax from previous years	(6)	2
Deferred income tax		
Relating to the origination and reversal of temporary differences	(5 487)	(543)
	14 469	**19 771**

The Group's statement of financial situation presents the asset and the deferred tax per balance.

In the reporting period ended on 31 December 2015 the Parent Company released a reserve for deferred tax in the amount of PLN 5 599 thousand, concerning the variance between the balance and tax value of assets entered in kind to the subsidiary ANTWERP Sp. z o.o. –XXXIV – S.K.A. The reason for releasing the reserve for deferred tax is cessation of the conditions for creating the reserve in relation to equality of tax and balancing values of assets due to transaction in kind.

12.2. 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:

Effective tax rate	For the reporting period ended 31.12.2015	31.12. 2014
Profit/(loss) before tax	**98 842**	**94 923**
Tax at the statutory rate applicable in Poland i.e. 19% (2014: 19%)	18 780	18 035
Corrections of current income tax from previous years	(6)	-
Transition differences from previous years	(5 599)	-
Costs not constituting tax base	524	912
Effect of differences in tax rates of subsidiaries operating in other tax systems	(360)	(110)
Unrecognized tax loss	981	831
Other	65	22
Costs not constituting tax base	84	81
Tax at the effective rate being 14.64 % (2014: 20.83%)	14 469	19 771
Income tax (charge) recognised in the consolidated profit and loss account	14 469	19 771
Income tax attributable to discontinued operations	-	-
	14 469	**19 771**

Effective tax rates of subsidiaries operating in other tax systems are as follows: MV Forte GmbH (Germany) – 30 5%.

12.3. Deferred income tax

Deferred income tax results from the following items:

Deferred income tax		Consolidated balance sheet As at		Consolidated profit and loss account For the reporting period ended	
Balance item	**Title of a temporary difference**	**31/12/2015**	**Balance item**	**Title of a temporary difference**	**31/12/2015**
Deferred tax provision					
Tangible fixed assets	Revaluation of fixed assets	14 123	17 980	(3 936)	760
Tangible fixed assets	Investment relief	135	182	(47)	(46)
Tangible fixed assets	Revaluation write-down on fixed assets	(1)	(1)	-	69
Receivables/Liabilities arising from supplies and services as well as other	Foreign exchange differences	(730)	(194)	(536)	(196)
Deferred revenues and accruals	Deferred revenues and accruals	(3 012)	(2 909)	(103)	(1 167)
Financial assets	Share revaluation write-down	(81)	(78)	(3)	(2)
Trade and other receivables	Revaluation of receivables	(430)	(523)	93	(8)
Trade and other receivables; Financial assets	Interest accrued	248	-	248	-
Inventory	Revaluation of inventory value	5	4	1	(2)
Inventory receivables under supplies	Revenue on conditions of Incoterms DDP and DAP	(519)	(576)	57	459
Deferred revenues and accruals	Provisions for transport costs	(837)	(780)	23	60
Provision for benefits after the					

employment period	Provisions for retirement benefits	129	125	4	10
Provisions, deferred revenues and accruals	Provision for bonuses	(180)	(122)	(58)	(63)
Trade and other receivables	Salaries and overheads for salaries	(2 828)	(1 690)	(1 138)	(241)
Receivables from to derivative instruments of financial instruments	Short-term investments	(765)	(664)	(101)	(79)
Trade and other receivables	Overdue liabilities past due period of more than 30 days	-	-	-	(106)
Deferred revenues and accruals	Other	(65)	(64)	(1)	(18)
	Deferred revenues and accruals	1 267	1 329	10	27
Deferred tax provision		1 078	927	-	-
Deferred tax provision covered in the statement of comprehensive income		(475)	(521)	-	-
Total deferred tax provision		**7,062**	**12 425**	**(5 487)**	**(543)**

Deferred tax in the amount of PLN 45 thousand concerning employee benefits and PLN 151 thousand concerning hedge accounting is recognised directly in capitals.

13. Social assets and liabilities

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 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:

	As at	
	31.12.2015	**31.12.2014**
Assets contributed to the Fund, in total	-	-
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**

14. 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	
	31.12.2015	**31.12.2014**
Net profit (loss) from continued operations	84 373	75 168
Loss from discontinued operations	-	-
Net profit (loss)	84 373	75 168

Net profit (loss) attributed to normal shareholders applied to calculate diluted earnings per share	84 373	75 168

	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	3,55	3,16
- diluted	3,55	3,16

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.

15. 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.

16. Leases

16.1. 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

16.2 Operating lease liabilities – the Group as a lessee

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:

	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**

16.3 Operating lease receivables – the Group as a lessor

In the reporting year ended 31 December 2015, the Group concluded operating lease agreements for the rental of commercial premises in the building in Wroclaw located at ul. Brucknera 25-43 and in Bydgoszcz at ul. Poznańska.

Most of the agreements have been concluded for an indefinite period with a 3 month notice period. The shortest agreement for fixed term has been concluded for the period until February 2016.

As at 31 December 2015, the future minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	31.12.2015	**31.12.2014**
Within 1 year	1 517	1 388
In the period from 1 to 5 years	2 031	2 835
Over 5 years	-	-
Future minimum lease payments, in total	**3 548**	**2 223**

17. Employee benefits

17.1. Employee share incentive programmes

A detailed description of the Incentive Scheme is contained in note 38.5.

17.2. 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:

	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%
Predicted growth rate of remuneration (in %)	3 .5%	3 .5%

	Changes	
Provision for pensions and disablement benefits	**2015**	**2014**
As at 1 January	3 491	2 717
Foreign exchange differences	1	3
Interest costs	78	104
Costs of current employment	361	273

Costs of past employment and limitations of benefit programme	-	-
Benefits paid	(132)	(45)
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)
Profit/loss on benefit programme settlements	-	-
As at 31 December	**3 562**	**3 491**
Of which:		
long-term	3 440	3 324
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 %)	.5%	189
	(0.5%)	(176)

18. Tangible fixed assets

	As at	
	31.12.2015	**31.12.2014**
Land	14 986	12 772
Buildings and structures	84 204	79 213
Technical equipment and machines	112 631	96 362
Means of transport	7 573	7 185
Other tangible fixed assets	4 845	3 851
Fixed assets under construction	35 164	17 626
Total tangible fixed assets	**259 403**	**217 009**

	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**	**96 362**	**7 185**	**3 851**	**17 626**	**217 009**
Increase	3 499	11 193	32 621	2 078	1 503	62 609	113 503
Including financial lease	-	-	-	*134*	-	-	*134*
Reclassified from intangible assets to fixed assets	-	-	-	-	-	-	-
Other decreases including:	(1 285)	(7 606)	(5 705)	(628)	(74)	(45 071)	(60 369)
sale	-	-	*(3 918)*	*(17)*	-	-	*(3 935)*
liquidation	-	*(357)*	*(1 787)*	*(611)*	*(74)*	-	*(2 829)*
kind	*(1 285)*	*(7 249)*	-	-	-	-	*(8 534)*
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)	(14 001)	(1 652)	(453)	-	(18 986)
Foreign exchange differences adjustment	-	-	-	(6)	-	-	(6)
Net value as at 31 December 2015	**14 986**	**84 204**	**112 631**	**7 573**	**4 845**	**35 164**	**259 403**
As at 01 January 2015							
Gross amount	12 772	104 206	201 285	15 995	6 580	17 626	358 464
Accumulated depreciation and revaluation impairment write-down	-	(24 993)	(104 923)	(8 810)	(2 729)	-	(141 455)
Net value	**12 772**	**79 213**	**96 362**	**7 185**	**3 851**	**17 626**	**217 009**
As at 31 December 2015							
Gross amount	14 986	107 793	228 201	17 450	8 014	35 164	411 608
Accumulated depreciation and revaluation impairment write-down	-	(23 589)	(115 570)	(9 877)	(3 169)	-	(152 205)
Net value	**14 986**	**84 204**	**112 631**	**7 573**	**4 845**	**35 164**	**259 403**

	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**	**79 086**	**6 438**	**3 930**	**9 705**	**188 588**
Increase	-	5 489	28 928	2 639	280	40 567	77 903
Including financial lease	-	-	*921*	*987*	-	-	*1 908*
Reclassified from intangible assets to fixed assets	-	-	-	-	-	-	-
Other decreases	-	(37)	(3 379)	(1 164)	(19)	(32 646)	(37 245)
Elimination of redemption as a result of the sale of assets	-	10	2 750	827	17	-	3 604
Revaluation impairment write-down:	-	-	-	-	-	-	-
Reversal of revaluation impairment write-down recognised in the profit and loss account	-	-	365	-	-	-	365
Depreciation write-down for the period	-	(2 906)	(11 388)	(1 563)	(360)	-	(16 217)
Foreign exchange differences adjustment	-	-	-	8	3	-	11
Net value as at 31 December 2014	**12 772**	**79 213**	**96 362**	**7 185**	**3 851**	**17 626**	**217 009**
As at 1 January 2014							
Gross amount	12 772	98 754	175 736	14 512	6 316	9 705	317 795
Accumulated depreciation and revaluation impairment write-down	-	(22 097)	(96 650)	(8 074)	(2 386)	-	(129 207)

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

Net value	12 772	76 657	79 086	6 438	3 930	9 705	188 588
As at 31 December 2014							
Gross amount	12 772	104 206	201 285	15 995	6 580	17 626	358 464
Accumulated depreciation and revaluation impairment write-down	-	(24 993)	(104 923)	(8 810)	(2 729)	-	(141 455)
Net value	**12 772**	**79 213**	**96 362**	**7 185**	**3 851**	**17 626**	**217 009**

As at 31 December 2015, total fixed assets at the Group's disposal amounted to PLN 259 403 thousand As at 31 December 2014, PLN 217 009 thousand). They consisted of the amounts shown above.

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).

Purchase and sale

In the 12-month period ended 31 December 2015, the Group purchased tangible fixed assets with a value of PLN 68 300 thousand (in the comparative period ended 31 December 2014: PLN 43 345 thousand) and sold tangible fixed assets with net value of: PLN 2 287 thousand (in the comparative period ended 31 December 2014: (as at 31 December 2014: PLN 619 thousand).

The most significant capital expenditures include expenses for infrastructure modernisation of buildings in all the factories of the Parent Company and investments for construction of high storage storehouse with the area of over 15 thousand sqm, purchase of IMA production line, BST drills, machines for carton cutting, construction of factory kindergarten, modernization of production hall in Suwałki as well as modernisation of machine park in all locations of the Parent Company

Capital commitments

(as at 31 December 2015 – net receivables of the Group amounted to PLN 1,584 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.

Impairment write-downs

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

19. Investment properties

The Group considers as investment properties those properties which it uses for its own needs for the conduct of production activity and they are treated by the Group as a source of income from long-term rental.

As per the balance day investment properties of the Group include: shopping centres in Wrocław and Bydgoszcz, complex of storehouses in Wrocław, property in Przemyśl and premises in Kraków.

Due to the property contribution conducted in 2015, the Parent Company ordered their valuation to the independent expert. As a result of the update of estimated valuation an increase of fair value of the investment property in Wrocław at ul. Brucknera by PLN 1 422 thousand occurred.

In addition, the Group made a change to the classification of properties entered as contribution to the subsidiary. The real properties were reclassified from fixed assets to investment properties for the first time and indicated in fair value. The value of property due to the valuation increased by PLN 17 654. The result of over-estimation of these properties to fair value was covered in the other capitals from valuation update.

	Fair value change	
	2015	**2014**
Opening balance as at the beginning of the reporting period	48 068	47 962
Increase (later expenses)	23 592	106
- land purchase	97	-
- reclassification of fixed assets under construction	4 420	-
- revaluation to the fair value	19 075	106
Closing balance as at the end of the reporting period	**71 660**	**48 068**

	For the reporting period ended	
	31.12.2015	**31.12.2014**
Interest income from the rent of investment real property	2 399	2 623
Costs resulting from repair and maintenance, including:	116	74
costs that brought rental income during the period	*113*	*71*
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

Fair value of the investment real properties as at 31 December 2015 was determined based on appraisal reports prepared by independent surveyors.

