Capital Group
of Midas Spółka Akcyjna

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015
TOGETHER WITH THE INDEPENDENT AUDITOR'S OPINION

CONTENTS

SELECTED FINANCIAL DATA

	12-month period ended 31 December 2015	12-month period ended 31 December 2014	12-month period ended 31 December 2015 in EUR '000	12-month period ended 31 December 2014 in EUR '000
Revenue from sales	577,877	430,536	138,091	102,772
Loss on operating activities	(185,202)	(283,420)	(44,256)	(67,654)
Loss before taxation	(223,532)	(337,933)	(53,416)	(80,667)
Net loss on continuing operations attributable to shareholders of the Issuer	(105,808)	(320,857)	(25,284)	(76,591)
Net cash flow from operating activities	276,770	(37,434)	66,137	(8,936)
Net cash flow from investing activities	(351,905)	(121,131)	(84,092)	(28,915)
Net cash flow from financing activities	165,813	111,768	39,623	26,680
Average weighted number of shares	1,479,666,750	1,479,666,750	1,479,666,750	1,479,666,750
Basic loss from continuing operations per ordinary share (in PLN)	(0.07)	(0.22)	(0.02)	(0.05)

	Balance as at 31 December 2015	Balance as at 31 December 2014	Balance as at 31 December 2015 in EUR '000	Balance as at 31 December 2014 in EUR '000
Total assets	1,737,879	1,394,620	407,809	327,199
Total liabilities	1,427,668	952,351	335,015	223,436
Non-current liabilities	746,316	591,784	175,130	138,841
Current liabilities	681,352	360,567	159,885	84,594
Equity attributable to equity holders of the Issuer	310,211	442,269	72,794	103,763
Share capital	147,967	147,967	34,722	34,715

Selected items from the statement of financial position presented in the report in EUR were converted using the average EUR exchange rate announced by the National Bank of Poland on 31 December 2015: EUR/PLN 4.2615, and on 31 December 2014: EUR/PLN 4.2623.

Selected items from the statement of comprehensive income and the statement of cash flows were converted to EUR according to the exchange rate announced by the National Bank of Poland constituting the arithmetic average of the EUR exchange rates which were in effect on the last day of a completed month in financial year 2015 and financial year 2014 (EUR/PLN 4.1848 and EUR/PLN 4.1893 respectively).

(in PLN '000, except for items otherwise indicated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Continuing operations			
Revenues from sales of goods and services	11.1	577,877	430,536
Depreciation and amortisation	11.2	(176,092)	(126,028)
Wages and salaries		(7,163)	(8,544)
Expenses related to the telecommunications network	11.3	(535,953)	(401,093)
Taxes and charges		(27,389)	(26,715)
Other expenses by type	11.4	(20,811)	(24,527)
Other operating income	11.5	6,041	4,426
Impairment of non-financial assets	11.6	-	(126,383)
Other operating expenses	11.7	(1,712)	(5,092)
Loss on operating activities		**(185,202)**	**(283,420)**
Financial revenues	11.8	9,195	9,505
Financial expenses	11.9	(47,525)	(64,018)
Loss on financial activities		**(38,330)**	**(54,513)**
Loss before taxation		**(223,532)**	**(337,933)**
Current income tax	12.1	(10,856)	-
Deferred tax	12.3	128,573	17,076
Total income tax		**117,717**	**17,076**
Net loss on continuing activities		**(105,815)**	**(320,857)**
Net profit / (loss) from discontinued operations		**-**	**-**
Net loss		**(105,815)**	**(320,857)**
Other comprehensive income		**-**	**-**
COMPREHENSIVE LOSS		**(105,815)**	**(320,857)**
Attributable to			
ownership interests of shareholders of the parent		(105,808)	(320,857)
non-controlling interests		(7)	-
Average weighted number of ordinary shares		1,479,666,750	1,479,666,750
Net loss on continuing operations per share attributable to shareholders of the parent (in PLN)	13	(0.07)	(0.22)

Krzysztof Adaszewski	Piotr Janik	Teresa Rogala
/President of the Management Board/	/Vice-President of the Management Board/	/on behalf of Sferia Spółka Akcyjna – entity keeping books of account/

(in PLN '000, except for items otherwise indicated)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

ASSETS	Note	31 December 2015	31 December 2014
Fixed assets			
Property, plant and equipment	14	553,442	467,734
Intangible assets	15	684,118	577,082
goodwill of subsidiaries	17	194,203	41,231
value of frequency reservations		471,892	533,712
other intangible assets		18,023	2,139
Other financial assets	18.1	85,712	74,650
Other non-financial assets	18.2	342	13,591
Deferred tax assets	12.3	126,205	-
Total fixed assets		**1,449,819**	**1,133,057**
Current assets			
Inventories	19	664	736
Trade and other receivables	20	142,762	189,297
Other assets	21	-	17,148
Current prepayments	18.2	506	932
Cash and cash equivalents	22	144,128	53,450
Total current assets		**288,060**	**261,563**
Total assets		**1,737,879**	**1,394,620**

EQUITY AND LIABILITIES	Note	31 December 2015	31 December 2014
Equity			
attributable to equity holders of the Company:			
Share capital	23.1	147,967	147,967
Supplementary capital	23.2	1,140,765	1,140,765
Uncovered losses		(952,271)	(846,463)
Accumulated losses		(846,463)	(525,606)
Loss for the current period		(105,808)	(320,857)
Non-controlling interests	23.3	(26,250)	-
Total equity		**310,211**	**442,269**
Non-current liabilities			
Loans and borrowings	24	290,554	160,794
Liabilities from issue of bonds	24	365,163	328,054
Deferred income	25	18,664	33,325
Provisions	26	19,211	14,519
Deferred tax liability	12.3	52,724	55,092
Total non-current liabilities		**746,316**	**591,784**
Current liabilities			
Trade and other liabilities	27	100,946	161,689
Deferred income	25	480,080	150,973
Loans and borrowings	24	96,434	47,905
Liabilities from income tax		2,335	-
Provisions	26	1,557	-
Total current liabilities		**681,352**	**360,567**
Total equity and liabilities		**1,737,879**	**1,394,620**

Krzysztof Adaszewski	Piotr Janik	Teresa Rogala
/President of the Management Board/	/Vice-President of the Management Board/	/on behalf of Sferia Spółka Akcyjna – entity keeping books of account/

(in PLN '000, except for items otherwise indicated)

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Gross loss		**(223,532)**	**(337,933)**
Adjustments of items:			
Depreciation and amortisation of property, plant and equipment and intangible assets		176,092	126,028
Interest expenses and income and commission		42,686	59,879
Exchange rate differences		-	-
Loss from investing activities		1,129	127,065
Change in the balance of assets and liabilities related to operating activities:			
- Trade and other receivables	28.1	53,152	(67,202)
- Inventories		132	(549)
- Trade and other payables	28.2	(74,925)	20,239
- Deferred income		314,328	40,836
- Provisions	28.3	612	1,134
- Prepayments, accruals and other non-financial assets	28.4	2,929	386
Revaluation of embedded derivative		(7,512)	(7,415)
Income tax paid	12.3	(8,521)	
Other adjustments		200	98
Net cash flow from operating activities		**276,770**	**(37,434)**
Proceeds from sales of property, plant and equipment and intangible assets		564	44
Purchase of property, plant and equipment and intangible assets		(228,230)	(101,175)
Acquisition of a subsidiary, net of cash acquired	17	(124,239)	-
Guarantee deposit		-	(20,000)
Net cash flow from investing activities		**(351,905)**	**(121,131)**
Proceeds from loans borrowed		181,467	122,440
Repayment of loans		(2,500)	-
Commission and interest paid on bank loans		(13,102)	(10,620)
Other		(52)	(52)
Net cash flow from financing activities		**165,813**	**111,768**
Net increase (decrease) in cash and cash equivalents		90,678	(46,797)
Cash at beginning of period		**53,450**	**100,247**
Cash at end of period	22	**144,128**	**53,450**

Krzysztof Adaszewski	Piotr Janik	Teresa Rogala
/President of the Management Board/	/Vice-President of the Management Board/	/on behalf of Sferia Spółka Akcyjna – entity keeping books of account/

(in PLN '000, except for items otherwise indicated)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2015

		Equity attributable to equity holders of the parent					
	Note	**Share capital**	**Supplementary capital**	**Uncovered losses**	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2015		**147,967**	**1,140,765**	**(846,463)**	**442,269**	**-**	**442,269**
Acquisition of subsidiary	17, 23.3	-	-	-	-	(26,250)	(26,250)
Net loss for the financial year		-	-	*(105,815)*	*(105,815)*	7	*(105,808)*
Balance as at 31 December 2015		**147,967**	**1,140,765**	**(952,278)**	**336,454**	**(26,243)**	**310,211**

	Note	**Share capital**	**Supplementary capital**	**Retained earnings/ accumulated losses**	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2014		**147,967**	**1,140,765**	**(525,606)**	**763,126**	**-**	**763,126**
Net loss for the financial year		-	-	*(320,857)*	*(320,857)*	-	*(320,857)*
As at 31 December 2014		**147,967**	**1,140,765**	**(846,463)**	**442,269**	**-**	**442,269**

Krzysztof Adaszewski
/President of the Management Board/

Piotr Janik
/Vice-President of the Management Board/

Teresa Rogala
/on behalf of SFERIA Spółka Akcyjna -
entity keeping books of account/

(in PLN ‘000, except for items otherwise indicated)

ACCOUNTING POLICIES AND ADDITIONAL EXPLANATORY NOTES

1. General Information

The Midas S.A. Capital Group (the “Group”) consists of Midas S.A. (the “parent”, the “Company”, “Midas”) and its subsidiaries. The consolidated financial statements of the Group cover the year ended 31 December 2015 and contain comparative data for the year ended 31 December 2014.

The parent is entered in the Commercial Register of the National Court Register kept by the District Court in Warsaw, Division XII Commercial of the National Court Register, under KRS 0000025704.

The parent was granted statistical number REGON 010974600.

The parent and other Group entities have an unlimited period of operation.

The core business activity of the Group is telecommunications activities conducted on the territory of Poland.

The immediate parent of Midas S.A. is Litenite Ltd (“Litenite”) with its registered office in Nicosia, Cyprus – an entity controlled by Zygmunt Solorz-Żak. As at 31 December 2015, the shareholders of Litenite were: Ortholuck Ltd and LTE Holdings SPV.

2. Composition of the Group

The Group comprises Midas S.A. and the following subsidiaries (the table below shows direct and indirect subsidiaries):

Entity	Registered office	Scope of activity	Company’s percentage share in equity	
			31 December 2015	31 December 2014
CenterNet S.A. (“CenterNet”)*	Warsaw, Poland	telecommunications	-	100%
Mobyland Sp. z o.o. (“Mobyland”)**	Warsaw, Poland	telecommunications	-	100%
Aero 2 Sp. z o.o. (“Aero2”)	Warsaw, Poland	telecommunications	100%	100%
AltaLog Sp. z o.o. (“AltaLog”)	Warsaw, Poland	software	66%	-
Sferia S.A. ("Sferia")	Warsaw, Poland	telecommunications	51%***	-

** On 31 December 2014, the merger of Aero2 and CenterNet was registered*
*** On 30 November 2015, the merger of Aero2 and Mobyland was registered*
**** through Aero2*

As at 31 December 2015 and as at 31 December 2014, the share in the total number of votes held by Midas in subsidiaries is equal to the share of Midas in the capital of those entities.

On 5 August 2015 Midas acquired 3,630 shares in AltaLog for the price of PLN 5,326,000. The acquired shares represent a 66% share in the share capital of AltaLog and give the right to 66% of votes at the general meeting of AltaLog. The nominal value of one share is PLN 1,000, and the total nominal value of the acquired shares amounts to PLN 3,630,000. More information on the acquisition of AltaLog can be found in Note 17.

On 23 December 2015, transfer agreements were concluded for 1,834,405 shares of Sferia with a nominal value of PLN 100 each, representing 51% of the share capital and votes at the general meeting of Sferia, between Mr. Jacek Szymoński and Aero 2, in which the Company holds 100% of the shares, and between Bithell Holdings Limited and Aero2. The total price Aero2 paid to the Sellers amounted to PLN 121,900,000 derived from its own resources.

