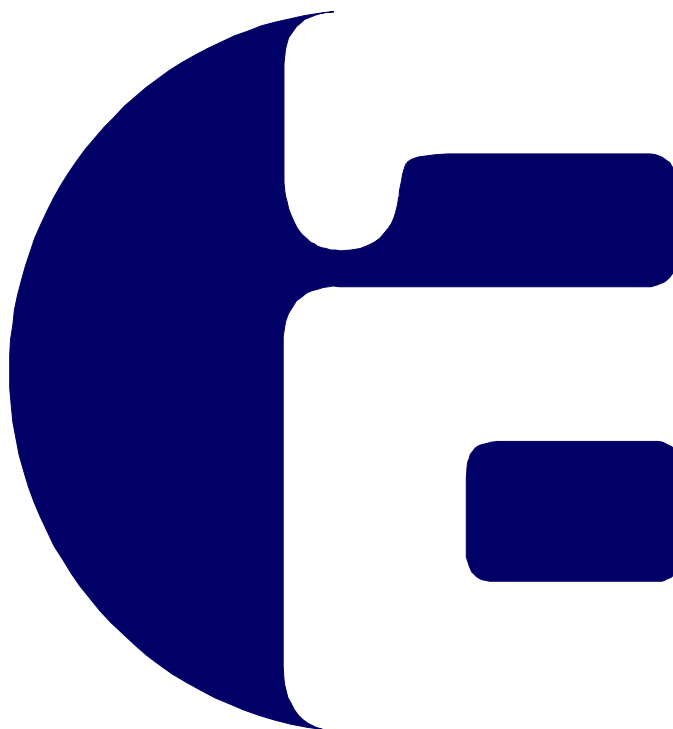


ARCUS Spółka Akcyjna

www.arcus.pl



Separate financial statement
of Arcus S.A.
for the financial year ended 31 December 2015

Warsaw, 21 March 2016

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1 Data regarding the annual financial statement of ARCUS S.A.

1.1 Selected financial data

	PLN thousand		EUR thousand	
	year ended 31.12.2015	year ended 31.12.2014	year ended 31.12.2015	year ended 31.12.2014
I Sales revenues	141 328	126 325	33 772	30 154
II Profit (loss) on operating activities	5 476	-6 788	1 309	-1 620
III Profit (loss) before tax	4 869	-7 116	1 163	-1 699
IV Net profit (loss)	3 763	-3 958	899	-945
V EBITDA	7 349	-4 639	1 756	-1 107
VI Comprehensive income	4 029	-3 767	963	-899
VII Net Cash Flows from operating activities	-6 291	9 328	-1 503	2 227
VIII Net Cash Flows from investing activities	-1 303	-5042	-311	-1204
IX Net Cash Flows from financing activities	1 867	-3 504	466	-836
X Change in cash	-5 728	782	-1369	187
XI Net profit (loss) and diluted net profit (loss) per share	0,51	-0,54	0,12	-0,13

	PLN thousand		EUR thousand	
	as at 31.12.2015	as at 31.12.2014	as at 31.12.2015	as at 31.12.2014
XII Total assets	112 124	105 374	26 311	24 722
XIII Long-term liabilities	7 549	16 057	1 771	3 767
XIV Short-term liabilities	37 727	26 497	8 853	6 217
XV Equity	66 849	62 819	15 687	14 738
XVI Share capital	732	732	172	172
XVII Weighted average number of shares	7 320 000	7 320 000	7 320 000	7 320 000
XVIII Book value and diluted book value per share	9,13	8,58	2,14	2,15

1.2 Method applied in calculation of financial data

The following rules have been applied in calculation of financial data in EUR:

- individual items of assets and liabilities – according to exchange rate as at 31.12.2015 – 4,2615 PLN/EUR
31.12.2014 – 4,2623 PLN/EUR 31.12.2013 – 4,1472 PLN/EUR,
- individual items of the statement of comprehensive income and the cash flow statement – according to exchange rate calculated as arithmetic mean of the exchange rates announced by the National Bank of Poland prevailing on the last day of each month:

- for the period of 1 January 2015 – 31 December 2015: 4,1848 PLN/EUR
- for the period of 1 January 2014 – 31 December 2014: 4,1893 PLN/EUR
- for the period of 1 January 2013 – 31 December 2013: 4,2110 PLN/EUR

1.3 Balance sheet

Assets			
	Note	as at 31.12.2015	as at 31.12.2014
FIXED ASSETS			
Tangible assets	12	3 304	4 093
Intangible assets	13	3 181	2 051
Participating interests in subordinated entities	14	19 585	16 685
Loans granted	19	5 674	0
Financial assets available for sale	15	0	1 751
Financial assets held to maturity	16	12 000	4 650
Long-term receivables	17	7 384	9 988
Deferred income tax assets	10	3 828	4 561
Total		<u>54 956</u>	<u>43 779</u>
CURRENT ASSETS			
Inventories	18	12 018	13 649
Loans granted	19	558	4 050
Trade receivables and other receivables	20,28	40 416	24 041
Financial assets held to maturity	16	0	9 950
Cash	21	4 177	9 905
Total		<u>57 169</u>	<u>61 595</u>
TOTAL ASSETS		112 124	105 374
Liabilities			
	Note	as at 31.12.2015	as at 31.12.2014
Equity			
Share capital	22	732	732
Share premium	23	38 024	38 024
Shares purchased for the purpose of redemption	22	0	0
Revaluation reserve		0	-267
Retained earnings	24	28 093	24 329
Total		<u>66 849</u>	<u>62 818</u>
Long-term liabilities			
Deferred income tax reserve	10	3 261	2 826
Provisions for liabilities	25	429	429
Other financial liabilities – credits	26	0	6 673
Other long-term liabilities	26	3 859	6 130
Total		<u>7 549</u>	<u>16 058</u>
Short-term liabilities			
Trade liabilities and other liabilities	27,28	28 387	25 685
Other financial liabilities – credits	26	9 105	0
Income tax liabilities		0	0
Provisions for liabilities	25	235	813
Total		<u>37 727</u>	<u>26 498</u>
TOTAL LIABILITIES		112 124	105 374

1.4 Profit and loss account

Profit and loss account

	Note	year ended 31.12.2015	year ended 31.12.2014
Sales revenues	4	141 328	126 325
Costs of products, goods and materials sold	5	-108 774	-98 154
<u>Gross profit (loss) from sales</u>		<u>32 554</u>	<u>28 171</u>
Other operating income	6	594	4 392
Costs of sales	5	-21 183	-28 336
General administrative expenses	5	-6 081	-6 356
Other operating expenses	7	-408	-4 658
<u>Operating income (loss)</u>		<u>5 476</u>	<u>-6 788</u>
Financial income	8	497	465
Financial costs	9	-1 105	-792
Result on financing activities		-607	-328
<u>Profit (loss) before tax</u>		<u>4 869</u>	<u>-7 116</u>
Income tax:	10	-1 106	3 158
Current income tax		0	810
Deferred income tax		-1 106	2 348
<u>Net profit (loss)</u>		<u>3 763</u>	<u>-3 958</u>
Profit (loss) per share			
Ordinary and diluted	11	0,51	-0,54

1.5 Statement of comprehensive income

Statement of comprehensive income

	Note	year ended 31.12.2015	year ended 31.12.2014
Net profit (loss) for the period		3 763	-3 958
Items that could be classified to the result at a future point in time:			
Financial assets available for sale	15	329	236
Deferred Tax regarding other comprehensive income		-63	-45
Total of other comprehensive income items		266	191
Items that would not be classified to the result at a future point in time:			
Comprehensive income for the period		4 029	-3 767
Comprehensive income (loss) per share			
Ordinary and diluted		0,55	-0,51

1.6 Statement of cash flows

Statement of cash flows

	year ended 31.12.2015	year ended 31.12.2014
Cash flows from operating activities		
Profit before tax	4 869	-7 116
Adjustments	-11 160	16 444
Depreciation and amortisation	1 873	2 149
Interests	-8	-196
Dividends received	0	-66
Result on investing activities	479	-28
Change in inventories	1 630	-421
Change in receivables	-14 790	28 293
Change in liabilities and reserves	-345	-10 068
Paid income tax	0	485
Other	0	-3 705
Total	<u>-6 291</u>	<u>9 328</u>
Cash flows from investing activities		
Inflows	5 670	1 395
Disposal of intangible and tangible fixed assets	212	129
Disposal of financial assets (shares of TAURON)	1 636	
Repayment of loans	1 222	1 200
Repayment of promissory notes	2 600	
Dividends received	0	66
Outflows	-6 974	-6 438
Purchases of intangible and fixed tangible assets	-718	-3 818
Payments for share capital increase in a subsidiary	-3 123	
Loans granted	-3 133	-2 620
Other		
Total	<u>-1 303</u>	<u>-5 042</u>
Cash flow from financing activities		
Inflows	2 498	357
Credits	2 431	198
Interests received	67	160
Outflows	-631	-3 861
Purchase of participating interests	0	-3 103
Payment of dividend		-366
Share capital increase in associated entity	0	-200
Purchase of own shares		
Repayment of credits and loans		
Financial lease payments	-284	
Interests paid	-348	-192
Total	<u>1 867</u>	<u>-3 504</u>
Change in cash	-5 728	782
Cash at the beginning of the period	9 905	9 123
Cash at the end of the period	4 177	9 905
with limited disposability	0	0