Valuation of developed properties was made with investment income approach using the techniques of simple capitalisation. Analysis of unobservable data was performed, which covers items such as the rent amount for the rental of commercial space in a given area. Obtainable rate of monthly rent depending on the type of building and its location was established

Rental rates for production-storage areas shaped in the range between 2 and 18 PLN per sqm, while in case of commercial space they were between 45 and 53 PLN per sqm. Capitalisation rate was established based on capital market at the level of 10.64%.

To determine the fair value of land, the comparative approach using average price adjustment has been applied and the method of pair's comparison in case of Przemyś was applied.

Upon applying the method of average price adjustment fair value increased together with an increase of rent rate and a drop of capitalisation ratio. The method of pair's comparison consists in defining fair value of property by comparing it to at least three similar properties which were subject to market transaction.

There has been no change in the valuation technique as compared to the comparative period.

As at 31 December 2014, the hierarchy of fair value was as follows:

	Level 1	Level 2	Level 3	**Fair value as at 31/12/2015**
Property in Wrocław	-	-	31 279	**31 279**
Property in Bydgoszcz	-	-	18 308	**18 308**
Property in Przemyśl	-	-	15 730	**15 730**
Property in Krakow	-	-	6 343	**6 343**
				71 60

20. Intangible assets

	Status as at 31.12.2015	31.12.2014
Patents and licenses	464	447
Other intangible assets	15 285	15 279
Completed development works	660	840
Investments in progress	-	-
Total equity	**16 409**	**16 566**

	Patents and licenses	Other	Completed developmen t works	Investments in progress	Total
Net value as at 1 January 2015	**447**	**15 279**	**840**	**-**	**16 566**
Increase	203	-	330	-	533
Decrease	-	(457)	-	-	(457)
Depreciation write-down for the period	(186)	(6)	(510)	-	(702)
Reclassification of intangible assets	-	-	-	-	-
Elimination of redemption as a result of the sale	-	469	-	-	469
Elimination of redemption as a result of the reclassification	-	-	-	-	-
Net value as at 31 December 2015	**464**	**15 285**	**660**	**-**	**16 409**
As at 01 January 2014 2015					
Gross amount	5 569	16 570	1 657	-	23 796
Accumulated depreciation and revaluation impairment write-down	(5 122)	(1 291)	(817)	-	(7 230)
Net value	**447**	**15 279**	**840**	**-**	**16 566**
As at 31 December 2015					
Gross amount	5 722	16 113	1 987	-	23 872
Accumulated depreciation and revaluation impairment write-down	(5 308)	(828)	(1 327)	-	(7 463)
Net value	**464**	**15 285**	**660**	**-**	**16 409**

	Patents and licenses	Other	Completed developmen t works	Investments in progress	Total
Net value as at 1 January 2014	**434**	**15 284**	**914**	**-**	**16 632**
Increase	154	-	400	-	554
Decrease	-	-	-	-	-
Depreciation write-down for the period	(141)	(5)	(474)	-	(620)
Reclassification of intangible assets	-	-	-	-	-
Elimination of redemption as a result of the sale	-	-	-	-	-
Elimination of redemption as a result of the reclassification	-	-	-	-	-
Net value as at 31 December 2014	**447**	**15 279**	**840**	**-**	**16 566**
As at 1 January 2014					
Gross amount	5 415	16 570	1 257	-	23 242
Accumulated depreciation and revaluation impairment write-down	(4 981)	(1 286)	(343)	-	(6 610)
Net value	434	15 284	914	-	16 632
As at 31 December 2014					
Gross amount	5 569	16 570	1 657	-	23 796
Accumulated depreciation and revaluation impairment write-down	(5 122)	(1 291)	(817)	-	(7 230)

Net value	**447**	**15 279**	**840**	**-**	**16 566**

As at 31 December 2015, intangible assets at the Group's disposal amount to PLN 16,409 thousand (As at 31 December 2014: PLN 16 566 thousand). They consisted of the amounts shown above. As at 31 December 2015 (as at 31 December 2014, no intangible assets classified as intended for sale occurred.)

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 with indefinite useful life

The only intangible asset with indefinite useful life is a trademark.
The Company was unable to determine the period of use of the trademark, because there is no foreseeable limit of the period during which it expects to reap economic benefits from the sale under the FORTE trademark.

In the reporting period a contribution in kind occurred of ownership rights to trademark of the Parent Company to the subsidiary ANTWERP Sp. z o.o. –XXXIV – Spółka komandytowo akcyjna. For the purposes of the transaction a valuation of the trademark to fair value was assigned to independent experts. The method and assumptions applied for the valuation of trademark was described below.

Method of valuation
The value in use of the mark was appraised by the relief from royalty method. The method determines the value on the basis of discounted future royalty flows taking into account license agreements concluded on market terms for comparative brands.
According to the Group the applied method of valuation was similar to methodology of test for loss of value, therefore, additional test was not conducted.

Assumptions for valuation
Royalty rate – depending on the market: Western Europe – 1%, Central and Eastern Europe and Poland – 2,5%
Cost of equity – 8,45%
The discount rate – 10,8%-11.0% over the projection period
The rate of income tax – 19%
Period of financial projections – from 01 April 2015 to 31 December 2019,
For the forecast of Forte brand sales revenues for 2016, i.e. the period covered with the most up-to-date budget, 11% growth of revenues is assumed.

In line with the accepted assumptions the point value of Trademarks and rights to avail of them was estimated for PLN 152 million. This is a net value that is it does not include VAT tax.

The result of trademark value appraisal, according to the adopted assumptions, has not proved any decrease of its value, taking into account the sensitivity to three crucial exit assumptions: licence fee rate, the discount rate, and the growth rate after 31 December 2019.

21. Non-current assets held for sale

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

22. 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	334	329
Other shares and interest	3	3
Other	-	-
Other long-term financial assets		**332**
Long-term receivables	65	71
Borrowings to related entities	42	-
Other	61	61
	505	**464**

Shares and interest in subsidiaries excluded from consolidation are valuated at historical cost less the possible impairment write-downs Financial data obtained from subsidiaries whose shares were not covered by revaluation write-downs do not indicate the impairment of share value, and therefore tests for the impairment of shares in subsidiaries were not conducted.

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
Forte Baldai UAB	Subsidiary	16.04.1999	164	-	164
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 Sarl	Subsidiary	17.11.2005	399	399	-
Forte Mobila S.r.l.	Subsidiary	12.09.2008	12	12	-
TM Handel Sp. z o.o.	Subsidiary	12.05.2008	-	-	-
ANTWERP Sp. z o.o.	Subsidiary	03.09.2015	5	-	5
TOTAL			**745**	**411**	**334**

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
Forte Baldai UAB	Subsidiary	16.04.1999	164	-	164
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 Sarl	Subsidiary	17.11.2005	399	399	-
Forte Mobila S.r.l.	Subsidiary	12.09.2008	12	12	-
TM Handel Sp. z o.o.	Subsidiary	12.05.2008	-	-	-
TOTAL			**740**	**411**	**329**

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

for the year ended 31 December 2014 and 31 December 2014

Company name	Registered office	Scope of activity	Carrying value of shares
Meblopol Sp. z o.o.	Poznań	Trade	3
TOTAL			**3**

The percentage share of assets, revenue and results of subsidiaries excluded from consolidation as at 31 December 2015 was as follows:

Company name	Type of relationship	In total assets	In revenue	In current result
Forte Baldai UAB	Subsidiary	0,05%	0,04%	0,08%
Forte SK S,r,o,	Subsidiary	0,07%	0,24%	0,47%
Forte Furniture Ltd,	Subsidiary	0,06%	0,13%	-0,05%
Forte Iberia S,l,u,	Subsidiary	0,02%	0,21%	-0,05%
Forte Mobilier Sarl	Subsidiary	0,01%	0,00%	-0,06%
Forte Mobila S,r,l,	Subsidiary	0,00%	0,00%	-0,10%
TM Handel Sp, z o,o,	Subsidiary	0,32%	1,45%	0,29%
ANTWERP Sp, z o,o,	Subsidiary	0,00%	0,00%	-0,01%

The percentage share of assets, revenue and results of subsidiaries excluded from consolidation as at : 31 December 2014 was as follows:

Company name	Type of relationship	In total assets	In revenue	In current result
Forte Baldai UAB	Subsidiary	0,04%	0,03%	0,15%
Forte SK S,r,o,	Subsidiary	0,11%	0,22%	0,48%
Forte Furniture Ltd,	Subsidiary	0,07%	0,06%	0,11%
Forte Iberia S,l,u,	Subsidiary	0,02%	0,09%	-0,15%
Forte Mobilier Sarl	Subsidiary	0,01%	0,04%	0,25%
Forte Mobila S,r,l,	Subsidiary	0,02%	0,02%	0,23%
TM Handel Sp, z o,o,	Subsidiary	0,65%	1,55%	0,31%

The percentage share means a share of assets, revenue and results of subsidiaries excluded from consolidation in respective items of the consolidated financial statements prior to exclusions

23. Inventory

	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	2 958	4 033
Total inventories at the lower of the two: acquisition price (cost of construction) and realisable value.	**139 022**	**149 013**

Changes in inventory revaluation write-down were as follows:

	Changes	
	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 22 779 thousand).

24. Trade and other receivables

	State as at	
	31.12.2015	31.12.2014
Trade receivables from related parties	367	2 814
Receivables under supplies and services from other entities	146 408	116 575
Other receivables from related parties	-	-
Other budget receivables	37 528	23 800
Other receivables from third parties	3 030	850
Total (net) receivables	**187 333**	**144 039**
Revaluation write-down on receivables	2 694	3 196
Gross receivables	**190 027**	**147 235**
Income tax receivables	**274**	**1**

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	91 138	69 687
b) over 1 month and up to 3 months	24 831	18 764
c) over 3 months and up to 6 months	97	254
d) over 6 months and up to 1 year	176	-
e) over 1 year	57	67
f) overdue receivables	33 170	33 813
Total trade receivables (gross)	**149 469**	**122 585**
Revaluation write-down on receivables	(2 694)	(3 196)
Total trade receivables (net)	**146 775**	**119 389**

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

	Status as at	
	31.12.2015	**31.12.2014**
a) up to 1 month	24 099	24 275
b) over 1 month and up to 3 months	4 806	5 893
c) over 3 months and up to 6 months	859	474
d) over 6 months and up to 1 year	756	623
e) over 1 year	2 650	2 548
Total overdue trade receivables (gross)	**33 170**	**33 813**
Revaluation write-down on receivables	(2 690)	(3 022)
Total overdue trade receivables (net)	**30 480**	**30 791**

For terms and conditions of related party transactions refer to note 38. 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 2 694 thousand (As at 31 December 2014: PLN 3 196 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	
Revaluation write-downs on receivables	**2015**	**2014**
Revaluation write-down as at 1 January	3 196	2 984
Foreign exchange differences	19	3
Creation	155	684
Used	(449)	(244)
Release	(227)	(231)
Revaluation write-down as at 31 December	**2 694**	**3 196**

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

	Total equity	**Not overdue**	**Overdue, but recoverable**				
			< 30 days	30–90 days	90–180 days	> 180 days	< 30 days
31 Dec 2015	146,775	116 240	24 073	4 739	775	756	192
31 Dec 2014	119 389	88 598	24 275	5 893	469	154	-

25. Receivables from to derivative instruments of financial instruments

	Status as at	
	31.12.2015	31.12.2014
Fair value of derivative instruments (zero-cost option strategies)	5 673	4 852
	5 673	**4 852**

26. Deferrals

	Status as at	
Deferrals	**31.12.2015**	**31.12.2014**
Property and motor insurance	837	704
Fairs	576	105
Research and development	1 217	1 210
Business trips	-	28
Other	316	887
Total deferrals	**2 946**	**2 934**

27 Other short-term financial assets

	As at	
Other short-term financial assets	**31.12.2015**	**31.12.2014**
Granted loans	10	41
Interest on granted loans	-	-
Other financial assets	83	-
Total other short-term financial assets	**93**	**41**

For details of loans granted to subsidiaries refer to point 38 of additional notes and explanations.