In connection, among others, with (i) terms and conditions as well as contractual rights stipulated in the agreements for acquisition of 51% of the shares in Sferia and (ii) the Sellers’ representations made, the Group took control over Sferia S.A. and included Sferia S.A. in the perimeter of consolidation by the full method. More details on the acquisition of Sferia may be found under Note 17.

Information on the merger between Mobyland and Aero2, which was registered in 2015, is set forth in Note 16 hereto.

3. Composition of the Management Board of the parent

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

1. Krzysztof Adaszewski – President of the Management Board,
2. Piotr Janik – Vice-President of the Management Board.

On 9 December 2014 the Supervisory Board of the Company appointed the above-mentioned persons for a two-year term of office beginning on 16 December 2014.

4. Adoption of the financial statements

These consolidated financial statements were approved by the Management Board on 26 February 2016 for publication on 29 February 2016.

5. Significant values based on professional judgement and estimates

5.1. Professional judgement

The preparation of the consolidated financial statements of the Group requires the Management Board of the parent to make judgements, estimates and assumptions which may affect the revenues, expenses, assets and liabilities presented, as well as the notes related thereto and disclosures concerning contingent liabilities. Uncertainty as to those assumptions and estimates may cause significant adjustments of the carrying amounts of assets and liabilities in the future.

In the process of applying accounting policies, the Management Board made the following judgements having the greatest effect on the carrying amount presented of assets and liabilities:

1. Assessment of control over subsidiaries,
2. Tests against impairment of assets (more on this topic in Note 15),
3. Tests against realisability of deferred tax assets (more on this topic in Note 5.2)
4. An evaluation of lease agreements – the Group classifies leases as operating or finance on the basis of an assessment of the extent to which the risks and benefits from possessing the leased object are incurred by the lessor and by the lessee. That assessment is based on the economic content of each transaction.
5. Treating all companies in the Group as one operating segment and one cash-flow generating unit (more on this topic in Note 10),
6. An assessment of the period of use of base stations for the needs of a provision for dismantling (more on this topic in Note 26.2)
7. An assessment of the possible outcomes of pending court proceedings (more on this topic in Note 31.1)
8. An assessment of separating early redemption options as a separate instrument for valuation and disclosure (more on this topic in Note 18.1)

5.2. Uncertainty of estimates

Below, basic assumptions are discussed concerning the future and other key sources of uncertainty as at the balance sheet date, which entail a significant risk of having to adjust the carrying amounts of assets and liabilities in the next financial year. The Group accepted assumptions and estimates about the future on the basis of the knowledge it possessed when preparing the financial statements. Those assumptions and estimates may be subject to change as a result of future events resulting from market changes or changes beyond the control of the Group. Such changes are reflected in estimates or assumptions when they occur.

Impairment of assets

On each reporting date, the Group determines whether there is any objective evidence of impairment of an asset or a group of assets.

The Group conducted an impairment test of goodwill and of the cash-generating unit attributed to it. This required estimating the recoverable value of the cash-generating unit. The estimate of the recoverable value was made by determining the fair value of the cash-generating unit reduced by sales expenses. The fair value as at 31 December 2015 is the market capitalisation of the Group. The surplus market capitalisation above the book value of the cash-generating unit is sufficient to cover potential sales expenses. Details are provided in Note 15.

Depreciation and amortisation rates

The level of depreciation and amortisation rates is determined on the basis of the anticipated useful economic life of property, plant and equipment and intangible assets. Every year, the Group verifies the useful economic life accepted on the basis of current estimates.

Deferred income tax asset component

The Group recognises a deferred tax asset component based on the assumption that, in the future, a taxable profit will be earned allowing it to be used. A worsening of the tax results obtained in the future may result in that assumption proving to be unjustified. As at 31 December 2015, the Group recognised deferred income tax assets accrued on tax losses of Midas and Aero2 in connection with the strong likelihood of those losses being utilised, while deferred tax assets in other companies were not recognised. A detailed deferred tax calculation is found in Note 12.3.

Option of early redemption of bonds

At the moment of initial recognition of a liability from bonds, the Company disclosed an instrument that meets the definition of an embedded derivative (early bond redemption option). Information on the separation and evaluation of the derivative instrument is found in Note 18.1.

Provision for dismantling

The estimates used in calculating the provision for dismantling base stations are set forth in Note 26.2 hereto.

6. Basis for preparing the consolidated financial statements

These consolidated financial statements were prepared in accordance with the historical cost principle, except for items measured in the financial statements at fair value – the early bond redemption option.

These consolidated financial statements are presented in Polish zlotys ("PLN").

These consolidated financial statements were prepared on the assumption that the Group will continue its business activities as a going concern in the foreseeable future.

The Management Board of the Company periodically analyses the liquidity of companies belonging to the Group. On the basis of that analysis, on the day of approval of the consolidated financial statements the Management Board of the Company stated that the on-going concern assumption for Group companies in the foreseeable future, i.e. in a period of at least 12 months following the balance sheet date, is justifiable.

As discussed in more detail in Note 34.5, the available cash and sources of financing together with the surplus cover the requirements resulting from the operational, investment and financial activities of the Group.

As at the date of approval of these consolidated financial statements, the Management Board of the Company is not aware of any circumstances that would indicate a threat to the continued activity of the Group entities for at least 12 months following the balance sheet date.

6.1. Statement of compliance

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (the "IFRS") as adopted by the European Union (the "EU IFRS"). As at the date of adoption of this report for publication, taking into account the EU process of implementing the IFRS standards, the IFRS differ from the EU IFRS. The Company has made use of the opportunity arising when applying the IFRS as adopted by the EU, of applying IFRIC 21 only from annual periods beginning from 1 January 2015, and amendments to IFRS 2 and IFRS 3 which are part of the Amendments resulting from a review of IFRS 2011-2013 from annual periods beginning from 1 January 2016.

The EU IFRS comprise standards and interpretations accepted by the International Accounting Standards Board (the "IASB").

6.2. Functional currency and currency of the financial statements

The consolidated financial statements of the Group are presented in PLN, which is also the functional currency of the parent. For each subsidiary, the functional currency is established, and the assets and liabilities of a given entity are measured in that functional currency. The Group applies the direct consolidation method and selects a method of disclosing exchange gains or losses which is compatible with that method.

7. Changes in the accounting principles applied

The accounting policies applied in preparing these consolidated financial statements are consistent with those applied in preparing the consolidated financial statements of the Group for the year ended 31 December 2014, except for the following amended standards and new interpretations in force for annual periods beginning on 1 January 2015:

- *Changes resulting from the review of IFRS 2011-2013* including:
    - Amendments to IFRS 3 *Business combinations*

      After the changes, not only joint ventures, but also joint contractual arrangements are out of the scope of IFRS 3. The exception applies only to the preparation of the financial statements. The change is applied prospectively.

      The application of these changes had no effect on the financial position or operating results of the Group.
    - Amendments to IFRS 13 *Measurement at fair value*

      After the changes, the exception for the investment portfolio applies not only to financial assets and liabilities but also to other agreements covered by IAS 39. Changes are applied prospectively.

      The application of these changes had no effect on the financial position or operating results of the Group.
    - Amendments to IAS 40 *Investment properties*

      A description of the additional services contained in IAS 40 distinguishes between investment properties and properties occupied by their owner (property, plant and equipment). The change is applied prospectively and explains that IFRS 3, and not the definition of additional services contained in IAS 40, is used to determine whether the transaction is the acquisition of an asset or of an undertaking.

      The application of these changes had no effect on the financial position or operating results of the Group.
- IFRIC 21 *Levies*

  According to that interpretation, the entity discloses liabilities under levies when there is an obligating event, i.e. action triggering the obligation to pay the levy pursuant to applicable laws. In the case of fees due after exceeding the minimum threshold, the entity does not recognise the liability until when the threshold is reached. IFRIC 21 is applied retrospectively.

The application of these changes had no effect on the financial position or operating results of the Group.

The application of these changes had no effect on the financial position or operating results of the Group, or on the scope of information presented in the Group's consolidated financial statements.

The Group decided against the early application of any standard, interpretation or amendment which has been published but has not entered into force *in light of European Union provisions*.

8. New standards and interpretations already issued but not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but have not yet entered into force:

- IFRS 9 *Financial Instruments* (published on 24 July 2014) – not adopted by the EU until the date of adoption of these financial statements – effective for annual periods beginning on or after 1 January 2018,
- Amendments of IAS 19 *Defined benefit plans: employee contributions* (published on 21 November 2013) – effective for annual periods beginning on or after 1 July 2014 – in the EU, applicable at the latest to annual periods beginning on or after 1 February 2015,
- *Amendments resulting from an IFRS review 2010-2012* (published on 12 December 2013) – some of the amendments are effective for annual periods beginning on or after 1 July 2014, and some prospectively for transactions taking place on or after 1 July 2014 – in the EU, effective at the latest for annual periods beginning on or after 1 February 2015,
- IFRS 14 *Regulatory deferral accounts* (published on 30 January 2014) – pursuant to the decision of the European Commission the process for approval of the standard in its preliminary version will not be initiated before the final version of the standard is published – not adopted by the EU by the date of adoption 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* (published 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 amortisation* (published on 12 May 2014) – effective for annual periods beginning on or after 1 January 2016,
- IFRS 15 *Revenues from contracts with customers* (published on 28 May 2014), including amendments to IFRS, *Effective date of IFRS 15* (published on 11 September 2015) – not adopted by the EU by the date of adoption 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* (published 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* (published 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* (published on 11 September 2014) – no decision was taken on the date by which EFRAG will implement particular stages of work leading to the adoption of those changes – not adopted by the EU by the date of adoption of these financial statements – effective date was postponed indefinitely by the IASB,
- *Amendments resulting from an IFRS review 2012-2014* (published 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: application of an exception concerning consolidation* (published on 18 December 2014) – not adopted by the EU by the date of adoption of these financial statements – effective for financial years beginning on or after 1 January 2016,
- Amendments to IAS 1 *Disclosures* (published on 18 December 2014) – effective for annual periods beginning on or after 1 January 2016,
- IFRS 16 *Leases* (published on 13 January 2016) – no decision was made regarding the time frame in which EFRAG will conduct each phase of the works leading to the adoption of these amendments, not adopted by the EU by the date of adoption 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 unrealised losses* (published on 19 January 2016) – not adopted by the EU until the date of adoption of these financial statements – effective for annual periods beginning on or after 1 January 2017,

Amendments to IAS 7 *Disclosure Initiative* (published on 29 January 2016) – not adopted by the EU by the date of adoption of these financial statements – effective for annual periods beginning on or after 1 January 2017.

The Management Board is currently evaluating the potential effect of introducing the above standards and interpretations on the accounting policies applied by the Group.

9. Significant accounting principles

9.1. Principles of consolidation

These consolidated financial statements comprise the financial statements of Midas S.A. and the financial statements of its subsidiaries, prepared in each case for the year ended 31 December 2015. The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent, using consistent accounting principles based on uniform accounting principles applied for commercial transactions and events having a similar nature. In order to eliminate any inconsistencies in the accounting principles applied, adjustments are made.

All significant balances and transactions between entities of the Group, including unrealised profits resulting from transactions within the Group, were entirely eliminated. Unrealised losses are eliminated unless they cause impairment.

The subsidiaries are subject to consolidation as from the day the Group takes control over them, and they cease being subject to consolidation on the day that control ends.

Control is exercised by the parent when:

• it has authority over a given entity

• it is subject to exposure at variable returns and has the right to variable returns due to its involvement in a given entity,

• it has the possibility of using its authority in order to form the level of returns generated.

The Company verifies the fact of control being exercised over other entities if a situation occurs which indicates a change in one or more of the aforementioned conditions for exercising control.

In a situation where the Company holds less than a majority of voting rights in a given entity but enough voting rights to exercise unilateral control over significant activities of that entity, it is deemed to control that company. When evaluating whether the voting rights held in a given entity are sufficient to exercise authority, the Company analyses all significant circumstances, including:

• the share of the voting rights held in comparison with the number of shares and the degree of dispersion of the voting rights held by other shareholders;

• the potential voting rights held by the Company, other shareholders or other parties;

• the rights resulting from other contractual arrangements, and

• other circumstances demonstrating that the Company has or does not have the possibility of directing significant activities when decisions are taken, including voting schemes observed at previous meetings of shareholders.

