



**ANNUAL REPORT
OF ASSECO SOUTH EASTERN EUROPE S.A.
FOR THE YEAR ENDED 31 DECEMBER 2015**

**FINANCIAL STATEMENTS
OF ASSECO SOUTH EASTERN EUROPE S.A.
FOR THE YEAR ENDED 31 DECEMBER 2015
INCLUDING THE OPINION OF INDEPENDENT CERTIFIED AUDITORS**

Rzeszów, 18 February 2016

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FOR THE YEAR ENDED 31 DECEMBER 2015**

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FINANCIAL STATEMENTS OF ASSECO SOUTH EASTERN EUROPE S.A. INCLUDING THE OPINION OF INDEPENDENT CERTIFIED AUDITORS FOR THE YEAR ENDED 31 DECEMBER 2015

These financial statements have been approved for publication by the Management Board of Asseco South Eastern Europe S.A.

Management Board of Asseco South Eastern Europe S.A.:

Piotr Jeleński President of the Management Board

Miljan Mališ Member of the Management Board

Miodrag Mirčetić Member of the Management Board

Marcin Rulnicki Member of the Management Board

Person responsible for maintaining the accounting books:

Anna Dworzak

FINANCIAL HIGHLIGHTS OF ASEE S.A.

	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)	Year ended 31 Dec. 2015	Year ended 31 Dec. 2014
	PLN'000	PLN'000	EUR'000	EUR'000
I. Revenues from holding activities	62,227	30,235	14,870	7,217
II. Revenues from operating activities	7,565	7,454	1,808	1,779
III. Operating profit	56,196	23,364	13,429	5,577
IV. Pre-tax profit	58,100	19,912	13,884	4,753
V. Net profit for the reporting period	55,298	18,761	13,214	4,478
VI. Net cash provided by (used in) operating activities	53,659	24,435	12,822	5,833
VII. Net cash provided by (used in) investing activities	(22,760)	(2,851)	(5,439)	(681)
VIII. Net cash provided by (used in) financing activities	(5,858)	(16,645)	(1,400)	(3,973)
IX. Cash and short-term deposits	32,929	7,907	7,727	1,855
X. Earnings per ordinary share (in PLN/EUR)	1.07	0.36	0.26	0.09
XI. Diluted earnings per ordinary share (in PLN/EUR)	1.07	0.36	0.26	0.09

The financial highlights disclosed in these annual financial statements were translated into EUR in the following way:

- items of the income statement and statement of cash flows have been translated into EUR at the arithmetic average of mid exchange rates as published by the National Bank of Poland and in effect on the last day of each month. These exchange rates were as follows:
 - in the period from 1 January 2015 to 31 December 2015: EUR 1 = PLN 4.1848
 - in the period from 1 January 2014 to 31 December 2014: EUR 1 = PLN 4.1892
- cash and cash equivalents as at the end of the reporting period and the comparable period of the previous year have been translated into EUR at the mid exchange rates as published by the National Bank of Poland. These exchange rates were as follows:
 - exchange rate effective on 31 December 2015: EUR 1 = PLN 4.2615
 - exchange rate effective on 31 December 2014: EUR 1 = PLN 4.2623

INCOME STATEMENT OF ASEE S.A.

	Note	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Holding activities		62,227	30,235
Dividend income	1	53,956	20,666
Revenues from sales of services	1	8,271	9,569
Operating activities		7,565	7 454
Revenues from sales of IT services and software	2	7,565	7,454
Total sales revenues		69,792	37,689
Cost of sales (-)	3	(11,025)	(11,614)
Gross profit on sales		58,767	26,075
Selling costs (-)	3	(3,087)	(2,652)
General and administrative expenses (-)	3	(84)	(77)
Net profit on sales		55,596	23,346
Other operating income	4	924	35
Other operating expenses (-)	4	(324)	(17)
Operating profit		56,196	23,364
Financial income	5	2,609	1,881
Financial expenses (-)	5	(705)	(5,333)
Pre-tax profit		58,100	19,912
Corporate income tax (current and deferred tax expense)	6	(2,802)	(1,151)
Net profit for the reporting period		55,298	18,761
<hr/>			
Earnings per share for the reporting period (in PLN):			
Basic earnings per share from continuing operations for the reporting period	7	1.07	0.36
Diluted earnings per share from continuing operations for the reporting period	7	1.07	0.36

STATEMENT OF COMPREHENSIVE INCOME OF ASEE S.A.

	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Net profit for the reporting period	55,298	18,761
Other comprehensive income	-	-
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	55,298	18,761

STATEMENT OF FINANCIAL POSITION OF ASEE S.A.

ASSETS	Note	31 Dec. 2015 (audited)	31 Dec. 2014 (restated)
Non-current assets			
Property, plant and equipment	<u>9</u>	386	514
Goodwill arising from business combinations	<u>10</u>	4,567	4,567
Intangible assets	<u>10</u>	486	161
Investments in subsidiaries	<u>11</u>	588,566	588,566
Deferred tax assets	<u>6</u>	378	997
Long-term financial assets	<u>14</u>	17,572	-
Other long-term receivables	<u>12</u>	7,217	6,590
Long-term prepayments and accrued income	<u>20</u>	-	7
Current assets			
Inventories		2	2
Prepayments and accrued income	<u>20</u>	608	1,450
Trade receivables	<u>12</u>	2,703	1,740
Other short-term receivables	<u>12</u>	1,529	1,755
Short-term financial assets	<u>14</u>	9,466	3,862
Cash and short-term deposits	<u>13</u>	32,929	7,907
TOTAL ASSETS			
		666,409	618,118

STATEMENT OF FINANCIAL POSITION OF ASEE S.A.

EQUITY AND LIABILITIES	Note	31 Dec. 2015 (audited)	31 Dec. 2014 (restated)
Equity			
Share capital	<u>15</u>	518,942	518,942
Share premium	<u>16</u>	38,825	38,825
Retained earnings and current net profit	<u>17</u>	89,403	54,863
Total equity		647,170	612,630
Non-current liabilities			
Long-term deferred income	<u>20</u>	-	11
Interest-bearing bank loans	<u>19</u>	15,052	-
Long-term financial liabilities	<u>18</u>	394	-
Current liabilities		3,793	5,477
Trade payables	<u>18</u>	1,602	2,108
Liabilities to the state and local budgets	<u>18</u>	172	155
Financial liabilities	<u>18</u>	31	1,901
Other liabilities		44	131
Deferred income	<u>20</u>	716	466
Accruals	<u>20</u>	1,125	575
Short-term provisions	<u>20</u>	103	141
TOTAL LIABILITIES		19,239	5,488
TOTAL EQUITY AND LIABILITIES		666,409	618,118

STATEMENT OF CHANGES IN EQUITY OF ASEE S.A.

for the year ended 31 December 2015 and for the year ended 31 December 2014

	Share capital	Share premium	Retained earnings (deficit) and current net profit	Total equity
As at 1 January 2015	518,942	38,825	54,863	612,630
Net profit for the reporting period	-	-	55,298	55,298
Total comprehensive income for the reporting period	-	-	55,298	55,298
Dividends	-	-	(20,758)	(20,758)
As at 31 December 2015 (audited)	518,942	38,825	89,403	647,170
As at 1 January 2014	518,942	38,825	52,708	610,475
Net profit for the reporting period	-	-	18,761	18,761
Total comprehensive income for the reporting period	-	-	18,761	18,761
Dividends	-	-	(16,606)	(16,606)
As at 31 December 2014 (audited)	518,942	38,825	54,863	612,630

CASH FLOW STATEMENT OF ASEE S.A.

	Note	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Cash flows – operating activities			
Pre-tax profit		58,100	19,912
Total adjustments:		(4,441)	4,523
Depreciation and amortization		283	265
Change in receivables	21	(950)	3,459
Change in liabilities, accruals and provisions	21	1,021	(1,996)
Interest income and expenses		(449)	(84)
Gain/Loss on foreign exchange differences		(1,254)	(1,364)
Gain/Loss on investing activities		(54,205)	(15,396)
Other		(1)	(24)
Selected operating cash flows		51,114	19,663
Acquisition of shares in subsidiaries		(1,686)	(1,009)
Disposal of shares in subsidiaries	21	498	634
Dividends received	21	52,302	20,038
Net cash used in operating activities		53,659	24,435
Corporate income tax recovered (paid)		-	-
Net cash provided by (used in) operating activities		53,659	24,435
Cash flows – investing activities			
Acquisition of property, plant and equipment and intangible assets		(460)	(302)
Disposal of property, plant and equipment and intangible assets		2	30
Disposal of financial assets carried at fair value through profit or loss		64	63
Bank deposits withdrawn	14	9,800	3,500
Bank deposits made	14	(9,800)	(2,500)
Loans granted	14	(24,584)	(4,164)
Loans collected	14	1,829	423
Interest received	14	389	99
Net cash provided by (used in) investing activities		(22,760)	(2,851)
Cash flows – financing activities			
Proceeds from bank loans and borrowings		18,565	-
Repayments of bank loans and borrowings		(3,663)	-
Interest paid on bank loans and borrowings		(4)	-
Dividends paid out to shareholders of ASEE S.A.		(20,758)	(16,606)
Other cash flows from financing activities		2	(39)
Net cash provided by (used in) financing activities		(5,858)	(16,645)
Net increase/(decrease) in cash and cash equivalents		25,041	4,939
Net foreign exchange differences		(19)	18
Cash and cash equivalents as at 1 January		7,907	2,950
Cash and cash equivalents as at 31 December	13	32 929	7,907

SUPPLEMENTARY INFORMATION AND EXPLANATORY NOTES

I. GENERAL INFORMATION

Asseco South Eastern Europe S.A. (the "Company", "Issuer", "Entity", "ASEE S.A.") seated at 14 Olchowa St., Rzeszów, Poland, was established on 10 April 2007. The Company has been listed on the main market of the Warsaw Stock Exchange since 28 October 2009.

According to the Articles of Association, the Company's business profile includes:

- Activities of head offices and holdings;
- Computer programming activities;
- Computer consultancy activities;
- Computer facilities management activities;
- Other information technology and computer service activities;
- Data processing, hosting activities;
- Web portals and call center activities;
- Research and experimental development on natural sciences and engineering;
- Reproduction of recorded media;
- Wholesale of computers, computer peripheral equipment and software;
- Wholesale of electronic and telecommunications equipment;
- Retail sale of computers, peripheral units and software;
- Accounting, book-keeping and tax consultancy;
- Business and other management consultancy activities.

ASEE S.A. is the Parent Company of Asseco South Eastern Europe Group. The Parent Company shall operate within the territory of the Republic of Poland as well as abroad. The period of the Company's operations is indefinite.

The parent of ASEE S.A. is Asseco Poland S.A. (the higher-level parent company). As at 31 December 2015, Asseco Poland S.A. held a 51.06% stake in the share capital of ASEE S.A.

These financial statements cover the year ended 31 December 2015 and contain comparable data for the year ended 31 December 2014.

The Company draws up its financial statements in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union for the current and comparable period.

These financial statements for the year ended 31 December 2015 have been approved for publication by the Management Board on 18 February 2016.

The Company also prepared the consolidated financial statements of Asseco South Eastern Europe Group for the year ended 31 December 2015, which have been approved for publication by the Management Board on 18 February 2016.

II. COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD AND THEIR COMMITTEES

As at 31 December 2015 and 31 December 2014 as well as on the date of publication of this report, i.e. on 18 February 2016, the Company's Management Board and Supervisory Board and its Audit Committee were composed of the following persons:

Supervisory Board	Management Board	Audit Committee
Adam Góral	Piotr Jeleński	Andrzej Mauberg
Jacek Duch	Miljan Mališ	Jacek Duch
Jan Dauman	Miodrag Mirčetić	Gabriela Żukowicz
Andrzej Mauberg	Marcin Rulnicki	
Mihail Petreski		
Przemysław Sęczkowski		
Gabriela Żukowicz		

On 10 February 2016, the Company received from Mr. Andrzej Mauberg a letter of resignation from the position of Member of the Supervisory Board, with effect from 26 February 2016.

III. INVESTMENTS IN COMPANIES

The Company holds investments in the following subsidiaries:

Company	Short name	Seat	Business profile	Equity interest held	
				31 Dec. 2015	31 Dec. 2014
Asseco SEE d.o.o., Beograd	ASEE Serbia	Serbia	Development of applications and provision of comprehensive IT systems for financial institutions. Payment solutions. Integration services.	100%	100%
Asseco SEE d.o.o., (Zagreb)	ASEE Croatia	Croatia	Mobile and authentication solutions for financial institutions. Payment solutions.	100%	100%
Asseco SEE d.o.o., Podgorica	ASEE Montenegro	Montenegro	Payment solutions. Integration services and IT solutions for the financial, industrial, and public administration sectors.	100%	100%
Asseco SEE s.r.l., (Bucharest)	ASEE Romania	Romania	Integration services for the financial, industrial, and public administration sectors. Development of applications and provision of IT systems for financial institutions. Payment solutions.	100%	100%
Asseco SEE Sh.p.k., (Pristina)	ASEE Kosovo	Kosovo	Integration of IT systems as well as development and implementation of software for the banking sector and public administration. Payment solutions.	100%	100%
Asseco SEE Teknoloji A.Ş., (Istanbul)	ASEE Turkey	Turkey	Development of applications and provision of IT systems for the execution and settlement of on-line payments, detection and prevention of bank frauds, management of dispersed assets, lease management.	100%	100%
Asseco SEE d.o.o., (Ljubljana)	ASEE Slovenia	Slovenia	Payment solutions.	100%	100%
Asseco SEE o.o.d., Sofia	ASEE Bulgaria	Bulgaria	Payment solutions. Provision of IT systems for financial institutions.	100%	100%
Asseco SEE d.o.o., (Sarajevo)	ASEE B&H	Bosnia & Herzegovina	Provision of IT systems for financial institutions. Payment solutions.	100%	100%
Asseco SEE DOOEL, Skopje	ASEE Macedonia	Macedonia	Integration services for the financial, industrial, and public administration sectors. Development of applications and provision of IT systems for financial institutions. Payment solutions.	100%	100%

Both as at 31 December 2015 and 31 December 2014, voting rights held by the Company in its subsidiaries were equivalent to the Company's equity interests in those entities.

IV. ACCOUNTING POLICIES APPLIED WHEN PREPARING THE FINANCIAL STATEMENTS

1. Basis for the preparation of financial statements

The financial statements were prepared in accordance with the historical cost convention, except for derivative financial instruments and assets that are carried at fair value through profit or loss.