28 Cash and cash equivalents

	Status as at	
Cash and cash equivalents	**31.12.2015**	**31.12.2014**
Cash at bank and in hand	19 268	13 273
Other cash (overnight deposits and deposits under three months)	35 764	42 470
Total cash and cash equivalents	**55 032**	**55 743**

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 55 032 thousand 31 December 2014 PLN 55 743 thousand).

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

29 Share capital and supplementary/reserve capital

29.1 Share capital

	Status as at

Share capital (shares in units)	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	-
	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 registered 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 17 March 2015:

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	32.69%	32.69%
2.	MetLife Otwarty Fundusz Emerytalny (MetLife OFE)	2 975 474	12.53%	12.53%
3.	Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	1 324 480	5.58%	5.58%
4.	ING Otwarty Fundusz Emerytalny	1 200 000	5.05%	5.05%

29.2 Share premium

In the reporting period the issue of 150 000 shares of G series occurred with nominal value of PLN 1 per each share in relations to realization of incentive scheme for the Members of Management of the Parent Company. The impact on account of purchase by the authorized managers of G series shares amounted to PLN 1 728 thousand while the costs of issue of shares amounted to PLN 10 thousand. The surplus on sale of premium shares above their nominal value amounted to PLN 1 568 thousand and was referred to the reserve capital.

29.3 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	(151)	843

Closing balance of accumulated result on financial instruments hedging cash flows	**4 595**	**3 925**

Other reserve and supplementary capital

	Statutory supplementary capital	Other reserve capital	Total
As at 01 January 2015	1 250	166 562	167 812
Write-down on gains for investments and the financing of the current activities of the Group	-	27 232	27 232
As at 31 December 2015	**1 250**	**193 794**	**195 044**

	Statutory supplementary capital	Other reserve capital	Total
As at 1 January 2014	1 250	145 553	146 803
Write-down on gains for investments and the financing of the current activities of the Group	-	21 009	21 009
As at 31 December 2014	**1 250**	**166 562**	**167 812**

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.

29.4 Retained earnings

	Status as at	
	31.12.2015	**31.12.2014**
Net profit	84 405	75 168
Undistributed profit	33 982	33 358
	118 387	**108 526**

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

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

29.5 Minority share

	Status as at	
	2015	**2014**
At 1 January	3 694	3 711
Dividend pay out to non-controlling shareholders	-	(1)
Profit share of the subsidiaries	(32)	(16)
Inclusion of an entity to consolidation	-	-
As of 31 December	**3 662**	**3 694**

29.6 Financial Reporting in Hyperinflationary Economies

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.
In view of the Management Board recognising the above-mentioned adjustment as uncovered losses from previous years is 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)**

30. Interest-bearing loans and borrowings

Short-term	Nominal interest rate %	Loan currency	31/12/2015	31/12/2014
mBank S.A. – investment 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 EUR 1 000 thous. -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 EUR 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 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. – capital loan in the amount of PLN 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	-
ING Bank Śląski S.A. – investment loan in the amount of EUR 2 250 thousand-short-term portion	3 M EURIBOR	by 30.03.2018	1 574	-
Total short-term			**105 109**	**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 55 000 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. – 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
ING Bank Śląski S.A. – investment loan in the amount of EUR 5 000 thousand- long term portion	3 M EURIBOR	by 31.12.2021	15 608	-
ING Bank Śląski S.A. – investment loan in the amount of EUR 2 250 thousand- long term portion	3 M EURIBOR	by 30.03.2018	2 623	-
Total long-term			**29 325**	**86 678**

Bank loan securities as at	**31 December 2015**
PKO BP S.A. – investment loan in the amount of 3 500 thousand EUR	1. registered pledge on purchased machines and devices of value no lower than EUR 5 130 thousand 2. 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 2 400 thousand EUR	1. Registered pledge on purchased machines and devices up to the maximum amount of surety of EUR 3 600 thousand 2. assignment of rights from the insurance policy
PKO BP S.A. – working capital loan in the amount of PLN 55 000 thousand	1. Registered pledge on movable assets in the factory in Suwałki up to a maximum amount of PLN 26 000 thousand with assignment of rights from the insurance policy 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. – working 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. – working 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

ING Bank Śląski S.A. –investment loan in the amount of EUR 7 250 thousand	1. Total mortgage up to the amount of EUR 6 000 thousand on ownership right to land and premises at ul. Gen. W. Andersa in Białystok. 2. Registered pledge on equipment of high storing warehouse in Ostrów Mazowiecka.

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

0.80% -1.90% for loans taken in USD

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	117 667	85 270
USD	16 767	11 229
	134 434	**96 499**

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.

On 14 December 2015 the subsidiary DYSTRI-FORTE Sp. z o.o. concluded with ING Bank Śląski SA an agreement for two investment loans up to the total amount of EUR 7 250 thousand on financing and refinancing of costs of construction and equipping of high storing warehouse in Ostrów Mazowiecka. The description of conditions and protections to the obtained loan are presented in the above table.

31. Provisions and accruals

31.1 Change in provisions

Provision for employee benefits after the employment period has been described in note 17.2.

31.2 Deferred revenues and accruals

	Status as at	
Long-term accruals	**31.12.2015**	**31.12. 2014**
Long-term accrued/deferred income due to:		
Subsidy to purchased tangible fixed assets	37	61

Short-term accruals	31.12.2015	31.12. 2014
Accrued/deferred expenses due to:		
Commissions	2 380	1 786
Bonuses for customers	18 552	12 023
Bonuses	5 102	5 169
Leaves	2 051	2 561
Balance sheet audit costs	158	56
External services	4 369	4 121
Other costs	251	61
Short-term provisions:		
Short-term provision for benefits after the employment period	122	167
Guarantee repairs	1 850	1 571
Other Provisions	-	281
Accrued/deferred income due to::		
Subsidy to purchased tangible fixed assets	24	24
	34 859	**27 820**

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.

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

The amount of PLN 18 552 thousand is a provision created by the Group for future bonuses payable due to sales realised in 2014 to customers from, above all, the German 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 consists primarily of marketing and disposal costs.

32. Trade and other liabilities (short-term)

	Status as at	
	31.12.2015	**31.12. 2014**
Liabilities arising from supplies and services	**53 720**	**43 526**
Towards related entities	339	705
To other entities	53 063	42 205
Advances for deliveries	318	616
Liabilities from tax, customs, social insurance and other benefits	**5 556**	**4 557**
VAT	427	8
Personal income tax	1 075	938
Social insurance	3 676	3 397
Other	378	214
Other liabilities	**14 777**	**12 748**
Payroll liabilities to employees	11 951	10 070
Capital commitments	1 584	1 315
Other liabilities	1 242	1 363
	74 053	**60 831**

Liabilities relating to corporate income tax	**3 777**	**12 669**
Total liabilities	**77 830**	**73 497**

Terms and conditions of the above financial liabilities

For terms and conditions of related party transactions, refer to point 38 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.

33. 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 29.10.2024. As at 31 December 2015, the credit balance amounts to PLN 19 805 000.

34. Court cases

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

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**	**43**	**-**	**-**	**-**	**-**	**46**
Financial assets	-	-	3	43	-	-	-	-	46
Financial current assets:	-	**-**	**83**	**204 847**	**-**	**-**	**5 673**	**-**	**210 603**
Receivables from supplies and services as well as other receivables	-	-	-	149 805	-	-	-	-	149 805
Receivables from derivative instruments	-	-	-	-	-	-	5 673	-	5 673
Cash and cash equivalents	-	-	-	55 032	-	-	-	-	55 032
Other financial assets	-	-	83	10	-	-	-	-	93
Long-term financial liabilities:	-	-	-	-	-	**(29 325)**	**-**	**(1 231)**	**(30 556)**
Interest-bearing loans and borrowings	-	-	-	-	-	(29 325)	-	-	(29 325)
Financial liabilities due to lease -	-	-	-	-	-	-	-	(1 231)	(1 231)
Other financial liabilities	-	-	-	-	-	-	-	-	-
Short-term liabilities	**-**	**-**	**-**	**-**	**-**	**(161 655)**	**-**	**(999)**	**(162 654)**
Liabilities arising from supplies and services as well as other liabilities	-	-	-	-	-	(56 546)	-	-	(56 546)
Liabilities related to derivative instruments	-	-	-	-	-	-	-	-	-
Current portion of loans and borrowings	-	-	-	-	-	(105 109)	-	-	(105 109)
Financial liabilities due to lease	-	-	-	-	-	-	-	(999)	(999)
	-	**-**	**86**	**204 890**	**-**	**(190 980)**	**5 673**	**(2 230)**	**17 439**

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**	**-**	**-**	**-**	**-**	**-**	**3**
Financial assets	-	-	3	-	-	-	-	-	3
Financial current assets:	-	**-**	-	**175 330**	**-**	**-**	**4 852**	**-**	**180 182**
Receivables from supplies and services as well as other receivables	-	-	-	119 546	-	-	-	-	119 546
Receivables from derivative instruments	-	-	-	-	-	-	4 852	-	4 852
Cash and cash equivalents	-	-	-	55 743	-	-	-	-	55 743
Other financial assets	-	-	-	41	-	-	-	-	41
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	-	-	-	-	-	-	-	-	-
Short-term liabilities	**-**	**-**	**-**	**-**	**-**	**(55 381)**	**-**	**(1 219)**	**(56 600)**
Liabilities arising from supplies and services as well as other liabilities	-	-	-	-	-	(45 559)	-	-	(45 559)
Liabilities related to derivative instruments	-	-	-	-	-	-	-	-	-
Current portion of loans and borrowings	-	-	-	-	-	(9 822)	-	-	(9 822)
Financial liabilities due to lease	-	-	-	-	-	-	-	(1 219)	(1 219)
	-	**-**	**3**	**175 330**	**-**	**(142 059)**	**4 852**	**(3 816)**	**34 310**

35.2 Fair value

	As at 31 December 2015		As at 31 December 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial fixed assets	3	3	3	3
Receivables from derivative instruments	5 673	5 673	4 852	4 852
Cash and cash equivalents	55 032	55 032	55 743	55 743
Other current financial assets 731	93	93	41	41
Interest-bearing loans and borrowings	(29 325)	(29 325)	(86 678)	(86 678)
Financial liabilities due to lease	(1 231)	(1 231)	(2 597)	(2 597)
Other long-term financial liabilities	-	-	-	-
Liabilities related to derivative instruments	-	-	-	-
Current portion of loans and borrowings	(105 109)	(105 109)	(9 822)	(9 822)
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	2016-01-02	4,46%	8,88%
2 Days	2016-01-02	4,46%	8,88%
5 Days	2016-01-05	4,97%	7,97%
6 Days	2016-01-06	5,14%	7,67%
1 Week	2016-01-07	5,31%	7,36%
2 Weeks	2016-01-14	5,89%	7,37%
3 Weeks	2016-01-21	6,08%	7,31%
1 Month	2016-01-31	6,25%	7,15%
2 Months	2016-02-29	6,30%	7,10%
3 Months	2016-03-30	6,37%	7,09%
4 Months	2016-04-30	6,44%	7,15%
5 Months	2016-05-31	6,52%	7,21%
6 Months	2016-06-30	6,59%	7,26%
7 Months	2016-07-31	6,63%	7,29%
8 Months	2016-08-31	6,67%	7,32%
9 Months	2016-10-01	6,71%	7,36%
10 Months	2016-11-01	6,75%	7,39%
11 Months	2016-12-02	6,79%	7,42%
1 Year	2016-12-31	6,82%	7,45%
1Y 3M	2017-04-02	6,87%	7,55%
1Y 6M	2017-06-30	6,91%	7,66%
1Y 9M	2017-09-30	6,92%	7,73%
2 Years	2017-12-31	6,93%	7,81%
3 Years	2018-12-31	7,21%	8,11%
5 Years	2020-12-31	7,28%	7,99%
7 Years	2022-12-31	7,31%	7,92%
10 Years	2025-12-31	7,32%	7,87%