Changes in the shareholding of the parent which do not lead to a loss of control over a subsidiary are disclosed as capital transactions. In such cases, in order to reflect the changes in the relative shareholding in a subsidiary, the Group adjusts the carrying amount of the controlling interests and non-controlling interests. All differences between the amount of an adjustment of non-controlling interests and the fair value of the amount paid or obtained are reported onto equity, and are attributed to the owners of the parent.

(in PLN '000, except for items otherwise indicated)

9.2. Conversion of items denominated in a foreign currency

Transactions expressed in currencies other than Polish zlotys are converted into zlotys using the exchange rate in effect on the day a given transaction is concluded.

As at the balance sheet date, monetary assets and liabilities expressed in currencies other than Polish zlotys are converted to zlotys using the relevant average exchange rate announced by the National Bank of Poland and in effect at the end of the reporting period. Exchange rate differences arising from conversion are disclosed as appropriate (depending on their nature) under financial income (expenses) or, where determined by the accounting policies, they are capitalised in the value of assets. Non-monetary assets and liabilities recognised at historical cost expressed in a foreign currency are based on the historical rate applicable on the date of the transaction. Non-monetary assets and liabilities disclosed at fair value expressed in a foreign currency are converted at the exchange rate from the day on which the fair value measurement is made.

The following exchange rates were accepted for the purpose of balance sheet measurements:

	31 December 2015	31 December 2014
EUR	4.2615	4.2623

9.3. Property, plant and equipment

Property, plant and equipment are shown at purchase price/expenses of production reduced by accumulated depreciation and impairment write-downs. The initial value of fixed assets comprises their purchase price increased by all expenses directly related to purchasing an asset and adapting it for use. Expenses also include expenses incurred to replace the components of machinery and devices at the time they are incurred, if their recognition criteria are satisfied. Expenses incurred after the date on which a fixed asset is handed over for use, such as maintenance and repair costs, are charged to profit or loss at the time they are incurred.

At the time they are acquired, fixed assets are divided into component parts which are items having a value for which a separate period of the asset's useful life can be assigned. Expenses of general overhauls are also component parts.

Depreciation is calculated using the straight-line method through the estimated useful life of a given asset.

The depreciation and amortisation rates applied to fixed assets are as follows:

Type	Depreciation and amortisation rates
Buildings and structures	4.5%-10%
Technical machinery and equipment	6%-30%
Office equipment	20%-25%
Vehicles	14%-20%
Computer systems	6%-30%
Leasehold improvements	20%

The final value, useful life and method of depreciation of assets are verified annually. A given item of property, plant and equipment may be removed from the statement of financial position after it has been disposed of or if no economic benefits are expected from continued use of that asset. All profits and losses resulting from the removal of a given asset from the statement of financial position (calculated as the difference between any possible net proceeds from sales and the carrying amount of a given item) are disclosed in the profit or loss for the period in which the removal occurs.

Investments in progress concerning fixed assets which are under construction or assembly are shown at purchase prices or cost of production reduced by any impairment write-downs. Fixed assets under construction are not subject to depreciation until the completion of construction and handover of the asset for use.

9.4. Intangible assets

Intangible assets acquired in a separate transaction or created (if they meet the disclosure criteria for development expenses) are initially measured at purchase price or expenses of production, as appropriate. The purchase price of intangible assets acquired in a merger transaction is equal to their fair value as at the date of the merger. After initial disclosure, intangible assets are shown according to their purchase price or cost of production reduced by accumulated amortisation and impairment write-downs. Expenses incurred on intangible assets created on own account, other than capitalised expenses incurred for development, are not activated and are disclosed under expenses for the period in which they were incurred.

The Group determines whether the useful life of intangible assets is defined or undefined. Intangible assets having a defined useful life are amortised throughout that period and are in each case subject to impairment tests where there are indications of a decline in their value. The period and method of amortisation of intangible assets having a defined useful life are verified at least at the end of every financial year. Changes in the anticipated useful life or anticipated method of consuming the economic benefits deriving from a given asset are disclosed by changing, as appropriate, the period or method of amortisation, and treated as changes in estimated value.

Intangible assets having a non-defined useful life, and those which are not used, are annually subject to an impairment test in reference to particular assets or at the level of the cash-generating unit.

Useful life is subject to annual verification and, where necessary, adjusted.

A summary of the principles applied to intangible assets of the Group is as follows:

	Licences	Concessions for frequencies	Computer software
Useful life	For licences used on the basis of an agreement concluded for a definite period of time	15 years	2-5 years
Method of amortisation used	Depreciation over the term of the agreement (2-7 years) - linear method	15 years - linear method	2-5 years - straight-line method
Internally produced or acquired	Acquired	Acquired	Acquired
Impairment test	Annually in the case of components not yet handed over for use and where there are indications of impairment.	Annually in the case of components not yet handed over for use and where there are indications of impairment.	Annual assessment where there are indications of impairment.

Profits and losses resulting from the derecognition of a given intangible asset from the statement of financial position are measured at the difference between net proceeds from sales and the carrying amount of a given asset, and are disclosed in the profit or loss on the date when they are derecognised from the statement of financial position.

9.4.1. Goodwill

Goodwill from the takeover of an entity is initially disclosed at the purchase price constituting the amount of the surplus

- of the total of:
  - (i) the payment made,
  - (ii) the amount of all non-controlling interests in the acquired entity, and
  - (iii) in the case of a merger implemented in stages, the fair value as at the day of the takeover of shares in the capital of the acquired entity which previously belonged to the acquiring entity,
- over the net amount determined as at the takeover date of the value of identifiable assets and liabilities acquired.

After the initial disclosure, goodwill is shown at purchase price reduced by all accumulated impairment write-downs. An impairment test is conducted once per year, or more often as necessary. Goodwill is not subject to amortisation.

As at the day of takeover, the goodwill acquired is allocated to each cash-generating unit which could benefit from the synergies of the merger. Each unit or group of units to which goodwill was assigned:

- is accountable to the lowest level in the Group at which goodwill is monitored for internal management needs, and
- is no larger than one operating segment defined in accordance with IFRS 8 *Operating segments*.

Impairment write-downs are determined by estimating the recoverable value of the cash-generating unit to which a given amount of goodwill was allocated. If the recoverable value of a cash-generating unit is lower than the carrying amount, an impairment write-down is made. If goodwill comprises part of a cash-generating unit and a sale is made of part of the operations of that unit, when determining profit or loss on the sales for such operations, goodwill associated with the operations sold is included in its carrying amount. Under such circumstances, the goodwill sold is determined on the basis of the relative value of the operations sold and the value of the part of the cash-generating unit retained.

9.5. Leases

The Group as a lessee

Finance lease agreements which transfer onto the Company substantially all risks and benefits from holding the leased object, are recognised in the statement of financial position as at the lease starting date at the lower of the following two values: the fair value of the leased fixed asset constituting the leased object or the present value of minimum lease charges. Lease charges are allocated between financial expenses and a decrease in the balance of lease liabilities in a way making it possible to obtain a fixed interest rate on liabilities still outstanding. Financial expenses are disclosed in profit or loss, unless the capitalisation requirements are met.

Fixed assets utilised under finance lease agreements are depreciated over the shorter of two periods: the estimated useful life of the fixed asset, or the term of lease.

Lease agreements under which the lessor retains in principle all of the risk and benefits resulting from possession of the leased object are disclosed under operating lease agreements. Operating lease charges and subsequent lease payments are recognised as expenses in profit or loss on a straight-line method for the duration of the lease.

Contingent lease charges are recognised as expenses in the period in which they become due and payable.

9.6. Impairment of non-financial fixed assets

The Group assesses at each balance sheet date whether there is any indication that any non-financial non-current asset may be impaired. If such indications are found to exist or if it is necessary to conduct an annual impairment test, the Group estimates the recoverable amount of a given asset component or cash-generating unit to which that asset belongs.

The recoverable amount of an asset or cash-generating unit corresponds to the fair value less any expenses required to sell the asset or, as the case may be, the cash-generating unit, or its value in use, whichever is higher. The recoverable amount is determined for each asset, unless a given asset does not individually generate proceeds that are mostly independent from proceeds generated by other assets or groups of assets. If the carrying amount of an asset is higher than its recoverable amount, impairment occurs and a write-down is made against the established recoverable amount. In estimating value-in-use, cash flow projections are discounted to their present value by applying the discount rate before tax reflecting current market estimation of the time value of money and risk inherent in a given asset. Impairment losses on assets used in continuing activities are recognised under other operating expenses.

As at each balance sheet date, the Group assesses whether there are indications that an impairment recognised in previous periods for a given asset is unnecessary or should be reduced. If such indications exist, the Group estimates the recoverable value of the asset. A previously disclosed impairment write-down is subject to reversal when and only when, since the time the last write-down was disclosed, there has been a change in the estimated values applied in determining the recoverable value of a given asset. In such case, the carrying amount of the shares is increased up to their recoverable amount. The increased amount cannot exceed the carrying amount of the asset which would be determined (after accumulated depreciation and amortisation) if in previous years no impairment write-down had been made for that asset. Reversal of an asset impairment write-down is immediately disclosed as revenue. After the reversal of a write-down, in subsequent periods the write-down concerning a given asset is adjusted so as to make it possible, during the rest of the asset's useful life, to systematically write down its verified carrying amount reduced by its residual value.

9.7. Third party financing expenses

The expenses of third party financing are capitalised as part of the expenses of manufacturing fixed assets, investment real estate and intangible assets. Third party financing expenses consist of interest calculated by applying the effective interest rate method and of financial charges from finance lease agreements, as well as exchange rate differences arising in connection with third party financing up to the amount of the corresponding adjustment of the expenses of the interest.

9.8. Financial assets

Financial assets are divided into the following categories:

- Financial assets held to maturity,
- Financial assets measured at fair value by the financial result,
- Borrowings and receivables,
- Financial assets available for sale.

Financial assets held to maturity are those listed on an active market which are not derivative instruments, having defined payments or payments which can be defined, and a defined maturity date, and which the Group intends and can hold in its possession until that time, other than:

- those designated at initial disclosure as measured at fair value through profit or loss,
- those designated as available for sale,
- those meeting the definition of borrowings and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate method. Financial assets held to maturity are qualified as non-current assets if their maturity falls more than 12 months after the balance sheet date.

A financial asset measured at fair value by the financial result is an asset which meets the following conditions:

a) it is classified as designated for trading. Financial assets qualify as designated for trading if they are:

   - acquired mainly in order to be sold in a short period of time,
   - part of a portfolio of specific financial instruments managed together and for which there exists a likelihood of a profit being seen in a short period of time,
   - derivative instruments, except for derivative instruments which are an element of hedge accounting and financial guarantee agreements,

b) was designated for this category in accordance with IAS 39 at its initial recognition.

Financial assets measured at fair value through profit or loss are measured at fair value taking account of their market value as at the balance sheet date, regardless of the expenses of the sale transaction. Changes in the value of such financial instruments are recognised in the statement of comprehensive income as financial income (positive net changes in fair value) or expenses (negative net changes in fair value). If a contract incorporates one or more embedded derivatives, the entire contract can be classified under the category of financial assets measured at fair value through profit or loss. This does not apply to cases where the embedded derivative does not significantly affect cash flows under the contract or where it is obvious without analysis or after brief analysis that if a similar hybrid instrument was first considered, then a separation of the embedded derivative would be prohibited. At their initial recognition, financial assets may be designated as measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or significantly reduces the inconsistency in the recognition or measurement (accounting mismatch); or (ii) the assets are a part of a group of financial assets which are managed and evaluated on a fair value basis in accordance with a documented risk management strategy. Further, financial assets measured at fair value through profit or loss are counted as embedded derivatives which should be disclosed separately if the unit is able to reliably estimate the fair value of the embedded derivative on the basis of the provisions and conditions of a contract. If an entity is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at a subsequent financial reporting date, it shall treat the entire contract at fair value through profit or loss.

Borrowings and receivables are financial assets not disclosed under derivative instruments having payments which are defined or possible to define, and which are not listed on an active market. They also include current assets whose maturity date falls no more than 12 months after the balance sheet date. Borrowings granted and receivables having a maturity date falling more than 12 months after the balance sheet date are counted as non-current assets.