The presentation currency of these financial statements is the Polish zloty (PLN), and all figures are presented in thousands of zlotys (PLN'000), unless stated otherwise.

These financial statements were prepared on a going-concern basis, assuming the Company will continue its business activities in the foreseeable future, this is over a period not shorter than 12 months from the balance sheet date, i.e. 31 December 2015.

Till the date of approving these financial statements, we have not observed any circumstances that would threaten the Company's ability to continue as a going concern in the period of at least 12 months following the balance sheet date.

2. Compliance statement

These financial statements have been prepared in compliance with the International Financial Reporting Standards as endorsed by the European Union.

3. Functional currency and reporting currency

The functional currency applied by the Company as well as the reporting currency used in these financial statements is the Polish zloty (PLN).

4. Professional judgement and changes in estimates

Preparation of financial statements in accordance with IFRS requires making estimates and assumptions which have an impact on the data disclosed in such financial statements.

Despite the estimates and assumptions have been adopted based on the Company's management best knowledge about the current activities and occurrences, the actual results may differ from those anticipated.

Presented below are the main areas which, in the process of applying our accounting policies, were subject not only to accounting estimates but also to the management's professional judgement, and whose estimates, if changed, could significantly affect the Company's future results.

i. Rates of depreciation and amortization

The level of depreciation and amortization rates is determined on the basis of anticipated period of useful economic life of the components of tangible and intangible assets. The Company verifies the adopted periods of useful life on an annual basis, taking into account the current estimates.

ii. Impairment testing of goodwill

As at 31 December 2015, the Company's Management Board performed an impairment test on goodwill arising in 2012 from the merger with ITD Poland. This task required making estimates of the recoverable amount of goodwill. The recoverable amount was estimated by determination of the future cash flows expected to be achieved from the cash-generating unit and determination of a discount rate to be subsequently used in order to calculate the net present value of those cash flows. The discount rate applied in the model was 5.5%; whereas, sales revenue growth was assumed at the rate of 5.2%. Goodwill arising from the merger amounted to PLN 4,567 thousand both as at 31 December 2015 and 31 December 2014. Any reasonable modification of the key assumptions adopted in the model should not indicate any impairment of goodwill.

iii. Liabilities to pay for the remaining stakes of shares in subsidiaries

As at 31 December 2014, the Company recognized a contingent liability for the future payment for shares acquired in EŽR Croatia. Determination of the amount of such liability required making estimates of the company's financial results. The liability value as at 31 December 2014 amounted to PLN 1,850 thousand. Our liability, which was disclosed as at 31 December 2014, was settled in the third quarter of 2015 by paying the amount of PLN 1,686 thousand.

iv. Deferred tax assets

Deferred tax assets arising from unrealized tax losses were recognized in the amount of PLN 693 thousand as at 31 December 2014, this is to the extent it was probable that future taxable income would enable writing such unrealized losses off. As at 31 December 2014, unrealized tax losses not accounted for in deferred tax assets amounted to PLN 54,573 thousand. In 2015, deferred tax assets have been fully utilized in connection with the partial realization of tax losses. As a result of the expiration of tax losses, there is no basis for further recognition of deferred tax assets.

v. Impairment of financial assets

At every balance sheet date, the Company carries out a valuation of its assets concerning possible impairment. Should there be any indications of impairment, the Company shall estimate the recoverable amount of an investment. The recoverable amount is estimated by determination of the future cash flows expected to be achieved from the cash-generating unit and determination of a discount rate to be subsequently used in order to calculate the net present value of those cash flows. Impairment tests carried out on our investments as at 31 December 2015 have been described in explanatory note 11 to these financial statements.

5. Changes in the accounting policies applied

The accounting policies adopted in the preparation of this report are consistent with those followed when preparing the annual financial statements for the year ended 31 December 2014, except for the adoption of amendments to standards and new interpretations effective for annual periods beginning on or after 1 January 2015:

- Amendments resulting from the Annual Improvements to IFRSs: 2011-2013 Cycle, including:

- Amendments to IFRS 3 *Business Combinations*

The amendments clarify that not only joint ventures but also joint arrangements are excluded from the scope of IFRS 3, with the only exception applicable to the preparation of financial statements of a joint arrangement. This amendment shall be applied prospectively.

- Amendments to IFRS 13 *Fair Value Measurement*

The amendments clarify that the investment portfolio exception applies not only to financial assets and financial liabilities, but also to other contracts accounted for within the scope of IAS 39. These amendments shall be applied prospectively.

- Amendments to IAS 40 *Investment property*

The definition of additional services provided in IAS 40 differentiates between investment property and owner-occupied property (classified as property, plant and equipment). This amendment shall be applied prospectively and it clarifies that IFRS 3, and not the definition of additional services provided in IAS 40, shall be used to determine whether a specific transaction is the acquisition of an asset or a business.

• IFRIC 21 *Levies*

The interpretation clarifies that an entity shall recognize a liability for a levy imposed by a government upon the occurrence of an obligating event, this is the activity that triggers the payment of the levy in accordance with relevant laws or regulations. If a levy is payable upon reaching a minimum threshold, the liability shall not be recognized until that minimum threshold has been met or exceeded. IFRIC 21 shall be applied retrospectively.

Adoption of these amendments had no impact on the Group's financial position or the results of its operations.

The Group did not decide on early adoption of any other standard, interpretation or amendment which has been published but has not yet become effective in accordance with the EU regulations.

6. New standards and interpretations published but not in force yet

The following standards and interpretations were issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), but have not yet come into force:

- IFRS 9 *Financial Instruments* (issued on 24 July 2014) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018;
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (issued on 21 November 2013) – effective for annual periods beginning on or after 1 July 2014 – to be applied in the EU at the latest for annual periods beginning on or after 1 February 2015;
- Annual Improvements to IFRSs: 2010-2012 Cycle (issued on 12 December 2013) – some amendments are effective for annual periods beginning on or after 1 July 2014, and some prospectively for transactions occurring on or after 1 July 2014 – to be applied in the EU at the latest for annual periods beginning on or after 1 February 2015;
- IFRS 14 *Regulatory Deferral Accounts* (issued on 30 January 2014) – the European Commission has decided not to initiate the process of endorsement of this standard until the release of its final version – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (issued on 6 May 2014) – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization* (issued on 12 May 2014) – effective for annual periods beginning on or after 1 January 2016;
- IFRS 15 *Revenue from Contracts with Customers* (issued on 28 May 2014), including the amendment of the Effective Date of IFRS 15 (issued on 11 September 2015) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2018;

- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (issued on 30 June 2014) – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (issued on 12 August 2014) – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (issued on 11 September 2014) – it has not yet been decided when the EFRAG shall perform specific steps for the endorsement of these amendments – not yet endorsed by the EU till the date of approval of these financial statements – the effective date of these amendments has been deferred indefinitely by the IASB;
- Annual Improvements to IFRSs: 2012-2014 Cycle (issued on 25 September 2014) – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (issued on 18 December 2014) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2016;
- Amendments to IAS 1 *Disclosure Initiative* (issued on 18 December 2014) – effective for annual periods beginning on or after 1 January 2016;
- IFRS 16 *Leases* (issued on 13 January 2016) – it has not yet been decided when the EFRAG shall perform specific steps for the endorsement of these amendments – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2019;
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses* (issued on 19 January 2016) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2017;
- Amendments to IAS 7 *Disclosure Initiative* (issued on 29 January 2016) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2017.

The Management Board is currently analyzing the impact of the above-mentioned amendments on the Group's financial statements and financial position.

7. Significant accounting policies

i. Translation of items expressed in foreign currencies

Transactions denominated in currencies other than Polish zloty are translated to Polish zlotys at the mid exchange rate published by the National Bank of Poland and in effect on the day preceding the transaction date.

As at the balance sheet date, assets and liabilities denominated in currencies other than Polish zloty are translated to Polish zlotys at the mid exchange rates of such currencies as published by the National Bank of Poland and in effect on the last day of the reporting period. Foreign currency differences resulting from such restatement are reported respectively as financial income (expenses) or they may be capitalized as assets in case it is provided for in the adopted accounting policies. Non-cash assets and liabilities carried at historical cost expressed in a foreign currency are disclosed the historical exchange rate of the transaction date. Non-cash assets and liabilities carried at fair value expressed in a foreign currency are reported at the exchange rate from the date when fair value measurement was carried out.

The following exchange rates were applied for the purpose of balance sheet valuation:

Currency	As at	
	31 Dec. 2015	31 Dec. 2014
USD	3.9011	3.5072
EUR	4.2615	4.2623
RON	0.9421	0.9510
HRK	0.5578	0.5566
RSD	0.0349	0.0352
BGN	2.1789	2.1793
MKD	0.0689	0.0693
BAM	2.1690	2.1793
TRY	1.3330	1.5070

Average exchange rates for the specified reporting periods were as follows:

Currency	For the year ended	
	31 Dec. 2015	31 Dec. 2014
USD	3.7928	3.1784
EUR	4.1848	4.1893
RON	0.9421	0.9440
HRK	0.5492	0.5488
RSD	0.0346	0.0357
BGN	2.1396	2.1420
MKD	0.0680	0.0680
BAM	2.1400	2.1412
TRY	1.3818	1.4508

ii. Property, plant and equipment

Property, plant and equipment are disclosed at purchase cost/production cost decreased by accumulated depreciation and any impairment write-downs. The initial value of tangible assets corresponds to their purchase cost increased by expenditures related directly to the purchase and adaptation of such assets to their intended use. Such expenditures may also include the cost of spare parts

to be replaced on machinery or equipment at the time when incurred, if the recognition criteria are met. Any costs incurred after a tangible asset is made available for use, such as maintenance or repair fees, are expensed in the income statement at the time when incurred.

At the time of purchase tangible assets are divided into components of significant value for which separate periods of useful life may be adopted. General overhaul expenses constitute a component of assets as well.

Such assets are depreciated using the straight-line method over their expected useful lives which are as follows:

Type	Period of useful life
Buildings and structures	40 years
Leasehold improvements	5 years
Computers and telecommunication equipment	1-5 years
Furniture	2-8 years
Office equipment	5-10 years
Transportation vehicles	4-6 years
Other tangible assets	2-5 years

The residual values, useful lives as well as the methods of depreciation of tangible assets are verified on an annual basis and, if necessary, corrected with effect as of the beginning of the financial year just ended.

Should there be any events or changes indicating that the book value of property, plant and equipment may not be recovered, such assets will be reviewed for their possible impairment. If there are any indications of a possible impairment and the book value exceeds the estimated recoverable amount, the value of such assets or cash-generating units shall be reduced to the recoverable amount. The recoverable amount of property, plant and equipment is the greater of their fair value (decreased by any related selling expenses) and their value in use. In order to determine the value in use, estimated future cash flows shall be discounted to the present value by applying a pre-tax discount rate that reflects current market assessments of the time value of money and the risks related to the asset. In case of an asset which does not generate cash independently, the recoverable amount shall be determined for the cash-generating unit, to which such asset belongs. Impairment write-downs are accounted for as operating expenses in the income statement.

A tangible asset may be derecognized from the balance sheet after it is disposed of or when no economic benefits are expected from its further use. Gain/loss on disposal of a tangible fixed asset shall be assessed by comparing the income from such disposal with the present book value of such asset, and it shall be accounted for as operating

income/expense. Any gains or losses resulting from derecognition of an asset from the balance sheet (measured as the difference between net proceeds from disposal of such asset and its carrying value) are recognized in the income statement for the period when such derecognition is made.

Investments in progress relate to tangible assets under construction or during assembly and are recognized at purchase cost or production cost, decreased by any eventual impairment write-downs. Tangible assets under construction are not depreciated until their construction is completed and they are made available for use.

iii. Intangible assets

Intangible assets purchased in a separate transaction or generated (if qualifying to be recognized as cost of development work) shall be initially recognized at their purchase cost or production cost. The purchase cost of intangible assets acquired under a business combination shall equal their fair value as at the merger date. After the initial recognition, intangible assets are accounted for at their purchase cost or production cost decreased by accumulated amortization and impairment charges. Expenditures for internally generated intangible assets, except for the costs of development work, shall not be capitalized but expensed in the period when they are incurred.

The Company shall determine whether the period of useful life of an intangible asset is definite or indefinite. Intangible assets with a definite period of useful life are amortized over the expected useful life, and are subject to impairment testing each time there are indications of possible impairment. The periods and methods of amortization of intangible assets with a definite period of useful life are subject to verification at least at the end of each financial year. Any changes in the expected useful life, or the expected consumption of economic benefits derived from an intangible asset, are addressed by changing the relevant period or method of amortization, and are treated as changes in estimates. Amortization charges against intangible assets with a definite period of useful life are expensed in the income statement, in the category which corresponds to the function of each individual intangible asset.

Intangible assets with an indefinite period of useful life, as well as those which are no longer used, are subject to impairment testing on an annual basis, with regard to individual assets or at the level of cash-generating unit.

The useful lives are verified on an annual basis and, if necessary, corrected with effect as of the beginning of the financial year just ended.

Such assets are depreciated using the straight-line method over their expected useful lives which are as follows:

Type	Period of useful life
Cost of development work	3-5 years
Computer software	2-5 years
Patents and licenses	2-5 years
Other	5 years

Any gains or losses resulting from removal of intangible assets from the balance sheet (calculated as the difference between the net cash obtained from sales and the book value of such item) are recognized in the income statement for the period when such derecognition is made.

iv. Impairment of non-financial assets

At every balance sheet date, the Company carries out a valuation of its assets concerning possible impairment. Should there be any indications of impairment, the Company shall estimate the recoverable amount of an investment. If the book value of a given asset exceeds its recoverable amount, impairment charges are made reducing the book value to the level of recoverable amount. The recoverable amount is the higher of the following two values: fair value of an asset or cash-generating unit less selling expenses, or value in use determined for an asset if such asset generates cash flows significantly independent from cash flows generated by other assets or groups of assets or cash-generating units.