EUR/PLN CALL - variability plane as at the end of December 2015			
Tenor	Maturity	ATM Bid	ATM Ask
DD	2016-01-02	4,46%	8,88%
2 Days	2016-01-02	4,46%	8,88%
5 Days	2016-01-05	4,97%	7,97%
6 Days	2016-01-06	5,14%	7,67%
1 Week	2016-01-07	5,31%	7,36%
2 Weeks	2016-01-14	5,89%	7,37%
3 Weeks	2016-01-21	6,08%	7,31%
1 Month	2016-01-31	6,25%	7,15%
2 Months	2016-02-29	6,30%	7,10%
3 Months	2016-03-30	6,37%	7,09%
4 Months	2016-04-30	6,44%	7,15%
5 Months	2016-05-31	6,52%	7,21%
6 Months	2016-06-30	6,59%	7,26%
7 Months	2016-07-31	6,63%	7,29%
8 Months	2016-08-31	6,67%	7,32%
9 Months	2016-10-01	6,71%	7,36%
10 Months	2016-11-01	6,75%	7,39%
11 Months	2016-12-02	6,79%	7,42%
1 Year	2016-12-31	6,82%	7,45%
1Y 3M	2017-04-02	6,87%	7,55%
1Y 6M	2017-06-30	6,91%	7,66%
1Y 9M	2017-09-30	6,92%	7,73%
2 Years	2017-12-31	6,93%	7,81%
3 Years	2018-12-31	7,21%	8,11%
5 Years	2020-12-31	7,28%	7,99%
7 Years	2022-12-31	7,31%	7,92%
10 Years	2025-12-31	7,32%	7,87%

The Company uses Garman-Kohlhagen model for the 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.

	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	-	-	-	947	(1 056)	-	(132)	**(241)**
Foreign exchange profits/(losses)	-	-	-	(649)	(1 024)	-	-	**(1 673)**
(Establishment)/reversal of revaluation write-downs	-	-	-	142	-	-	-	**142**
Dividends	-	-	26	-	-	-	-	**26**
Profits/(losses) on sale/execution of financial instruments	-	-	-	-	-	-	-	**-**
Adjustment of sales due to hedging transactions	-	-	-	-	-	2 011	-	**2 012**
Profits/(losses) due to the valuation and execution of derivatives in the period	-	-	-	-	-	2 255	-	**2 255**
Net profit(loss) total	**-**	**-**	**26**	**440**	**(2 080)**	**4 266**	**(132)**	**2 521**

 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	-	-	-	1 650	(842)	-	(89)	**719**
Foreign exchange profits/(losses)	-	-	-	2 703	(3 938)	-	-	**(1 235)**
(Establishment)/reversal of revaluation write-downs	-	-	-	(274)	-	-	-	**(274)**
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**	**4 079**	**(4 780)**	**4 427**	**(89)**	**3 663**

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

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 8.19 and 8.20.

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 increase per annum for WIBOR by 0.20 percentage point, as well as 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 31.12.2015		
PLN	-0,20%	(1)
EUR	-0,05%	(15)
USD	0,30%	-
Year ended 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	105 109	8 714	16 939	3 672	134 434
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	9 822	70 697	15 981	-	96 500
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 0.8513 % (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 EUR and 10% for USD (2014: increase of 5% for USD and EUR) and a decrease of 3% over the year (2014: decrease of 5%)

	Percentage changes in rates	Impact on gross financial result	Impact on equity
31 December 2015			
Trade receivables	+3%/ +10%	3 820	
Loans granted	+3%/ +10%	1	
Cash	+3%/ +10%	264	
Hedging instruments	+3%/ +10%	-	(2 333)
Trade liabilities	+3%/ +10%	(857)	
Bank loans	+3%/ +10%	(4 872)	
Financial lease	+3%/ +10%	(30)	
Total influence of increase of the exchange rate		**(1 674)**	**(2 333)**
Trade receivables	- 3 %	(3 742)	
Loans granted	- 3 %	(1)	
Cash	- 3 %	(262)	
Hedging instruments	- 3 %	-	25 124
Trade liabilities	- 3 %	857	
Bank loans	- 3 %	3 699	
Financial lease	- 3 %	(1 703)	
Total impact of exchange drop		**(1 152)**	**25 124**

	Percentage changes in rates	Impact on gross financial result	Impact on equity
31 December 2014			
Trade receivables	5%	5 476	-
Loans granted	5%	-	-
Cash	5%	254	-
Hedging instruments	5%	-	(18 898)
Trade liabilities	5%	(680)	-
Bank loans	5%	(4 825)	-
Financial lease	5%	(104)	-
Total influence of increase of the exchange rate		**121**	**(18 898)**
Trade receivables	-5%	(5 476)	-
Loans granted	-5%	-	-
Cash	-5%	(254)	-
Hedging instruments	-5%	-	23 384

Trade liabilities	-5%	680	-
Bank loans	-5%	4 825	-
Financial lease	-5%	104	-
Total influence of the decrease of exchange rate		**(121)**	**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 8.20. 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 29.3 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..

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)
EUR	9 000	Put Option	06.2015	07-09.2017	4,2260	PKO BP S.A.	800
EUR	9 000	Call Option	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	105 109	8 714	16 939	3 672	134 434
Financial lease	999	1 231	-	-	2 230
Trade and other receivables	74 053	-	-	-	74 053
	180 161	**9 945**	**16 939**	**3 672**	**210 717**

31 December 2014	**<1 year**	**1—2 years**	**2-5 years**	**> 5 years**	**Total equity**
Bank loans	9 822	70 697	15 981	-	96 500
Financial lease	1 219	1 201	1 396	-	3 816
Trade and other receivables	60 831	-	-	-	60 831

	71 872	**71 898**	**17 377**	**-**	**161 147**

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	134 434	96 500
Financial lease	2 230	3 816
Trade and other liabilities, provisions, accruals/deferrals	123 228	117 130
Cash and cash equivalents	(55 032)	(55 743)
Net debt	**204 860**	**161 703**
Convertible preference shares	-	-
Foreign exchange differences on translation of foreign operations	23 901	23 751
Surplus of share sale above their nominal value	113 214	111 646
Other reserve capital	195 044	167 812
Revaluation reserve	4 595	3 925
Incentive Scheme	1 290	1 290
Retained earnings	118 387	108 526
Exchange differences on translation of foreign operations	711	640
Equity of non-controlling shareholders	3 662	3 964
Total capital	**478 458**	**421 284**
Capital and net debt ratios	**683 318**	**582 987**
Gearing ratio	**29.98%**	**27.74%**

38. Related party disclosures

The following table presents total amounts of transactions concluded with related entities:

Transactions regard the sale of products, goods and services and the purchase of services.

Related entity		**Sales to related undertakings**	**Purchases from related entities**	**Receivables from related entities**	**Liabilities to related entities**
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	24	-
	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	319	232
	31.12.2014	10 887	1 382	2 788	513
Total	**31.12.2015**	**4 424**	**6 369**	**367**	**339**
	31.12.2014	**10 925**	**5 775**	**2 814**	**705**

All loans granted as per 31.12.2015 are presented in the below table:

Related entity	Loan amount	Loan currency	Payment term	Loan balance as at 31/12/2015	Interest amount as at 31/12/2015
Subsidiary:					
Fort Mobilier S.a.r.l.	10	EUR	Dec 2017	43	-
Antwerp Sp. z o.o.	10	PLN	July 2016	10	-
Total:				**53**	**-**
Including:					
Short-term portion:					
Antwerp Sp. z o.o.				10	-
Total:				**10**	**-**
Long-term portion:					
Fort Mobilier S.a.r.l.				43	- -
Total:				**43**	**-**

These loans were granted on market terms (variable interest rate based on WIBOR plus a margin.

Balance of loans granted to non-consolidated subsidiaries as at 31/12/2014:

Related entity	Loan amount	Loan currency	Payment term	Loan balance as at 31/12/2014	Interest amount as at 31 December 2014
Subsidiary:					
Forte SK S. r. o.	1,260	PLN	December 2015	41	-
Total:				**41**	**-**
Including:					

Short-term portion:		
Forte SK S. r. o.	41	-
Total:	**41**	**-**

Loan granted to Forte SK company was repaid totally in January 2015.

38.1 Parent Company of the Group

The Parent Company of the Fabryki Mebli FORTE Capital Group is Fabryki Mebli FORTE S.A.

38.2 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 29.

38.3 Joint venture in which the Parent Company is a venturer

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

38.4 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.

38.5 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; 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	1/ non-reporting by auditor any significant concerns to the consolidated annual financial statements 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 compared to the result as at 31 December 2013	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 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 E series was established in the amount PLN 991 thousand. The report created on 30 June 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.

Number and average mean of the price of execution of warrants 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:	E	118 740	46,19
Granted in 2015			
As at 01.01.2015 including:		**237 480**	
Possible for realizing as at 31.12.2015	D	118 740	46,19
	F	118 740	46,19

38.6Remuneration of the Group's senior management

Remuneration paid to members of the Management Board and Supervisory Board of the Company (the Parent Company) and the Management Boards/Members of the Supervisory Boards of the Group's related entities is as follows:

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 of the Parent Company, 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	-	712
Rafał Prendke	438	614
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.

	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)	7 297	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)	**7 322**	**5 167**

38.7 Participation of senior executives in the employee programmes and schemes

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

39. Employment structure

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

	2015	**2014**
Management Board of the Parent Company 4	5	5
Management Boards of related entities	6	6
Administration	203	186
Sales Department	592	470
Production Division	2 107	1 857
Other	136	130
Total	**3 049**	**2 654**

40. Subsequent events after the reporting period

On 19 January 2016 the Parent Company concluded with ING Bank Śląski S.A. an agreement for the following zero cost sale transactions of Call option and purchase of Put option 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 14.12.2015 pursuant to which DYSTRI-FORTE Sp. z o.o. a loan was obtained in the amount of EUR 7 250 thousand.

On 1 February 2016 the Parent Company obtained a notification from the District Court in Bielsko Podlaska, IX Off-site Department of Land and Mortgage Register in Hajnówka about the entry as on 28 January 2016 in favour of PKO BP S.A., an increase of contractual joint capped mortgage up to the amount of PLN 55 000 thousand on rights of perpetual usufruct for land property of the Parent Company and on the ownership right to buildings and devices placed thereon, located in Hajnówka at ul. 3 Maja 51, for which Registered Court in Bielsko Podlaskie, IX Off-site Department of Land and Mortgage Register with its seat in Hajnówka conducts land and mortgage register under 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 bankruptcy proceedings of the subsidiary FORTE MOBILA S.R.L. z with its seat in Bacau (Romania).
On 5 February 2016 a resolution was resolved by the Annual General Meeting of Shareholders regarding an increase in share capital of the company DYSTRI-FORTE Sp. z o.o. from PLN 5 thousand to PLN 55 thousand by means of creating 100 new shares of nominal value of PLN 500 each in exchange for financial contribution in the amount of PLN 3 995 thousand. The surplus of value of financial input above the nominal value of the covered shares was transferred into the reserve capital of the Company. 100% of shares in the increased share capital of DYSTRI-FORTE Sp. z o.o. were covered by Fabryki Mebli „FORTE" S.A. Registration of the increase of share capital occurred on 29 February 2016.