Available-for-sale financial assets are non-derivative financial assets that are classified as available-for-sale or not belonging to any of the previously mentioned three categories of assets. Available-for-sale financial assets are recognised at fair value plus transaction costs that can be directly attributed to the acquisition or issue of the financial asset. Where there is no listing on an active market and no possibility of reliably determining their fair value using alternative methods, financial assets available for sale are measured at their purchase price adjusted by an impairment write-down. Positive and negative differences between the fair value of assets available for sale (if there exists a market price determined on an active market or for which fair value may be determined in another reliable way) and their purchase price after deduction of deferred tax are disclosed in other comprehensive income. A decline in the value of assets available for sale caused by impairment is disclosed under financial expenses.

The acquisition and sale of financial assets is recognised as at the day of the transaction. At the time of initial disclosure, a financial asset is measured at fair value, increased, in the case of an asset not classified as measured at fair value through profit or loss, by the transaction expenses which can be directly attributed to the acquisition.

A financial asset is derecognised from the statement of financial position if the Group loses control over the contractual rights comprising a given financial instrument; this usually takes place in the case of a sale of an instrument or when all cash flows assigned to a given instrument are transferred to an independent third party.

9.9. Impairment of financial assets

At each balance sheet date, the Group assesses whether objective circumstances exist pointing to impairment of a financial asset or group of financial assets.

9.9.1. Assets recognised at amortised cost

If objective circumstances exist which suggest that a loss was incurred from impairment of borrowings granted and receivables measured at amortised cost, the amount of the impairment write-down equals the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows (exclusive of future losses on failure to collect receivables which have not yet been incurred), discounted by applying the original effective interest rate (i.e. that determined at the initial disclosure). The carrying amount of an asset is reduced by applying revaluation write-downs. The amount of the loss is disclosed in profit or loss.

The Group first evaluates whether there are any indications of impairment of particular financial assets which are individually significant, as well as indications of impairment of financial assets which are individually insignificant. If it follows from the analysis that there are no objective indications of impairment of an individually assessed financial asset, irrespective of whether it is significant or not, the Group attaches that asset to a group of financial assets having similar credit risk characteristics and makes a joint impairment test. Assets which are tested individually against impairment and for which an impairment write-down is made, or it is recognised that the existing write-down is not to be changed, are not taken into consideration when making a joint impairment test for a group of assets.

If in the next period an impairment write-down is reduced and that reduction can objectively be related to an event occurring after the disclosure of the write-down, the previously disclosed write-down is reversed. A later reversal of the impairment write-down is presented in profit or loss to the extent to which as of its reversal date the carrying amount of a respective asset is not higher than its amortised cost.

9.9.2. Financial assets recognised at cost

If there are objective indications of impairment of a non-listed equity instrument which is not shown at fair value because its fair value cannot be reliably measured, or of a derivative instrument which is related and must be settled through the provision of such a non-listed equity instrument, the amount of the impairment write-down is determined as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted by applying the current market rate of return for similar financial assets.

9.9.3. Financial assets available for sale

If there are objective indications that a financial asset available for sale might be impaired, the amount constituting the difference between the purchase price of such asset (less any principal payment and amortisation) and its present fair value, less any impairment write-down against such asset recognised in profit or loss, is derecognised from equity and transferred to profit or loss. A reversal of impairment write-downs recognised against equity instruments classified as available for sale is not to be disclosed in profit or loss. If, in any subsequent period, the fair value of a debt instrument available for sale increases, and such growth might be objectively associated with an event taking place after recognition of a respective impairment write-down in profit or loss, the amount of such reversed write-down is disclosed in profit or loss.

9.10. Embedded derivatives

Embedded derivatives are divided from agreements and treated as derivatives if all of the following conditions are met:

- the economic nature and risk of the embedded instrument are not strictly related to the economic nature and risk of the agreement in which a given instrument is embedded;
- an autonomous instrument with identical conditions of implementation as the embedded instrument would meet the definition of a derivative;
- a hybrid (complex) instrument is not shown at fair value, but changes in its fair value are not recognized in profit or loss.

Embedded derivatives are shown in a similar manner as autonomous derivatives, which are not recognized as instruments of security.

The scope within which, in accordance with IAS 39, the economic traits and risk proper to an embedded derivative in a foreign currency are strictly related to the economic traits and risk proper to a principal agreement (main contract) also extends to a situation where the currency of a principal agreement is the normal currency for purchase and sale contracts of a non-financial item on the market of a given transaction.

The Company makes an evaluation of whether an embedded derivative is subject to separation at the moment of initial recognition.

At the balance sheet date, the Company measures an identified embedded derivative at fair value. Changes in fair value are recognised in the statement of comprehensive income as financial income/expenses.

9.11. Inventories

Inventories are measured at the lower of: the purchase price and net realisable value.

The expenses incurred in bringing each inventory component to its current place and state – in reference to both the current and previous year – are disclosed as follows:

Materials	• at the purchase price determined using the detailed identification method
Goods	• at the purchase price determined using the detailed identification method

The net realisable value is the estimated price of a sale made during ordinary business activity reduced by the expenses of finishing and the estimated costs necessary for bringing the sale to a close.

9.12. Trade and other receivables

Trade receivables are disclosed and shown according to the amount initially invoiced, taking account of any write-downs for doubtful receivables. A write-down of receivables is estimated when recovering the full amount of the receivables ceases to be probable.

If the effect of time value of money is important, the value of the receivables is determined by discounting the forecast future cash flows to the present value, applying a discount rate reflecting the current market price of time value of money. If a method involving discounting was applied, an increase of a receivable in connection with the lapse of time is disclosed as financial income.

Budget receivables are presented under other receivables, except for corporate income tax receivables which constitute a separate item in the statement of financial position.

9.13. Cash and cash equivalents

Cash and short-term deposits shown in the statement of financial position comprise cash at bank and on hand, and short-term deposits having an initial maturity period of no more than three months.

The balance of cash and cash equivalents disclosed in the statement of cash flows is made up of cash and cash equivalents referred to above.

9.14. Interest-bearing bank loans, borrowings and debt securities

At the moment of initial disclosure, all bank loans, borrowings and debt securities are disclosed at fair value reduced by the expenses associated with obtaining loans or borrowings.

After the initial disclosure, interest-bearing loans, borrowings and debt securities are measured at amortised cost by applying the effective interest rate method. In determining amortised cost, account is taken of the costs of obtaining the loan or borrowing and the discount or bonus obtained in connection with the liability.

Proceeds and expenses are disclosed in profit or loss at the time a liability is derecognised from the statement of financial position, and as a result of a settlement using the effective interest rate method.

9.15. Trade and other liabilities

Current trade liabilities are shown in the amount of payment due.

Financial liabilities measured at fair value through profit or loss comprise financial liabilities designated for trading and financial liabilities initially classified to categories measured at fair value through profit or loss. Financial liabilities are classified as designated for trading if they were acquired to be sold in the near future. Derivative instruments, including separated embedded instruments, are also classified as designated for trading, unless they are recognised as effective hedging instruments. Financial liabilities may be classified after initial disclosure to categories measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or considerably reduces inconsistencies of treatment when both the measurement and the principles of recognising losses or profits are subject to other regulations, or (ii) the liabilities are part of a group of financial liabilities which are managed and measured at fair value in accordance with a documented risk management strategy. Further, financial assets measured at fair value through profit or loss are counted as embedded derivatives which should be disclosed separately if the unit is able to reliably estimate the fair value of the embedded derivative on the basis of the provisions and conditions of a contract. If an entity is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at a subsequent financial reporting date, it shall treat the entire contract at fair value through profit or loss. As at 31 December 2015 and at 31 December 2014, no financial liabilities were classified in categories measured at fair value through profit or loss.

Financial liabilities measured at fair value through profit or loss are measured at fair value, taking account of their market value as at the balance sheet date regardless of the costs of the sale transaction. Changes in the fair value of those instruments are disclosed in profit or loss as financial expenses or income.

Other financial liabilities which are not financial instruments measured at fair value through profit or loss are measured at amortised cost, using the effective interest rate method.

The Group excludes financial liabilities from its balance sheet when a liability has expired – that is, when an obligation set out in an agreement has been discharged, cancelled or has expired. The Group disclosed the replacement of an existing debt instrument by an instrument whose conditions differ in principles concluded between the same entities as the expiry of the initial financial liability and the occurrence of a new financial liability. Similarly, the Group discloses significant modifications of the conditions of an agreement concerning an existing financial liability as the expiry of the initial liability and occurrence of a new financial liability. A difference arising from a replacement regarding carrying amounts is shown in profit or loss.

Other non-financial liabilities comprise, in particular, liabilities towards the tax office from VAT, and liabilities from advances received which will be settled by the provision of goods, services or fixed assets. Other liabilities are disclosed in the amounts to be paid.

9.16. Provisions

Provisions are created when the Group has an existing obligation (legal or customarily expected) resulting from past events and where it is probable that discharging that obligation will cause the necessity of outflows of economic benefits, and when the Group can make a reliable estimate of the amount of that liability. If the Group expects that the expenses comprising the provision will be refunded, for example under an insurance agreement, that refund is disclosed as a separate asset, but only when it is virtually certain that the refund will actually be made. Expenses relating to a given provision are shown in the statement of comprehensive income, less any recoveries.

If the effect of the time value of money is important, the value of the provision is determined by discounting the forecast future cash flows to the present value, applying a discount rate which reflects the current market price of time value of money and the possible risk associated with a given liability. If a method involving discounting was applied, an increase of a provision in connection with the lapse of time is disclosed under financial expenses.

9.17. Revenue

Revenues are recorded in the extent to which it is likely that the Group will obtain economic benefits associated with the transaction and the amount of revenue can be measured reliably. Revenues are recognised at fair value of the payment received or payable, less any value added tax (VAT) and discounts. When recording revenues, the criteria referred to below apply as well.

9.17.1. Revenues from sales of goods and services

Revenues are disclosed if the significant risk and benefits resulting from ownership of the goods and services were transferred to the buyer and if the amount of revenue can be reliably assessed.

9.17.2. Provision of services

Revenues from sales of services are recognised in the period when the services were delivered, based on the progress in implementing an order in the case of data transmission services, or on the progress in performing a given service in the case of other services.

9.17.3. Interest

Interest revenues are recorded gradually as they accrue (based on the effective interest rate method constituting a rate discounting future cash flows for the estimated useful life of financial instruments) in reference to the net carrying amount of a given financial asset.

9.17.4. Dividends

Dividends are recognised at the time shareholders' entitlement to dividends is determined.

9.17.5. Rental revenues (operating lease)

Rental revenues are disclosed using the straight-line method over the term of the lease in relation to open agreements.

9.17.6. Subsidies

If justified certainty exists that a subsidy will be obtained or all conditions relating thereto will be met, then government subsidies are disclosed at fair value.

If a subsidy concerns a given cost item, it is disclosed as a reduction of the expenses for which that subsidy is intended. If a subsidy concerns a component of assets, then its fair value is disclosed as deferred income and subsequently, gradually, by equal annual write-downs, it is disclosed in profit or loss over the estimated useful life of the asset component it relates to.

9.18. Taxes

9.18.1. Current tax

Liabilities and receivables from current tax for the current and previous periods are measured in the amount of the anticipated payment to the tax authorities (subject to return by the tax authorities), applying the tax rates and tax provisions which were legally or actually in force as at the balance sheet date.

9.18.2. Deferred tax

For the needs of financial reporting, deferred tax is calculated by the balance sheet liabilities method in relation to temporary differences arising as at the balance sheet date between the tax value of assets and liabilities and their carrying amount as shown in the financial statements.

A provision for deferred tax is disclosed in reference to all positive temporary differences:

- except situations when a provision against deferred tax results from the initial recognition of goodwill or the initial recognition of an asset or liability following a non-merger transaction which at the time of its execution does not affect either the gross profit or loss or the taxable income or tax loss, and
- in the case of positive temporary differences resulting from investments in subsidiaries or associates and shares in joint ventures – except for a situation where the deadlines for reversing temporary differences are subject to investor control and where it is likely that, in the foreseeable future, temporary differences will not be reversed.

Assets from deferred income tax are disclosed in reference to all negative temporary differences, as well as unutilised tax relief and unutilised tax losses carried over to subsequent years, in the amount in which it is likely that taxable income will be achieved which will make it possible to utilise the above differences, assets and losses:

- except for a situation where the deferred tax asset concerns negative temporary differences arising as a result of temporary disclosure of an asset or liability from a transaction not constituting a merger and which, at the time of conclusion, has no effect on the gross profit or loss, taxable income or tax loss, and
- in the case of negative temporary differences from investments in subsidiaries or associates and shares in joint ventures, a deferred tax asset is disclosed in the statement of financial position only in the amount in which it is likely in the foreseeable future that the above temporary differences will be reversed and that taxable income will be achieved, which will make it possible to offset the negative temporary differences.