At each balance sheet date, the Company determines whether there are any indications for reversal or reduction of an impairment charge that was recognized on a given asset in the prior periods. If such indications exist, the Company needs to estimate the recoverable amount of relevant asset. A formerly recognized impairment charge may be reversed only when, from the date of the last recognition of impairment, changes in the estimates applied for determination of the recoverable amount of the relevant asset occurred. If this is the case, the carrying value of such asset shall be increased to its recoverable amount. The increased amount cannot exceed the given asset's book value (net of depreciation) that would be carried in case no impairment charge was recognized on such asset in the prior years. A reversal of an impairment charge shall be immediately recognized as income in the income statement. Following a reversal of an impairment write-down, the depreciation charges made on the relevant asset during subsequent financial periods shall be adjusted in such a way as to enable systematic depreciation of the asset's verified book value (net of residual value) over the remaining period of its useful life.

v. Shares in subsidiaries, associates, and joint ventures

Subsidiary companies are those entities which are controlled by the Company. The Company, irrespective of the nature of its involvement with a given entity, in each case analyzes whether it is a parent taking into account the influence it exerts on such entity.

The Company maintains control over an investee entity if and only if it has:

- Power over the investee;
- Exposure, or rights, to variable financial results of the investee; and
- The ability to use power over the investee to affect the amount of returns generated from its investment.

Associates are entities in which the Company holds between 20% and 50% of voting rights at the general meeting of shareholders and on which the Company exerts a significant influence, however, without the ability to control them. This means they are neither subsidiaries nor joint ventures.

Joint ventures are entities that are neither subsidiaries nor associates, in which the Company holds no more than 50% of voting rights at the general meeting, or is otherwise able to direct the financial and operating policy of such entities together with other shareholders.

The Company's investments in subsidiaries, joint ventures and associates are recognized at purchase cost. At every balance sheet date, the Company verifies its investments in related companies concerning possible indications of impairment. Furthermore, at the end of each financial year the Company estimates the recoverable amount of its financial assets by analyzing and measuring the future cash flows to be generated by such assets.

vi. Combination of businesses under common control

A business combination involving business entities under common control is a business combination whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

This refers in particular to transactions such as a transfer of companies or ventures between individual companies within a capital group, or a merger of a parent company with its subsidiary.

The effects of combinations of businesses under common control are accounted for by the Company by the pooling of interests method.

In particular, as far as the Company's mergers with its subsidiaries are concerned, the applied approach assumes that:

- Assets and liabilities of the combining business entities are measured at their carrying values as disclosed in the consolidated financial statements of the parent determined as at the date of obtaining control. This means that goodwill recognized initially in the consolidated financial statements as well as any other intangible assets recognized in the merger accounting process are transferred to the separate financial statements;
- Merger-related transaction costs are expensed in the income statement;
- Mutual balances of accounts receivable/payable are eliminated;
- Any difference between the purchase price paid/transferred and the value of net assets acquired (at their carrying values disclosed in the consolidated financial statements) shall be recognized in equity of the acquirer (such amounts recognized in equity are not included in reserve capital, and therefore they are not distributable);
- The income statement presents the financial results of both combined entities from the date when their merger was effected; whereas, the results for earlier reporting periods are not restated.

In the event of a business combination in which an investment in one subsidiary is contributed to another subsidiary or in which two subsidiaries of ASEE S.A. are combined, the carrying value of investment in the acquiree subsidiary is only transferred to the value of investment in the acquirer subsidiary. Hence, a takeover of one subsidiary by another subsidiary has no impact on the Company's financial results whatsoever.

Where under an acquisition of a subsidiary the acquirer recognizes a conditional payment, any changes in the fair value of such conditional consideration occurring after the acquisition date shall be recognized as financial income or expenses.

vii. Financial instruments

Financial instruments are divided into the following categories:

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

All the financial assets are initially recognized at purchase cost equal to fair value of the effected payment, including the costs related to the purchase of a financial asset, except for financial instruments carried at fair value through profit or loss.

Financial assets held to maturity are investments with payments specified or which may be specified and with a fixed repayment date (maturity), which the Company intends to and may hold to maturity. Financial assets held to maturity are valued at amortized cost using the effective interest rate. Financial assets held to maturity shall be classified as fixed assets if their maturity exceeds 12 months from the balance sheet date.

Financial instruments acquired in order to generate profits by taking advantage of short-term price fluctuations shall be classified as financial instruments carried at fair value through profit or loss. Financial instruments carried at fair value through profit or loss are measured at their market value as at the balance sheet date. Changes in these financial instruments are recognized as financial income or expenses. Financial assets carried at fair value through profit or loss shall be classified as current assets if the Management Board intends to sell them within 12 months from the balance sheet date.

Loans granted and receivables are carried at amortized cost. They are recognized as current assets unless their maturity periods are longer than 12 months from the balance sheet date. Loans granted and receivables with maturity periods longer than 12 months from the balance sheet date are recognized as fixed assets.

Any other financial assets constitute financial assets available for sale. Financial assets available for sale are carried at fair value, without deducting the transaction-related costs, taking into consideration their market value as at the balance sheet date. If financial instruments are not quoted on an active market and it is impossible to determine their fair value reliably with alternative methods, such financial assets available for sale shall be measured at purchase cost adjusted by impairment charges. Provided financial instruments have a market price determined in a regulated active market or it is possible to determine their fair value in other reliable way, the positive and negative differences between the fair value and the purchase cost of such assets available for sale (after deducting any deferred tax liabilities) shall be disclosed in the asset revaluation reserve. A decrease in the value of assets available for sale, resulting from their impairment, shall be disclosed as a financial expense in the income statement.

Purchases or disposals of financial assets are recognized in the accounting books at the transaction date. At the initial recognition they are valued at purchase cost, this is at fair value plus the transaction-related costs.

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

A financial instrument shall be derecognized from the balance sheet if the Company no longer controls the contractual rights arising from such financial instrument; this usually takes place when the instrument is sold or when all cash flows generated by that instrument are transferred to an independent third party.

viii. Derivative financial instruments and hedges

Derivative instruments utilized by the Company in order to hedge against the risk of changes in foreign currency exchange rates include primarily currency forward contracts. Such financial derivatives are measured at fair value. Derivative instruments are recognized as assets or liabilities depending on whether their value is positive or negative.

Gains and losses on changes in fair value of derivatives, which do not qualify for hedge accounting, are recognized directly in profit or loss for the financial year.

Fair value of currency forward contracts is determined on the basis of the forward exchange rates available currently for contracts with similar maturity.

Hedge accounting includes the following types of hedges:

- Fair value hedges against the exposure to changes in fair value of a recognized asset or liability, or
- Cash flow hedges against the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or with a forecast transaction, or
- Hedges of net investments in foreign operations.

ix. Impairment of financial assets

At each balance sheet date, the Company determines if there are any objective indications of impairment of a financial asset or group of financial assets.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans granted or receivables carried at amortized cost has been incurred, the amount of an allowance is measured as the difference between the asset's book value and the present value of estimated future cash flows (excluding future bad debt losses that have not been incurred yet) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying value of such assets shall be reduced either directly or by recognizing an impairment write-down. The amount of the loss shall be recognized in the income statement.

The Company 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 the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are assessed for impairment individually, and for which an impairment loss is or continues to be recognized, are not included in the collective assessment of impairment of a group of assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. Such reversal of the impairment write-down shall be recognized in profit or loss to the extent that the carrying value of the financial asset does not exceed its amortized cost at the date when the impairment is reversed.

Financial assets carried at cost

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

Financial assets available for sale

When there is objective evidence that a financial asset available for sale is impaired, then the amount of difference between the purchase cost of such asset (net of any principal repayments and amortization) and its current value decreased by any impairment charges on that financial asset as previously recognized in profit or loss, shall be removed from equity and recognized in the income statement. Reversals of impairment losses on equity instruments classified as available for sale cannot be recognized in the income statement. If, 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 loss was recognized in profit or loss, then the amount of such impairment loss shall be reversed in the income statement.

x. Inventories

Inventories are measured at the lower of the following two values: purchase cost/production cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The Company uses the method of precise identification for valuation of outgoing inventories.

The Company is obliged to perform an ageing analysis of their inventories at each balance sheet date, separately for the main groups (licenses, goods for resale, maintenance service inventories). Such analysis provides the rationale for making impairment write-downs on tangible current assets subject to the following rules:

- 100% write-down on goods stored for longer than 2 years,
- 75% write-down on goods stored for between 1.5 and 2 years,
- 50% write-down on goods stored for between 1 and 1.5 years,
- 25% write-down on goods stored for between half a year and 1 year.

xii. Prepayments and accrued income

Prepayments comprise expenses incurred before the balance sheet date that relate to future periods.

Prepayments may in particular include the following items:

- Rents paid in advance,
- Insurances,
- Subscriptions,
- Prepaid third-party services which shall be provided in future periods,
- Any other expenses incurred in the current period, but related to future periods.

Accrued income includes mainly maintenance services relating to future periods. The Company recognizes prepayments and accrued income if their amounts relate to future reporting periods.

xiii. Trade receivables and other receivables

Trade receivables, usually with payment terms ranging from 14 and 90 days, are recognized and disclosed at the amounts initially invoiced, less any allowances for doubtful receivables. For receivables past-due over 180 days, a 50% allowance shall be recognized; whereas, receivables past-due over 365 days shall be written down by 100%. An allowance for doubtful accounts shall be determined also when it is no longer probable that the entire amount receivable will be collected, irrespective of the past-due period. Doubtful accounts shall be expensed in the income statement at the time when they are deemed uncollectible.

Where the effect of the time value of money is material, the amount of receivables shall be measured by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money. Should the discounting method be used, any increase in receivables over time shall be booked as financial income.

xiv. Cash and cash equivalents

Cash and cash equivalents presented in the balance sheet consist of cash kept in banks and on hand by the Company, short-term bank deposits with maturities not exceeding 3 months, and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the statement of cash flows consists of the above-defined cash and cash equivalents. For the purposes of the statement of cash flows, the Company decided not to present bank overdraft facilities (used as an element of financing) in the balance of cash and cash equivalents.

xiv. Interest-bearing bank loans and borrowings

All bank loans, borrowings and debt securities are initially recognized at their purchase cost, being the fair value of cash received net of any costs associated with obtaining a credit or loan, or with issuing a debt security.

Subsequently to such initial recognition, bank loans, borrowings and debt securities are measured at amortized purchase cost using the effective interest rate. Determination of the amortized purchase cost shall take into account the costs related to obtaining a credit or loan, or issuing a debt security, as well as the discounts or bonuses obtained on repayment of the liability.

The difference between the cash received (net of costs related to obtaining a credit or loan, or issuing a debt security) and the repayment amount shall be disclosed in the income statement over the term of such financing. Any gains or losses shall be recognized in the income statement after the liability has been removed from the balance sheet. All expenses relating to bank loans, borrowings or debt securities issued, shall be recognized in the income statement for the period they relate to.

xv. Trade payables

Trade payables relating to operating activities are recognized and disclosed at the amounts due for payment, and are recognized in the reporting periods which they relate to. Other liabilities to a significant extent also relate to operating activities yet, in contrast to trade payables, they were not invoiced.

Where the effect of the time value of money is material, the amount of payables shall be measured by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money. Where discounting method is used, the increase in liabilities due to the passage of time is recognized as a financial expense.

xvi. Provisions

A provision should be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when 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 Company expects that the expenditure required to settle a provision is to be reimbursed, e.g. under an insurance contract, this reimbursement should be recognized as a separate asset when, and only when, it is virtually certain that such reimbursement will be received. The expense relating to such provision shall be disclosed in the income statement, net of the amount of any reimbursements.

The Company recognizes provisions for onerous contracts in which the unavoidable costs of meeting

the obligations under the contract exceed the economic benefits expected to be received therefrom.

Where the effect of the time value of money is material, the amount of a provision shall be determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks related to the liability. Where discounting method is used, the increase in a provision due to the passage of time is recognized as borrowing costs.

xvii. Revenues

Sales revenues

Sales revenues are recognized if the amount of revenue can be measured reliably and if it is highly probable that economic benefits associated with the transaction will flow to the Group.

Should it be impossible to estimate reliably the amount of revenue from a service transaction, such revenue shall only be recognized in the amount of costs incurred which the Group expects to recover. The Group identifies the following types of revenues:

- Revenues from the sale of proprietary licenses and services,
- Revenues from the sale of third-party licenses and services, and
- Revenues from the sale of hardware.

The category of "Proprietary licenses and services" includes revenues from contracts with customers under which we supply our own software and provide related services. Such services may be performed by the Company's employees (internal resources) as well as by subcontractors (external resources). In addition, this category includes revenues from the provision of own services for third-party software and infrastructure.

The category of "Third-party licenses and services" includes revenues from the sale of third-party licenses as well as from the provision of services which, due to technological or legal reasons, must be carried out by subcontractors (this applies to hardware and software maintenance and outsourcing services provided by their manufacturers).

Revenues from the sale of own software licenses and/or services, which are supplied/rendered under an implementation contract, shall be recognized proportionally to the completion of the entire contract.

In the case of other own software licenses and/or services, revenues are recognized in the period in which the Group expects to be required to provide such services to the client. Revenues from the sale of third-party software licenses and/or services may be recognized as sales of goods or as sales of services, depending on the nature of the contract with the client.

In the case of third-party software licenses and/or services for which the significant risks and rewards of ownership are transferred to the buyer at the time of the sale, revenues are recognized as sales of goods, this is in a lump sum at the time of the sale, regardless of whether a third-party license and/or service is provided for a specified or unspecified period of time. The Group considers that significant risks are transferred to the buyer when, after the delivery of a license/service, the Group is not obligated to provide any additional benefits to the client.

In other cases, i.e. when after the delivery of a license/service, the Group is obligated to provide additional benefits to the client, revenues are recognized as sales of services, this is over a period in which such services are performed and proportionally to the completion of the entire transaction.

Revenues from the sale of hardware are recognized as sales of goods, provided that the significant risks and rewards resulting from a contract have been transferred to the buyer and the amount of revenue can be measured reliably.

Revenues and costs related to the execution of implementation contracts

Revenues from implementation contracts shall include highly probable revenues resulting from the concluded contracts and/or orders, which can be measured reliably. Therefore, the pool of such revenues does not include any proceeds that are considered as doubtful despite being determined in a signed contract (e.g. the Group anticipates that a client may decide to resign from a portion of contracted work).

Contract revenues include the following:

- Revenues resulting from issued invoices,
- Future revenues resulting from signed agreements and/or orders placed on the basis of framework agreements.

Contract costs include the following:

- Costs of goods, materials and third-party services sold (COGS), and
- Costs of internal resources being involved in the contract execution.

The costs of internal resources employed in the contract execution are calculated on the basis of actual workload (for ended periods) or estimated workload (for forecast periods), and appropriate standard (cost) rate covering the production costs.