1.7 Statement of changes in equity

Statement of changes in equity

For the period of 1 January 2015 - 31 December 2015

	Called up share capital	Share premium	Retained earnings	Revaluation reserve	Shares purchased for the purpose of redemption	Total
As at 1 January 2015	732	38 024	24 329	-267	0	62 818
Profit/loss for the period			3 763			3 763
Financial assets available for sale adjusted by deferred income tax (applies to shares of TAURON PE) - disposal of shares				267		267
Total of comprehensive income	0	0	3 763	267	0	4 030
Dividend						0
As at 31 December 2015	732	38 024	28 093	0	0	66 849

For the period of 1 January 2014 - 31 December 2014

	Called up share capital	Share premium	Retained earnings	Revaluation reserve	Shares purchased for the purpose of redemption	Total
As at 1 January 2014	740	38 024	28 918	-458	-273	66 951
Profit/loss for the period			-3 958	0		-3 958
Financial assets available for sale adjusted by deferred income tax (applies to shares of TAURON PE) - disposal of shares				191		191
Total of comprehensive income	0	0	-3 958	191	0	-3 767
Dividend			-366			-366
Own shares - redemption of shares and decrease of share capital	-8		-265		273	0
As at 31 December 2014	732	38 024	24 329	-267	0	62 818

2 ADDITIONAL INFORMATION REGARDING THE ACCEPTED ACCOUNTING PRINCIPLES (POLICY) AND OTHER EXPLANATORY NOTES

2.1 Key information

ARCUS S.A. has been already operating for 29 years and according to the Company's Articles of Association, its duration is unlimited. The entity as ARCUS S.A. (Joint Stock Company) was established on 6 November 2006 as a result of transformation of a limited liability company operating under the business name of ARCUS Sp. z o.o. ARCUS S.A. was registered by the relevant court on 2 January 2007. The Company's registered office and place of establishment of a business is located at 5/7 Kolejowa Street in Warsaw. The Company is registered by the District Court for the City of Warsaw, XII Commercial Department of the National Court Register under the following number: 0000271167. The shares of ARCUS S.A. are admitted to trading on the Warsaw Stock Exchange from 19 June 2008. In August 2008 new B-series shares were issued in the amount of 2 296 681. In 2009 C-series bonus shares were issued. 98 476 C-series shares were subscribed for. In 2014, 75 157 own shares were redeemed while the remaining shares were designated as D-series.

ARCUS S.A. operates under the provisions of the Commercial Companies Codes and is subject to the provisions of the Act of 29 July 2005 on Trading in Financial Instruments and the Act of 29 July 2005 on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies.

According to our best knowledge, the shareholding structure of ARCUS S.A. as at balance sheet day was as presented below:

Shareholder	Number of shares = Number of votes	Nominal value of shares held (PLN)	Share in the share capital = share in the total number of votes
MMR Invest S.A.	4 800 000	480 000	65,6%
Pozostali	2 520 000	252 000,00	34,4%
<u>RAZEM</u>	<u>7 320 000</u>	<u>732 000,00</u>	<u>100,0%</u>

Marek Czeredys , Michał Czeredys i Rafał Czeredys are controlling persons in MMR Invest S.A.

ARCUS S.A. is a Parent Company of ARCUS S.A. Capital Group and prepares consolidated financial statements.

The data included in the financial statement have been presented in PLN thousand unless otherwise indicated. Polish zloty (PLN) shall be the functional and reporting currency of the Company.

Core business of ARCUS S.A. involves the following areas:

- Sale, lease and maintenance of printing and copying devices of Japanese company – Kyocera Document Solutions, ,
- document and correspondence management systems,
- ICT solutions integration (information and communication technologies)
- solutions for telematics (integrated systems for the management and monitoring of the fleet) and telemetry (smart grid and smart metering).

In the reporting period the Company did not discontinue any type of business.

Management Board

As at 1 January 2015, the Management Board was composed of the following persons:

- Michał Czeredys – President of the Management Board,
- Marek Multan – Vice-President of the Management Board.

As at 31 December 2015, the Management Board was composed of the following persons:

- Michał Czeredys – President of the Management Board,
- Michał Łotoszyński – Vice-President of the Management Board.

The term of office of Mr. Marek Multan expired on 23 June 2015. The Supervisory Board, at its meeting on 30 July 2015, appointed Mr. Michał Łotoszyński to the position of Vice-President of the Management Board.

As at the date of preparation of this financial statement, the Management Board was composed of the following persons:

- Michał Czeredys – President of the Management Board,
- Michał Łotoszyński – Vice-President of the Management Board,
- Rafał Czeredys – Member of the Management Board.

The Supervisory Board, at its meeting on 21 January 2016, appointed Mr. Rafał Czeredys to the position of Member of the Management Board.

Supervisory Board

According to ARCUS S.A. Articles of Association, the Company's Supervisory Board shall be composed of 5 to 10 members.

As at 1 January 2015, the Supervisory Board was composed of the following persons:

- Marek Czeredys – Chairman of the Supervisory Board,
- Jolanta Grus – Member of the Supervisory Board,
- Michał Słoniewski – Member of the Supervisory Board,
- Sławomir Jakszuk – Member of the Supervisory Board,
- Tomasz Pelc – Member of the Supervisory Board.

As at 31 December 2015 and as at the date of preparation of this financial statement, the Supervisory Board was composed of the following persons:

:

- Marek Czeredys – Chairman of the Supervisory Board,
- Tomasz Konewka – Member of the Supervisory Board,
- Krzysztof Franciszek Przybył – Member of the Supervisory Board,
- Bogusław Wasilewko – Member of the Supervisory Board,
- Lech Lechowski – Member of the Supervisory Board.

The Supervisory Board in the composition as set forth above, was appointed by the Ordinary General Meeting of Shareholders on 23 June 2015.

On 30 December 2015, the Chairman of the Supervisory Board and the President of the Management Board received the resignation of Mr. Tomasz Pelc from his position as Member of the Supervisory Board (Current Report No 26/2015).

2.2 Statements by the Management Board

Statement on the reliability of the separate financial statement

On the basis of the of the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information to be published by issuers of securities and on conditions of recognition of information required under non-member state law regulations as equivalent (as amended), the Management Board of ARCUS S.A. hereby declares that to the best of its knowledge the separate annual financial statement hereof as well as comparable data have been prepared in accordance with applicable accounting rules and present fairly and clearly the economic and financial situation of ARCUS S.A. and ARCUS S.A. financial result, and that the annual Management Board's report on ARCUS S.A. activities comprises a comprehensive view of development and achievements of ARCUS S.A., including description of fundamental risks.

Statement regarding the entity authorised to audit the financial statements

According to the Company's Articles of Association (and under Art. 146.1 of the Commercial Companies Code), the auditor shall be selected by the Supervisory Board which each year appoints the authorised auditor in line with applicable laws and professional standards, respecting and complying with the rule to change the auditor at least once every five years, where the change of the auditor shall be understood as the change of a key person signing the opinion and the report.

The Management Board of ARCUS S.A. hereby declares that TPA Horwath Horodko Audit Sp. z o.o. is authorised to audit financial statement and has been selected in accordance with applicable laws. TPA Horwath Horodko Audit Sp. z o.o. as well as statutory auditors auditing the separate annual financial statement hereof, satisfied conditions for preparing impartial and independent auditor's opinion in accordance with applicable provisions and professional standards. The auditor was selected for auditing and reviewing the separate and consolidated financial statements on the basis of the Resolution of the Supervisory Board of 19 June 2015.

Michał Czeredys

President of the Management Board

Michał Łotoszyński

Vice-President of the Management Board

Rafał Czeredys

Member of the Management Board

3 ACCOUNTING PRINCIPLES

3.1 Basis for financial information preparation

Presented financial statement has been prepared for the year ended 31 December 2015. The comparative data relate to the year ended 31 December 2014. The Company's financial year is the calendar year. In the reporting period, there were no changes in accounting policies. The Company has no discontinued operations. The financial statement has been prepared under the assumption of a going concern in the foreseeable future. As at the date of financial statement preparation, there are no circumstances indicating a threat to the continuation of economic activity.

ARCUS S.A. is a Parent Company of ARCUS S.A. Capital Group and prepares consolidated financial statements. The Company's Capital Group is composed of the following subsidiaries: T-matic Systems S.A., Arcus Systemy Informatyczne Sp. z o.o., DocuSoft Sp. z o.o., Durau Sp. z o.o. and Arcus Kazachstan Sp. z o.o.