The carrying amount of a deferred tax asset is verified at each balance sheet date and is subject to an appropriate reduction to the extent that it is no longer likely that taxable income will be achieved sufficient to partially or entirely realise the asset from deferred income tax. An undisclosed deferred income tax asset is subject to revaluation at each balance sheet date and is disclosed in the amount reflecting the likelihood of achieving taxable income in the future which will make it possible to recover that asset.

Deferred income tax assets and provisions for deferred tax are measured using those tax rates which, according to forecasts, will be in force in the period in which the asset is realised or provision dissolved, assuming the tax rates (and tax provisions) in force as at the balance sheet date or those which are sure to be in force in the future as at the balance sheet date.

Income tax concerning items disclosed outside of profit or loss is disclosed outside profit or loss: in other comprehensive income concerning items disclosed in other comprehensive income, or directly in equity concerning items disclosed directly in equity.

The Group sets off deferred income tax assets against provisions for deferred income tax when and only when its capacity to enforce legal title to set off receivables against liabilities from current tax and deferred income tax relates to the same taxpayer and the same tax authority.

9.18.3. Value added tax

Revenues, expenses, assets and liabilities are disclosed after reduction by the value of VAT, except for:

- when the VAT paid upon a purchase of assets or services cannot be recovered from the tax authorities; then it is disclosed as appropriate as part of the purchase price of the asset or as part of the cost item as well as

(in PLN '000, except for items otherwise indicated)

- receivables and liabilities which are disclosed including value added tax amounts.

Net value added tax amounts recoverable from or payable to tax authorities are stated in the statement of financial position under receivables or liabilities.

9.19. Net loss per share

The net loss per share attributable to the shareholders of the parent for each period is calculated by dividing the net loss for a given period by the weighted average number of shares in a given reporting period.

The Group does not present a diluted loss per share because there are no dilutive potential ordinary shares.

9.20. Business combinations

Business combinations under joint control are settled using the pooling of interests method.

10. Operating segments

The activities conducted by the Capital Group are treated by management as a single cohesive operating segment covering telecommunications activity. The Management Board evaluates the financial results of the Group by analysing its consolidated financial statements.

11. Revenues and expenses

11.1. Revenue from the sale of goods and services

	Year ended 31 December 2015	**Year ended 31 December 2014**
Sales of telecommunications services	560,119	424,291
Other sales	2,771	6,245
Other revenues	14,987	-
Total	**577,877**	**430,536**

During the 12-month period ended 31 December 2015, revenue increased by PLN 147,341,000 in comparison with the corresponding period of the previous year. This was mainly due to the increasing amount of data transmission services ordered by wholesale customers of the Group resulting from such factors as the growing popularity of the LTE technology, and to the consistently expanding coverage of the telecommunications network utilised by the Group.

In the year ended 31 December 2015, more than 90% of the Group revenue was achieved on the basis of long-term agreements (revenue from data transfers) signed with related entities (Polkomtel Sp. z o.o.).

The item of other sales concerns telecommunications equipment (telephones, modems, SIM cards, etc.). Sales are made by Aero2.

On 2 January 2015, the companies Aero2 and Sferia terminated by mutual consent the agreement of 30 November 2011 on the terms and conditions for the mutual use of telecommunications infrastructure or telecommunications network components. The item "Other revenues" pertains to Aero2's fee for consenting to the early termination of the agreement on the shared use of the telecommunications infrastructure.

11.2. Depreciation and amortisation

During the 12-month period ended 31 December 2015, depreciation and amortisation increased by PLN 50,064,000 in comparison with the corresponding period of the previous year. As part of the network optimisation projects (consolidation of the telecommunications network and replacement of telecommunications devices (SWAP) on base stations) the periods of use of its individual components were verified. As a result, the period of their use was shortened from 1 August 2015 to the date of their scheduled disassembly which increased their depreciation expenses by PLN 31,526,000. The network optimisation project will be continued in subsequent periods.

(in PLN '000, except for items otherwise indicated)

In the 12-month period ended 31 December 2015 the Group started to amortise expenditures related to Project 800. In addition, after Aero2 took control of Sferia S.A. holding the frequency reservations from within the 800 MHz range valid until 31 December 2018, the Management Board of Midas acknowledged that the renewal of the validity of Reservation 800 for subsequent periods with the prices implied by the declared high amounts for the 800 MHz band at the auction ending in October 2015 is not economically justified. By analogy, the Midas Group will not be interested in obtaining access to the band in the range of 800 MHz from entities which obtained access to the 800 MHz band at the current high levels of prices, unless it is conducted on the basis of technological and services equivalence. Therefore, the depreciation period for a part of property, plant and equipment related to the Project 800 was adapted to the period for which the frequency reservation within the 800 MHz range was granted to Sferia. As a consequence, the consolidated results of the Group in 2015 were decreased by the additional depreciation and amortisation in the amount of PLN 15,227,000.

11.3. Expenses related to the telecommunications network

During the 12-month period ended 31 December 2015, operating expenses related to the telecommunications network increased by PLN 134,860,000 in comparison with the corresponding period of the previous year. The expenses of maintaining and operating the telecommunications network change in accordance with an increase in the number of base stations.

11.4. Other expenses by type

During the 12-month period ended 31 December 2015, other costs by type decreased by PLN 3,716,000 in comparison to the corresponding period of the previous year. The decrease in costs related mainly to a lower value of the Company's own costs of sold goods, lower office rental and maintenance costs and lower costs of postal and overnight courier services.

11.5. Other operating income

	Year ended 31 December 2015	**Year ended 31 December 2014**
Release of provisions	27	59
Received compensation and similar benefits	27	56
Release of write-downs of receivables and inventories	2,200	27
Subsidies	2,672	2,689
Postal charges	404	1,494
Other	711	101
Total	**6,041**	**4,426**

The item "Subsidies" concerns a subsidy given to Aero2 in 2011-2013 by the Polish Development Agency (on the basis of an agreement of 30 December 2009) for the development of the telecommunications network in Podkarpacki province.

The item "Postal charges" concerns charges relating to sending SIM cards to customers who used the "Free Internet Access" service.

11.6. Impairment of non-financial assets

The write-down made in 2014 pertained to the frequency reservation in the 2570-2620 MHz range granted to Aero2 by the President of the Office of Electronic Communications (the "OEC") on 10 November 2009 and then amended by the decision of the President of the OEC of 4 September 2012. As a consequence of the write-down (as a result of which the value of the aforementioned assets will be zero zlotys), the consolidated operating result of the Group for 2014 will be encumbered by PLN 126,400,000, and the consolidated net result of the Group by PLN 104,900,000. The write-down is regarded as a one-off, non-cash event. That event had no influence on operating activities, because the frequency in the 2570-2620 MHz range is not being used to generate network capacity being made available to the Group's key customers. The Management Board emphasises that the event described is not the same as Aero2 waiving or losing its right to that frequency, but was made in connection with Aero2 not exercising its reservation obligations resulting from the above decision of the OEC President in the part concerning ensuring the reservation coverage defined in the decision and as a result of a periodic evaluation of the possibility of using frequency reservations.

(in PLN '000, except for items otherwise indicated)

11.7. Other operating expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Donations	60	120
Cost of abandoned investments	395	1,229
Loss from disposal / liquidation of non-financial non-current assets	1,129	672
Revaluation write-down of receivables	-	2,949
Other	128	122
Total	**1,712**	**5,092**

The item "Cost of abandoned investments" concerns expenses incurred on telecommunications infrastructure in alternative locations in which no base stations were finally built.

11.8. Financial income

	Year ended 31 December 2015	Year ended 31 December 2014
Revaluation of embedded derivative	7,512	7,415
Bank interest revenues	1,228	1,537
Income from interest on borrowings granted	442	546
Other interest income	13	4
Positive exchange rate differences	-	3
Total	**9,195**	**9,505**

11.9. Financial expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Interest on issued bonds	32,154	55,240
Interest on bank loans received	9,350	4,107
Commission on bank loans received	1,754	1,079
Late-payment interest	2,115	34
Cost of guaranteeing debt	1,307	2,250
Negative exchange rate differences	72	-
Other finance costs	773	1,308
Total	**47,525**	**64,018**

During the 12-month period ended 31 December 2015, financial expenses decreased by PLN 16,493,000 in comparison with the corresponding period of the previous year. That change results mainly from discount costs from the series A bonds issued, and in particular from the effect of a 1.7% change in the discount rate recognised in 2014 which was charged to expenses of 2014 as a one-off item.

The item "Cost of guaranteeing debt" concerns guarantees granted by Inwestycje Polskie for the investment loan granted by Alior Bank.

12. Income tax

12.1. Tax expense

In the years ending on 31 December 2015 and 31 December 2014 key items under tax expense for the year were as follows:

	Year ended 31 December 2015	Year ended 31 December 2014

Recognised in profit or loss		
Current income tax	*(10,856)*	-
Current income tax expense	(2,335)	-
Adjustments to the current income tax from prior years	(8,521)	-
Deferred income tax	*128,573*	*17,076*
Related to emergence and reversal of temporary differences	128,573	17,076
Tax expense shown in the consolidated loss	117,717	17,076

12.2. Reconciliation of the effective tax rate

The reconciliation of the income tax on the gross profit (loss) before tax at the statutory tax rate, with income tax charged at the effective tax rate of the Group for the years ending on 31 December 2015 and 31 December 2014, is as follows:

	Year ended 31 December 2015	**Year ended 31 December 2014**
Gross loss before tax	(223,532)	(337,933)
Tax at the statutory tax rate in effect in Poland – 19%	42,471	64,207
Tax effect of non-taxable revenue and non-deductible expenses	(22,664)	(5,377)
Undisclosed temporary differences	97,910	(41,754)
Tax at the effective tax rate of 52.7% (2014: 5.2%)	**117,717**	**17,076**
Income tax shown in the consolidated loss	**117,717**	**17,076**

12.3. Deferred income tax

Deferred income tax results from the following items:

	Statement of financial position		*Statement of comprehensive income for the year ended*	
	31 December 2015	***31 December 2014***	***31 December 2015***	***31 December 2014***
Provision for deferred tax				
Valuation of frequency reservations	47,039	52,955	5,916	29,683
Interest accrued but not yet received	27,932	19,367	(8,565)	(13,865)
Measurement of the option of early redemption of bonds	2,713	1,682	(1,031)	(1,682)
Other	61	130	69	450
Value of items for which the provision for deferred income tax was set off against deferred income tax assets	(25,021)	(19,042)	5,979	13,540
Provision for deferred tax	52,724	55,092	2,368	28,126
Deferred tax assets				
Interest accrued but not paid	49,499	34,653	14,846	25,710
Negative exchange rate differences from the balance sheet valuation	-	1	(1)	(1)
Balance sheet depreciation and amortisation different from tax depreciation and amortisation	39,388	26,789	12,599	11,001
Revaluation write-downs of receivables	178	738	(560)	560
Revaluation write-downs of inventories	-	3	(3)	(5)
Revaluation write-downs of property, plant and equipment	-	1,896	(1,896)	(293)
Provisions for other expenses	4,063	2,903	1,160	903
Deferred income	90,538	-	90,538	-
Losses deductible from future taxable income	27,858	110,267	(82,409)	6,369
Value of items for which the provision for deferred income tax was set off against deferred income tax assets	(25,021)	(19,042)	(5,979)	(13,540)
Deferred tax assets	186,503	158,208	28,295	30,704
The value of tax losses and temporary differences for which	(60,298)	(158,208)	97,910	(41,754)

(in PLN '000, except for items otherwise indicated)

deferred tax was not disclosed due to the anticipated impossibility of realising the deferred tax assets from future tax results of the Group				
Deferred tax liabilities			128,573	17,076
Net deferred income tax assets/(provision), of which:	73,481	(55,092)		
Deferred tax assets – continuing operations	126,205	-		
Provision for deferred tax – continuing operations	(52,724)	(55,092)		

During the reporting period, the Group's companies received individual interpretations as to the method for settlement of revenue from data transmission and made adjustments to CIT-8 tax returns.