On 5 February 2016 a resolution was resolved by the Annual General Meeting of Shareholders regarding an increase in share capital of the company TANNE Sp. z o.o. from PLN 5 thousand to PLN 55 thousand by means of creating 100 new shares of nominal value of PLN 500 each in exchange for financial contribution in the amount of PLN 3 995 thousand. The surplus of value of financial input above the nominal value of the covered shares was transferred into the reserve capital of the Company. 100% of shares in the increased share capital of TANNE Sp. z o.o. were covered by Fabryki Mebli „FORTE" S.A. Registration of the increase of share capital occurred on 4 March 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.

Signature of the person entrusted with bookkeeping

Anna Wilczyńska

....

Signatures of all members of the Management Board

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

....

Ostrów Mazowiecka, 17 March 2016

FABRYKI MEBLI „FORTE" S.A. CAPITAL GROUP

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

FABRYKI MEBLI „FORTE" S.A.
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Ostrów Mazowiecka, 17 March 2016

TABLE OF CONTENTS

I CURRENT FINANCIAL AND OPERATIONAL STANDING

1. Basic information on the Fabryki Mebli "FORTE" S.A. Capital Group 4
1.1. Information on the Group's Parent Company 4
1.2. Management of the Parent company 5
1.3. Supervisory Board of the Parent Company 5
1.4. Mission and policy of the Fabryki Mebli FORTE 6
1.5. Key events in which the Parent Company participated in 2015 6
1.6. Awards and honours 7

2. Information concerning organisational or capital relations of the Issuer with other entities and defining its main investments in the country and abroad, including capital investments conducted outside of its group of affiliated entities and a description of methods of their financing 7
3. Information concerning basic products, goods and services 8
4. Information about markets, including the division into domestic and foreign markets 8
5. Information regarding sources of supply in materials for production, goods and servicesi 8
6. Information concerning contracts important for the activity 8
7. Information about material transactions concluded with related entities on conditions other than arm's length conditions 9
8. Information regarding credits and loans 9
9. Information concerning loans granted in the fiscal year 11
10. Information concerning guarantees and sureties granted and received in the fiscal year 12
11. Description of the use of securities issue proceeds by the Issuer 12
12. Differences between the financial results indicated in the annual report and earlier forecasts for the given year 12
13. Assessment and its justification, concerning the management of financial resources 12
14. Assessment of ability to fulfil investment plans in comparison to the resources available 13
15. 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 13
15.1. Interest rate risk 14
15.2. Currency risk 14
15.3. Credit risk 15
15.4. Liquidity risk 15
16. Commentary to the basic financial values in the Group 15
17. Assessment of factor and special events which impacted the operational result for the financial year, including defining the level of impact of these factor or special events on the achieved result 17
18. Description of external and internal factors important for the development and development prospects 17
19. Changes in the methods of managing the Issuer's company and its capital group 17
20. Any agreements concluded between the Issuer and the management staff providing that in case of the resignation or dismissal from the role without a significant cause or in case their dismissal or recall from the occupied position is due to merger of the Issuer by takeover 17
21. The amount of remuneration, rewards and benefits, including those under the incentive or bonus schemes based on the Issuer's capital 17
22. Specification of the total number and face value of the Issuer's shares held by members of the management and supervisory bodies. 19
23. Employment and personnel policy of the Group 20
23.1. Development and training 20
23.2. Internship programmes and practicesi 21
24. Fabryki Mebli "FORTE" S.A. share price performance 21
25. Information concerning agreements known to the Issuer which may change the proportion of shares held by the existing shareholders 22
26. Information concerning the control system of the employee share programmes 22
27 .Information on court proceedings whose total value constitutes at least 10% of the Issuer's own funds 22
28. Information on the date of agreement conclusion by the Issuer with an entity authorised to audit financial statements regarding an audit or review of the financial statements and the period for which the agreement was concluded and the total amount of remuneration under the agreement 22
29. The structure of assets and liabilities 23
30. 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 24
31. Description of the structure of major capital investments made within the given financial year 24
32 .Description of the organization of the Issuer's capital group, with the list of consolidated companies, and description of changes in the organization of the Issuer's Capital Group together with their reasons 24
33. Description of the policy concerning development lines of the Issuer's Capital Group. The main directions of development 24
34. Description of off-balance sheet items by counterparty, object and value 24
35. Selected financial data converted on the basis of the following exchange rates 25
36. Statement of the Management Board concerning the entity authorised to audit financial statements of the Issuer 25
37. Statement of the Management Board regarding the reliability of the financial statements of the Issuer 25
38. 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 25

II CORPORATE GOVERNANCE

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 27
2.Shareholders holding directly or indirectly significant stakes of shares... 29
3.Holders of any securities which provide special control rights 29
4.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 Parent Company, equity rights related to securities are separate from the ownership of securities 29
5.Limitations in transferring the ownership right to the Issuer's securities 29
6.Description of principles concerning the appointment and dismissal of managers and their entitlements 29
7.Description of principles of change of status or Issuer's company agreement 30
8. The manner of functioning of the General Meeting and its principal 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 result of the existing law 30
9.Composition of issuer's managing, supervising and administering bodies, changes they underwent during the last financial year and description of their activities.. 31

CURRENT FINANCIAL AND OPERATIONAL STANDING

This Report on the operations of the Capital Group of the Issuer – Fabryki Mebli "FORTE" in 2015 was prepared on the basis of § 92 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 the Fabryki Mebli "FORTE" S.A. Capital Group

1.1. Information on Parent Company of the Group

Fabryki Mebli "FORTE" S.A. (further referred to as "Parent Company") 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 Businesses of the National Court Register maintained by the District Court for the city of Warsaw, 14th Commercial Division of the National Court Register (former XXI Commercial Division), under KRS number 21840.

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

The duration of the Parent Company is unlimited.

Main activities of the Parent Company include:

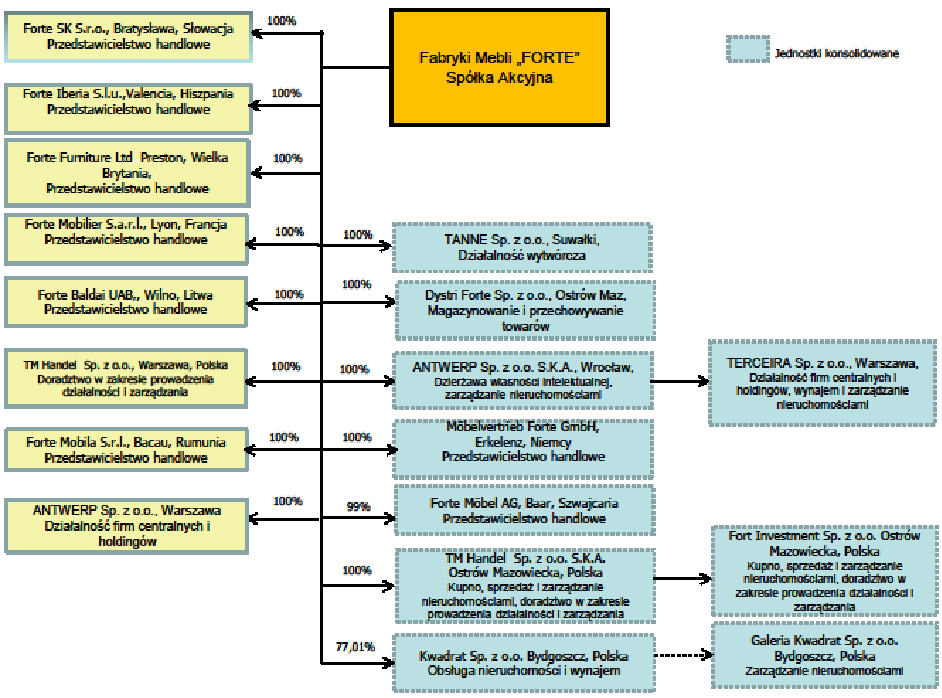
- production of furniture,
- provision of services in the scope of marketing, promotion, organisation, exhibitions, conferences,
- conducting trade activities domestically and abroad.

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

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

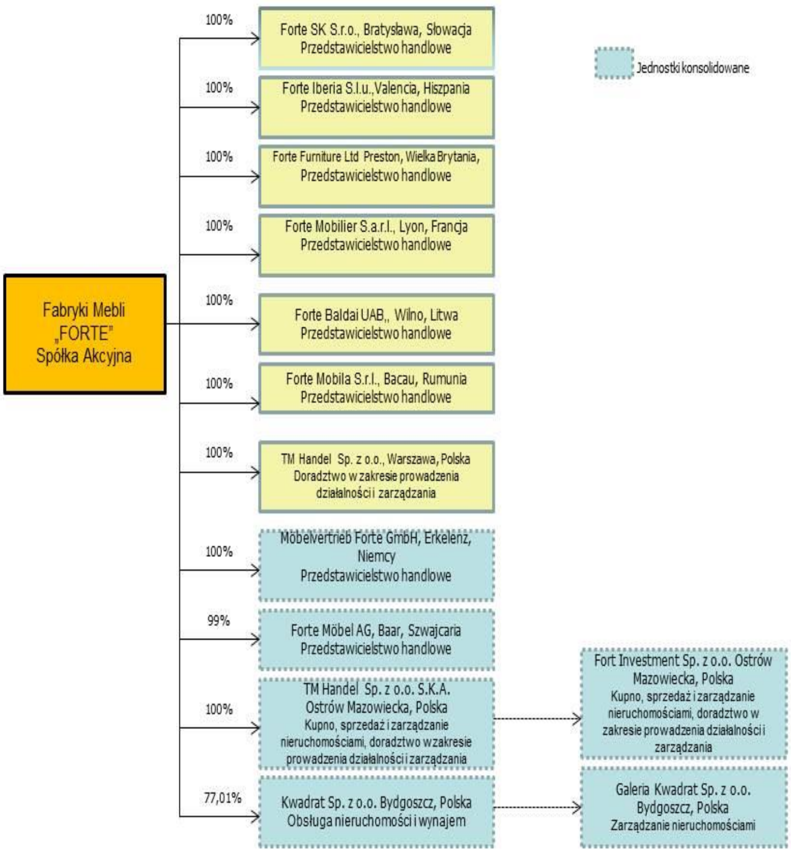
and furniture stores in Wrocław, Toruń, Przemyśl, Białystok and Warsaw

The Fabryki Mebli FORTE Group includes the following consolidated subsidiaries:



On 29.02.2016 a change to the DYSTRI-FORTE Sp. z o.o. company seat was registered. New address of the company is Warsaw, ul. Nowogrodzka 50 lok 515.

As at 31 December 2014 the Capital Group was composed of:



1.2. Management of the Parent company

As per 31 December 2015 the Management Board consisted 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.

On 2 February 2015 the Company obtained a declaration on resignation by Mr Rafał Prendke from the performance of the function of Member of Management Board as f 4 February 2015.

1.3. Supervisory Board of the Parent Company

As per 31 December 2015 the Management Board consisted of:

Zbigniew Sebastian – Chairman,

Stanisław Krauz,

Tomasz Domagalski,

Stefan Golonka

Jerzy Smardzewski

On 22 April 2015 Mr Władysław Fransyniuk submitted a declaration on resignation as of 19 May 2015 from performing the function of Member of the Supervisory Board.