3.2 Statement of compliance

Presented financial statements covering the period from 1 January 2015 to 31.12.2015 and comparative data for the period from 01 January 2014 to 31 December 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union and includes the information required by the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities.

3.3 New accounting principles and interpretation of the International Financial Reporting Standards Interpretations Committee

The accounting principles and calculation methods applied in the preparation of this financial statement are consistent with those described in the approved financial statements of Arcus S.A. prepared in accordance with IFRS for the year ended 31 December 2014 except for the presentation of payments under finance lease agreements as regards ARCUS S.A. cars, which in the reporting period have been recognized in finance activities (payments in the amount of PLN 284 thousand), and in the comparable period - in operating activities, but due to the insignificance of the amount, no corrections were made in the comparable period.

Standards and interpretations issued by the International Accounting Standards Board or by the International Financial Reporting Standards Interpretations Committee, which have not yet been approved by the European Union and came into force:

- IFRS 9 "**Financial Instruments**" published on 24 July 2014 and effective for annual periods beginning on 1 January 2018;
- IFRS 14 "**Deferred balance of regulated activity**" published on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016;
- IFRS 15 "**Revenue from Contracts with Customers**" published on 28 May 2014, effective for annual periods beginning on or after 1 January 2018;
- Amendments to IFRS 11 "**Joint Arrangements: Accounting for the acquisition of shares in joint operations**" published on 6 May 2014, effective for annual periods beginning on or after 1 January 2016;
- amendments to IAS 16 "**Property, Plant and Equipment**" and IAS 38 "**Intangible assets: Explanations on acceptable methods of depreciation**" published on 12 May 2014 and effective for annual periods beginning on or after 1 January 2016;

- amendments to IAS 16 "**Property, Plant and Equipment**" and IAS 41 "**Agriculture: bearer plants**", published on 30 June 2014 and effective for annual periods beginning on or after 1 January 2016;
- amendments to IAS 27 "**Separate Financial Statements**" - use of the equity method in the separate financial statements (effective for annual periods beginning on or after 1 January 2016)
- amendments to IFRS 10 "**Consolidated Financial Statements**" and IAS 28 "**Investments in Associates and Joint Ventures**" - sale or transfers of assets between the investor and the associate or joint venture (effective in relation to annual periods beginning on or after 1 January 2016);
- amendments to IFRS 10 "**Consolidated Financial Statements**", IFRS 12 "**Disclosure of Interests in Other Entities**" and IAS 28 "**Investments in Associates and Joint Ventures**" – investment units: application of the exemption from consolidation (effective in relation to annual periods beginning on or after 1 January 2016)
- amendments to various standards "**Improvements to IFRS (2012-2014)**" - changes in the procedures for annual amendments to IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with aimed at removing inconsistencies and clarifying wording (effective in relation to annual periods beginning on or after 1 January 2016);
- amendments to IAS 1 "**Presentation of Financial Statements**" - an initiative in relation to disclosures (effective for annual periods beginning on or after 1 January 2016);
- amendments to IFRS 16 in terms of leases accounting - a standard not yet adopted by the European Commission; the date of the planned approval has not been specified;
- amendments to IAS 12 "**Recognition of deferred income assets for unrealized losses**" - effective for annual periods beginning on or after 1 January 2017; planned approval - in the fourth quarter of 2016;
- amendments to IAS 7 "**Disclosure Initiative**" - the requirement to disclose reconciliations of changes in liabilities arising from finance activities; division into changes that are cash flow and non-cash; effective for annual periods beginning on or after 1 January 2017; planned approval - in the fourth quarter of 2016.

The Company has not decided for the early application of any standard, interpretation or amendment that has been issued but is not yet effective. The Management Board believes that above mentioned standards and interpretations will not result in a material impact on the accounting policy applied by ARCUS S.A.

3.4 Accounting judgments and estimates

The preparation of financial statements requires the Company's management to make estimates, as many of the information contained in the financial statements cannot be measured precisely. Management reviews these estimates based on changes in the factors taken into account in their calculation, new information or past experience. Therefore, the estimates made as at 31 December 2015 can be changed in the future.

Professional judgment made as at 31 December 2015 relates to provisions for claims and litigation as well as to contingent liabilities. It is also used in the assessment of risk associated with the repayment of overdue receivables - the Company at each balance sheet day verifies its provisions for overdue receivables, taking into account the potential risk of significant delays in their repayment.

Contracts for the supply of goods and maintenance of equipment and devices

Some contracts for the supply of goods and maintenance of equipment and devices are recognized jointly. Total margin on the basis of estimates is allocated to the part relating to the sale of equipment and to the part relating to the sale of services, which is settled within the duration of the contract.

Depreciation rates

Depreciation rates are determined based on the estimated economic useful life of tangible fixed assets and intangible assets. The Company annually reviews the economic useful life periods based on current estimates.

Impairments losses recognized in respect of tangible assets

The Company reviews the assets in respect of their potential impairment at least once a year. At the same time, in case of indication of impairment during the financial year, a test is carried out and impairment losses are made as they are recognized. The estimates relating to impairment losses in subsidiaries were based on five-year financial forecasts adopted by the Management Board. Information on tests that were carried out, is included in note 2.5.3.

Provisions for impairment of inventories

Inventories are valued at the purchase price or production cost, not higher than the net realizable sales value. Depending on the assessment of the suitability of the inventories and the market conditions in respect of their sale, the value of these assets for the Company may be subject to change.

Provisions for impairment of receivables

The Company establishes provisions for overdue receivables or for receivables which collectability is at risk, including claims for compensation for unjustified execution of guarantees. Depending on the assessment of collectability of mentioned receivables, the value of these assets may change.

Provisions for liabilities

The Company establishes provisions for certain or highly probable liabilities that can be reliably estimated. In connection with the claim of Energa Operator S.A. described in paragraph 29, the Management Board of ARCUS S.A. – on the basis of collected documentation and the opinion of external legal firm – believes that mentioned claim is unfounded, and the potential cash outflow in connection with this claim is unlikely. Considering the above, the Company has not established any provisions relating to described dispute as at the balance sheet date.

Deferred income tax assets

The Company recognizes the deferred income tax assets. The estimates regarding calculation of deferred tax relates mainly to the recognition of deferred tax assets arising from accumulated tax losses, established provisions and lease receivables and liabilities. Estimates of the feasibility of tax losses are based on five-year forecasts approved by the Management Board.

3.5 Outline of key accounting principles

3.5.1 Intangible assets

Intangible assets include assets of the company, which do not have a physical form, are identifiable and can be measured reliably and will cause future economic benefits to the Company. Intangible assets are recognized at a purchase price and depreciated on the basis of straight-line method over their economic useful life.

The Company depreciates its intangible assets in the following periods:

- purchased software – 5 years,
- licenses and similar assets – 5 years.

Expenditures on intangible assets which do not improve or extend the useful life of intangible assets are charged to expenses as they are incurred.

At the balance sheet date, intangible assets are valued at cost less any recognized provisions for impairment and impairment losses. ARCUS S.A. does not hold any intangible assets with indefinite useful life. Depreciation methods and useful life periods of intangible assets are reviewed at each balance sheet date. ARCUS S.A. does not hold any intangible assets classified as “held for sale”. In the reporting period the Company has not recognized any impairment losses in respect of intangible assets.

3.5.2 Fixed tangible assets

Tangible fixed assets include fixed assets and expenditures on fixed assets under construction, which the Company intends to use in its operations and for administrative purposes in a period longer than one year, and which will cause future economic benefits to the entity.

The initial value of tangible fixed assets is determined according to purchase price or production cost and depreciated on the basis of straight-line method over their economic useful life. In the balance sheet, fixed assets are presented less amortisation and impairment losses.

Group 1	Buildings	10 years
Group 4	Machines and equipment	6 to 10 years
	Excluding: computer hardware	3 years
Group 6	Technical devices	5 years
Grupa 7	Means of transport.	5 years
Grupa 8	Tools, devices, movables and equipment	5 to 7 years

Costs incurred for the renovation, which do not improve or extend the useful economic life of the asset are recognized as expense as they are incurred. At the balance sheet date, fixed assets and fixed assets under construction are valued at cost less any provisions for impairment and potential impairment losses.

In case of exchange of fixed assets the price of an acquisition is measured at fair value, if the exchange transaction has commercial substance. ARCUS S.A. does not hold any fixed tangible assets with indefinite useful life. Depreciation methods and useful life periods of tangible fixed assets are reviewed at each balance sheet date. ARCUS S.A. does not hold any tangible fixed assets classified as “held for sale”. In the reporting period the Company has not recognized any impairment losses in respect of fixed tangible assets. In the reporting period no restrictions were recognized as to the title to fixed tangible assets.