Therefore, the Group made appropriate tax settlements and thus the total amount of PLN 476,515,000 as at 31 December 2015 constituting deferred income from data transmission services was recognised for CIT purposes.

As at the balance sheet date this amount constitutes a temporary difference between the carrying amount and the tax value of the balance of deferred income, so deferred income tax was accrued thereon at PLN 90,538,000.

13. Loss per share

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

Below are data on the losses and shares used in calculating the basic loss per share:

	Year ended 31 December 2015	**Year ended 31 December 2014**
Net loss on continuing activities	(105,808)	(320,857)
Net loss	**(105,808)**	**(320,857)**
Weighted average number of ordinary shares issued used in calculating the basic loss per share	1,479,666,750	1,479,666,750
Net loss on continuing operations per share attributable to shareholders of the parent (in PLN)	(0.07)	(0.22)

In the period between the balance sheet date and the day on which these financial statements were prepared, no other transactions were made concerning existing or potential ordinary shares.

(in PLN '000, except for items otherwise indicated)

14. Property, plant and equipment

Year ended 31 December 2015

	Land	Buildings, premises and civil and water engineering facilities		Technical equipment and machinery	Vehicles	Other fixed assets	Property, plant and equipment under construction		Total
Gross value of fixed assets as at 1 January 2015	**-**	**119,772**		**367,460**	**324**	**510**	**108,989**		**597,056**
Acquisition of subsidiaries	-	2,710		14,543	13	319	-		17,585
Increases resulting from purchase of assets	40	337		114	-	36	184,069		184,596
Other increases	-	5,598	*	293	-	-	8,055	**	13,946
Disposal/liquidation	-	(1,700)		(15,550)	(201)	(118)	(493)		(18,062)
Other reductions	-	-		-	-	-	(151)		(151)
Reclassification from fixed assets under construction	-	12,408		160,278	-	-	(172,686)		-
Gross value of fixed assets as at 31 December 2015	**40**	**139,125**		**527,138**	**136**	**747**	**127,783**		**794,970**
Accumulated depreciation as at 1 January 2015	**-**	**(13,663)**		**(105,828)**	**(109)**	**(395)**	**(9,327)**		**(129,322)**
Depreciation and amortisation	-	(28,846)		(67,697)	(52)	(70)	(16,042)		(112,707)
Acquisition of subsidiaries	-	(1,511)		(13,736)	(7)	(292)	-		(15,546)
Impairment write-down	-	-		-	-	-	-		-
Disposal/liquidation	-	1,183		14,683	70	111	-		16,047
Accumulated depreciation as at 31 December 2015	**-**	**(42,837)**		**(172,578)**	**(98)**	**(646)**	**(25,369)**		**(241,528)**
Net value of fixed assets as at 1 January 2015	-	106,109		261,632	215	115	99,662		467,734
Net value of fixed assets as at 31 December 2015	40	96,288		354,560	38	101	102,414		553,442

** value of provisions for dismantling reported onto fixed assets*

*** capitalised third party financing expenses*

The impairment test is described in Note 15.

(in PLN '000, except for items otherwise indicated)

Year ended 31 December 2014

	Buildings, premises and civil and water engineering facilities		Other technical equipment and machinery	Vehicles	Other fixed assets	Property, plant and equipment under construction		Total
Gross value of fixed assets as at 1 January 2014	**92,026**		**338,627**	**403**	**494**	**52,458**		**484,009**
Increases resulting from purchase of assets	-		88	-	19	99,595		99,702
Other increases	9,711	*	-	-	-	6,751	**	16,462
Disposal/liquidation	(494)		(547)	(79)	(3)	(693)		(1,816)
Other reductions	-		-	-	-	(1,301)		(1,301)
Reclassification from fixed assets under construction	18,529		29,292	-	-	(47,821)		-
Gross value of fixed assets as at 31 December 2014	**119,772**		**367,460**	**324**	**510**	**108,989**		**597,056**
Accumulated depreciation as at 1 January 2014	**(7,929)**		**(62,002)**	**(85)**	**(269)**	**(10,284)**		**(80,569)**
Depreciation and amortisation	(5,812)		(43,906)	(65)	(129)	-		(49,912)
Impairment write-down	-		-	-	-	693		693
Disposal/liquidation	78		344	41	3	-		466
Transfers	-		(264)	-	-	264		-
Accumulated depreciation as at 31 December 2014	**(13,663)**		**(105,828)**	**(109)**	**(395)**	**(9,327)**		**(129,322)**
Net value of fixed assets as at 1 January 2014	84,097		276,625	318	225	42,174		403,440
Net value of fixed assets as at 31 December 2014	106,109		261,632	215	115	99,662		467,734

** value of provisions for dismantling reported onto fixed assets*

*** capitalised third party financing expenses*

(in PLN '000, except for items otherwise indicated)

15. Intangible assets

Year ended 31 December 2015	**Goodwill**	**Frequency reservation**	**Computer software and licences**	**Other**	**Total**
Gross value of intangible assets as at 1 January 2015	**41,231**	**922,392**	**7,357**	**741**	**971,721**
Acquisition of subsidiary (Note 17)	152,972	-	20,558	-	173,530
Increases resulting from purchase of assets	-	-	16,566	3	16,569
Reduction from liquidation	-	-	(108)	-	(108)
Gross value of intangible assets as at 31 December 2015	**194,203**	**922,392**	**44,373**	**744**	**1,161,712**
Accumulated depreciation as at 1 January 2015	**-**	**(388,680)**	**(5,227)**	**(732)**	**(394,639)**
Depreciation and amortisation	-	(61,820)	(1,559)	(6)	(63,385)
Acquisition of subsidiary (Note 17)	-	-	(19,678)	-	(19,678)
Reduction from liquidation	-	-	108	-	108
Accumulated depreciation as at 31 December 2015	**-**	**(450,500)**	**(26,356)**	**(738)**	**(477,594)**
Net value of intangible assets as at 1 January 2015	41,231	533,712	2,130	9	577,082
Net value of intangible assets as at 31 December 2015	194,203	471,892	18,017	6	684,118

Year ended 31 December 2014	**Goodwill**	**Frequency reservation**	**Computer software and licences**	**Other**	**Total**
Gross value of intangible assets as at 1 January 2014	**41,231**	**922,392**	**9,990**	**756**	**974,369**
Acquisition of subsidiaries	-	-	-	-	-
Increases resulting from purchase of assets	-	-	425	1	426
Reduction from liquidation	-	-	(3,058)	(16)	(3,074)
Gross value of intangible assets as at 31 December 2014	**41,231**	**922,392**	**7,357**	**741**	**971,721**
Accumulated depreciation as at 1 January 2014	**-**	**(187,838)**	**(6,672)**	**(620)**	**(195,130)**
Depreciation and amortisation	-	(74,459)	(1,545)	(112)	(76,116)
Impairment write-down	-	(126,383)	-	-	(126,383)
Reduction from liquidation	-	-	2,990	-	2,990
Accumulated depreciation as at 31 December 2014	**-**	**(388,680)**	**(5,227)**	**(732)**	**(394,639)**
Net value of intangible assets as at 1 January 2014	41,231	734,554	3,318	136	779,239
Net value of intangible assets as at 31 December 2014	41,231	533,712	2,130	9	577,082

Given the type of activity conducted and the fact that there is one coherent operating segment, in the opinion of the Management Board of the parent there exists a single main cash-generating unit (in the meaning of IAS 36 *Impairment of assets*) focused on telecommunications activities and wholesale data transfers based on the LTE and HSPA+ technologies, which are a relatively new solution in Poland and worldwide. Due to the above, the goodwill was attributed to one cash-generating unit.

When preparing and adopting business plans, the Management Board takes into account changes taking place on the telecommunications market in Poland as well as its own market research and agreements signed or negotiated with telecommunications operators.

On the basis of its best estimates and assumptions, the Management Board of the parent considers at each balance sheet date whether there are indications of a potential impairment of assets. In accordance with the requirements of IAS 36 *Impairment of assets*, the Management Board of the parent conducted impairment tests of goodwill as at 31 December 2015. The Group conducted an impairment test of goodwill and of the cash-generating unit attributed to it. This required estimating the recoverable value of the cash-generating unit. The estimate of the recoverable value was made by determining the fair value of the cash-generating unit reduced by sales expenses. The fair value as at 31 December 2015 is the market capitalisation of the Group. The surplus market capitalisation above the book value of the cash-generating unit is sufficient to cover potential sales expenses. As a result of those tests, no additional impairment write-downs from the impairment of assets were recognised.

The goodwill recognised upon the acquisition of CenterNet (CenterNet (currently Aero2) was PLN 372,000, the goodwill recognised on the acquisition of Mobyland (Mobyland (currently Aero2) and the Conpidon Group (Aero2) was recognised in the financial statements and amounts to PLN 40,859,000. The goodwill recognised temporarily in 2015 upon the acquisition of AltaLog is PLN 1,990,000 and upon the acquisition of Sferia PLN 150,982,000. The Management Board of the parent also measured the concessions held by Mobyland and the Conpidon Group as at the takeover date. The value of the concessions was recognised in the financial statements and, as at the date of takeover of the subsidiaries, amounted to PLN 170,000,000 (concessions held by Mobyland) and PLN 631,000,000 (concessions held by Aero2). Furthermore, the Management Board of the parent states that the values of similar concessions obtained in the most recent tender settled by the Office of Electronic Communications on 13 February 2013 significantly exceed the value of similar assets held by the Group.

16. Business combinations

On 31 December 2014, the merger of Aero2 and CenterNet, in which the Company holds 100% of the shares in the share capital, was registered. The decision to conduct the merger of Aero2 and CenterNet reflected the belief of the Management Board of the Company that the merger was the fastest and most effective way to streamline the structure of the Midas Group. The merger did not materially affect the financial performance or operations of the Midas Group. The merger of Aero2 with CenterNet was effected by way of: (i) transferring all of the assets of CenterNet to Aero2 via universal succession, and (ii) dissolving the company CenterNet without liquidating it, in accordance with the provisions of the CCC.

On 7 October 2015, a plan was agreed and signed for a merger (the "Merger") between the companies Aero2 (as the acquiring company) and Mobyland (as the target company). The decision to merge the two companies resulted from the desire to optimise and streamline the ownership structure of the Midas Group. The Merger was effected by way of: (i) dissolving the company Mobyland without liquidating it and (ii) transferring all of the assets and liabilities of Mobyland to Aero2 via universal succession, in accordance with Article 492 par. 1 pt. 1 of the CCC. As a result of the Merger, pursuant to Article 494 par. 1 of the CCC, Aero2 entered into the rights and obligations of Mobyland. As a result of the Merger the share capital of Aero2 was increased from PLN 11,100,000 to PLN 113,200,000, i.e. by PLN 102,100,000, by creating 2,042,000 new shares with a nominal value of PLN 50 each. As a result of the Merger, the Company, as the sole shareholder of Mobyland, received 2,042,000 new shares in the share capital of Aero2 with a nominal value of PLN 50 each in exchange for 204,200 existing shares in the share capital of Mobyland with a nominal value of PLN 500 each. The Merger will not have a significant effect on the consolidated financial results of the Midas Group or on its operations.

(in PLN '000, except for items otherwise indicated)

17. Acquisition of entities

In the course of 2015, the Group acquired shares in AltaLog Sp. z o.o and Sferia S.A.

AltaLog

On 5 August 2015 Midas acquired 3,630 shares in AltaLog for the price of PLN 5,326,000. The acquired shares represent a 66% share in the share capital of AltaLog and give the right to 66% of votes at the general meeting of AltaLog. The nominal value of one share is PLN 1,000, and the total nominal value of the shares acquired amounts to PLN 3,630,000. The advance payment for the shares equal to PLN 266,000 was paid on 22 June 2015, and the remaining balance, i.e. PLN 5,060,000, was paid on 5 August 2015. AltaLog carries out activities which are complementary to the core activities of the Midas Group related to software and, among others, to management of IT devices and technical research and analyses.