1.4. Mission and policy of the Fabryki Mebli FORTE

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

The aim of the Fabryki Mebli FORTE Capital Group 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 Group 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 participated by the Parent Company in 2015

(2015)

JANUARY
- NEC fairs in Birmingham, Great Britain
- Begros Verbandmesse Fairs in Cologne, Germany

FEBRUARY
- Partnertage Fairs in Barntrup, Germany
- MEBLE POLSKA Fairs in Poznań

MAY
- Steinhoff Group Fairs in Barntrup, Germany

JUNE
- Partner days Fairs FORTE 2015 in Ostrów Mazowiecka

SEPTEMBER
- International Furniture Fairs in Ostróda
- MOW Fairs in Barntrup, Germany

1.6. Awards and honours

- Jauary 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 Ostóda.
- 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 organisational or capital relations of the Issuer with other entities and defining its main investments in the country and abroad, including capital investments conducted outside of its group of affiliated entities and a description of methods of their financing

Information concerning organisational or capital relations have been included in point 1 of the hereby report.

The Group includes into the investment real estate those of them which are not used for its own needs for the production activity conducted and they are treated by the Group as a source of revenues of long-term rentals.

As of the balance sheet day the investment real estate of the Group include: commercial centers in Wrocław and in Bydgoszcz, complex of warehouse halls in Wrocław, property in Przemyśl and facility in Kraków.

In connection with the contribution of real estate in 2015, the Dominant Unit ordered their valuation to independent expert. As a result of the updating of the cost estimate the increase in fair value took place of the present investment real estate in Wrocław at Brucknera street by PLN 1 422 thousand.

Additionally, the Group made a change in classification in other real estate contributed to the subsidiary. The real estate was reclassified from fixed assets into investment real estate for the first time and were showed in fair value. The value of real estate as a result of valuation increased by PLN 17 654 thousand. The result of overestimation of these real estate to the fair value was included in other revaluation capitals.

A detailed description of the method of valuation and the fair value hierarchy is presented in note 19 to the Consolidated Financial Statements for the period ended 31 December 2015.

	Fair value change	
	(2015)	**(2014)**
Opening balance as at the beginning of the reporting period	(48 068)	(47 962)
Increase (later expenses)	(97)	(106)
- expenditure for modernization	-	-
- reclassification of fixed assets under construction	(4 420)	-
- revaluation to the fair value	(19 075)	(106)
Closing balance as at the end of the reporting period	**(71 660)**	**(48 068)**

	For the reporting period ended	
	31.12.2015	**31.12.2014**
Interest income from the rent of investment real property	(2 399)	(2 623)

Costs resulting from repair and maintenance, including:	(116)	(74)
costs that brought rental income during the period	*(113)*	*(71)*
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.

3. 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	%
Furniture	(930 313)	97.5%	(799 839)	97.3%	16.3%
Goods	(9 858)	1.0%	(8 609)	1.0%	14.5%
Materials	(7 523)	0.8%	(5 918)	0.7%	27.1%
Services	(6 581)	0.7%	(8 048)	1.0%	(18.2%)
Total	**(954 275)**	**100%**	**(822 414)**	**100%**	

Due to the diversity of its assortment, the Issuer 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 Issuer's strategy, it focuses its activities on the production of cabinet furniture for self-assembly. Complementarity and coherence of the offer additionally includes furniture mounted from higher price range, imported tables, chairs and decorative additions. The products offered by the Group have been recognisable in the market and are largely appreciated by the customers.

The products offered by Forte constitute modern and functional furniture designed both by the internal specialized BRP team as well as the European designers cooperating with the Company.

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

In 2015, export sales amounted to PLN 795 305 thousand and constituted 83,3 % of the annual sales (in 2014 – PLN 677 874 thousand – 82,4 %). German-speaking markets (Germany, Austria, Switzerland) remain still the strategic export markets, with sales in 2015 accounting for approx. 55% of total export sales as well as France, Spain, countries of Central and Eastern Europe and Great Britain.

On the German market the Group concentrates its activities mainly on cooperation with the largest furniture chains gathered in furniture purchasing groups.

The sale on the second largest Polish market amounted to PLN 158 970 thousand. (16,7 %) against PLN 144 540 thousand. (17,6 %) in 2014 and concentrated in two main channels of distribution: traditional furniture stores and retail chains.

The largest recipients of goods of Forte Group are: Roller GmbH with headquarters in Germany and Steinhoff Group International with headquarters in France. This share in turnover of Roller GmbH and Steinhoff Group exceeded 10% in the sales revenue of Forte Group. There are no formal ties between the customer and the Issuer.

5. Information regarding sources of supply in materials for production, goods and services

In 2015 the purchase of materials, goods and services from home suppliers comprised 74,8% of Group's total purchase.

The strategic supplier of raw materials for the Group is the PFLEIDERER Group. PFLEIDERER Group's share in turnover exceeded 10% in the sales revenue of the Forte Group. There are no formal ties between the supplier and the Issuer.

Purchases from import in 2015 equated to 25,2% of total purchase. The main direction of import for Forte Group in Germany-29,7% and Romania-6% of total value of import purchase.

6. Information concerning contracts important for the activity.

Insurance contracts entered into by FORTE Group in 2015:

- In co-insurance with Genarali 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 2016
  - property insurance from acts of God – the sum insured of PLN 578 746 thousand.
  - insurance of the loss of profit – the sum insured of PLN 193 753 thousand.
- with TUiR "WARTA" S.A.: insurance period 25.09.2015 -24 September 2015
  - electronic equipment insurance against all risks – the sum insured of PLN 5 505 thousand.
  - insurance of the loss of profit – the sum insured of PLN 15 000 thousand.
  - insurance of property during transport – the sum insured of PLN 463 292 thousand.
  - equipment and machines insurance against all risks – the sum insured of PLN 4 228 thousand.
- with TUiR "WARTA" S.A.: insurance period 24.09.2015 -23 September 2015
  - property insurance from acts of God – the sum insured of PLN 9 125 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 of EUR 15 000 thousand.

7. 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 are included in note 38 of the consolidated report.

8. Information regarding credits and loans.

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 Parent Company concluded with mBank S.A. an annex to the multi-currency loan agreement on current account of 20.12.2013 extending the period of loan use until 14 December 2016. The remaining conditions of the loan agreement were unchanged.

On 14 December 2015 the subsidiary DYSTRI-FORTE Sp. z o.o. concluded with ING Bank Śląski SA the agreement for two investment loans up to the total amount of EUR 7 250 thousand for funding and refunding of construction costs and equipment for storehouse of high storage in Ostrów Mazowiecka. Description of conditions and securities on the loan have been specified in the table above.

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.

As at 31 December 2015, the Company's debts due to short-term bank loans and borrowings amounted to PLN 105 109 thousand (on 31.12.2014 – PLN 9 822 thousand).

As at 31 December 2015, the Company's debts due to long-term bank loans and borrowings amounted to PLN 29 325 thousand (on 31.12.2014 – PLN 86 678 thousand).

Additional information on loans have been included in the table below. All values have been presented in PLN '000

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. investment 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 of EUR 3 500 thousand -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 IM WIBOR or IM EURIBOR	by 19.12.2016	(51 138)	(34 098)
ING Bank Śląski S.A. – working capital loan in the amount of EUR 45 000 thousand-short-term portion	depending on the currency used 1M WIBOR or 1M LIBOR or 1M EURIBOR	by 31.10.2016	(41 635)	-
ING Bank Śląski S.A. – investment loan in the amount of EUR 2 250 thousand-short-term portion	3 M EURIBOR	by 30.03.2018	(1 574)	-
Short-term total			**(105 109)**	**(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 IM WIBOR or IM EURIBOR	by 19.12.2016	-	(34 098)
ING Bank Śląski S.A. investment loan in the amount of PLN 45 000 thousand - long-term portion	depending on the currency used 1M WIBOR or 1M LIBOR or 1M EURIBOR	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)
ING Bank Śląski S.A. – investment loan in the amount of EUR 5 000 thousand-long-term portion	3 M EURIBOR	by 31.12.2021	(15 608)	-
ING Bank Śląski S.A. – investment loan in the amount of EUR 2 250 thousand-long-term portion	3 M EURIBOR	by 30.03.2018	(2 623)	-
Total long-term			**(29 325)**	**(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 movable assets of a value no less 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 the purchased equipment and devices up to the maximum sum of security of EUR 3 600 thousand . 2. an assignment of rights from the insurance policy
PKO BP S.A. operating capital loan in the amount of PLN 55 000 thousand	1. Registered pledge on inventory in the factory in Hajnówka in the amount of 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. operating 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. investment loan in the amount of EUR 1 000 thousand	1. Blank promissory note issued by the Borrower with the Borrower's promissory note declaration.
ING Bank Śląski S.A. -investment loan of total value of 7 250 thousand .	1. Total mortgage up to the amount of EUR 6 000 thousand on property right to land and premises at ul. Gen. W. Andersa in Białystok. 2. Registered pledge on equipment of storehouse of high storage in Ostrów Mazowiecka

With nominal interest rate one ought to consider also the bank margin which is within the range of:

0.80% - 1.00 % for loans granted in EUR and USD

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

Currency	As at 31.12.2015	31.12.2014
PLN	-	-
.	(117 667)	(85 270)
USD	(16 767)	(11 229)
	(134 434)	**(96 499)**

9. 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 7 October 2015 within Forte Mobilier company with its seat in Lyon for the amount of 10 thousand EUR 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.

Related entity	Height of loan in thousands.	Loan currency	Due date	Loan balance as at 31.12.2015 in PLN thousand.	Interest amount as at 31.12.2015 in thousand PLN
Subsidiaries:					
Forte Mobilier S.a.r.l.	(10)	.	December 2017	(43)	-
Antwerp Sp. z o.o.	(10)	PLN	February 2016	(10)	-

Total:	**(53)**	**-**
Including:		
Short-term portion:		
Antwerp Sp. z o.o.	(10)	-
Total:	**(10)**	**-**
Long-term portion:		
Forte Mobilier S.a.r.l.	(43)	-
Total:	**(43)**	**-**

The balance of granted loans receivable at 31 December 2014 amounts to:

Related entity	Loan amount	Loan currency	Due date	Loan balance as at 31.12.2014	Interest amount as at 31.12.2014
Subsidiaries:					
Forte SK S. r. o.	(1 260)	PLN	December 2015	(41)	-
Total:				**(41)**	**-**
Including:					
Short-term portion:					
Forte SK S. r. o.				(41)	-
Total:				**(41)**	**-**

The above loan was granted loan granted on arm's length market terms (variable interest rate based on WIBOR plus margin).

10. 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 14.12.2015 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

11. 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 October 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.

12. 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.

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

Net Working Capital	(2015)	(2014)
Current assets	(390 373)	(356 623)
Short-term liabilities	(218 797)	(112 361)
Net Working Capital	(171 576)	(244 262)

Ratio of net working capital (net working capital /total assets)	23.24%	38.24%

Debt analysis	(2015)	(2014)
Total liabilities	(259 892)	(217 446)
Total debt ratio (total debts/total liabilities)	35,20%	34,04%
Credit rating ((net profit + depreciation)/total liabilities)	40,04%	42,3%

As at 31.12.2015, FORTE Group's long-term liabilities amounted to PLN 41 095 thousand and consisted mainly of liabilities from loans and borrowings (PLN 29 325 thousand), representing 71.4% of total long-term liabilities.

As at 31 December 2015, short-term liabilities amounted to PLN 218 797 thousand and consisted mainly of trade accounts payable (PLN 105 109 thousand), representing 48,04% and reserves and accruals (PLN 74 053 thousand) . constituting 33.8% of total short-term liabilities and reserves and interim settlements (PLN 34 859 thousand) constituting 15.93% of short-term solutions in total.

The Group has a relatively low level of debt and good financial liquidity. There are no threats related to the payoff incurred liabilities.

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

On 19 October 2015, the Supervisory Board of the Dominant Unit approved of the Development Plan of production capacities of the Company by 2021.

Necessary elements of the Development Plan including in particular vertical integration are:

- Extension of production capacities of box furniture in particular by means of construction of the new production facility of furniture,
- Construction of production facility of wooden-derivative boards,
- Extension of logistic-warehouse areas.

The sum of investment outlays by 2021, connected with the realization of the Development Plan will be about PLN 600 million.