3.5.3 Financial assets

Financial instruments are classified to the following categories:

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

Held-to-maturity financial assets are the assets other than derivatives with fixed or determinable payments and fixed maturities, which the Company intends and has the ability to hold to maturity. Held-to-maturity financial assets are measured at amortized cost using the effective interest rate method.

Financial assets measured at fair value through profit or loss are assets acquired for resale and with the aim to achieve economic benefits resulting from short-term price changes and fluctuations of other market factors or short duration of the acquired instrument, as well as other financial assets, regardless of the intentions assumed while concluding the contract, if they represent a component of a portfolio of similar financial assets for which there is a high probability of economic benefits in a short-term.

The fair value is considered the price that would be received by the entity for the sale of an asset or would be paid by the entity for the transferred liabilities in a routine transaction made between market participants at the measurement date. Financial assets at fair value through profit or loss are measured at fair value taking into account their market value at the balance sheet date, excluding transaction costs. Changes in the value of these financial instruments are recognized in the profit and loss account as financial income or expenses.

ARCUS S.A. has no financial assets at fair value through profit or loss. Loans granted and receivables are financial assets with fixed or determinable payments that are not quoted on an active market. Granted loans and receivables are classified as current assets if their maturity does not exceed 12 months from the balance sheet date. Granted loans and receivables with maturities exceeding 12 months from the balance sheet date are classified as fixed assets. ARCUS S.A. granted loans to subsidiaries: T-matic Systems S.A., Docusoft Sp. z o.o. and Durau Sp. z o.o. Loans and receivables are measured at amortized cost using the effective interest rate.

Available-for-sale financial assets are non-derivative financial assets that do not belong to any of the three preceding categories. Available-for-sale financial assets are recognized at fair value, excluding purchase cost, but with consideration of market value at the balance sheet date. When the financial assets are not listed on the Warsaw Stock Exchange and it is not possible to determine their value in a different way, available-for-sale financial assets are measured at cost adjusted for impairment provision. Decrease in value of available-for-sale financial assets resulting from impairment loss is recognized as a financial cost, while the increase is recognized in the revaluation reserve.

Subsidiaries.

In the financial statements, investments in subsidiaries not classified as held-for-sale, in accordance with IFRS 5, are recognized at cost in accordance with IAS 27 "Separate Financial Statements", less impairment provisions in accordance with IAS 36 "Impairment of assets" where impairment is estimated by comparing the carrying value with the higher of the two amounts: fair value and value in use.

As at 31 December 2015, the verification and tests for fair value of financial assets were carried out with regard to stakes in the following companies: Arcus Systemy Informatyczne Sp. z o.o., Docusoft Sp. z o.o., T-matic Systems S.A., Durau Sp. z o.o.

In 2015 Arcus Kazakhstan did not perform business operations and its value were estimated on the basis of separate methodology.

Methodology for fair value determination

	Description of applied valuation methodology
Arcus Systemy Informatyczne Sp. z o.o.	Discounted cash-flow method (DCF) on the basis of FCFF (Free Cash Flow to Firm)
T-matic Systems SA	Discounted cash-flow method (DCF) on the basis of FCFF (Free Cash Flow to Firm)
Docusoft Sp. z o.o.	Discounted cash-flow method (DCF) on the basis of FCFF (Free Cash Flow to Firm)
Durau Sp. z o.o.	Discounted cash-flow method (DCF) on the basis of FCFF (Free Cash Flow to Firm)
Arcus Kazakhstan	replacement value

Assuming the continuation of operations of the companies, the ability of verified entities to generate income on the core business, margins, financial results and positive cash flows – shall be of crucial importance. For the purpose of valuation verification and forecasts, the following have been used:

- analysis of financial statements of companies for the years 2014-2015 and analytical set of data in respect of individual balance sheet items,
- annual financial plans of companies for the year 2015,
- annual financial plans of companies for the year 2016,
- strategies of companies for the years 2016-2022,
- macroeconomic assumptions and projections for individual market segments,
- in companies operating in many segments a separate valuation is made based on economic results and assets and liabilities allocated to the respective segments.

Verification of the value of stakes in companies is carried out with consideration of the assumption of weighted average capital cost and additional bonuses including market risk bonuses and bonuses for specific risks. According to tests carried out as at 31 December 2015, there were no indications for revaluation of stakes in Arcus Systemy Informatyczne Sp. z o.o., DocuSoft Sp. z o.o., T-matic Systems S.A. and Durau Sp. z o.o.

The conducted estimates showed that future cash flows will be at least equal to the value of shares on the balance sheet date. The test was carried out both for shares in individual companies as well as for separate segments of their business. With respect to Arcus Kazakhstan Sp. o.o. an impairment loss was recognized based on the estimated fair value according to the replacement method. In addition, a sensitivity analysis is carried out with regard to individual companies and the value of shares in terms of the important factors of valuation, i.e.:

- weighted average capital cost,
- rate of increase for the purposes of residual value calculation,
- currency exchange rates,
- inflation rate,
- risk-free interest rates.

The sensitivity analysis did not reveal any significant risk in terms of valuation markdown with regard to both individual companies and segments, except for valuation of T-matic shares. In the case of estimating the value of T-matic Systems it is necessary to take into account the considerable importance of forecasts for 2016. Jumping, planned increase in sales revenues compared to 2015, especially related to the telemetry segment is an additional factor of estimates' uncertainty. The projections of the energy market in Poland and the EU requirements in the field of implementation of smart meters are the basis for recognition of forecasts for TMS as feasible. However, it must be emphasized that, depending on the outlook for individual companies and the relevant segments, the value of these assets to Arcus S.A. may change. As at 31 December 2015 the Company did not hold any derivative financial instruments.

3.5.4 Inventories

Inventories are assets held for sale in the ordinary course of business, and being in the process of production for sale in the form of materials or raw materials used in the production process or in the rendering of services. Inventories include materials and goods. Materials and goods are initially measured at a purchase price. As at the balance sheet date, materials and goods are measured on the basis of prudence principle, i.e. - these categories are valued at a purchase price or at a realizable price, depending on which one is lower. Inventories of goods and materials are subject to impairment provision.

Inventory disposal is carried out according to the FIFO method and is recognized in cost of sales. Provisions for impairment of inventory resulting from prudent valuation and provisions for impairment with respect of items remaining in stock, as well as their reversals are recognized in cost of sales.

3.5.5 Trade receivables and other receivables

Receivables are recognized initially at fair value. In the case of normal payment periods that are accepted in the market and in practice for similar transactions, fair value is deemed to be their face value arising on recognition of revenue.

At the balance sheet date, trade receivables are measured according to the prudence principle. Impairment of receivables is recognized based on the degree of probability of their repayment. Items are analyzed individually in order to determine the necessity to establish impairment loss. Impairments of receivables are classified as other operating expenses. Receivables denominated in foreign currencies are recognized and valued on the balance sheet date in accordance with the principles described in paragraph: "Transactions in foreign currencies". The costs and revenues to be settled over time are also recognized in trade receivables and other receivables.

3.5.6 Impairments losses in respect of assets

At each balance sheet date, the Company reviews the carrying value of assets to determine whether there are indications of possible impairment. In the event that any such indication exists, the recoverable value of the asset is estimated in order to determine the potential impairment loss. Where the asset does not generate cash flows that are largely independent of cash flows generated by other assets, the analysis is performed for a group of assets generating cash flows to which the given asset belongs. The recoverable amount is the higher of the two values, namely: the fair value less costs of sales or value in use, which corresponds to the value of estimated future cash flows discounted using a discount rate that reflects current market time value of money and the specific risks, if such exists for a given asset. If the recoverable amount is lower than the net book value of the asset or group of assets, the book value is reduced to recoverable amount. The loss resulting from this fact is recognized as an expense in the period in which the impairment occurred.

In the case of impairment reversal, the net value of the asset is increased to the new estimated recoverable value, but not higher than the net value of the asset that would be determined if the impairment would have not been determined in previous periods. Reversal of impairment is recognized as an adjustment to the costs of the period in which the indications of impairment ceased.

3.5.7 Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash in bank accounts, including those held in bank deposits. Cash equivalents include short-term highly liquid investments that are readily convertible to determined amounts of cash and subject to insignificant risk of changes in value, including accrued interest on bank deposits. Cash and cash equivalents denominated in foreign currencies are recognized and valued on the balance sheet date in accordance with the principles described in paragraph: "Transactions in foreign currencies". For the purposes of the cash flow statement, cash and cash equivalents are defined in the same manner as for the recognition in the balance sheet. Cash is measured at nominal value, while bank deposits are valued at the amount due.

3.5.8 Equity

3.5.8.1 *Share capital*

The share capital of the Company amounts to 7 320 000 D-Series shares of nominal value of 0.10 PLN. Share capital is recognized in nominal value.