The standard rate corresponds to the cost of man-hour (or man-day) of our own production resources calculated on the basis of production costs budgeted for a given year.

Valuation of implementation contracts

The purpose for valuation of an IT implementation contract is to determine the amount of revenues to be recognized in a given period. The Group performs such valuation using the percentage of completion method.

Should the percentage progress of incurred costs, decreased by expected losses and increased by profits included in the income statement, exceed the percentage progress of invoiced sales, the amount of un invoiced sales resulting from such difference shall be disclosed as other receivables in the balance sheet, under "Receivables arising from valuation of IT contracts". On the other hand, if the percentage progress of invoiced sales exceeds the percentage progress of costs incurred, decreased by expected losses and increased by profits included in the income statement, then future-related revenues resulting from such difference shall be disclosed as other liabilities, under "Liabilities arising from valuation of IT contracts".

Loss generating contracts

Loss generating contract is a contract, under which total revenues are lower than total costs.

In the event it is highly probable that the total contract execution costs exceed the total contract revenues, the anticipated loss shall be recognized as cost in the reporting period in which it has been detected, by creating a provision for contractual losses. The amount of such provision and/or its legitimacy are subject to verification at each subsequent reporting date, until the completion of the contract.

The amount of created provisions for losses shall be disclosed in other liabilities, under "Liabilities arising from valuation of IT contracts".

Methods for measuring the percentage of contract completion

In order to measure the progress of contract completion, the Company applies a variety of methods allowing to determine reliably the percentage of work executed under the contract. Depending on the contract nature, these methods may include:

- determination of the proportion of costs incurred for work performed up to the balance sheet date to the estimated total contract costs;
- measurement of work performed; or
- comparison of work performed as a physical proportion of total work under the contract.

The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenues and contract costs. The effects of changes in estimates of contract revenues or contract costs are recognized in the period in which such changes occur.

Combining and segmenting of implementation contracts

Valuation is usually performed on single contracts or contracts with annexes thereto, if such annexes modify the main contract by extending or limiting the subject thereof. In the event an annex represents an additional order, going beyond the subject of the main contract, and the price of such order is determined without reference to the main contract price, such annex shall be valued separately.

When a contract covers a number of elements, the implementation of each element should be treated as a separate contract, only if the following conditions are jointly met:

- a. separate offers have been submitted for each of the identified elements;
- b. each element has been subject to separate negotiations; and
- c. the costs and revenues of each element can be identified – revenues must be specified in the contract and/or order.

Whereas, a group of contracts may be treated as a single contract, if the following conditions are jointly met:

- a. the group of contracts is negotiated as a single package;
- b. the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and
- c. the contracts are performed concurrently or in a continuous sequence.

Interest

Interest income shall be recognized on a time proportion basis (taking into account the effective yield, this is the interest rate which accurately discounts future cash flows during the estimated useful life of a financial instrument) on the net book value of a financial asset.

Interest income may comprise interest on loans granted, investments in securities held to maturity, bank deposits and other items.

Dividends

Dividends shall be recognized when the shareholders' right to receive payment is vested.

xviii. Taxes

Current income tax

Liabilities and receivables resulting from current income tax, for the current and prior periods, are measured at the amounts of expected payments to the tax authorities (or repayments from the tax authorities), applying the tax rates and tax regulations legally or factually in force at the balance sheet date.

Deferred income tax

For the purpose of financial reporting, deferred income tax is calculated applying the balance sheet liability method to all temporary differences that exist, at the balance sheet date, between the tax base of an asset or liability and its carrying value disclosed in the financial statements. Deferred tax liabilities are recognized in relation to all positive temporary differences – except for situations when a deferred tax liability arises from initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss, as well as in relation to positive temporary differences arising from investments in subsidiaries or associates or from interests in joint ventures – except for situations when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized in relation to all negative temporary differences, as well as unutilized tax losses carried forward to subsequent years, in such amount that it is probable that future taxable income will be sufficient to allow the above-mentioned temporary differences, assets or losses to be utilized – except for situations when deferred tax assets arise from initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss; as well as in relation to negative temporary differences arising from investments in subsidiaries or associates or from interests in joint ventures, in which cases deferred tax assets are recognized in the balance sheet in such amount only that it is probable that the above-mentioned temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences.

The carrying value of an individual deferred tax asset shall be verified at every balance sheet date and shall be adequately decreased or increased in order to reflect any changes in the estimates of achieving taxable profit sufficient to utilize such deferred tax asset partially or entirely.

Deferred tax assets and deferred tax liabilities shall be valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax liability is reversed, based on the tax rates (and tax regulations) legally or factually in force at the balance sheet date.

Value added tax

Revenues, expenses and assets shall be disclosed in the amounts excluding value added tax unless:

- value added tax paid at the purchase of goods or services is not recoverable from tax authorities; in such event the value added tax paid shall be recognized as a part of the purchase cost of an asset or as an expense, and
- receivables and liabilities are presented including value added tax.

Net amount of value added tax which is recoverable from or payable to tax authorities shall be included in the balance sheet as a part of receivables or liabilities.

xix. Earnings per share

Basic earnings per share for each reporting period shall be calculated by dividing the net profit for the reporting period by the weighted average number of shares outstanding in the given reporting period. Diluted earnings per share for each reporting period shall be calculated by dividing the net profit for the reporting period by the sum of the weighted average number of shares outstanding in the given reporting period and all potential shares of new issues.

8. Seasonal nature of business

Because we are a holding company, the distribution of our financial results during a fiscal year depends largely on the dates when our subsidiaries adopt resolutions to pay out dividends.

9. Changes in the presentation methods applied

As of 1 January 2015, the Company has changed the method of classification of certain receivables and liabilities, and in particular the way of recognizing receivables/liabilities as related to trade or other activities.

Starting from 1 January 2015, the Company decided that all receivables resulting in the recognition of sales revenues shall be presented as trade receivables. Hence, as of 1 January 2015, trade receivables include the following categories:

- receivables from issued invoices,
- receivables from uninvoiced deliveries.

Until 31 December 2014, the last-mentioned category used to be presented by the Company in "other receivables".

Trade receivables	31 Dec. 2014 (restated)	Change	31 Dec. 2014 (audited)
Invoiced deliveries, of which from:	1,699	-	1,699
- related parties	843	-	843
- other entities	856	-	856
Uninvoiced deliveries, of which from:	41	41	-
- related parties	13	13	-
- other entities	28	28	-
	1,740	41	1,699

Other receivables	31 Dec. 2014 (restated)	Change	31 Dec. 2014 (audited)
Receivables from disposal of shares	8,207	-	8,207
Other receivables	138	(41)	179
	8,345	(41)	8,386
- short-term	1,755	(41)	1,796
- long-term	6,590	-	6,590

Changes in the presentation of receivables resulted in introducing analogous changes in the methods of presentation of liabilities. This involved in particular the following reclassifications:

- liabilities for uninvoiced deliveries as well as provisions for other costs have been, as of 1 January 2015, classified as trade payables;
- provision for the audit of financial statements has been reclassified to "Provisions".

Short-term provisions	31 Dec. 2014 (restated)	Change	31 Dec. 2014 (audited)
Provision for the audit of financial statements	141	141	-
	141	141	-
- short-term	141	141	-
- long-term	-	-	-

Short-term trade payables	31 Dec. 2014 (restated)	Change	31 Dec. 2014 (audited)
Invoiced deliveries, of which from:	1,481	-	1,481
- related parties	168	-	168
- other entities	1,313	-	1,313
Uninvoiced deliveries, of which from:	627	627	-
- related parties	-	-	-
- other entities	627	627	-
	2,108	627	1,481

Short-term accruals	31 Dec. 2014 (restated)	Change	31 Dec. 2014 (audited)
Provision for the audit of financial statements	-	(141)	141
Unused holiday leaves	153	-	153
Remuneration	422	-	422
Other expenses	-	(627)	627
	575	(768)	1,343

10. Corrections of material errors

In the reporting period, no events occurred that would require making corrections of any misstatements.

V. INFORMATION ON OPERATING SEGMENTS

The Company's operating activities comprise both holding operations and sales of IT services and software.

The Holding Activities segment includes revenues and expenses related to managing the Group. The segment's revenues comprise primarily dividends and sales of business and technical support services to the Company's subsidiaries.

The IT Services segment includes revenues and expenses related to our information technology operations in two areas: authentication solutions (banking) and voice automation solutions (systems integration).

For the year ended 31 December 2015 in PLN thousands (audited)	Holding activities	IT services	Total
Dividend income	53,956	-	53,956
Revenues from sales of services	8,271	-	8,271
Revenues from sales of IT services and software	-	7,565	7,565
Total sales revenues	62,227	7,565	69,792
Gross profit on sales	56,297	2,470	58,767
Selling costs (-)	(1,910)	(1,177)	(3,087)
General and administrative expenses (-)	(84)	-	(84)
Net profit on sales	54,303	1,293	55,596

For the year ended 31 December 2014 in PLN thousands (audited)	Holding activities	IT services	Total
Dividend income	20,666	-	20,666
Revenues from sales of services	9,569	-	9,569
Revenues from sales of IT services and software	-	7,454	7,454
Total sales revenues	30,235	7,454	37,689
Gross profit on sales	24,461	1,614	26,075
Selling costs (-)	(1,240)	(1,412)	(2,652)
General and administrative expenses (-)	(77)	-	(77)
Net profit on sales	23,144	202	23,346

VI. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. Holding activities – Dividend income and service revenues

Operating revenues from holding activities comprise dividends received from subsidiaries as well as revenues from the sale of consulting, business and technical support services which are provided to subsidiaries of ASEE Group. As the Company is primarily engaged in holding operations, the above-mentioned categories of revenues are presented in operating activities.

	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Dividends from related parties	53,956	20,666
Revenues from sales of services	8,271	9,569
	62,227	30,235

Cash inflows generated from dividends amounted to PLN 52,302 thousand in 2015, as compared with PLN 20,038 thousand received in 2014. The difference between recognized revenues and actually received inflows resulted from withholding tax charged by our subsidiaries as well as foreign exchange differences.

2. Operating activities – Revenues from sales of IT services and software

	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Revenues from sales of software and IT services	7,565	7,454

Both in the year ended 31 December 2015 and in the comparable period, operating activities included revenues from licensing fees as well as from maintenance, implementation and consulting services.

3. Breakdown of operating costs

	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Employee benefits (-)	(5,073)	(4,290)
Third-party services and outsourcing of employees (-)	(3,882)	(4,097)
Depreciation and amortization (-)	(283)	(265)
Maintenance costs of property and business cars (-)	(547)	(515)
Business trips (-)	(535)	(426)
Advertising (-)	(53)	(112)
Other expenses (-)	(295)	(84)
	(10,668)	(9,789)
Cost of sales, of which:	(11,025)	(11,614)
Cost of goods and third-party services sold (-)	(3,528)	(4,554)
Production costs (-)	(7,497)	(7,060)
Selling costs (-)	(3,087)	(2,652)
General and administrative expenses (-)	(84)	(77)

4. Other operating income and expenses

Other operating income	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Reimbursement of excessive tax paid on civil law transactions	915	-
Other operating income	9	35
924	35	

Other operating income for the period of 12 months ended 31 December 2015 includes primarily the reimbursement of excessive tax paid on civil law transactions for the years 2008–2010, amounting to PLN 915 thousand.

Other operating expenses	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Expenses related to recovery of excessive tax paid on civil law transactions	(320)	-
Other operating expenses	(4)	(17)
(324)	(17)	

Other operating expenses for the period of 12 months ended 31 December 2015 include primarily expenses related to the recovery of excessive tax paid on civil law transactions, amounting to PLN 320 thousand.

5. Financial income and expenses

Financial income	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Positive foreign exchange differences	1,024	1,475
Interest received on cash deposits and loans granted	539	334
Commissions received on guarantees granted	137	-
Gain on valuation of derivative instruments	274	72
Interest on excessive tax paid on civil law transactions	502	-
Other	133	-
2,609	1,881	

Financial income for the year 2015 includes interest on excessive tax paid on civil law transactions for the years 2008–2010, amounting to PLN 502 thousand.

Financial expenses	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Loss on valuation of derivative instruments (-)	(584)	(158)
Interest expense on bank loans and borrowings (-)	(22)	(55)
Commissions paid on bank guarantees (-)	(99)	-
Impairment write-down on investments in subsidiaries	-	(5,120)
(705)	(5,333)	

6. Corporate income tax

The main charges on pre-tax profit resulting from corporate income tax (current and deferred portions):

	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Deferred income tax related to origination and reversal of temporary differences	(619)	(491)
Income tax on dividends	(2,183)	(660)
Income tax expense as disclosed in the income statement	(2,802)	(1,151)

Income tax expense for the year 2015 resulted basically from withholding tax on dividends from our subsidiaries in the amount of PLN 2,183 thousand, as well as from the reversal of temporary differences in the amount of PLN 619 thousand, including the utilization of deferred tax assets arising from tax-deductible losses.

The effective tax rate for the period of 12 months ended 31 December 2015 equalled 4.82%. The difference between our effective tax rate and the statutory corporate income tax rate of 19% resulted primarily from permanent differences such as tax-exempt dividends (PLN 1,317 thousand), deduction of taxes already paid by our subsidiaries on their dividend distributions (PLN 2,870 thousand), tax-exempt income (reimbursement of excessive tax paid on civil law transactions, PLN 269 thousand), as well as utilization of tax losses and changes in our estimates of tax-deductible losses included in deferred tax assets (impact on the effective tax rate amounted to approx. PLN 3,818 thousand).

The effective tax rate for the period of 12 months ended 31 December 2014 equalled 5.78%. The difference between our effective tax rate and the statutory corporate income tax rate of 19% resulted primarily from permanent differences such as tax-exempt dividends (PLN 1,148 thousand), deduction of taxes already paid by our subsidiaries on their dividend distributions (PLN 1,124 thousand), as well as utilization of tax losses and changes in our estimates of tax-deductible losses included in deferred tax assets (impact on the effective tax rate amounted to approx. PLN 1,326 thousand).

As at 31 December 2014, the Company's tax losses amounted to PLN 54,573 thousand. The utilization of these tax-deductible losses was possible till the end of 2015, therefore as at 31 December 2015 we did not recognize any deferred tax assets for such unrealized tax losses. Whereas, as at 31 December 2014 such assets amounted to PLN 693 thousand.