The acquisition of AltaLog Sp. z o.o was disclosed temporarily in these consolidated financial statements in accordance with IFRS 3 Business combinations. Currently, the Management Board is conducting analyses of the fair value of assets of the acquired company and possible scenarios for the development of the company. The value of temporarily disclosed, identifiable assets and liabilities of AltaLog as at the date of acquisition is as follows:

	Book value as at the acquisition date
Assets	
Property, plant and equipment	16
Intangible assets	632
Other financial assets (non-current)	3,419
Trade and other receivables	102
Current prepayments	1
Cash and cash equivalents	929
	5,099
Liabilities	
Trade and other liabilities	37
Provisions for other liabilities	7
	44

	As at the date of acquisition
Purchase price	5,326
minus non-controlling interests measured in proportion to share in net assets in line with the book value	3,336
Preliminarily estimated goodwill as at the date of acquisition	1,990

Below are selected financial data from the statement of comprehensive income:

	Prepared for the period from 1 January 2015 until the takeover date
Revenue from sales	250
Net loss	(85)

	Prepared for the period from the takeover date to 31 December 2015
Revenue from sales	342
Net profit	(18)

Transaction costs of PLN 64,000 were disclosed as other costs by type in the statement of comprehensive income and as an item under cash flows from operating activities in the statement of cash flows.

Sferia

On 23 December 2015, transfer agreements were concluded for 1,834,405 shares of Sferia with a nominal value of PLN 100 each, representing 51% of the share capital and votes at the general meeting of Sferia, between Mr. Jacek Szymoński and Aero 2, in which the Company holds 100% of the shares, and between Bithell Holdings Limited and Aero2. The total price Aero2 paid to the Sellers amounted to PLN 121,900,000 derived from its own resources. Pursuant to the agreements concluded, if Sferia obtains financial compensation due to any dispute concerning a delay of the right to effectively use the frequencies held by the company, the purchase price may be increased by the amount arising from that compensation proportional to the shareholding held by the Sellers before the share transfer transaction.

(in PLN '000, except for items otherwise indicated)

Sferia is a telecommunications operator holding frequency reservations covering the block with a width of 2x5MHz in the range of 800 MHz ("Reservation 800"), which is valid until 31 December 2018. In the opinion of the Management Board the access to 800 MHz frequencies is the most significant of Sferia's assets because it will enable the Midas Group to maintain the highest level of services rendered to companies from the Cyfrowy Polsat Capital Group during the validity of the current order.

The acquisition of Sferia was disclosed temporarily in these consolidated financial statements in accordance with IFRS 3 Business combinations. Currently, the Management Board is conducting analyses of the fair value of assets of the acquired company and in particular the fair value of the most significant item – Reservation 800. In its analysis the Management Board takes into consideration the possibility of its further effective use including also, but not exclusively, the possibility of cooperation with other operators. The value of temporarily disclosed, identifiable assets and liabilities of Sferia as at the date of acquisition is as follows:

Assets	*Book value as at the acquisition date*
Property, plant and equipment	2,023
Intangible assets	247
Other non-financial assets	201
Inventories	60
Trade and other receivables	6,549
Current prepayments	327
Cash and cash equivalents	2,037
	11,444
Liabilities	
Trade and other liabilities	52,407
Loans and borrowings	15,615
Accruals	449
Provisions for other liabilities	39
	68,510

	As at the date of acquisition
Purchase price	121,878
minus non-controlling interests measured in proportion to share in net assets in line with the book value	(29,104)
Preliminarily estimated goodwill as at the date of acquisition	150,982

Below are selected financial data from the statement of comprehensive income:

	Prepared for the period from 1 January 2015 until the takeover date
Revenue from sales	58,124
Net loss	(6,398)

Transaction costs of PLN 547,000 were disclosed as other costs by type in the statement of comprehensive income and as an item under cash flows from operating activities in the statement of cash flows.

In the periods ending on 31 December 2015 and 31 December 2014, the following changes in goodwill took place:

	31 December 2015	**31 December 2014**
Goodwill at beginning of period	41,231	41,231
Increases in goodwill as a result of the acquisition of AltaLog (preliminary estimation)	1,990	-
Increases in goodwill as a result of the acquisition of Sferia (preliminary estimation)	150,982	-
Total balance sheet value at end of period	**194,203**	**41,231**

(in PLN '000, except for items otherwise indicated)

18. Other assets

18.1. Financial assets

	31 December 2015	31 December 2014
Embedded derivative – option of early redemption of bonds	62,159	54,647
Long-term deposit	20,134	20,003
Other assets	3,419	-
Total	**85,712**	**74,650**

Embedded derivative

At the moment of initial recognition of a liability from bonds, the Company estimated whether the instrument recognised contains components meeting the definition of an embedded derivative.

During the analysis, an embedded derivative was identified (an option of early redemption of bonds) – the Company evaluated the parameters of that option and of the degree of connection of the embedded instrument with the principal agreement. In accordance with the estimate, the embedded derivative identified meets the requirements of IAS 39 for being separate from the principal agreement, and was therefore recognised in the statement of financial position as a separate derivative instrument under non-current financial assets.

The value of that instrument, recognised at the moment of initial disclosure, was determined as PLN 47,879,000 while as at 31 December 2014, it was measured at PLN 54,647,000. As at 31 December 2015 the option was measured at PLN 62,159,000 (the difference from 31 December 2014 of PLN 7,512,000 was recognised in financial income).

Long-term deposit

In accordance with the content of the investment loan agreement of 10 July 2014 concluded between Bank Polska Kasa Opieki S.A. ("PEKAO S.A.") and companies from the Midas Group, the Group undertook to maintain amounts at all times on the DSRA Account equal to at least PLN 20,000,000. The amounts on the DSRA Account (except for accrued interest) can be used solely in order to repay mature amounts due from the Borrowers, if any amounts due to the Lender are not repaid on time. A term deposit was created for the funds gathered on the DSRA Account, under conditions no worse than market conditions. The value of the deposit together with accrued interest is presented in a note.

Other assets

Under other assets the value of shares held by AltaLog in InPlus Sp. z o.o. was presented (9.918% of shares).

18.2. Other non-financial assets and prepayments

	31 December 2015	31 December 2014
Non-current		
Advance payments for fixed assets under construction	18	11,456
Pre-paid expenses of joint use of the telecommunications network of another operator	-	1,958
Guarantee deposits	181	-
Other	143	177
Total	**342**	**13,591**
Current		
Pre-paid expenses of joint use of the telecommunications network of another operator	-	490
Advances paid	316	123
Other prepayments	190	319
Total	**506**	**932**

In the item "Advance payments for fixed assets under construction", the value of cash provided to suppliers for the purchase of telecommunications infrastructure components is shown.

19. Inventories

	31 December 2015	31 December 2014
Materials	-	36
Goods	886	716
Revaluation write-down	(225)	(16)
Other	3	-
Total	**664**	**736**

20. Trade and other receivables

	31 December 2015	31 December 2014
Trade receivables	121,159	134,728
Receivables from VAT	20,038	53,343
Receivables from the sale of fixed assets	-	35
Other receivables	1,565	1,191
Total net receivables	**142,762**	**189,297**
Revaluation write-down of receivables	1,976	3,883
Gross receivables	**144,738**	**193,180**
- current	142,762	149,043
- non-current	-	40,254

The terms of transactions with related parties are presented in Note 31.

Trade receivables do not bear interest and usually have a 14-day payment period.

The Group has an appropriate policy on selling only to verified customers. Thanks to this, in the view of management, there is no additional credit risk above the level of the revaluation write-down on uncollectable receivables, which is appropriate for the Group’s trade receivables.

As at 31 December 2015, trade receivables of PLN 1,976,000 (as at 31 December 2014: PLN 3,883,000) were deemed uncollectable and written down.

Changes to the revaluation write-down to receivables were as follows:

	2015	2014
Revaluation write-down as at 1 January	3,883	938
Increase resulting from the acquisition of the subsidiary	1,038	2,945
Use	(2,945)	-
Revaluation write-down as at 31 December	**1,976**	**3,883**

Presented below is an analysis of trade and other receivables which were overdue as at 31 December 2015 but which were not deemed uncollectable and were not written down.

		Overdue but collectable (in PLN ‘000)				
Total	Not overdue	< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	>120 days
122,724	121,646	861	-	23	18	176

21. Other current assets

	31 December 2015	31 December 2014
Borrowings granted	-	15,174
Commission paid on bank loans received	-	1,974
Total	**-**	**17,148**

Borrowings granted

The value of borrowings granted as at 31 December 2014 consisted of loans in the amount of PLN 15,174,000 granted to Sferia.

(in PLN '000, except for items otherwise indicated)

22. Cash and cash equivalents

Cash at bank bears interest at variable rates whose amounts depend on the interest rates for one-day bank deposits. Short-term deposits are made for various periods, from one day to one month, depending on the Group's current need for cash, and they bear interest at the rates set for them.

The balance of cash and cash equivalents disclosed in the consolidated statement of cash flows is made up of the following items:

	31 December 2015	31 December 2014
Cash at bank and on hand	27,782	22,802
Short-term bank deposits	116,346	30,648
Cash and cash equivalents	**144,128**	**53,450**

23. Share capital and supplementary/reserve capitals

23.1. Share capital

As at 31 December 2015, and as at the date of publishing this report, the share capital of the Company amounts to PLN 147,966,675 (one hundred forty-seven million nine hundred sixty-six thousand six hundred seventy-five zlotys) divided into 1,479,666,750 (one billion four hundred seventy-nine million six hundred sixty-six thousand seven hundred fifty) ordinary bearer shares each, including:

11,837,334 series A shares,

47,349,336 series B shares,

236,746,680 series C shares,

1,183,733,400 series D shares.

Each ordinary share carries the right to one vote at the General Meeting.

All shares issued have been paid in full and registered with the National Court Register.

The table below shows the history of transactions on shares issued by Midas:

Series/issue	Type of shares	Number of shares	Value of series/issue at nominal value	Method of covering capital	Date of registration
Series A	Bearer	1,000,000	100	cash	1995-03-31
Series A	Bearer	32,000,000	3,200	In-kind	1995-09-08
Series A	Bearer	1,000,000	100	In-kind	1996-02-03
Series A	Bearer	500,000	50	In-kind	1996-05-06
Series A	Bearer	400,000	40	In-kind	1996-06-03
Series A	Bearer	100,000	10	In-kind	1996-06-05
Cancellation 1996	-	(3,973,815)	(397)	-	1996-12-19
Cancellation 1997	-	(255,106)	(26)	-	1997-11-17
Cancellation 1998	-	(313,038)	(31)	-	1998-11-24
Cancellation 1999	-	(401,917)	(40)	-	1999-11-18
Cancellation 2003	-	(7,512,989)	(752)	-	2003-12-18
Cancellation 2005	-	(10,705,801)	(1,070)	-	2005-11-10
Series B	Bearer	47,349,336	4,734	issue of shares	2006-07-17
Series C	Bearer	236,746,680	23,674	issue of shares	2011-06-30
Series D	Bearer	1,183,733,400	118,374	issue of shares	2012-04-18
	Total	**1,479,666,750**			

23.1.1. Nominal value of shares

All issued shares have a nominal value of PLN 0.10 and are fully paid up.

(in PLN '000, except for items otherwise indicated)

23.1.2. Shareholders' rights

Each ordinary share carries the right to one vote at the General Meeting. The shares of all series carry equal rights, in particular with respect to dividend and voting rights.

23.1.3. Shareholders having a significant holding

	31 December 2015	31 December 2014
Zygmunt Solorz-Żak through Litenite Limited		
share in capital	66.00%	66.00%
share in votes	66.00%	66.00%
ING OFE		
share in capital	5.41%	5.41%
share in votes	5.41%	5.41%
Other shareholders		
share in capital	28.60%	28.60%
share in votes	28.60%	28.60%

23.2. Retained earnings and dividend restrictions

Pursuant to the requirements of the Commercial Companies Code, the Company is obliged to create supplementary capital to cover losses. This category of capital is to be supplied with at least 8% of the profit for the financial year recognised in the Company's accounts until the capital reaches at least one third of the share capital. The decision to draw from supplementary or reserve capitals is made by the General Meeting; however, part of the supplementary capital up to one third of the share capital can be used only to cover losses reported in the financial statements and cannot be allocated for any other purposes.