3.5.8.2 *Capital reserve resulting from the share premium*

In the second half of 2007, ARCUS S.A. issued B-series shares. The issue price per share amounted to PLN 17. As a result of the issue, 2 296 681 shares were subscribed for. The capital reserve resulting from share premium amounted to 38 024 thousand PLN.

3.5.8.3 *Retained earnings*

Retained earnings include earnings retained in the Company on the basis of the shareholders' decision as well as the result of the period.

3.5.9 Credits and loans

Credits and loans are recognized, together with interests due. The exceptions are loans in the current account, for which there is no fixed repayment schedule. For this type of loan, the costs associated with disbursement as well as other fees are charged to financial expenses of the period in which they are incurred. In other cases, financial costs, including premiums payable on settlement or redemption and direct costs of credit, are recognized in the profit and loss account using the amortized cost and increase the book value of the instrument with consideration of repayments in the current period.

3.5.10 Trade liabilities and other liabilities

Liabilities are obligations arising from past events, and characterized by reliably determined value, and which will result in the use of already existing or future assets of the Company. Liabilities are initially recognized at fair value. In the case of normal payment periods that are accepted in the market and in practice for similar transactions, fair value is deemed to be their face value arising on recognition of liability.

At the balance sheet date, liabilities are measured according at amortized cost, or where the difference is not significant - at par value with consideration of the principles described above. Liabilities arising from the payments for goods or services that have been received or supplied but have not been paid for, invoiced or formally agreed with the supplier, are recognized as other liabilities. Liabilities denominated in foreign currencies are recognized and valued on the balance sheet date in accordance with the principles described in paragraph: "Transactions in foreign currencies".

3.5.11 Provisions

Provisions are recognized in the case where the Company has a legal or constructive obligation, resulting from past events and where it is probable that fulfillment of this obligation will cause an outflow of resources embodying economic benefits, and where it is possible to reliably estimate the amount of this obligation, but where the amount and maturity of such obligation are not certain. Where the effect of the time-value of money is material, the amount of provision is determined by discounting the expected future cash flows to the present value using a discount rate that reflects current market assessments of the time-value of money and the risks specific to the liability. Due to the passage of time, increases in provisions based on the discounting method, are recognized as borrowing costs. If the Company expects that the costs covered by the provision, will be recovered in any way, then such reimbursement is recognized as a separate asset but only when it is certain that it will be recovered. Provisions for warranty claims are recognized at the sale of products in accordance with the Management's best estimate as to the future costs to be incurred by the Company during the warranty period without the possibility of transferring them to the manufacturer. The value of provisions is estimated at each balance sheet date based on historical data on the costs of warranty repairs. Provisions for specific risks are recognized in cases where an outflow of economic benefits is probable and the estimate may be performed in a reliable manner.

3.5.12 Employee benefits

In terms of employee benefits, the Company is not a party to any wage agreements or collective agreements. The company also has no pension schemes managed directly by the company or by external funds. Costs of employee benefits include salaries payable under the terms of contracts of employment with individual employees. According to the applicable rules on remuneration, employees are entitled to retirement and disability severance pay. The Company does not establish assets that might be used for future settlement of liabilities due to retirement benefits. The Company recognizes a provision for future liabilities on severance pay in order to allocate costs to the periods to which they relate. The value of future liabilities of the Company due to retirement benefits is calculated by a qualified actuary using the method of accumulated future benefits, with consideration of the projected increase in the remuneration constituting the basis for calculation of future benefits, the assumed discount rate, the probability of reaching by an employee of a retirement age (the probability of achieving the rights to one-time retirement benefit), the likelihood of disability of an employee before reaching the retirement age (the probability of achieving the rights to one-time disability severance pay), under the condition of continuance of employment contract with the current employer. The amount of the

provision is reviewed once a year - at the end of a given financial year. Actuarial profits and losses are not recognized in equity due to their insignificance. In the event of termination of employment, employees of the Company are entitled to the benefits provided for by the applicable Polish labor laws, among other the equivalent for unused leave. The provision for the equivalent for unused leave is reviewed on the last day of the financial year and on the last day of the first half of the year.

3.5.13 Transactions on foreign currencies

Transactions denominated in foreign currencies are recorded in the accounting books at the date of their execution considering the following exchange rates:

- purchase or sale of currencies used by the bank whose services are used by the Company - in the case of sale or purchase of currencies and payment of amounts due,
- the average rate for a given currency determined by the National Bank of Polish on the day preceding the date of the transaction.

Assets and liabilities denominated in foreign currencies are measured at the balance sheet date according to the average exchange rate published as at the balance sheet date by the National Bank of Poland for a given currency. Foreign exchange differences arising on the settlement of transactions denominated in foreign currencies, as well as resulting from the balance sheet valuation of assets and liabilities denominated in foreign currencies and concerning the core business (operations) of the Company, are recognized respectively in financial income or expenses.

3.5.14 Lease

Company as a lessee

Lease is classified as finance lease if the agreements transfer substantially all the risks and benefits resulting from the use of the leased asset to the lessee. Other leases are considered to be operating leases. Assets held under finance leases are recognized as assets of the Company and are valued at their acquisition at the present value of lease payments. The liability to the lessor is recognized in the balance sheet in other liabilities. Lease payments are divided into interest and principal parts. The interest part of the lease installment is recognized as the financial cost.

Company as a lessor

Assets transferred under finance leases are written-off from the assets of the Company. The resultant receivables due from a lessee, are presented in the balance sheet as trade receivables and long-term receivables. Received lease payments are divided into interest and principal. The interest part of the lease installment is recognized in the group of revenues from sales of products, goods and materials.

3.5.15 Statement of comprehensive income

The statement of comprehensive income covers the profit or loss and other comprehensive income.

3.5.16 Profit and loss account

Costs in the profit and loss account are presented by function. Profit or loss is the total amount arising from the amount of revenues decreased by the amount of costs, excluding the components of other comprehensive income.

3.5.17 Revenues

Sales revenues are recognized in the value of payments received or due for goods delivered or services performed within the normal course of business. Revenues shall be reduced by granted rebates; taxes in favor of third parties are not recognized as income. The sale of goods is recognized upon the delivery of goods and the transfer to the recipient of the significant risk associated with the delivery. Revenues from services are determined after the service is provided, and include the costs associated with the provision of the service. Dividend income is recognized at the time when the shareholders' right to receive payment is determined.

Other operating income and expenses

Other operating income include among other: profits from the sale of tangible fixed assets, received compensations related losses in the insured property, or subsidies received as part of the EU programs (staff trainings and IT systems implementation). Other operating expenses include among other: loss on sale of tangible fixed assets, donations made, revaluation of non-financial assets or other costs associated with losses with the loss of company assets.

3.5.18 Financial revenues and costs of external financing (borrowing costs)

The financial revenues include: revenue from dividends received, interest on deposits and loans, a positive result on exchange rate differences, etc.. The financial costs include: cost of the use of external financing sources that is interest on loans, interests payable on finance lease agreements, negative result on exchange rate differences, and impairment losses on financial assets. Costs of external financing are recognized as an expense in the profit and loss account in the period in which they are incurred. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, affect its initial value as a part of the purchase price or production cost. These costs are subject to capitalization if it is probable that they will result in the future economic benefits for the entity, while the amount of these costs may be reliably determined.

3.5.19 Income tax

Income tax consists of current tax and deferred tax. Current tax is calculated on the basis of the tax result (tax base) for the year. Tax profit (loss) differs from accounted net profit (loss) due to the exclusion of taxable revenues and costs which are not deductible as well as costs and revenues items that shall never be taxable. Tax charges are calculated based on the tax rates applicable in a given financial year. Deferred tax is calculated using the balance sheet method as tax payable or refundable in future based on differences between the carrying amounts of assets and liabilities and their corresponding tax values used to calculate the tax base. Deferred tax provision is generally recognized for all taxable temporary differences subject to taxation, but the deferred tax asset is recognized to the value with regard to which it is probable that it will be possible to reduce future tax profits by recognized negative temporary differences.

An asset or a deferred tax asset is not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither the taxable profit nor the accounting profit. The value of deferred tax assets is reviewed at each balance sheet date and where the expected future tax profits are not sufficient to realize the asset or part of it, it is written-off.

Deferred tax is calculated using tax rates that will apply when the asset is realized or the liability becomes payable. Deferred tax is recognized in the profit and loss account, except when it relates to items recognized directly in equity. In the latter case, the deferred tax is also recognized directly in equity.

4 OPERATING SEGMENTS

Operating segment is an integral part of the entity:

- which engages in business activities from which it may earn revenues and with regard to which it may incur costs (including revenues and costs connected with transactions with other parts of the same entity),
- whose operating results are regularly reviewed by the main decision maker in the entity who uses these results to decide on the allocation of resources to the segment and to assess the performance of individual segments, and
- in case of which, the separate financial information is available.