Reconciliation of corporate income tax payable on pre-tax profit according to the statutory tax rates with corporate income tax computed at the Company's effective tax rate:

	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Pre-tax profit	58,100	19,912
Statutory corporate income tax rate	19%	19%
Corporate income tax computed at the statutory tax rate	(11,039)	(3,783)
Non-tax-deductible expenses, of which:	(42)	(1,065)
<i>Impairment write-down on investments in subsidiaries</i>	-	(973)
<i>Foreign exchange differences</i>	-	(9)
<i>Depreciation and amortization</i>	(11)	(8)
<i>Other</i>	(31)	(75)
Non-taxable income, of which	274	99
<i>Reimbursement of excessive tax paid on civil law transactions</i>	174	-
<i>Interest on excessive tax paid on civil law transactions</i>	95	-
<i>Other</i>	5	99
Tax exempt income, of which:	1,317	1,148
<i>Dividends received</i>	1,317	1,148
Tax deduction, of which:	2,870	1,124
<i>Dividend income tax paid by subsidiaries</i>	2,870	1,124
Utilization of tax-deductible losses	3,818	1,326
Corporate income tax computed at the effective tax rate of 4.82% in 2015 and 5.78% in 2014	(2,802)	(1,151)

Tax exempt income amounting to PLN 1,317 thousand in 2015 and PLN 1,148 thousand in 2014 corresponds to dividends received from the European Union countries, which are exempted from taxation under Art. 22 of the Corporate Income Tax Act. Whereas, the deduction of dividend income tax paid by subsidiaries amounting to PLN 2,870 thousand in 2015 and PLN 1,124 thousand in 2014 is related to our subsidiaries, dividends from which are taxable in Poland, but which had already paid income taxes in their countries (tax deduction pursuant to Art. 20 of the Corporate Income Tax Act).

	STATEMENT OF FINANCIAL POSITION		INCOME STATEMENT for the year ended	
	31 Dec. 2015 (audited)	31 Dec. 2014 (restated)	31 Dec. 2015 (audited)	31 Dec. 2014 (audited)
Deferred tax liabilities				
Interest accrued on cash equivalents	(16)	(5)	(11)	(5)
Other differences	(13)	-	(13)	19
Deferred tax liabilities, gross	(29)	(5)		
Deferred tax assets				
Losses deductible against future taxable income	-	693	(693)	(725)
Accrual for salaries	177	80	97	77
Accrual for unused holiday leaves	37	29	8	(9)
Valuation of financial assets and liabilities at fair value	81	10	71	10
Provision for other operating costs	112	190	(78)	142
Deferred tax assets, gross	407	1,002		
Write-down due to inability to realize a deferred tax asset	-	-		
Deferred tax assets, net	407	1,002		
Assets (+) / Provision (-), net	378	997		
Change in deferred income tax in the reporting period, of which:				
change in deferred income tax recognized directly in other comprehensive income			-	-
change in deferred income tax recognized in profit or loss			(619)	(491)

7. Earnings per share

Basic earnings per share are computed by dividing net profit for the reporting period by the weighted average number of ordinary shares outstanding during that financial year.

Both during the reporting period and the comparable period, there were no elements that would cause a dilution of basic earnings per share.

The table below presents net profits and numbers of shares used for the calculation of basic and diluted earnings per share:

	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Net profit for the reporting period	55,298	18,761
Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	51,894,251	51,894,251
Earnings per share for the reporting period (in PLN):		
Basic earnings per share	1.07	0.36
Diluted earnings per share	1.07	0.36

8. Information on dividends paid out or declared

The Ordinary General Meeting of Shareholders of ASEE S.A. seated in Rzeszów, by its resolution passed on 31 March 2015, decided that the net profit for the financial year 2014 amounting to PLN 1,500,897.86, as well as retained earnings for the financial year 2012 amounting to PLN 3,102,417.79 and retained earnings for the financial year 2013 amounting to PLN 17,655,282.61 shall be distributed as follows:

a) the amount of PLN 1,500,897.86 from the net profit for the financial year 2014 shall be allocated to the reserve capital pursuant to art. 396 § 1 of the Commercial Companies Code;

b) the amount of PLN 20,757,700.40 (of which: PLN 3,102,417.79 from the net profit for 2012, and PLN 17,655,282.61 from the net profit for 2013) shall be distributed among all the Company's shareholders through payment of a dividend amounting to PLN 0.40 per share.

The remaining portion of the net profit for 2013 amounting to PLN 2,825,183.42 as well as the remaining portion of the net profit for 2014 amounting to PLN 17,260,325.40 have been retained as undistributed prior years' earnings.

The Company's Ordinary General Meeting of Shareholders established 30 June 2015 as the dividend record date. The dividend was paid out on 15 July 2015. The number of shares eligible for dividend was 51,894,251.

9. Property, plant and equipment

for the year ended 31 December 2015 (audited)	Computers and other office equipment	Transportation vehicles	Other tangible assets	Total
As at 1 January 2015, less depreciation	52	462	-	514
Additions, of which:	24	44	-	68
Purchases	24	44	-	68
Reductions, of which:	(44)	(152)	-	(196)
Depreciation charges for the reporting period (-)	(44)	(152)	-	(196)
Liquidation and disposal – gross value (-)	(17)	-	-	(17)
Liquidation and disposal – depreciation	17	-	-	17
As at 31 December 2015, less depreciation	32	354	-	386
As at 1 January 2015				
Gross value	382	785	167	1,334
Depreciation (-)	(30)	(323)	(167)	(820)
Net book value as at 1 January 2015	52	462	-	514
As at 31 December 2015				
Gross value	389	829	167	1,385
Depreciation (-)	(357)	(475)	(167)	(999)
Net book value as at 31 December 2015	32	354	-	386

Both as at 31 December 2015 and 31 December 2014, property, plant and equipment did not serve as security for any bank loans.

for the year ended 31 December 2014 (restated)	Computers and other office equipment	Transportation vehicles	Other tangible assets	Total
As at 1 January 2014, less depreciation	87	329	2	418
Additions, of which:	18	266	-	284
Purchases	18	266	-	284
Reductions, of which:	(53)	(133)	(2)	(188)
Depreciation charges for the reporting period (-)	(53)	(120)	(2)	(175)
Liquidation and disposal – gross value (-)	(43)	(61)	-	(104)
Liquidation and disposal – depreciation	43	48	-	91
As at 31 December 2014, less depreciation	52	462	-	514
As at 1 January 2014				
Gross value	407	580	167	1,154
Depreciation (-)	(320)	(251)	(165)	(736)
Net book value as at 1 January 2014	87	329	2	418
As at 31 December 2014				
Gross value	382	785	167	1,334
Depreciation (-)	(330)	(323)	(167)	(820)
Net book value as at 31 December 2014	52	462	-	514

10. Intangible assets

for the year ended 31 December 2015 (audited)	CRM and PMS software	Goodwill	Other intangible assets	Total
As at 1 January 2015, less amortization	140	4,567	21	4,728
Additions, of which:	408	-	4	412
Purchases	408	-	4	412
Reductions, of which:	(71)	-	(16)	(87)
Amortization charges for the reporting period (-)	(71)	-	(16)	(87)
As at 31 December 2015, less amortization	477	4,567	9	5,053
As at 1 January 2015				
Gross value	353	4,567	149	5,069
Amortization (-)	(213)	-	(128)	(341)
Net book value as at 1 January 2015	140	4,567	21	4,728
As at 31 December 2015				
Gross value	761	4,567	153	5,481
Amortization (-)	(284)	-	(144)	(428)
Net book value as at 31 December 2015	477	4,567	9	5,053

*CRM – 'Customer Relationship Management' software; PMS – 'Performance Management System' software.

Both as at 31 December 2015 and 31 December 2014, intangible assets did not serve as security for any bank loans.

for the year ended 31 December 2014 (restated)	CRM software	Goodwill	Other intangible assets	Total
As at 1 January 2014, less amortization	211	4,567	22	4,800
Additions, of which:	-	-	18	18
Purchases	-	-	18	18
Reductions, of which:	(71)	-	(19)	(90)
Amortization charges for the reporting period (-)	(71)	-	(19)	(90)
As at 31 December 2014, less amortization	140	4,567	21	4,728
As at 1 January 2014				
Gross value	353	4,567	131	5,051
Amortization (-)	(142)	-	(109)	(251)
Net book value as at 1 January 2014	211	4,567	22	4,800
As at 31 December 2014				
Gross value	353	4,567	149	5,069
Amortization (-)	(213)	-	(128)	(341)
Net book value as at 31 December 2014	140	4,567	21	4,728

11. Investments in subsidiaries

Full name of company	Short name	31 Dec. 2015 (audited)	31 Dec. 2014 (restated)
Asseco SEE d.o.o., (Sarajevo)	ASEE B&H	25,830	25,830
Asseco SEE o.o.d., Sofia	ASEE Bulgaria	4,265	4,265
Asseco SEE d.o.o. (Zagreb)	ASEE Croatia	118,167	118,167
Asseco SEE Sh.p.k. (Pristina)	ASEE Kosovo	39,241	39,241
Asseco SEE DOEL, (Skopje)	ASEE Macedonia	98,480	98,480
Asseco SEE s.r.l., (Bucharest)	ASEE Romania	147,485	147,485
Asseco SEE d.o.o., (Beograd)	ASEE Serbia	80,297	80,297
Asseco SEE d.o.o., (Ljubljana)	ASEE Slovenia	2,332	2,332
Asseco SEE Teknoloji A.S. (Istanbul)	ASEE Turkey	71,460	71,460
Asseco SEE d.o.o., (Podgorica)	ASEE Montenegro	1,009	1,009
		588,566	588,566

ASEE BOSNIA AND HERZEGOVINA

The company of ASEE Bosnia and Herzegovina resulted from the merger of Cardinfo BDS d.o.o. (ASEE B&H Sarajevo) and ASEE B&H (Banja Luka).

History of acquisitions in Bosnia and Herzegovina

The agreement for the acquisition of a 50% stake in Cardinfo BDS d.o.o. worth PLN 4,631 thousand was signed by ASEE S.A. on 13 September 2010. The remaining 50% of shares in Cardinfo BDS d.o.o. worth PLN 9,693 thousand as well as shares in ASEE B&H (Banja Luka) worth PLN 11,506 thousand were transferred within the Group's structure, from ASEE Serbia directly to ASEE S.A. Such transfer was carried out as part of the Group's reorganization process which was finalized by the merger of ASEE S.A. with its subsidiary ITD Poland Sp. z o.o. on 1 June 2012.

On 19 July 2012, there was registered a merger between our two subsidiaries seated in Bosnia and Herzegovina. As a result of that merger, the value of our investment in ASEE B&H (Banja Luka) amounting to PLN 11,506 thousand was added to our investment in ASEE B&H (Sarajevo). Following the merger, the total value of our investments in Bosnia and Herzegovina equals PLN 25,830 thousand.

During the period of 12 months ended 31 December 2015, the value of our investment in ASEE B&H remained unchanged.

ASEE BULGARIA

ASEE Bulgaria was created by the merger of ASEE Bulgaria (former Pexim Solutions o.o.d) and Altius, Bulgaria.

History of acquisitions in Bulgaria

On 23 September 2010, ASEE S.A. acquired a 49% stake in ASEE Bulgaria. The remaining 51% of shares were purchased by ASEE S.A. from its subsidiary ASEE Macedonia on 1 December 2011. Following both the transactions, ASEE S.A. has become a direct owner of 100% of shares in its Bulgarian subsidiary. The total cost of investment recognized amounted to PLN 2,499 thousand.

On 19 October 2011, Asseco South Eastern Europe S.A. concluded an agreement for the acquisition of 100% of shares in Altius Bulgaria EOOD. Our investment in this company amounted to PLN 1,766 thousand.

The merger of both the above-mentioned companies was registered on 10 February 2012. Following this business combination, the total value of our investment in ASEE Bulgaria reached PLN 4,265 thousand.

During the period of 12 months ended 31 December 2015, the value of our investment in ASEE Bulgaria remained unchanged.

ASEE CROATIA

ASEE Croatia was created by merging our four subsidiaries based in Croatia: Arbor Informatika d.o.o., Logos d.o.o., Biro Data Servis d.o.o. and EZR.

History of acquisitions in Croatia

On 20 December 2007, ASEE S.A. concluded an agreement for the acquisition of a 60% stake in Logos d.o.o. and a 70% stake in Arbor Informatika d.o.o. The control over Arbor Informatika d.o.o. was obtained on 22 January 2008; whereas, Logos d.o.o. has been controlled as of 8 April 2008.

The remaining non-controlling interests in these companies, i.e. 40% of shares in Logos d.o.o. and 30% of shares in Arbor Informatika d.o.o., were acquired by ASEE S.A. in 2009, in each case by conversion of those shares into shares of ASEE S.A. Following such swap transactions, ASEE S.A. has become the owner of 100% of shares in both the companies.

On 4 January 2010, the subsidiary Logos d.o.o. was renamed as Asseco SEE d.o.o. (ASEE Croatia). Concurrently, the merger of ASEE Croatia (as the taking-over company) with Arbor Informatika d.o.o. (as the acquired company) was registered.

Afterwards, ASEE S.A. acquired a 100% stake in Biro Data Servis d.o.o. (BDS) under an agreement signed on 13 September 2010. The merger of ASEE Croatia with BDS was registered on 3 January 2011.

In the period of 12 months ended 31 December 2014, we recognized an impairment write-down, decreasing the value of our investment in ASEE Croatia by PLN 4,800 thousand. Such write-down was recognized due to lower than expected financial performance of that company.

On 23 October 2013, ASEE S.A. acquired 100% of shares in the company EŽ Računalstvo 2013 d.o.o. seated in Zagreb, Croatia. The consideration for the shares has been divided into two portions. The first instalment amounting to EUR 2,500 thousand (of which EUR 2,362 thousand due to the seller and EUR 138 thousand for the share capital increase) was paid on the date of signing the share acquisition agreement. The second instalment depended on the acquired company's financial results and finally amounted to EUR 402 thousand (PLN 1,686 thousand). The total value of investment recognized on this transaction amounted to PLN 12,287 thousand.

On 2 January 2014, a merger of ASEE Croatia (the taking-over company) and EŽR Croatia (the acquired company) was registered. Following the conducted mergers, the total value of our investments in Croatia reached PLN 118,167 thousand, net of impairment write-downs.

During the period of 12 months ended 31 December 2015, the value of our investment in ASEE Croatia remained unchanged.