The Dominant Company in accordance with the resolution of the Supervisory Board will be authorized to use external sources of financing, and the plan could be realized within organization structures of the Company as well as by the entities from the Forte Group.

On 22 October, 2015 the subsidiary Tanne Sp. z o. o. with its seat in Suwałki obtained from the Polish Agency of Information and Foreign Investments S.A. the notification on positive recommendation in financial support for the new investments for the investment project forecasting the creation of the wooden-derivative boards and factory of furniture in Suwałki.

The offer of public aid from the state budget forecasts financial support for the investment project of about PLN 57 100 thousand.

15. 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 Group also performs transactions involving derivatives, primarily zero-cost option strategies and foreign currency forward contracts. The purpose of these transactions is to manage interest rate risk and currency risk arising in the course of business activity of the Group.

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.

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 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.

15.1. 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 t. and increase per annum for WIBOR by 0.20 percentage point, as well as increase for LIBOR – by 0.30 percentage point (in 2014 WIBOR- decrease by 0.25 % point; EURIBOR decrease by 0.10 % point, LIBOR- increase by 0.80 % point).

The above assumptions have been based on available market forecasts.

The Group does not have any hedging instruments against interest rate risk as it does not perceive such a risk as significant from the perspective of the conducted activity.

Interest rate risk – sensitivity analysis

The sensitivity of gross profit due to changes in the interest rate and balance sheet value of the Group's financial instruments exposed to the risk of interest rates are described in item 36.1. of additional explanatory notes to the consolidated financial statements.

15.2. Currency risk

The Group is exposed to currency risk which arises from sales and purchases made by the Group in currencies other than its functional currency. About 83 % of the Group's sales transactions are denominated in foreign currencies, mainly in EUR.

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 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 36.2. of additional explanatory notes to the consolidated financial statements.

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 and forward contracts.

The 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.

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 4266 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 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

Summary of the more important hedge accounting policies has been presented in note 8.20 to the consolidated financial statements. 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 29.3 of additional explanatory notes to the consolidated financial statements.

Fair value 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 consolidated 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.

15.3. 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.

15.4. 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

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

16. Short description of the Group performance and basic economic and financial parameters:

Description	(2015)	(2014)	Change (in %)
Sales revenue	(954 275)	(822 414)	16,03%
Cost of sales	(608 265)	(524 263)	16,02%
Gross profit from sales	(346 010)	(298 151)	16,05%
Gross margin	36,3%	36,3%	
Operating profit (EBIT)	(98 159)	(93 604)	4,87%
EBITDA	(117 847)	(110 441)	6,71%
Gross profit	(98 842)	(94 923)	4,12%
Net profit	(84 373)	(75 152)	12,27%
Net return on sales %	8,8%	9,1%	

Return on own equity	17,6%	17,8%
Return on assets (ROA)	11,4%	11,8%

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 denominated in PLN in 2015 amounted to PLN 954 275 thousand. and compared to the same period of the previous year increased by 16.03 % (in terms of value by PLN 131 861 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 has remained at a constant level as in the previous year and amounts to 36.3%

The main reasons for the improvement in 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 21% against 20,3% in the same period last year. In terms of value, cost of sales increased by PLN 33 594 thousand.
The main item in this group of costs is transportation costs. Its ratio in relation to sales revenue amounted to 8.3% in 2015 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 amounted to 3,9% against 4,2% in 2014.

Other operating expenses at the end of 2015 amounted to PLN 17 225 thousand (compared to PLN 5 570 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 4 352 000 PLN. 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 6 505 thousand (compared to PLN 2 074 thousand in 2014) The most important items in this category of income include: Received compensations – PLN 4 274 000 (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 98 159 thousand. (10,3% of revenue), and was higher by as much as 4,9% than the operating profit earned in the same period of the previous year.

Financial revenues amounted to PLN 1 675 thousand (compared to PLN 1 288 thousand in 2014). Major items here include: interest received on bank deposits, bonds and granted loans – PLN 947 thousand.

Operating profit amantek to PLN 2 889 hosannę (agonista 2 188 hosannę in 2014)

Net profit of the Company amounted to PLN 84 373 000 (8,8% of income) and was higher by 12,3% 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.

17. Assessment of factor and special events which impacted the operational result for the financial year, including defining the level of impact of these factor or special events on the achieved result.

There were no other factors or unusual events besides those described in section 16 of this report.

18. Description of external and internal factors important for the development and development prospects.

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. PLN 600 million. 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 PLN 57.1 million.

19. Changes in the methods of managing the Issuer's company and its capital group.

Did not occur.

20. Any agreements concluded between the Issuer and the management staff providing that in case of the resignation or dismissal from the role without a significant cause or in case their dismissal or recall from the occupied position is due to merger of the Issuer by takeover.

The Parent Company has entered into the following agreements with the management staff:

- 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 member of the Management Board is dismissed from the role, he/she is entitled to compensation in the amount equal to the remuneration equal to his or her 6 monthly salaries, unless the basis for the dismissal will be any of the following reasons: committing a crime by the MB member against the Company, serious and culpable violation by him or her of the provisions in the field of securities trading, breach of essential contractual obligations, existence of an impediment to the exercise by the member of the Management Board of their duties lasting longer than 2 months. The agreement also provides that the member of the Management Board may terminate the agreement in the event of a breach by the Company of the relevant obligations under the agreement. In this case, the member of the Management Board will be entitled to compensation in the amount of 6 of his/her monthly salaries. Also in case of non-appointment of the member of the Management Board for the term of office of the Management Board in 2014-2019 he or she will be entitled to compensation in the amount of 6 of his/her monthly salaries with the exception of the described above cases on the side of the member of Management Board.

21. The amount of remuneration, rewards and benefits, including those under the 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, 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 the certified auditor of significant concerns regarding consolidated financial report of Capital Group for the financial year 2014.	1/ non-reporting by the certified auditor of significant concerns regarding consolidated financial report of Capital Group for the financial year 2015.	1/ non-reporting by the certified auditor of significant concerns regarding consolidated financial report of 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 one Company share constituting a condition for offering Warrants falling for a given period is established on the basis of a consolidated annual report of the Capital group, reviewed by an expert auditor and approved via resolution of the General Meeting of Shareholders of the Company.
Execution of Warrant rights may take place no sooner than post one year from the formal decision of their obtaining and no later than on 30 November 2018.
Series of incentive scheme are considered as separate programmes in the meaning of IFRS.

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 price of execution
In place as at 01.01.2015, including		**(356 220)**	
	D	(118 740)	(46.19)
	E	(118 740)	(46.19)
	F	(118 740)	(46.19)
Change in the course of reporting period			
Expired in 2015	E	(118 740)	(46.19)
In place as at 31.12.2015, including:		**(237 480)**	
Possible for execution as at 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:		**(11,106)**
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 Fransyniuk submitted a declaration on resignation as of 19 May 2015 from performing the function of Member of the Supervisory Board.

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.

Persons supervising and managing of the Issuer.		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	President of the Supervisory Board	(300)
Dariusz Bilwin	Proxy	(1 500)

23. Employment and personnel policy of the Group

The structure of employment according to professions education, gender and the type of work performed in the FORTE Group:

Employment structure	Status as at: (2015)	(2014)
- as per 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%

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

	(2015)	(2014)
Management Board of the Parent Company	(5)	(5)
Management Boards of related entities	(6)	(6)
Administration	(203)	(186)
Sales Department	(592)	(470)
Production Division	(2 107)	(1 857)
Other	(136)	(130)
Total	**(3 049)**	**(2 654)**

23.1. Development and training

Trainings

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. Through such trainings conducted by internal trainers, the remaining employees have the 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. Such trainings and workshops are also a perferct opportunity to implement any new solutions in the company, such as for instance 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 as well as the launch of trainings from production line employees within its framework.

English for children and staff

The Parent Company in 2015 continued 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.

23.2. Internship programmes and practices.

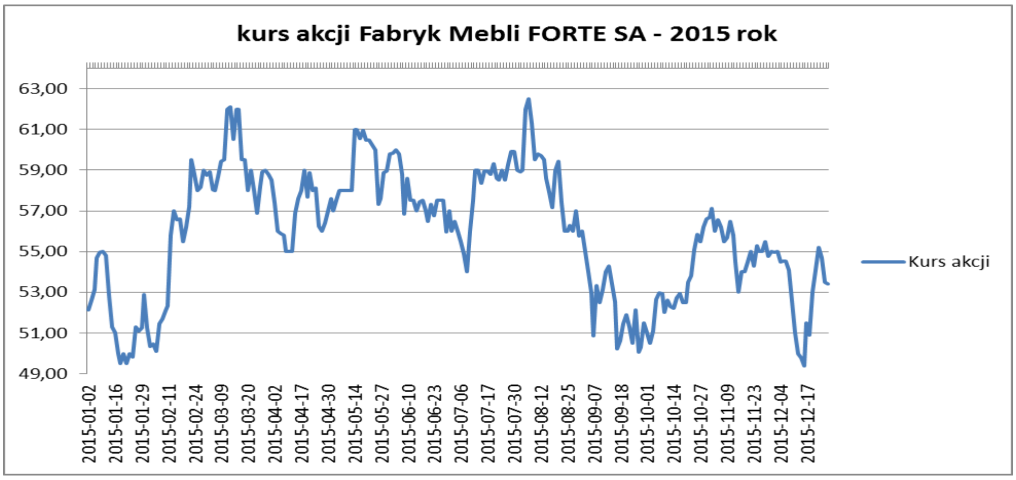
For two years now, FORTE has been carrying out active cooperation with the Department of Wood Technology of Warsaw University of Life Science and Poznań University of Life Sciences, which mainly consists of implementation of joint undertakings, which may result in new construction and technological solutions. The Parent Company offers participation in professional internships of individual profile for students as well as offering new projects realized by students in the form of diploma thesis, competitions. Forte Group has successfully cooperated also with other universities, such as Technical University in Białystok and 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.

24. Key data on FORTE shares:

Shares of Fabryki Mebli "Forte" S.A. are listed on the Warsaw Stock Exchange in Warsaw in the continuous trading system

Key data concerning 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 indicator 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)



2015 Forte S.A. share price chart
(source: http://www.gpwinfostrefa.pl/GPWIS2/pl/emitents/quotations/FORTE,PLFORTE00012)

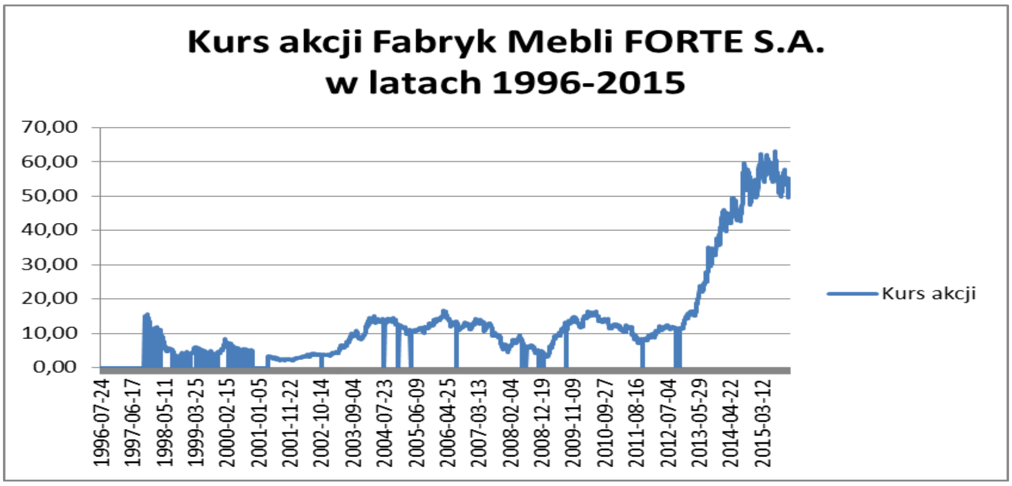


Chart. Price of shares of Forte S.A. in the period 1996-2013.
(source: http://www.gpwinfostrefa.pl/GPWIS2/pl/emitents/quotations/FORTE,PLFORTE00012)

25. Information concerning agreements known to the Issuer which may change the proportion of shares held by the existing shareholders

The Issuer does not posses such information.