For the purposes of presentation, the business operations of ARCUS S.A. has been divided into the following segments:

- IT segment covering the sale and lease of copying equipment and equipment for document and correspondence management (office solutions),
- telematics segment covering the services associated with vehicles fleet monitoring,
- telemetry segment covering the sales, installation and commissioning of equipment for the measurement of utilities (electricity, gas and water),
- services segment covering maintenance services and services associated with integration of ICT (information and communication technologies) solutions.

Financial revenues and expenses as well as taxes have not been disclosed by segments as these items are monitored at the level of the entire Company and the information on them are not provided to decision-making persons at the segment level. Unallocated assets are shares in subsidiaries, held-for-sale assets, assets for deferred tax and cash. The unallocated liabilities include equity, loans and provision for income tax. Przychody Spółki za okres dwunastu miesięcy 2015 roku od tego klienta wyniosły 16 355 tys. zł i dotyczyły segmentu IT. Within the segments presented, the Company has identified one client, which generates more than 10% of the segment's revenue. The Company's revenue for twelve months of 2015 earned from mentioned client amounted to 16 355 thousand PLN and relate to IT segment.

Period from 01.01 to 31.12.2015	IT Segment	Telematics Segment	Telemetry Segment	Other Services Segment	Total
Revenues	122 875	236	600	17 617	141 328
Sales to external clients	122 875	236	600	17 617	141 328
Total segment's revenues	122 875	236	600	17 617	141 328
Segment's result	10 617	101	-493	938	11 163
Unallocated costs	-	-	-	-	-5 687
Profit on operating activities	-	-	-	-	5 476
Net financial revenues	-	-	-	-	-607
Profit before tax	-	-	-	-	4 869
Income tax	-	-	-	-	-1 106
Net profit for the financial year	-	-	-	-	3 763
Assets and liabilities					
Segment's assets	73 496	141	359	10 537	84 534
Unallocated assets	-	-	-	-	27 590
Total assets	-	-	-	-	112 124
Segment's liabilities	28 613	55	140	4 102	32 910
Unallocated liabilities	-	-	-	-	79 215
Total liabilities	-	-	-	-	112 124

Period from 01.01 to 31.12.2014	IT Segment	Telematics Segment	Telemetry Segment	Other Services Segment	Total
Revenues	114 359	267	850	10 849	126 325
Sales to external clients	114 359	267	850	10 849	126 325
Total segment's revenues	114 359	267	850	10 849	126 325
Segment's result	24	-45	-646	-1 437	-2 104
Unallocated costs	-	-	-	-	-4 684
Profit on operating activities	-	-	-	-	-6 788
Net financial revenues	-	-	-	-	-328
Profit before tax	-	-	-	-	-7 116
Income tax	-	-	-	-	3 158
Net profit for the financial year	-	-	-	-	-3 958
Assets and liabilities					
Segment's assets	65 607	153	488	6 224	72 472
Unallocated assets	-	-	-	-	32 902
Total assets	-	-	-	-	105 374
Segment's liabilities	38 524	90	286	3 655	42 555
Unallocated liabilities	-	-	-	-	62 819
Total liabilities	-	-	-	-	105 374

Other information regarding segments – geographical information

Revenues

	year ended 31.12.2015	year ended 31.12.2014
Domestic sales	133 823	105 390
Sales abroad	7 505	20 935
<u>Total</u>	<u>141 328</u>	<u>126 325</u>

As at 31.12.2015 and 31.12.2014, the Company's assets were located mainly in Poland.

5 REVENUES STRUCTURE

Sales revenues	year ended 31.12.2015	year ended 31.12.2014
Revenues from sales of services	18 906	17 941
including interests achieved from the lease contracts	1 188	1 071
Revenues from sales of goods	122 422	108 384
Total sales revenues	141 328	126 325
including for related entities	2 297	1 503

The operations of ARCUS S.A. are not subject to seasonality as well as are not of cyclical nature. Revenues are generated on the basis of permanent and incidental contracts. The high share of incidental contracts in the sales, as well as characterizing them – variable timing during the year, with an upward trend in the second half of the year, leads to different levels of sales achieved in the comparable periods of different years. At the same time, this factor does not have a significant impact on the comparability of the company's full-year results.

6 COSTS BY NATURE

Costs by nature	year ended 31.12.2015	year ended 31.12.2014
Consumption of materials and energy	8 659	7 088
Third-party services	11 841	16 239
Taxes and fees	1 356	1 291
Remunerations	13 335	14 326
Employee benefits	2 602	3 201
Amortisation and depreciation	1 873	2 149
Other costs by nature	1 142	1 535
Value of goods sold	95 229	87 017
<u>Total</u>	<u>136 038</u>	<u>132 846</u>
Change in inventory		
sales costs	21 183	28 336
General and administrative costs	6 081	6 356
Cost of sales	108 774	98 154

7 OTHER OPERATING REVENUES

Other operating revenues	year ended 31.12.2015	year ended 31.12.2014
Profits from the sales of fixed assets	125	28
Compensation received Repayment of receivables for which an impairment was established in previous years		
Subsidies received	149	149
Valuation associated with exchange of assets	0	3 636
Other	320	578
<u>Total</u>	<u>594</u>	<u>4 392</u>

The subsidy for software to the amount of depreciation write-down established, is recognized by the Company in other operating revenues. In the comparable period, other operating income included the amount of 3 636 thousand PLN being the difference between the fair value of the contribution in kind to Syntea Business Solutions Sp. o.o. and the book value of net assets of the organized part of the enterprise. In accordance with IAS 16 par. 25 it was agreed that this transaction has commercial substance and the profit from the contribution was recognized.

8 OTHER OPERATING COSTS

Other operating costs	year ended 31.12.2015	year ended 31.12.2014
Loss on sales of fixed assets		
Donations	0	23
Revaluation of financial assets (receivables)	83	
Revaluation of non-financial assets (inventory)	70	4 484
Written off receivables	55	
Other	201	151
<u>Total</u>	<u>409</u>	<u>4 658</u>

In the reporting period, the write-down for receivables at the amount of 83 thousand PLN was recognized in other operating costs. In 2014 the revaluation of receivables and inventory was carried out and write-downs at the amount of 4 484 thousand PLN were recognized. It was a one-off event, resulting from conservative assessment of these assets.

9 FINANCIAL REVENUES

Financial revenues	year ended 31.12.2015	year ended 31.12.2014
Interests on bank deposits	41	161
interests on loans granted	268	171
Other interests received	48	56
Dividends received	0	66
Other - including exchange differences	140	10
<u>Total</u>	<u>497</u>	<u>465</u>

10 FINANCIAL COSTS

Financial costs	year ended 31.12.2015	year ended 31.12.2014
Interests	281	159
Borrowing costs	67	33
Revaluation of financial assets	160	
Exchange differences		395
Loss on disposal of investment	437	
Other	161	205
<u>Total</u>	<u>1 106</u>	<u>792</u>

In the reporting period a write-down for shares in a company in Kazakhstan was established at the amount of 160 thousand PLN. The amount of 437 thousand PLN for the sales of shares in TAURON was recognized in financial costs.

11 INCOME TAX

Current income tax	year ended 31.12.2015	year ended 31.12.2014
Gross profit before tax	4 869	-7 116
permanent differences in income tax	306	-3 501
temporary differences in income tax	-2 359	4 282
dividends taxed at a flat rate		-66
the use of losses in 2011	-1 067	0
use part of the loss of 2014	-1 749	0
Tax base	0	-6 401
Tax according to the statutory rate	0	0
Fixed tax	0	-12
tax reimbursement	0	822
Income tax expenses recognized in the profit and loss account	0	810

In December 2014 Arcus S.A. received a refund of overpaid income tax for the period of 2011-2013 at a total amount of 822 thousand PLN.

Deferred income tax	year ended 31.12.2015	year ended 31.12.2014
Gross profit before tax	4 869	-7 116
Tax according to 19%-rate	925	1 352
tax on permanent differences	59	665
revaluation of previous periods' tax	122	331
Deferred tax recognized in the profit and loss account	1 106	2 348

Deferred tax	Balance sheet		Profit and loss account	
	as at 31.12.2015	as at 31.12.2014	year ended 31.12.2015	year ended 31.12.2014
Difference in the carrying and value of financial assets and tax	2 485	2 826	-341	978
Exchange differences				-42
Other	776		776	
Provision for deferred tax	3 261	2 826	435	936
Provision for warranty repairs	11	94	83	115
Impairment of inventory	190	184	-6	-115
Impairment referring to stakes and shares	31		-31	
Unpaid social security contributions	14	6	-8	1
Unpaid remunerations	73	69	-4	-17
Exchange rate differences from the valuation of settlements	78	130	52	-130
Impairment losses on receivables	747	748	1	-724
Provision for retirement benefits	85	85		35
Unpaid liabilities	1 077		-1 077	
Revaluation of shares in Tauron		63		
Difference in the tax and carrying value of liabilities				
Difference in tax and carrying value of fixed assets	383	1 340	957	-710
Revaluation of TAURON PE		90	90	
Tax loss	884	1 419	535	-1 419
Other	255	334	79	-320
Deferred income tax assets	3 828	4 562	671	-2 348
Deferred tax recognized in the profit and loss account			1 106	-2 348

Tax losses to be used

Year of loss	value of the losses to be used	asset
2014	4 652	884

12 PROFIT PER SHARE

The ordinary profit per share is calculated by dividing net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares issued during the period.