ASEE MONTENEGRO

On 18 June 2014, ASEE S.A. acquired 1% of shares in ASEE Montenegro from ASEE Serbia, and the remaining 99% of shares on 19 August 2014. The total value of these transactions was EUR 250 thousand. After the currency conversion, the value of investment recognized by ASEE S.A. amounted to PLN 1,009 thousand. The transaction was conducted at market value. Following this transaction, within the Group's organizational structure, ASEE Montenegro has become a direct subsidiary of ASEE S.A. and not of ASEE Serbia.

During the period of 12 months ended 31 December 2015, the value of our investment in ASEE Montenegro remained unchanged.

ASEE KOSOVO

History of acquisitions in Kosovo

The agreement for the acquisition of 100% of shares in Pronet Sh.p.k was signed on 5 November 2009. Asseco South Eastern Europe S.A. gained control over that company as of 1 July 2009. On 25 January 2010, the subsidiary Pronet Sh.p.k. was renamed as Asseco SEE Sh.p.k. (ASEE Kosovo).

In 2010, taking into account the audited consolidated financial statements of ASEE Kosovo for the year 2009, we finally completed the purchase price allocation process, which resulted in reducing the value of this investment by PLN 388 thousand. Whereas, in the first half of 2011, we recognized an impairment write-down on our Kosovo investment, decreasing its value by PLN 6,033 thousand, because the achieved financial results were weaker than expected. In the period of 12 months ended 31 December 2013, the above-mentioned write-down was reversed entirely as the company's earnings improved. In the period of 12 months ended 31 December 2014, due to the expectation of weaker financial performance of ASEE Kosovo, we have again decided to write down the value of this investment by PLN 5,120 thousand. The value of our investments in Kosovo is PLN 39,241 thousand, net of impairment write-downs.

During the period of 12 months ended 31 December 2015, the value of our investment in ASEE Kosovo remained unchanged.

ASEE MACEDONIA

History of acquisitions in Macedonia

ASEE Macedonia joined ASEE Group in 2007, being a subsidiary of the acquired Serbian company. As a result of a division of ASEE Serbia and establishing of IPSA BHM Investments, as well as due to further reorganization of ASEE Group finalized by the merger with ITD Poland, the investment in ASEE Macedonia was transferred directly to ASEE S.A. and evaluated at PLN 98,480 thousand.

During the period of 12 months ended 31 December 2015, the value of our investment in ASEE Macedonia remained unchanged.

ASEE ROMANIA

ASEE Romania was created by merging our three Romanian subsidiaries: Fiba Software s.r.l., Net Consulting s.r.l., and Probass S.A.

History of acquisitions in Romania

On 26 April 2007, Asseco Romania S.A. (a subsidiary of Asseco Poland S.A.) acquired 70% stakes in the companies of Fiba Software s.r.l. and Net Consulting s.r.l. As a result of the acquisition of shares in Asseco Romania S.A. by Asseco South Eastern Europe S.A. in January 2008 and subsequent merger of those companies executed on 8 May 2008, ASEE S.A. obtained control both over Fiba Software s.r.l. and Net Consulting s.r.l.

The remaining 30% non-controlling interests in each of these companies were acquired under the agreements for conversion of those shares into shares of ASEE S.A. Following such swap

transactions, Asseco South Eastern Europe S.A. has become the owner of 100% of shares in both the Romanian companies.

On 29 December 2009, Net Consulting s.r.l. was renamed as Asseco SEE s.r.l. (ASEE Romania) and, subsequently, ASEE Romania acted as the taking-over company in the merger of our Romanian subsidiaries that was carried out on 31 December 2010.

On 11 December 2009, Asseco South Eastern Europe S.A. signed an agreement for the acquisition of 100% of shares in Probass S.A. On 1 June 2010, there was registered a merger of ASEE Romania (the taking-over company) with Probass S.A. (the acquired company).

After the mergers, the total value of our investments in Romania reached PLN 147,485 thousand.

During the period of 12 months ended 31 December 2015, the value of our investment in ASEE Romania remained unchanged.

ASEE SERBIA

ASEE Serbia was created by merging our three subsidiaries based in Serbia: Pexim d.o.o., Beograd, Antegra d.o.o., Beograd, and Pexim Cardinfo d.o.o., Beograd.

History of acquisitions in Serbia

Asseco South Eastern Europe S.A. acquired: 60% of shares in Pexim d.o.o. on 18 December 2007, 60% of shares in Pexim Cardinfo d.o.o. on 6 May 2008, as well as 70% of shares in Antegra d.o.o. on 21 May 2008.

The remaining non-controlling interests were acquired under the agreements for conversion of those shares into shares of ASEE S.A. Following that transaction, Asseco South Eastern Europe S.A. has become the owner of 100% of shares in that company.

On 23 November 2009, our subsidiary Pexim d.o.o. was renamed as Asseco SEE d.o.o., Beograd (ASEE Serbia). On 4 January 2010, there was registered a merger of ASEE Serbia (the taking-over company) with Pexim Cardinfo d.o.o. (the acquired company) and Antegra d.o.o. (the acquired company).

Division of ASEE Serbia and establishing of IPSA BHM Investments d.o.o.

On 22 November 2010, IPSA BHM Investments d.o.o., Beograd (IPSA) was established as a result of the separation of a portion of assets of ASEE Serbia, which at the date of such separation was a wholly-owned subsidiary of Asseco South Eastern Europe S.A.

The separated assets of ASEE Serbia that were transferred to the newly established IPSA comprised shareholdings in the following companies:

- 100% of shares in ASEE B&H (former Pexim Solutions d.o.o.) seated in Banja Luka, Bosnia and Herzegovina;
- 100% of shares in IBIS a.d. seated in Banja Luka, Bosnia and Herzegovina;
- 50% of shares in ASEE B&H (former Cardinfo BDS d.o.o.) seated in Sarajevo, Bosnia and Herzegovina;
- 100% of shares in ASEE Macedonia.

The market value of the separated assets was estimated to equal PLN 124,380 thousand. Following such separation of assets, in 2011 the value of our investment in ASEE Serbia was reduced by the amount corresponding to the estimated market value of assets transferred to IPSA (this is from PLN 204,677 thousand to its current value of PLN 80,297 thousand).

The company of IPSA was liquidated on 31 October 2011. Whereas, all of its shareholdings in the above-mentioned companies were transferred to ITD Poland.

During the period of 12 months ended 31 December 2015, the value of our investment in ASEE Serbia remained unchanged.

ASEE SLOVENIA

History of acquisitions in Slovenia

On 13 July 2011, Asseco South Eastern Europe S.A. concluded an agreement for the acquisition of a 50% stake in ASEE Slovenia (former SIMT Cardinfo d.o.o.). The agreement became effective upon the fulfilment of a condition precedent, i.e. approval of the above-mentioned transaction by the competent court of Slovenia. The court's consent became final and binding on 10 October 2011. Our investment in this company amounted to PLN 1,327 thousand.

On 18 April 2012, ASEE S.A. was registered as the holder of 100% of shares in ASEE Slovenia, following a buyout of the remaining 50% stake from its previous owner ASEE Serbia. Following this transaction, the value of our investment in ASEE Slovenia increased by PLN 1,005 thousand to its current level of PLN 2,332 thousand.

During the period of 12 months ended 31 December 2015, the value of our investment in ASEE Slovenia remained unchanged.

ASEE TURKEY

ASEE Turkey resulted from the merger of ITD A.Ş., EST A.Ş. and Sigma A.Ş.

History of acquisitions in Turkey

Both the above-mentioned companies were acquired by ASEE S.A. on 30 July 2010.

The value of investment in 99.662% of shares in ITD A.Ş. amounted to PLN 33,965 thousand. 29.0429% of shares in ITD A.Ş. were acquired in exchange for 837,472 newly issued, series S shares of Asseco South Eastern Europe S.A., with the issuance value of PLN 8,827 thousand, which was recognized as the investment's purchase cost. The value of investment in 99.997% of shares in EST A.Ş. amounted to PLN 28,267 thousand. Additionally, in March 2011, ASEE S.A. purchased 165 shares from a shareholder in ITD A.Ş., increasing the value of this investment by PLN 108 thousand.

In March 2011, Asseco South Eastern Europe S.A. sold a 23.1% stake in EST A.Ş. to ITD A.Ş.; hence the value of our investment in this company decreased by PLN 6,530 thousand.

The merger of both the Turkish subsidiaries was registered on 6 June 2011. As at the merger date, the value of our investment in ASEE Turkey amounted to PLN 55,810 thousand.

On 14 September 2012, ASEE S.A. acquired an 86.68% stake in the company Sigma Danışmanlık ve Uygulama Merkezi A.Ş. seated in Istanbul. The value of investment recognized on this transaction amounted to PLN 25,333 thousand. (Additional 12% of shares were purchased by our subsidiary ASEE Turkey.)

On 6 May 2013, ASEE S.A. sold a 38.22% stake of shares it held in Sigma Turkey to ASEE Turkey. Following this transaction, the value of our investment in Sigma decreased by PLN 9,683 thousand to the level of PLN 15,650 thousand.

On 11 September 2013, there was registered a merger between our Turkish subsidiaries: ASEE Turkey (the taking-over company) and Sigma Turkey (the acquired company). Concurrently to the merger, ASEE Turkey carried out a squeeze-out procedure and purchased a 1.32% non-controlling interest in Sigma. Following this procedure, ASEE S.A. has become the owner of all shares in both the merged companies.

The value of our investment in ASEE Turkey equalled PLN 71,460 thousand and it remained unchanged over the year 2015.

Impairment testing of investments

At every balance sheet date, ASEE S.A. carries out a valuation of its assets concerning possible impairment.

Because the market capitalization of ASEE S.A. was lower than the book value of the Company's net assets, we estimated the recoverable amount of all of our investments in subsidiaries as at 31 December 2015.

The recoverable amount of investments in subsidiaries as at 31 December 2015 was determined on the basis of their value in use, applying the forecasted free cash flow to firm (FCFF) based on the financial forecasts approved by our management personnel. The residual value was determined assuming no growth of the achieved margins after the forecast period.

The discount rate applied to determine the present value of expected future cash flows was equivalent to the estimated weighted average cost of capital for each individual company. Particular components of the discount rate were determined taking into account the market values of risk-free interest rates, the beta coefficient that was leveraged to reflect the market debt-equity structure, as well as the expected market yield.

The conducted tests did not indicate a necessity to recognize any impairment charges on our investments.

The table below presents the basic assumptions concerning the discount rate and sales revenue growth as adopted in the testing model prepared as at 31 December 2015:

31 Dec. 2015	Discount rate	Sales revenue growth rate
	applied in the model	applied in the model
ASEE B&H	9.3%	1.4%
ASEE Bulgaria	7.4%	8.6%
ASEE Croatia	8.5%	6.7%
ASEE Montenegro	9.9%	-7.0%
ASEE Kosovo	9.7%	13.7%
ASEE Macedonia	9.8%	10.0%
ASEE Romania	7.5%	8.6%
ASEE Serbia	9.0%	5.4%
ASEE Slovenia	6.3%	6.5%
ASEE Turkey	7.6%	17.2%

In the case of ASEE Croatia, the investment's recoverable amount would be equal to its carrying value if the discount rate applied in the model was increased by 1.9 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 1.5 pp with other assumptions remaining constant. As at 31 December 2015, the

excess of the recoverable amount of our investment in ASEE Croatia over its carrying value equalled PLN 27 million.

In the case of ASEE Kosovo, the investment's recoverable amount would be equal to its carrying value if the discount rate applied in the model was increased by 0.4 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 0.3 pp with other assumptions remaining constant. As at 31 December 2015, the excess of the recoverable amount of our investment in ASEE Kosovo over its carrying value equalled PLN 1.6 million.

In the case of ASEE Romania, the investment's recoverable amount would have been equal to its carrying value if the discount rate applied in the model was increased by 1.07 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 0.95 pp with other assumptions remaining constant. As at 31 December 2015, the excess of the recoverable amount of our investment in ASEE Romania over its carrying value equalled PLN 22 million.

Any reasonable modification of the key assumptions adopted in the valuation model of our investments in other subsidiaries should not indicate a necessity of recognizing any impairment charges.

The table below presents the basic assumptions concerning the discount rate and sales revenue growth as adopted in the testing model prepared as at 31 December 2014:

31 Dec. 2014	Discount rate	Sales revenue growth rate
	applied in the model	applied in the model
ASEE B&H	10.0%	10.4%
ASEE Bulgaria	7.6%	22.9%
ASEE Croatia	9.1%	9.6%
ASEE Kosovo	10.2%	2.9%
ASEE Macedonia	9.2%	5.7%
ASEE Romania	8.1%	7.3%
ASEE Serbia	11.0%	1.5%
ASEE Slovenia	9.4%	2.9%
ASEE Turkey	8.4%	19.1%

In the case of ASEE Kosovo, taking into account the already recognized write-down, the carrying value of this investment is equal to its recoverable amount. Any increase in the applied discount rate or decrease in the assumed revenue growth rate might result in further write-downs on our investment in ASEE Kosovo.

In the case of ASEE Croatia, the investment's recoverable amount would be equal to its carrying value if the discount rate applied in the model was

increased by 1.4 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 1.2 pp with other assumptions remaining constant. As at 31 December 2014, the excess of the recoverable amount of our investment in ASEE Croatia over its carrying value equalled PLN 22 million.

In the case of ASEE Romania, the investment's recoverable amount would have been equal to its carrying value if the discount rate applied in the model was increased by 1.6 pp with other assumptions remaining constant, or if the revenue growth rate was decreased by 1.2 pp with other assumptions remaining constant. As at 31 December 2014, the excess of the recoverable amount of our investment in ASEE Romania over its carrying value equalled PLN 33.8 million.

The sales revenue growth rate specified in the tables above was calculated as the compound annual growth rate (CAGR), this is an average annual growth rate over the analyzed period, assuming that each year-on-year increase is added to the next period's base.

12. Short-term and long-term receivables

Trade receivables	31 Dec. 2015 (audited)	31 Dec. 2014 (restated)
Invoiced deliveries, of which from:	2,357	1,699
- related parties	1,197	843
- other entities	1,160	856
Uninvoiced deliveries, of which from:	346	41
- related parties	-	13
- other entities	346	28
	2,703	1,740

The amount of PLN 1,197 thousand of receivables from related parties resulted from sales of consulting, business and technical support services to subsidiaries of ASEE Group.

As at 31 December 2015, no receivables were outstanding under transactions conducted with Asseco Poland S.A. As at 31 December 2014, receivables from ASEE Group companies amounted to PLN 487 thousand, while receivables outstanding under transactions conducted with Asseco Poland S.A. amounted to PLN 369 thousand.