26. Information concerning the control system of the employee share programmes.

Did not occur.

27. Information on court proceedings whose total value constitutes at least 10% of the Issuer's own funds.

Did not occur.

28. Information on the date of agreement conclusion by the Issuer with an entity authorised to audit financial statements regarding an audit or review of the financial statements and the period for which the agreement was concluded and the total amount of remuneration under the agreement.

In the reporting period and the comparative period, the Parent Company entered into the following agreements with BDO Sp. z o.o. as an entity authorised to audit financial statements:

W dniu 21 maja 2015 :

- For an audit of the individual 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 remuneration in the amount of PLN 32 thousand net.
- For an audit of the individual 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 remuneration in the amount of PLN 56 thousand net.

On 15 May 2014:

- For an audit of the individual 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 remuneration in the amount of PLN 32 thousand net.
- The agreement regarding the audit of the individual 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 remuneration in the amount of PLN 56 thousand net.

29. The structure of assets and liabilities

Liquidity and efficiency analysis	(2015)	(2014)
Current liquidity (current assets/short-term liabilities)	(1.78)	(3.17)
Quick liquidity (current assets – inventories/short-term liabilities)	(1.15)	(1.85)
Receivables rotation in days (average receivables under supplies and services* 365/sales revenues) 43	(50)	(43)
Inventory turnover in days (average inventory* 365/own cost of sales)	(85)	(90)
Liabilities rotation in days (average supplies and services liabilities* 365/own cost of sales	(29)	(28)
Rotation of current assets in days (average curent assets* 365/sales revenues) 146	(143)	(146)

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	(347 977)	47%	(282 107)	44%	23.35%
Current assets	(390 373)	53%	(356 623)	56%	9.46%
Total assets	**(738 350)**	**100%**	**(638 730)**	**100%**	
Equity	(478 458)	65%	(421 284)	66%	13.57%
Long-term liabilities and provisions	(41 095)	6%	(105 085)	16%	(60.89%)
Short-term liabilities and provisions	(218 797)	29%	(112 361)	18%	94.73%
Total liabilities	**(738 350)**	**100%**	**(638 730)**	**100%**	

In 2015, the Group recorded an increase in balance sheet total by PLN 99 620 thousand.

Fixed assets increased by PLN 65 870 thousand which is the effect of surplus of the incurred investment outlays over the annual amortization write-off and requalification of real estate in Przemyśl into the investment real estate valued by fair value.

The most significant investment of the Group in 2015 was the construction of the new warehouse of the high storage with the area above 15 thousand m2 in Ostrów Mazowiecka. The investment outlays incurred for the construction of the warehouse with the equipment in 2015 amounted to about PLN 26 000 thousand.

The increase in **current assets** by PLN 33 750 thousand is mainly due to the increase in inventories (PLN 43 294 thousand) and a decrease of the level of receivables (PLN -9 991 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 37 934 thousand), trade and other payables (by 13 222 thousand), and provisions and accruals (by PLN 7 039 thousand). The liabilities for income tax dropped (PLN 8 892 thousand) due to the payments by the Dominant Company of higher month advances in simplified form than in the previous year.

The increase of the balance of bank credits results from the policy of exchange risk management conducted by the Group as well as using the investment credit for the construction of the new warehouse and partial financing from the working credits other investments of 2015.

Increase in the balance of **liabilities arising from supplies and services** is the consequence of increased production. The Group timely performs all of its obligations as indicated by a stable 30 days indicator of receivables rotation.

The increase of balance of reserves and accruals is due to, most of all, an increase of sales revenues and thee volume of bonus reserves as well as clients off-setting the settlements of which will occur in 2016.

The Group maintains good financial liquidity. The closing balance of cash at the end of the reporting period was PLN 55 032 thousand, which is an decrease of PLN 711 thousand compared to the end of 2014.

30. 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 Group 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, to supply chain support systems.

In the most important events of 2015, the Group 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, including by development of investments allowing for the increase of production capacity,

31. Description of the structure of major capital . investments made within the given financial year

Did not occur.

32. Description of the organization of the Issuer's capital group, with the list of consolidated companies, and description of changes in the organization of the Issuer's Capital Group together with their reasons.

The description has been set out in item 1 of these statements.

33. Description of the policy concerning development lines of the Issuer's Capital Group. The main directions of development.

Strategic goals of the Forte Group for the subsequent years were described in the letter of the President of the Management Board to the consolidated report for 2015 and in point 18 of the report.

34. The goal of Forte Group is to diversify both the area of the offered product and distribution channels.

On 27 March 2013 the Dominant Company granted four sureties for credits incurred by FURNIREX Sp. z o.o. with its seat in Hajnówka for financing the technological investment of total PLN 18 299 thousand.
FURNIREX Sp. z o.o. submitted the offer to the Dominant Company in accordance with which it invested means obtained from technological credits in modern investments which were located in the production area rented from Forte S.A. in Hajnówka. FURNIREX Sp. z o.o. with the use of modern technologies performs services of processing of the material entrusted for FORTE and other manufacturers of furniture. Sureties were granted for BRE Banku S.A. (presently mBank S.A.) with expiry date by 30 June 2018 Balance of credits as of 31st of December 2015 amounts to 3 009 thousand. PLN (31 December 2014: PLN 4553 thousand).

On 14.12.2015 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.

35. Did not occur. 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 according to the average exchange rate of EUR 1 dated 31.12.2015 (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 (EUR 1 between 1 January and 31 December 2015 = PLN 4.1848).
- Individual items of assets and liabilities as at 31 December 2014 were converted according to the average exchange rate of EUR 1 dated 31.12.2014 (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 (EUR 1 average for 2014 = PLN 4.1893).

36. 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 consolidated 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.

37. 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 consolidated financial statements of the Issuer's Capital Group 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 of the Issuer's Capital Group, including basic risks and threats.

38. 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.

The Management Board of the Dominant Company is responsible for conducting accountancy of the Forte Group in accordance with the Act of 29th of September 1994 on accountancy (J. of L. No. 121 it. 591 as amended) and for the system of internal control and efficiency of its functioning in the process of preparing financial reports.

A Member of the Management Board responsible for financial matters supervises the process of preparing the Parent Company's financial statements and interim reports. Both separate and consolidated statements are prepared by the employees of the Finance Office and Controlling Office controlled by the Chief Accountant and the Member of the Management Board responsible for the Group'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 Parent Company possesses relevant procedures for preparing financial statements which aim at 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 schedule together with assigning responsibility for given actions to individual persons.

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 of the Parent Company, as well as all employee travels and agreements concluded by the Issuer. Access to electronic circulation of documents is granted in the scope of their competence to authorised Parent Company staff.

The V-desk system covers the registration, factual description, posting and acceptance of invoices – in accordance with competences assigned by the Management Board.
Accepted invoices are imported to the SAP R3 operating system upon prior verification of the correctness of accounting descriptions by the Accounting Office employees.
Parent Company keeps accounting books in the integrated SAP R/3 system, in accordance with the accounting policy of the Parent 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. The high flexibility of the system allows it to adapt to changing current accounting principles or other legal standards.
The Parent Company has implemented a new investment procedure the main goal of which is to enable full supervision over each stage of investment realization and planning. Current analysis of investment processes ensures reliable financial, material information about the investment. It allows for an immediate identification of potential errors, irregularities or differences during realization of individual stages of the investment. Thanks to this it is possible to implement ongoing changes and corerction to the current investment processes and in particular their correct and reliable calculations.
The Group 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 Parent Company's Management Board. Annual and semi-annual financial statements are subject to independent audit and review by the Company's auditor. The results of the audit are presented by the auditor to the management of the Parent Company at closing meetings.

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**	

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 259 item 133), the Management Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka (hereinafter: "Company" or "FORTE") submits the statement regarding the Company's application of the principles of corporate governance in 2015. Declaration of application of principles of corporate governance by the Company in 2015 constitutes a separate part of the report on FORTE activities 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.

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 and rules of 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 of the Parent Company, 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 Parent 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 remunerating and granting cash benefits to FORTE employees. In accordance with the valid provisions of law and the Parent 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 Parent Company's Management Board is made by the Supervisory Board.
The amount of remuneration of members of the Parent 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 Parent Company's economic activity."

The Company pursues a policy of appointing competent, creative individuals with adequate education and working experience as members of supervisory and management bodies. Other factors, including sex, 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 Parent Company should enable its shareholders to exercise the voting right during a 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 sufficiently 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 Parent Company decided in 2015 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 Parent Company will consider applying this principle in practice.

Part II principle No 1 item 9a (9)

"The Parent 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 the record in the form of audio or video. The General Meetings take place in the registered seat of the Parent 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 Parent 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, publishing required current reports and posting relevant information on the Parent Company's website enables 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 Parent 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, publishing required current reports and posting relevant information on the Parent Company's website enables 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: 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.

Principles:
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 the record in the form of audio or video. The General Meetings take place in the registered seat of the Parent 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 Parent 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, publishing required current reports and posting

relevant information on the Parent Company's website enables 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 compliant with 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 remunerating and granting cash benefits to FORTE employees. In accordance with the valid provisions of law and the Parent 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 Parent Company's Management Board is made by the Supervisory Board.

The amount of remuneration of members of the Parent 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. Shareholders holding directly or indirectly significant stakes of shares.

In accordance with the most current information possessed by the Company, the shareholding structure as at 31 December 2015 was as follows:

Item	Shareholder	Number of held shares and votes	% stake in share capital	% share in the overall number of votes
1.	MaForm SARL	7 763 880	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%

3. Holders of any securities which provide special control rights.

The Parent Company did not issue securities which provide special control rights.

4. 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 Parent 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.

5. Limitations in transferring the ownership right to the Issuer's securities

There are no limitations in transferring the ownership right to the Parent Company's securities.

6. 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 seven members appointed for a joint term of office. The number of 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 five -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 the 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.

7. Principles of introducing amendments to the articles of association or memorandum of association of the Issuer's Parent Company.

The Company's Articles of Association 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 Company's Articles of Association.
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.

8. The manner of functioning of the General Meeting and its principal 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 result of 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 Parent Company's Management Board through a notice published on the Parent 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 of 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 rights of property use, property encumbrance, establishing tail property rights on the Company property (decisions on such matters are reserved for the Parent Company's Supervisory Board). Representatives of the media may be present during the General Meeting. The participants of the Annual General Meeting of the Parent 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 in 2015 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.

9. 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. The Supervisory Board consists of between five and seven members. The Chairman of the Supervisory Board is appointed by the General Meeting during which also the number of Supervisory Board members is established. From among its members, the Supervisory Board appoints the Vice-chairman and, if necessary, the secretary. 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/ Members of the Supervisory Board for the remaining part of the term of office.
The term of office of the Supervisory Board is four years. General Meeting of Fabryki Mebli "FORTE" S.A. established on 10 June 2014 a five-person Supervisory Board of the Company in the new term of office.
At the end of 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 collaterals, except for a pledge and collaterals 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) wydzierżawienia przedsiębiorstwa lub jego części,
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 and financial plans), as well as strategic plans,
l) granting borrowings outside the ordinary course of trade to a total amount exceeding the equivalent of EUR 50 000.

Meetings of the Supervisory Board are held when necessary, but at least three times within 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 joint 5-year term of office for the years 2014-2019. Within the period from 1 January to 31 December 2015 the Management Board of the Company consisted 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 the function until 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**	
....	

Ostrów Mazowiecka, 17 March 2016