The diluted profit per share is calculated by dividing net profit for the period attributable to ordinary shareholders (after deducting interest on redeemable preference shares convertible to ordinary shares) by the weighted average number of ordinary shares issued during the period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares). There were no dilutive options in the Company at the end of the reporting periods.

Profit per share

	as at 31.12.2015	as at 31.12.2014
Number of shares	7 320 000	7 320 000
Net profit (PLN THOUSAND)	3 763	-3 958
Net profit (loss) and diluted profit (loss) per share - PLN	0,51	-0,54

13 DO WYPŁATY PAID AND DECLARED DIVIDENDS

In the reporting period the Company did not pay or receive dividends.

14 FIXED ASSETS

Fixed assets	As at 31.12.2015	As at 31.12.2014
Lands	0	0
Buildings and structures	415	459
Machines and devices	592,00	768,00
Means of transport	1 449,00	1 676,00
Other	618,00	744,00
Fixed assets - total	3 074,00	3 647,00
Fixed assets under construction	0,00	5,00
Prepayments for fixed assets	231,00	441,00
Fixed tangible assets	3 304,00	4 093,00

Changes in fixed assets in the period from 01.01 to 31.12.2015

	Buildings and structures	Machines and devices	Means of transport	Other
Net As at 01.01.2015	459,00	768,00	1 677,00	743,00
Gross value				
As at 01.01.2015	572,00	2 219,00	2 462,00	3 254,00
Increase - purchase	94,00	161,00	406,00	198,00
Decrease - sale and liquidation	2,00	39,00	131,00	588,00
As at 31.12.2015	664,00	2 341,00	2 737,00	2 864,00
Redemption				
As at 01.01.2015	113,00	1 451,00	785,00	2 511,00
Increase - depreciation	137,00	337,00	563,00	311,00
Decrease - sale and liquidation	1,00	39,00	60,00	576,00
As at 31.12.2015	249,00	1 749,00	1 288,00	2 246,00
Net as at 31.12.2015	415,00	592,00	1 449,00	618,00

Changes in fixed assets in the period from 01.01 to 31.12.2014

	Buildings and structures	Machines and devices	Means of transport	Other
Net As at 01.01.2014	402	1 082	586	1 061
Gross value				
As at 01.01.2014	409	2 906,00	983,00	3 758,00
Increase - purchase	163,00	195,00	1 665,00	306,00
Decrease - sale and liquidation	-	882,00	186,00	810,00
As at 31.12.2014	572,00	2 219,00	2 462,00	3 254,00
Redemption				
As at 01.01.2014	7,00	1 824,00	397,00	2 697,00
Increase - depreciation	106,00	428,00	424,00	600,00
Decrease - sale and liquidation	-	801,00	36,00	786,00
As at 31.12.2014	113,00	1 451,00	785,00	2 511,00
Net as at 31.12.2014	459,00	768,00	1 677,00	743,00

15 INTANGIBLE ASSETS

Intangible assets	as at 31.12.2015	as at 31.12.2014
Software	338,00	277,00
Licenses	719,00	1 095,00
Other	3,00	9,00
Total	1 060,00	1 381,00
Prepayments for intangible assets	2 121,00	670,00
Total	3 181,00	2 051,00

Arcus S.A. does not hold assets of an indefinite useful life.

Change in intangible assets in the period from 01.01.2015 to 31.12.2015	Software	Licenses	Other
Net as at 01.01.2015	277,00	1 095,00	9,00
<i>Gross value</i>			
As at 01.01.2015	978,00	2 111,00	130,00
Increase - purchase	205,00	2,00	0,00
Decrease - liquidation	0,00	2,00	0,00
As at 31.12.2015	1 143,00	2 151,00	130,00
<i>Redemption</i>			
As at 01.01.2015	701,00	1 016,00	121,00
Increase - depreciation	104,00	416,00	6,00
Decrease - liquidation	0,00	0,00	0,00
As at 31.12.2015	805,00	1 432,00	127,00
Net as at 31.12.2015	338,00	719,00	3,00

Change in intangible assets in the period from 01.01.2014 to 31.12.2014	Software	Licenses	Other
Net as at 01.01.2014	273,00	1 457,00	23,00
<i>Gross value</i>			
As at 01.01.2014	860,00	2 011,00	130,00
Increase - purchase	118,00	106,00	0,00
Decrease - liquidation		6,00	
As at 31.12.2014	978,00	2 011,00	130,00
<i>Redemption</i>			
As at 01.01.2014	587,00	554,00	107,00
Increase - depreciation	114,00	462,00	14,00
Decrease - liquidation	0,00		
As at 31.12.2014	701,00	1 016,00	121,00
Net as at 31.12.2014	277,00	1 095,00	9,00

16 SHARES IN SUBSIDIARIES

Shares in subsidiaries	%		as at 31.12.2015	as at 31.12.2014
	Share in capital	Share in votes		
Share in T-matic Systems	74,7%	67,6%	9 005,0	5 945,0
Share in ASI	53,0%	53,0%	7 986,0	7 986,0
Share in Durau	100,0%	100,0%	301,0	301,0
Share in Docusoft	87,0%	90,1%	2 010,0	2 010,0
Share in Arcus Kazakhstan	100,0%	100,0%	283,0	443,0

As at 31 December 2015, ARCUS S.A. holds shares in subsidiaries representing the value of 19 585 thousand PLN (value as at the end of the comparable period - 16 685 thousand PLN).

On 8 April 2015, the Extraordinary General Meeting of Shareholders of T-matic Systems S.A. decided to increase the share capital by the amount of 340 thousand PLN and the issue 340 thousand shares of a total value of 3.06 million PLN for the benefit of Arcus S.A. As a result of acquisition of these shares, the share of Arcus in T-matic Systems S.A. increased to 74.7% in the share capital and to 67.6% in votes (after the registration by the National Court Register).

In the opinion of the Management Board, as at 31 December 2015 there were no indications as to the impairment of shares in subsidiaries that is in: Arcus Systemy Informatyczne Sp. z o.o., Docusoft Sp. z o.o., T-matic Systems S.A., Durau Sp. z o.o. and Arcus Kazakhstan Sp. z o.o. In four cases, the annual valuation and impairments tests with regard to entities were carried, which shown that there shall be no need for revaluation and that future cash flows will be at least equal to the shares' value as at balance sheet day. In case of ARCUS Kazakhstan Sp. z o.o. an impairment was recognized at the value of 283 thousand PLN. The details as regards the performed tests are set out in note 2.5.3.

At the balance sheet date, shares in subsidiaries are not subject to any liens or other restrictions as to the disposability.

17 HELD-FOR-SALE FINANCIAL ASSETS

Held-for-sale financial assets	as at	as at
	31.12.2015	31.12.2014
Shares of listed entities	0,0	1 751,0
Shares of non-listed entities	0,0	0,0

As at 31.12.2014, the Group held 346 748 shares of TAURON Polska Energia (TAURON) of total value of 1 751 thousand PLN. In 2015, all shares of TAURON were sold. The effects of the current revaluation of shares held were recognized in the revaluation reserve being the component of the comprehensive income. The loss at the amount of 444 thousand PLN incurred as a result of transaction, was recognized in the reporting period's result (increase of comprehensive income by 266 thousand PLN).

18 HELD-TO-MATURITY FINANCIAL ASSETS

The long-term notes receivables due from T-Matci Systems S.A. at the amount of 12 000 thousand PLN are recognized in this item. In the comparable period due notes receivables were presented in the amount of 4 650 thousand PLN in fixed assets and in the amount of 9 950 thousand in current assets.

19 LONG-TERM RECEIVABLES

Long-term receivables	as at 31.12.2015	as at 31.12.2014
Trade receivables *	7 339,0	9 857,0
Other receivables	44,0	131,0
Total	7 384,0	9 988,0

*) Long-term trade receivables include receivables arising from lease of equipment to Clients

20 INVENTORY

Inventory

	As at 31.12.2015	As at 31.12.2014
Gross goods	12 316,0	14 519,0
Impairment	-396,0	-968,0
Goods	11 920,0	13 551,0
Prepayments for deliveries	98,0	98,0
Total inventory	12 018,0	13 649,0

IMPAIRMENT IN RESPECT OF INVENTORY

	As at 31.12.2015	As at 31.12.2014
Opening balance	968	363
New impairments	70	644
Reversal of impairments		38
Use of impairments	642	1
Closing balance	396	968

In 2015 the impairments in respect of inventory were established at the amount of 70 thousand PLN. In the reporting period, also impairments established in comparable period at the amount of 642 thousand PLN were recognized directly in inventory which had no impact on the period's result. Inventory of the value amounting to 10 million PLN constituted a collateral for an overdraft, both as at the end of the reporting period and the comparable period.