In the year ended 31 December 2015, our sales to Asseco Poland S.A. reached PLN 400 thousand as compared with PLN 900 thousand in 2014.

Presented below is the ageing analysis of trade receivables for invoiced deliveries as at 31 December 2015 and 31 December 2014:

Ageing analysis	31 Dec. 2015 (audited)	31 Dec. 2014 (restated)
Receivables not yet due	1,715	1,302
Past-due receivables, of which:	642	397
- less than 30 days	488	218
- from 30 to 90 days	52	176
- from 90 to 180 days	19	1
- more than 180 days	83	2
	2,357	1,699
Other receivables	31 Dec. 2015 (audited)	31 Dec. 2014 (restated)
Receivables from disposal of shares	8,621	8,207
Other receivables	125	138
	8,746	8,345
- short-term	1,529	1,755
- long-term	7,217	6,590

As at 31 December 2015, receivables from disposal of shares resulted from the sale of shares in Sigma Turkey and amounted to PLN 8,621 thousand (of which PLN 7,217 thousand is presented in long-term receivables and PLN 1,404 thousand in short-term receivables).

14. Financial assets

Financial assets	1 January 2015	Granted / Made	Repaid / Withdrawn	Interest accrued	Interest repaid	Foreign exchange differences	31 Dec. 2015
Loans, of which receivable from:	3,862	24,584	(1,829)	391	(331)	361	27,038
ASEE Croatia	-	5,116	-	97	(76)	67	5,204
ASEE B&H	-	3,037	-	20	-	14	3,071
ASEE Turkey	-	2,955	-	28	(24)	166	3,125
ASEE Slovenia	-	4,142	(409)	87	(79)	102	3,843
ASEE Serbia	-	6,367	-	-	-	25	6,392
ASEE Montenegro	3,002	2,967	(1,337)	132	(125)	(9)	4,630
ASEE Bulgaria	860	-	(83)	27	(27)	(4)	773
long-term	-	17,429	-	-	-	143	17,572
short-term	3,862	7,155	(1,829)	391	(331)	218	9,466
Deposits for 3 to 12 months	-	9,800	(9,800)	58	(58)	-	-
	3,862	34,384	(11,629)	449	(389)	361	27,038

The book values of financial assets held by the Group as at 31 December 2015 and 31 December 2014 did

not differ from their fair values.

15. Share capital

Shares	Series	Par value per share	31 Dec. 2015 (audited)		31 Dec. 2014 (restated)	
			Number of shares	Value of shares	Number of shares	Value of shares
Ordinary registered shares	A*	0.1	5,000,000	500	5,000,000	500
Ordinary registered shares	B*	0.1	5,000,000	500	5,000,000	500
Ordinary registered shares	C*	0.1	2,567,000,900	256,700	2,567,000,900	256,700
Ordinary registered shares	D	10	25,770,009	257,700	25,770,009	257,700
Ordinary registered shares	E	10	956,447	9,565	956,447	9,565
Ordinary registered shares	F	10	1,475,509	14,755	1,475,509	14,755
Ordinary registered shares	G	10	2,708,378	27,084	2,708,378	27,084
Ordinary registered shares	H	10	1,062,030	10,620	1,062,030	10,620
Ordinary registered shares	I	10	1,770,609	17,706	1,770,609	17,706
Ordinary registered shares	J	10	1,714,209	17,142	1,714,209	17,142
Ordinary registered shares	K	10	4,590,470	45,905	4,590,470	45,905
Ordinary registered shares	L	10	2,100,000	21,000	2,100,000	21,000
Ordinary registered shares	M	10	4,810,880	48,109	4,810,880	48,109
Ordinary registered shares	N	10	1,078,909	10,789	1,078,909	10,789
Ordinary registered shares	P	10	1,524,269	15,242	1,524,269	15,242
Ordinary registered shares	R	10	592,941	5,929	592,941	5,929
Ordinary registered shares	S	10	837,472	8,375	837,472	8,375
Ordinary registered shares	T	10	902,119	9,021	902,119	9,021
			51,894,251	518,942	51,894,251	518,942

* Following a reverse split of series D shares

The shareholders who, either directly or through their subsidiaries, held at least 5% of total voting rights at the Company's General Meeting of Shareholders were as follows:

As at 18 February 2016

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting rights at GMS
Asseco Poland S.A.	26,494,676	51.06%
Aviva Pension Fund	6,571,636	12.66%
EBRD	4,810,880	9.27%
Liatris d.o.o.	3,349,350	6.45%
Other shareholders	10,667,709	20.56%
	51,894,251	100.00%

As at 31 December 2015

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting rights at GMS
Asseco Poland S.A.	26,494,676	51.06%
Aviva Pension Fund	6,571,636	12.66%
EBRD	4,810,880	9.27%
Liatris d.o.o.	3,364,898	6.48%
Other shareholders	10,652,161	20.53%
	51,894,251	100.00%

As at 31 December 2014

Name of shareholder	Number of shares held and votes at GMS	Equity interest and voting rights at GMS
Asseco Poland S.A.	26,494,676	51.06%
EBRD	4,810,880	9.27%
Liatris d.o.o.	3,838,683	7.40%
Aviva Pension Fund	3,820,000	7.36%
Other shareholders	12,930,012	24.91%
	51,894,251	100.00%

Both as at 31 December 2015 and 31 December 2014, the share capital of ASEE S.A. amounted to PLN 518,942,510 and was divided into 51,894,251 ordinary shares with a par value of PLN 10.00 each, which entitled to 51,894,251 votes at the Company's General Meeting of Shareholders.

16. Share premium

Equity includes share premium in the amount of PLN 30,395 thousand arising from the issuances of shares of series L, M and N, which was decreased by the incurred share issuance costs of PLN 3,605 thousand (recognized in 2009), as well as share premium in the amount of PLN 11,759 thousand arising from the issuance of shares of series P, R and S, which was decreased by the incurred share issuance costs of PLN 84 thousand (recognized in 2010). The share premium was additionally increased by the amount of PLN 396 thousand due to the reversal of a provision for issuance related expenses, and decreased by other costs of PLN 36 thousand.

17. Retained earnings

As at 31 December 2015, prior years' retained earnings and current net profit totalled PLN 89,403 thousand and comprised: current year's net profit amounting to PLN 55,298 thousand; undistributed portion of prior years' earnings amounting to PLN 20,085 thousand; the amount of PLN 12,858 thousand of allocations from the Company's net profits for the years 2009–2014 to reserve capital which were made pursuant to resolutions of the General Meeting of Shareholders of Asseco South Eastern Europe S.A.; the amount of PLN 1,204 thousand arising from the merger with ITD Poland; as well as other components charged against equity in 2009 amounting to PLN 42 thousand.

18. Trade payables, financial and other liabilities

Short-term trade payables	31 Dec. 2015 (audited)	31 Dec. 2014 (restated)
Invoiced deliveries, of which from:		
- related parties	1,071	1,481
- other entities	158	168
Uninvoiced deliveries, of which from:		
- related parties	913	1,313
- other entities	531	627
	1,602	2,108

As at 31 December 2015, the outstanding balance of trade payables arising from invoiced transactions conducted with Asseco Poland S.A. amounted to PLN 45 thousand, as compared with PLN 44 thousand as at 31 December 2014. Other related party liabilities as at 31 December 2015 included payables to subsidiaries arising from purchases we made in order to provide IT services in the amount of PLN 28 thousand (null as at 31 December 2014), as well as payables for the performance of Group functions in the amount of PLN 85 thousand (vs. PLN 124 thousand as at 31 December 2014).

During the year ended 31 December 2015, the value of purchases from Asseco Poland S.A. reached PLN 247 thousand. During the year ended 31 December 2014, the value of purchases from Asseco Poland S.A. amounted to PLN 299 thousand.

The table below discloses the Company's trade payables as at 31 December 2015 and 31 December 2014, by maturity period based on contractual undiscounted payments.

Ageing of trade payables	31 Dec. 2015 (audited)		31 Dec. 2014 (restated)	
	Amount	Structure	Amount	Structure
Liabilities due already	974	60.80%	875	41.51%
Liabilities falling due within 3 months	628	39.20%	658	31.21%
Liabilities falling due after more than 3 months	-	-	575	27.28%
	1,602	100.00%	2,108	100.00%

Financial liabilities	31 Dec. 2015 (audited)		31 Dec. 2014 (restated)	
Currency forward contracts		425		51
Liabilities for the acquisition of shares		-	1,850	
	425		1,901	
- short-term		31	1,901	
- long-term		394	-	

As at 31 December 2014, financial liabilities resulting from the acquisition of shares represented the outstanding portion of payment for shares acquired in EŽR Croatia, depending on the financial results of that company. We settled this liability in 2015 by paying the amount of PLN 1,686 thousand.

Liabilities to the state and local budgets	31 Dec. 2015 (audited)		31 Dec. 2014 (restated)	
Personal income tax (PIT)		53	49	
Social security payable		74	56	
Value added tax		36	34	
Other		9	16	
	172		155	

19. Bank loans

Interest-bearing bank loans and borrowings	31 Dec. 2015 (audited)		31 Dec. 2014 (restated)	
Interest-bearing bank loans		15,052	-	
	15,052		-	
- short-term		-	-	
- long-term		15,052	-	

Liabilities under interest-bearing bank loans resulted from a bank credit facility provided by ING Bank Śląski for the period of 2 years (till 19 December 2016) and up to the amount of EUR 9 million. This liability shall be repaid in quarterly instalments over the period from 31 December 2016 till 19 December 2020. Interest will be payable on the amount of loan actually drawn and shall be based on the 1M EURIBOR rate plus margin. Repayment of the loan to the bank is secured by sureties furnished by our subsidiaries as well as by the assignment of the amounts receivable under loans granted to our subsidiaries. As at 31 December 2015, our liability under this bank loan amounted to PLN 15,052 thousand. As at 31 December 2014, we had no such liability. Funds obtained under this bank loan have been used to grant loans to ASEE Group subsidiaries in order to refinance their outsourcing projects.

20. Prepayments, accruals, deferred income and provisions

Prepayments	31 Dec. 2015 (audited)	31 Dec. 2014 (restated)
Prepaid maintenance services and license fees	567	1,403
Prepaid insurance	19	18
Other	22	36
	608	1,457
- short-term	608	1,450
- long-term	-	7

Provisions	31 Dec. 2015 (audited)	31 Dec. 2014 (restated)
Provision for the audit of financial statements	103	141
- short-term	103	141
- long-term	-	-

Accruals	31 Dec. 2015 (audited)	31 Dec. 2014 (restated)
Accrual for unused holiday leaves	194	153
Accrual for salaries	931	422
	1,125	575
- short-term	1,125	575
- long-term	-	-

Provisions and accruals disclosed both as at 31 December 2015 and 31 December 2014, comprised the provision for the audit of financial statements, the accrual for salaries along with payroll overheads to be paid out in future periods that resulted from bonus schemes applied by ASEE S.A., as well as the accrual for unused holiday leaves.

Deferred income	31 Dec. 2015 (unaudited)	31 Dec. 2014 (restated)
Prepaid maintenance services	463	477
Other	253	-
	716	477
- short-term	716	466
- long-term	-	11

The balance of deferred income relates to prepayments for ongoing maintenance services as well as for other services to be provided in future periods.

21. Information and explanations to the statement of cash flows

The table below presents items comprising changes in working capital as disclosed in the statement of cash flows:

Changes in working capital	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Change in receivables	(950)	3,459
Change in liabilities	(579)	(2,750)
Change in prepayments, accruals and provisions	1,600	754
71	1,463	

The following tables present the reconciliation between the balance sheet changes in working capital and the changes that affect operating cash flows as reported in the statement of cash flows:

Changes in working capital	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Changes in liabilities as per the balance sheet	(2,052)	(2,649)
Change in liabilities arising from company acquisitions	1,850	(50)
Change in liabilities for purchases of tangible assets	(22)	-
Valuation of forward contracts	(374)	(51)
Other	19	-
Total changes affecting operating cash flows	(579)	(2,750)

Changes in working capital	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Changes in receivables as per the balance sheet	(1,364)	2,881
Disposal of shares in Sigma	(498)	(634)
Disposal of shares in Sigma – foreign exchange differences	912	1,212
Total changes affecting operating cash flows	(950)	3,459

The table below discloses the amounts of dividend income received by ASEE S.A. from its subsidiaries:

Dividend income received	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
ASEE Slovenia	1,036	-
ASEE Serbia	19,086	6,312
ASEE Croatia	2,491	830
ASEE Romania	3,404	5,208
ASEE Kosovo	3,886	1,466
ASEE Macedonia	21,355	4,140
ASEE B&H	1,044	2,082
52,302	20,038	

22. Contingent and off-balance-sheet liabilities

As at 31 December 2014, the Company had a liability of PLN 1,850 thousand resulting from a contingent payment for the acquisition of shares in EZR Croatia, depending on the financial results of that company. We settled this liability in 2015 by paying the amount of PLN 1,686 thousand.

Guarantees and sureties	31 Dec. 2015	31 Dec. 2015	Date of expiration	31 Dec. 2014	31 Dec. 2014	Date of expiration
	in PLN'000	in thousands		in PLN'000	in thousands	
Bank loans	10,152			13,539		
- ASEE Croatia	10,152	18,200	HRK 31.05.2017	10,130	18,200	HRK 31.05.2017
- ASEE Kosovo	-	-	-	852	200	EUR 20.08.2015
- ASEE Slovenia	-	-	-	1,705	400	EUR 01.04.2015
- ASEE Slovenia	-	-	-	852	200	EUR 04.04.2015
Guarantee facilities	1,278			2,131		
- ASEE Kosovo	-	-	-	852	200	EUR 20.08.2015
- ASEE Kosovo	1,278	300	EUR 20.08.2017	1,279	300	EUR 20.08.2017
Guarantees for due performance of contracts	2,430			682		
- ASEE Serbia	1,364	320	EUR 31.05.2017	-	-	-
- ASEE Slovenia	426	100	EUR 15.07.2019	426	100	EUR 15.07.2019
- ASEE Slovenia	256	60	EUR 31.01.2020	256	60	EUR 31.01.2020
- ASEE Slovenia	384	90	EUR 05.06.2020	-	-	-
Total guarantees and sureties	13,860			16,352		

All of the granted guarantees constitute off-balance-sheet items. They have been provided on an arm's length basis.