21 LOANS GRANTED TO CAPITAL GROUP COMPANIES

Loans granted to related entities

	as at 31.12.2015	as at 31.12.2014
Loans granted	5 196,0	3 700,0
<i>including long-term loans</i>	5 196,0	0,0
Interests on loans	477,0	228,0
Total	5 674,0	3 928,0
<i>including loans granted to:</i>		
T- matic Systems	3 429,0	2 150,0
DocuSoft	1 001,0	1 064,0
Durau	1 244,0	714,0

In the item „Loans granted”, the loans for non-related entities are recognized in current assets.

22 TRADE RECEIVABLES AND OTHER RECEIVABLES

TRADE RECEIVABLES AND OTHER RECEIVABLES, INCOME TAX RECEIVABLES

	AS AT 31.12.2015	AS AT 31.12.2014
Trade receivables from related entities subject to consolidation	1 289,0	257,0
Trade receivables from other entities*	36 927,0	24 760,0
Prepayments and accrued income, including:	4 967,0	1 527,0
margin and revenues relating to long-term contracts	2 927,0	0,0
the value of used materials settled over the duration of the contract	1 149,0	0,0
Other prepayments and accrued income	891,0	1 527,0
Other receivables	1 180,0	1 437,0
Impairment	-3 947,0	-3 939,0
Total	40 416,0	24 041,0

* Where 6 247 thousand PLN is the amount of short-term lease receivables (6,4 million PLN as at 31 December 2014)

IMPAIRMENTS IN RESPECT OF RECEIVABLES

	As at 31.12.2015	As at 31.12.2014
Opening balance	3 939	127
New impairments	83	3 840
Reversal of impairments	39	13
Use of impairments	36	15
Closing balance	3 947	3 939

Receivables at the amount of 10 million PLN constituted a collateral for an overdraft, both as at the end of the reporting period and the comparable period. Terms of transactions and transactions with related parties are presented in Note 34. Description of the risks associated with trade receivables and other receivables as well as the Company's policy in terms of the management of these risks is presented in Note 2.4.

23 CASH

	As at 31.12.2015	As at 31.12.2014
Cash at hand	12,0	10,0
Cash in banks	3 540,0	2 295,0
Short-term deposits	624,0	7 600,0
Total	4 177,0	9 905,0

24 EQUITY

Share capital			
		Nominal value	Number of shares
As at 31.12.2013		0,10	7 395 157,0
As at 31.12.2014		0,10	7 320 000
As at 31.12.2015		0,10	7 320 000

Series	Number of shares	Value of shares	Coverage
D	7 320 000	732 000,00	Cash

On 14 June 2012, the Annual General Meeting of Shareholders adopted Resolution No 26 regarding the purchase of own shares for the purpose of their redemption in the amount of up to 10% of the share capital and at a price not exceeding 6 PLN per share. Share buyback started in September 2012 – as at 31.12.2013 the Company held 75,157 own shares purchased at an average price of 3.63 PLN. Mentioned shares accounted for 1.02% of the total capital and 1.02% of the total number of votes at the AGM.

On 20 June 2013, under the Resolution No 12 the Ordinary General Meeting of Shareholders decided to redeem the shares held by Arcus S.A. and to decrease the share capital. In accordance with Art. 456 of the Commercial Companies Code, the Company started convocation proceedings, which were completed in the 4th quarter of 2013 - no objections were raised by the creditors. On 20 June 2014, the Annual General Meeting of Shareholders Resolution on the basis of the Resolution No 20, decided on the conversion of all existing shares of A, B and C series into D series shares, and on the basis of the Resolution No 21 on redemption of 75 157 shares, which was confirmed by the District Court in September 2014.

Shareholding structure of ARCUS S.A. (according to the Company's knowledge) as at 31 December 2015

	Number of shares	The value of share in the share capital	Share in the share capital
MMR Invest S.A.*	4 800 000,00	480 000,00	65,6
Pozostali	2 520 000	252 000,00	34,4
Razem	7 320 000	732 000,00	100,0

*- entity under the control of Mr. Marek Czeredys, Michał Czeredys and Rafał Czeredys.

25 RESERVE CAPITAL FROM SHARE PREMIUM

	As at 31.12.2015	As at 31.12.2014
Reserve capital from share premium	38 024,00	38 024,0
Total	38 024,00	38 024,0

26 RETAINED EARNINGS

Retained earnings

	As at 31.12.2015	As at 31.12.2014
Statutory, obligatory allowance	249,00	249,00
Earnings retained over the required value - on the basis of shareholders' decision	27 843,00	24 080,00
Total	28 092,00	24 329,00

27 PROVISIONS FOR LIABILITIES

Provisions for liabilities

	As at 31.12.2015	As at 31.12.2014
Provision for warranty repairs	61,00	495,00
Provision for retirement benefits and unused leaves	604,00	747,00
Total	664,00	1 242,00
<i>including:</i>		
Long-term	429,00	429,00
Provision for warranty repairs		
Provision for retirement benefits and unused leaves	429,00	429,00
Short-term	235,00	813,00
Provision for warranty repairs	61,00	495,00
Provision for retirement benefits and unused leaves	175,00	318,00

Change in provisions for liabilities

	As at 31.12.2015	As at 31.12.2014
Opening balance	1 242,00	1 730,0
Establishment of a provision	0,00	489,0
Provision for warranty repairs	0,00	22,0
Provision for retirement benefits and leaves	0,00	467,0
Use of provisions	0,00	977,0
Provision for warranty repairs	0,00	627,0
Provision for retirement benefits and leaves	0,00	350,0
Reversals of provisions	578,00	0,0
Provision for warranty repairs	434,00	0,0
Provision for retirement benefits and leaves	144,00	0,0
Provision for balance sheet audit	0,00	0,0
Closing balance	664,00	1 242,0

The Company pays retiring employees the retirement benefits in the amount determined by the Labour Code. Therefore, based on the evaluation made by a professional actuary, the Company establishes a provision for the current value of retirement benefits liabilities.

The main assumptions adopted by the actuary for the purpose of calculation of the amount of obligation shall be as follows:

ASSUMPTIONS

	31.12.2015	31.12.2014
discount rate (%)	3,00%	2,50%
Expected remuneration growth rate (%)	3,50%	3,50%

28 LONG-TERM LIABILITIES

Long-term liabilities as at 31.12.2015 amount to 7 549 thousand PLN and cover, apart from provisions for liabilities and deferred tax, lease liabilities at the amount of 3 859 thousand PLN. As at the end of the comparable period, the long-term credit at the amount of 6 673 thousand PLN and lease liabilities at the amount of 5 083 thousand PLN were recognized by the Company in long-term liabilities.

29 SHORT-TERM LIABILITIES

Short-term trade liabilities and other liabilities	As at 31.12.2015	As at 31.12.2014
Trade liabilities towards related entities subject to consolidation	1 052,00	208,00
Trade liabilities towards other entities	18 521,00	19 394,00
Tax and social security liabilities	5 694,00	1 963,00
Retained earnings	0,00	0,00
Wages payable	380,00	378,00
Other*	2 740,00	3 740,00
Total	28 387,00	25 684,00

*) including the amount of short-term lease liabilities – 2 024 thousand PLN (31.12.2014 - 2 699 thousand PLN)

Tax and social security liabilities refer particularly to VAT for December 2015, PIT and social security contributions paid in December 2015. Terms of transaction and transactions with related entities are presented in Note 34.

30 LIABILITIES AND RECEIVABLES IN FOREIGN CURRENCIES (LONG-TERM AND SHORT-TERM)

Liabilities and receivables in foreign currencies (long-term and short-term)	Liabilities		Receivables	
	As at 31.12.2015	As at 31.12.2014	As at 31.12.2015	As at 31.12.2014
EUR	17 815,00	17 164,00	4 800,00	715,00
USD	0,00	0,00		
PLN	14 431,00	14 651,00	43 000,00	33 314,00
Total	32 246,00	31 815,00	47 800,00	34 029,00

31 CONTINGENT LIABILITIES AS AT 31.12.2015

Contingent liabilities	As at 31.12.2015	As at 31.12.2014
Towards other entities	58 503,0	75 483,0
Bill of exchange liabilities, including issued for:	28 503,0	45 483,0
Bank as a credit collateral	7 500,0	7 500,0
Insurance companies in respect of performance bond	11 703,0	15 672,0
Insurance companies in respect of guarantee for security payment	300,0	0,0
Letters of credit	8 000,0	21 311,0
Bank guarantees	1 000,0	1 000,0
Assignment of receivables	20 000,0	20 000,0
Transfer of ownership of warehoused goods	10 000,0	10 000,0