The Company granted the following guarantees and sureties:

As at 31 December 2015 and 31 December 2014, the Company had no other contingent or off-balance-sheet liabilities.

23. Information on related parties

Related party transactions

The following table discloses the total amounts of transactions concluded with the Company's related parties during the current and prior financial year:

Related party	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Parent company:				
Asseco Poland S.A.				
2015	400	247	47	45
2014	900	299	416	44
Subsidiaries:				
2015	7,795	891	1,197	113
2014	9,050	1,221	487	124

In addition, ASEE S.A. granted loans to its related parties as described in explanatory note 14 of this report. As at 31 December 2015, our receivables resulting from such loans amounted to PLN 27,038 thousand, as compared with PLN 3,862 thousand as at 31 December 2014.

In other receivables, ASEE S.A. disclosed receivables from the sale of shares in Sigma Turkey to ASEE Turkey. As at 31 December 2015, such receivables amounted to PLN 8,621 thousand, as compared with PLN 8,207 thousand as at 31 December 2014.

Our Parent Company, Asseco Poland S.A. received dividends from ASEE S.A. in the gross amount of PLN 10,598 thousand, as compared with PLN 8,478 thousand in 2014.

Transactions conducted with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of Asseco South Eastern Europe S.A.

The values of transactions conducted by ASEE S.A. and companies of Asseco South Eastern Europe Group with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A. during the years ended 31 December 2015 and 31 December 2014, as well as outstanding balances of receivables and liabilities arising from such transactions as at 31 December 2015 and 31 December 2014 are presented in the table below:

Related party	Sales to related parties	Purchases from related parties	Receivables from related parties	Liabilities to related parties
Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A.:				
2015	30	5,494	3	28
2014	33	5,118	4	5

Purchases from and sales to related parties presented in the table above are associated primarily with the rental of space and purchases or sales of hardware and services that were conducted by companies of ASEE Group and ASEE S.A. with parties related through the Key Management Personnel or with the Key Management Personnel themselves.

The above table does not include the remuneration received for performing managerial or supervisory functions in subsidiaries.

The figures disclosed in the table above include the following transactions concluded with or through the Key Management Personnel (members of the Management Board and Supervisory Board) of ASEE S.A.:

During the period of 12 months ended 31 December 2015, ASEE Serbia incurred space rental costs that were paid to its related parties MHM d.o.o., Beograd¹, DM3 d.o.o., Beograd¹ and Mini Invest d.o.o., Beograd², amounting in total to PLN 4,804 thousand, as compared with PLN 4,443 thousand incurred in the year ended 31 December 2014.

During the period of 12 months ended 31 December 2015, ASEE Macedonia incurred space rental costs that were paid to its related party MPS d.o.o., Skopje³, amounting in total to PLN 611 thousand, as compared with PLN 637 thousand incurred in the year ended 31 December 2014.

All the above-mentioned transactions were carried out on an arm's length basis.

Members of the Management Board and parties related through members of the Management Board and Supervisory Board of Asseco South Eastern Europe S.A. received dividends from ASEE S.A. in the total gross amount of PLN 2,029 thousand, as compared with PLN 1,983 thousand distributed in 2014. The above-stated amounts do not include dividends payable to Asseco Poland S.A.⁴. The dividend was paid out on 15 July 2015.

Until the date of approval of these financial statements, ASEE S.A. has not received any information on any related party transactions

¹ Mihail Petreski, Member of the Supervisory Board of ASEE S.A. is a shareholder in Liatris d.o.o. which as at 31 December 2015 held a 6.48% stake in ASEE S.A. (as at 31 December 2014: 7.40%). Mihail Petreski and Liatris d.o.o. hold 40% of shares in MHM d.o.o. as well as 50% of shares in DM3 d.o.o. Furthermore, President of the Management Board of ASEE S.A. holds indirectly a 15% stake in MHM d.o.o. through his wholly-owned Kompania Petyhorska d.o.o. Whereas, 20% of shares in MHM d.o.o. are held by I4 Invention d.o.o. which is also a shareholder in ASEE S.A. 100% of shares in I4 Invention d.o.o. are owned by Miodrag Mirčetić, President of the Management Board of Asseco SEE d.o.o., Beograd and Member of the Management Board of ASEE S.A.;

² Miljan Mališ, Member of the Management Board of ASEE S.A. is a shareholder in the company Mini Invest d.o.o. which in turn is a shareholder in ASEE S.A.;

³ Mihail Petreski, Member of the Supervisory Board of ASEE S.A. is the sole shareholder in MPS d.o.o., Skopje.

⁴ Adam Góral, President of the Management Board of Asseco Poland serving as Chairman of the Supervisory Board of ASEE S.A., and Jacek Duch, Chairman of the Supervisory Board of Asseco Poland serving as Member of the Supervisory Board of ASEE S.A., are both shareholders in Asseco Poland S.A. which in turn is a shareholder in ASEE S.A.; as at 31 December 2015, Asseco Poland S.A. held 26,494,676 shares in ASEE S.A.

conducted during the reporting period which would be, separately or jointly, deemed significant or would be carried out not on an arm's length basis.

24. Employment

Average workforce in the reporting period	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Management Board*	2	2
Production departments	8	10
Sales departments	4	6
Administration departments	11	10
	25	28

* Piotr Jeleński and Marcin Rulnicki serve in the Management Board of ASEE S.A. on the basis of employment contracts. The remaining members of the Company's Management Board perform their duties by assignment.

25. Remuneration of Members of the Management Board and Supervisory Board of ASEE S.A.

The table below presents the amounts of remuneration payable to individual Members of the Company's Management Board and Supervisory Board for performing their duties during the years 2015 and 2014:

Fixed remuneration for the period of	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Management Board		
Piotr Jeleński	365	360
Călin Bârseti*	-	281
Miljan Mališ	153	153
Miodrag Mirčetić	212	213
Marcin Rulnicki	281	231
	1,011	1,238
Supervisory Board		
Adam Góral	-	-
Jacek Duch	-	-
Jan Dauman	-	-
Andrzej Mauberg	-	-
Mihail Petreski	186	179
Przemysław Sęczkowski	-	-
Gabriela Žukowicz	-	-
	186	179
Variable remuneration for the period of		
Management Board		
Piotr Jeleński	1,600	1,170
Călin Bârseti*	-	479
Miljan Mališ	587	539
Miodrag Mirčetić	837	710
Marcin Rulnicki	349	229
	3,373	3,127
Supervisory Board		
Adam Góral	-	-
Jacek Duch	-	-
Jan Dauman	-	-
Andrzej Mauberg	-	-
Mihail Petreski	-	-
Przemysław Sęczkowski	-	-
Gabriela Žukowicz	-	-
	-	-

*Mr. Călin Bârseti resigned from the position of Member of the Management Board of ASEE S.A. as of 31 December 2014. The above table presents his remuneration for the period of service.

The amounts of remuneration disclosed in the above tables are payable for performing managerial functions in ASEE S.A. as well as in its subsidiary companies.

26. Remuneration of certified auditors or the entity authorized to audit financial statements

The table below discloses the total amounts due to the entity authorized to audit financial statements, namely Ernst & Young Audyt Polska Sp. z o.o. (limited partnership), paid or payable for the years ended 31 December 2015 and 31 December 2014:

Remuneration for the period of	Year ended 31 Dec. 2015 (audited)	Year ended 31 Dec. 2014 (audited)
Obligatory audit of the annual financial statements and review of semi-annual financial statements	203	205

27. Capital management

The primary objective of the Company's capital management is to maintain a favourable credit rating and a safe level of capital ratios in order to support the Company's business operations and maximize shareholder value.

The Company actively manages its capital structure and makes necessary adjustments in response to the changing economic conditions. In order to maintain or adjust its capital structure, the Company may recommend the amount of dividend payment, return some capital to its shareholders, or issue new shares. ASEE may decide to use bank loans or trade credits for financing of its operations.

During the last two years ended 31 December 2015 and 31 December 2014, the Group did not introduce any changes to its objectives, policies and processes adopted in this area.

28. Objectives and principles of financial risk management

ASEE S.A. is exposed to a number of risks arising either from the macroeconomic situation of the countries where the Company holds its investments as well as from the microeconomic situation in individual companies. The main external factors that may have an adverse impact on the Company's financial performance are: (i) fluctuations in foreign currency exchange rates versus the Polish złoty, and (ii) changes in official interest rates. The financial results are also indirectly affected by the pace of GDP growth, value of public orders for IT solutions, level

of capital expenditures made by enterprises, and the inflation rate.

Foreign currency risk

The currency used for presentation of the Company's results is the Polish zloty (PLN). Because our subsidiaries conduct business operations in countries with the functional currencies other than our presentation currency, the Company is exposed to changes in such foreign currency exchange rates both with respect to the dividends received from our subsidiaries, and the planned acquisitions.

The analysis of sensitivity of our trade receivables, loans receivable, other receivables and cash at foreign currency bank accounts, as well as bank loans payable, trade payables and other financial liabilities, to fluctuations in the exchange rates of the American dollar against the Polish zloty, indicates that the Company will incur a potential loss of PLN 1,186 thousand if the dollar depreciates 10% versus our functional currencies. Likewise, if the euro depreciates 10% against the zloty, the Company will potentially lose PLN 1,072 thousand. Hence, if both the dollar and euro were 10% weaker against the zloty, the Company's financial results would deteriorate by a total of PLN 2,258 thousand. In contrast, if the dollar and euro appreciated by 10% versus our functional currencies, the Company would recognize an additional financial gain of PLN 2,258 thousand.

	As at 31 Dec. 2015 (audited)	Amount exposed to risk	Impact on financial results of the Group	
			-10%	10%
EUR:				
Trade receivables	1,192	(119)	119	
Other receivables	-	-	-	
Borrowings	24,055	(2,406)	2,406	
Foreign currency bank accounts	757	(76)	76	
Bank loans	15,052	1,505	(1,505)	
Trade payables	184	18	(18)	
Forward contracts	64	6	(6)	
Balance	(1,072)		1,072	
USD:				
Trade receivables	200	(20)	20	
Other receivables	8,647	(865)	865	
Borrowings	2,983	(298)	298	
Foreign currency bank accounts	1,193	(119)	119	
Bank loans	-	-	-	
Trade payables	795	80	(80)	
Forward contracts	361	36	(36)	
Balance	(1,186)		1,186	

	As at 31 Dec. 2014 (restated)	Amount exposed to risk	Impact on financial results of the Group (10%)	10%
EUR:				
Trade receivables	474	(47)	47	
Other receivables	-	-	-	
Borrowings	3,862	(386)	386	
Foreign currency bank accounts	718	(72)	72	
Trade payables	123	12	(12)	
Forward contracts	1,850	185	(185)	
Balance	(308)		308	
USD:				
Trade receivables	574	(57)	57	
Other receivables	8,207	(821)	821	
Borrowings	-	-	-	
Foreign currency bank accounts	497	(50)	50	
Trade payables	1,090	109	(109)	
Forward contracts	-	-	-	
Balance	(819)		819	

Credit risk

The Company concludes transactions only with reputable companies which have good credit ratings. All customers who wish to trade on credit terms are subject to the procedures of preliminary verification of their creditworthiness. Furthermore, current monitoring of receivables makes it possible to eliminate the risk of uncollectible receivables almost entirely.

In relation to other financial assets, such as cash and cash equivalents, the Company's credit risk results from the contracting party's inability to settle their payments, whereas the maximum exposure to such risk is limited to the carrying value of such financial instruments.

There is no particular concentration of credit risk in any segment of the Company's operations.

Financial liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool takes into account the maturity of both financial investments and financial assets (e.g. accounts receivable) and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity and flexibility of financing by using various sources of funds.

29. Financial instruments

Fair value

The book values of financial assets and liabilities held by the Company both as at 31 December 2015 and 31 December 2014 did not differ from their fair values.

Assets that are carried at fair value through profit or loss have been assigned to Level 1 in the fair value hierarchy, whereas cash deposits – to Level 2 in this hierarchy.

During both the years ended 31 December 2015 and 31 December 2014, no financial instruments were reclassified from Level 1 to Level 2, or from Level 2 to Level 3, or contrariwise, within the fair value measurement hierarchy.

Items of income, expenses, gains and losses recognized in the income statement, by category of financial instruments

Year ended 31 Dec. 2015 (audited)	Category according to IAS 39	Interest income/(expenses):	Gain/(loss) on foreign exchange differences	Reversal (recognition) of impairment write-downs	Gain/(loss) on revaluati on	Total
Financial assets						
Trade receivables and other receivables	L&R	-	1,407	-	-	1,407
Cash and cash equivalents	FVtPL	90	(510)	-	-	(420)
Cash deposits and loans granted	OFLaAC	449	366	-	-	815
Financial assets carried at fair value through profit or loss	FVtPL	-	-	-	-	-
Financial liabilities						
Liabilities for the acquisition of shares	FVtPL	-	31	-	133	164
Trade payables and other financial liabilities	OFLaAC	(22)	(270)	-	-	(292)
Currency forward contracts	FVtPL	-	64	-	(374)	(310)
		517	1,088		(241)	1,364

Year ended 31 Dec. 2014 (restated)	Category according to IAS 39	Interest income/(expenses):	Gain/(loss) on foreign exchange differences	Reversal (recognition) of impairment write-downs	Gain/(los s) on revaluati on	Total
Financial assets						
Trade receivables and other receivables	L&R	-	1,364	-	-	1,364
Cash and cash equivalents	FVtPL	104	202	-	-	306
Cash deposits	OFLaAC	124	96	-	-	220
Financial assets carried at fair value through profit or loss	FVtPL	-	-	-	-	-
Financial liabilities						
Liabilities for the acquisition of shares	FVtPL	-	(50)	-	-	(50)
Trade payables and other financial liabilities	OFLaAC	(39)	(137)	-	-	(176)
Currency forward contracts	FVtPL	-	63	-	(149)	(86)
		189	1,538		(149)	1,578

30. Significant events after the balance sheet date

On 10 February 2016, the Company received from Mr. Andrzej Mauberg a letter of resignation from the position of Member of the Supervisory Board, with effect from 26 February 2016.

In the period from 31 December 2015 till the date of approval of these financial statements, this is until 18 February 2016, we have not observed any significant events, the disclosure of which might significantly affect the assessment of human resources, assets and financial position of ASEE S.A.

31. Significant events related to prior years

Until the date of preparing these financial statements, this is until 18 February 2016, we have not observed any significant events related to prior years, which have not but should have been included in our accounting books.