23.3. Non-controlling interests

	31 December 2015	31 December 2014
As at the beginning of the period	-	-
Acquisition of AltaLog	1,719	-
Acquisition of Sferia	(27,962)	
Share in the result of subsidiaries	(7)	-
As at the end of the period	**(26,250)**	

24. Interest-bearing bank loans, borrowings and issued bonds

	Effective interest rate %	Repayment date	31 December 2015	31 December 2014
Current				
Bank loan obtained in the amount of PLN 38,166,000, bearing interest at the rate of WIBOR 3M + margin (Plus Bank)	7.00%	26.09.2015	88	29,435
Bank loan obtained in the amount of PLN 26,330,000, bearing interest at the rate of WIBOR 3M + margin (Plus Bank)	6.73%	30.09.2015	-	14,172
Investment loan with a nominal value of PLN 150,000,000, bearing interest at the rate of WIBOR 1M + margin (Alior Bank)	5.97%	31.12.2015	-	4,298
Investment loan with a nominal value of PLN 350,000,000, bearing interest at the rate of WIBOR 1M + margin (Bank PEKAO)	4.83%	30.06.2018	96,346	-
Total			**96,434**	**47,905**
Non-current				
Bank loan obtained in the amount of PLN 38,166,000, bearing interest at the rate of WIBOR 3M + margin (Plus Bank)	7.00%	26.09.2015	26,931	-
Bank loan obtained in the amount of PLN 26,330,000, bearing interest at the rate of WIBOR 3M + margin (Plus Bank)	6.73%	30.09.2015	14,170	-
Issue of series A bonds of a nominal value of PLN	11.31%	16.04.2021	365,163	328,054

(in PLN '000, except for items otherwise indicated)

643,935,000, discount rate of 16.01%				
Investment loan with a nominal value of PLN 150,000,000, bearing interest at the rate of WIBOR 1M + margin (Alior Bank)	5.97%	31.03.2018	-	137,499
Investment loan with a nominal value of PLN 350,000,000, bearing interest at the rate of WIBOR 1M + margin (Bank PEKAO)	4.83%	30.06.2018	249,453	23,295
Total			**655,717**	**488,848**

Capitalisation of third party financing expenses

In 2015, the Group capitalised third party financing expenses in the amount of PLN 8,055,000, at a capitalisation rate of 21.13% (in 2014: PLN 6,751,000 at a capitalisation rate of 22.32%).

Collateral for Plus Bank loan

As at 31 December 2015, the Group held the following collateral under loan agreements with Plus Bank S.A.:

- a blank promissory note issued by the borrower together with a promissory note declaration;
- the borrower's declaration on submission to enforcement up to PLN 76,433,000;
- pledge on the group of movables and rights constituting an organised business whole with a variable composition of Aero2 up to PLN 622,000,000 which is also the collateral for the Loan Agreement with Bank Pekao;
- authorisation to manage the borrower's bank accounts.

Drawing on subsequent tranches of the investment loan granted by Bank Pekao

During the 12-month period ended 31 December 2015, the Group drew down subsequent tranches of the investment loan (agreement with Bank Polska Kasa Opieki S.A. ("Bank Pekao") of 10 July 2014) in the total amount of PLN 176,500,000. In the statement of financial position, the value shown of liabilities from the loan is based on the effective interest rate, taking account of expenses incurred in connection with obtaining the financing.

Drawing down a subsequent tranche of the loan granted by Alior Bank

On 24 April 2015, the Group drew down another tranche of the investment loan (agreement with Alior Bank S.A. ("Alior Bank") of 28 February 2013) in the amount of PLN 5,000,000. The funds from the loan were sent directly to the bank account of Aero2, in accordance with the loan agreement concluded between Midas and Aero2 on 13 September 2013. In the statement of financial position, the value shown of liabilities from the loan is based on the effective interest rate, taking account of expenses incurred in connection with obtaining the financing.

Repayment of the investment loan granted by Alior Bank

On 1 July 2015 the Group received, from Alior Bank, confirmation of repayment on 30 June 2015 of the investment loan. Thus the loan, whose final repayment under the agreement signed on 28 February 2013 was set at 31 March 2018, was closed earlier on 30 June 2015.

Amendment to terms and conditions of the loan agreement with Bank Pekao.

On 26 June 2015 the Group entities entered with Bank Pekao into the annex to the agreement for financing the development of the LTE and HSPA+ telecommunications network of 10 July 2014 (the "Loan Agreement").

The annex signed modified the terms and conditions of the Loan Agreement to the following extent:

1. Increasing the loan amount from PLN 200,000,000 to PLN 350,000,000,
2. Extending the use of the loan by refinancing the existing loan from Alior Bank in the amount of PLN 150,000,000,

3. Defining the loan availability period by the end of December 2015, including by the end of July 2015 for refinancing the loan from Alior Bank,

4. Loan repayment: in equal monthly instalments from the end of January 2016,

5. Legal collateral: modification of the cash deposit conditions (DSRA) to PLN 20,000,000 (currently deposited amount) instead of 10% of the actual commitment,

6. The annex did not provide for any significant amendments to other terms and conditions of the Loan Agreement, including to the method of how to calculate interest, contractual penalties, conditions or deadlines.

Raising the loan amount required increases to collateral (signing respective collateral agreements and their registration).

On 7 August 2015 Midas, Aero2 and Mobyland received copies of the annexes to the collateral agreements for the loan granted by Bank Pekao signed on 6 August 2015 by Bank Pekao and the aforementioned companies. Amendments to Registered Pledge Agreements for Aero2 and Mobyland shares included increasing the maximum collateral amount to PLN 525,000,000. Amendments to Registered Pledge Agreements on groups of movables and rights constituting an organised business whole with variable composition included raising the total collateral value under registered pledges established on the aforementioned groups of Mobyland and Midas up to PLN 525,000,000, and Aero2 to PLN 622,000,000. In addition, the Company, Aero2 and Mobyland submitted declarations of voluntary submission to enforcement under the procedure of Article 777 par. 1 pt. 5 of the Code of Civil Procedure up to PLN 525,000,000. Other modifications to the collateral agreements were technical ones and resulted from the combination of Aero2 and Centernet S.A., recorded in the Commercial Register on 31 December 2014, and from changes of registered offices of Midas and of subsidiaries Aero2 and Mobyland.

On 21 August 2015 Midas received a decision of the District Court for the City of Warsaw in Warsaw, Division XI Commercial – Register of Pledges, of 11 August 2015 on a change in the registered pledge established for Bank Pekao, constituting collateral for the investment loan, on 204,200 shares of Mobyland, representing 100% of the shares in the share capital of Mobyland, disclosed in the Company's books of account at a book value of PLN 178,800,000, including raising the maximum collateral up to PLN 525,000,000. Furthermore, the Company received the Court's decision to enter in the pledge register, on 12 August 2015, the pledge established in favour of Bank Pekao, on a group of movable goods and rights constituting part of the business of Mobyland, disclosed in the Company's books of account at a book value of PLN 102,100,000, and constituting collateral on a liability stemming from the above loan for up to PLN 525,000,000.

On 28 August 2015 Midas received the decision of the District Court for the City of Warsaw in Warsaw, Division XI Commercial – Register of Pledges, of 18 August 2015 on a change in the registered pledge established for Bank Pekao, constituting collateral for the investment loan, on a set of movable goods and rights constituting an organised business whole with variable composition, owned by Aero 2. The change consisted in the increase of the maximum collateral amount from PLN 396,700,000 to PLN 622,000,000. The book value of the aforementioned set as at 30 June 2015 was PLN 858,300,000.

On 10 September 2015 Midas received the decision of the District Court for the City of Warsaw in Warsaw, Division XI Commercial – Register of Pledges, of 3 September 2015 on a change in the registered pledge established for Bank Pekao, constituting collateral for the investment loan, on 221,000 shares of a nominal value of PLN 50 each, held in Aero 2 and constituting 99.5% of the interest in Aero 2's share capital. The change consisted in the increase of the maximum collateral amount from PLN 300,000,000 to PLN 525,000,000. There was also a change in the registered pledge established for the Bank, constituting collateral for the Loan, on 1,000 shares of a nominal value of PLN 50 each, held by the Company in Aero2 and constituting 0.5% of the interest in Aero2's share capital. The change consisted in the increase of the maximum collateral amount from PLN 300,000,000 to PLN 525,000,000. The book value of 100% of the shares in Aero2 as at 30 June 2015 was PLN 787,000,000.

Partial repayment of the loan granted by Plus Bank S.A.

(in PLN ‘000, except for items otherwise indicated)

On 31 March 2015 the Group repaid the principal amount of the loan granted by Plus Bank S.A. (“Plus Bank”) in the amount of PLN 2,500,000 (PLN 41,101,000 still outstanding).

Amendment to terms and conditions of the loan agreement with Plus Bank S.A.

On 18 September 2015 Aero2 entered with Plus Bank into annexes to the loan agreements of 27 October 2010 and 25 November 2010.

The annexes signed modified terms and conditions of the loan agreements to the following extent:

1. The borrowing period was extended respectively from 26 and 30 September 2015 to 31 December 2018.

2. The repayment date of the last instalments was postponed to December 2018.

On 18 September 2015 Mobyland signed debt accession agreements under which it joined the aforementioned loan agreements entered into by Aero2 with Plus Bank, as a joint and several debtor.

Series A bonds

During the 12-month period ended 31 December 2015, there was an increase in the value of liabilities under the issue of bonds. The change results from calculating the discount on the series A bonds. The amount of discount was added to the existing debt under the series A bonds.

On 20 July 2015 a Meeting of Bondholders of series A bonds issued by Midas was held. The Meeting adopted resolutions on amendments to the Bond Issue Terms. The Meeting expressed consent, among others, to exclusion of the leverage ratio as the covenant for the bonds, a change to the definition of the Authorised Acquisition in order to permit the Issuer to acquire, directly or indirectly, shares in a business carrying out the same or complementary activities to the core business of the Issuer, and a change to the pledge administration agreement.

Security for the bonds includes:

- a blank promissory note together with a promissory note declaration authorising the Pledge Administrator to fill in the promissory note up to an amount equivalent to 120% of the total nominal value of the bonds,

- a declaration on submitting to the enforcement procedure in the form of a notarial deed in favour of the Pledge Administrator acting on the account of the Bondholders, up to an amount being the equivalent of 120% of the total nominal value of the bonds.

25. Deferred income

	31 December 2015	31 December 2014
Non-current	**18,664**	**33,325**
- subsidies for fixed assets*	18,664	21,336
- joint use of the network**	-	11,989
Current	**480,080**	**150,973**
- subsidies for fixed assets*	2,672	2,672
- joint use of the network**	-	2,997
- data transmission***	476,515	144,553
- telecommunications services (prepaid)****	775	751
- others	118	-
Total	**498,744**	**184,298**

** On the basis of an agreement of 30 December 2009, Aero2 obtained subsidies in 2011-2013 from the Polish Business Development Agency to develop a telecommunications network in Podkarpacki province.*

*** Aero2 signed an agreement with Sferia S.A. on the mutual use of telecommunications infrastructure in the period from 1 June 2011 to 21 December 2019.*

**** Mobyland (currently Aero2) signed the cooperation agreements with Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o. The agreements set forth the terms of cooperation between the parties with respect to the Company providing Data Transmission Services to Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o.*

*****Revenues from sales of mobile telephony services provided by Aero2 (prepaid) are settled over time in proportion to the number of minutes used.*

26. Provisions

	31 December 2015	31 December 2014
Provision for dismantling base stations	20,729	14,519

(in PLN '000, except for items otherwise indicated)

Other provisions	39	-
Total	**20,768**	**14,519**
Current	1,557	-
Non-current	19,211	14,519

26.1. Changes in provisions

	Dismantling of base stations	Other provisions	Total
As at 1 January 2015	14,519	-	14,519
Created during the financial year	6,210	39	6,249
As at 31 December 2015	**20,729**	**39**	**20,768**
Current as at 31 December 2015	1,557	-	1,557
Non-current as at 31 December 2015	19,172	39	19,211

	Dismantling of base stations	Other provisions	Total
As at 1 January 2014	3,612	63	3,675
Created during the financial year	10,907	-	10,907
Used	-	(6)	(6)
Released	-	(57)	(57)
As at 31 December 2014	**14,519**	**-**	**14,519**
Current as at 31 December 2014	-	-	-
Non-current as at 31 December 2014	14,519	-	14,519

26.2. Provision for dismantling base stations

During the 12-month period ended 31 December 2015, the Group revalued non-current provisions for the expenses of anticipated dismantling of base stations forming part of the telecommunications infrastructure. Stations may be erected on land (proprietary tower stations), on roofs or chimneys of existing facilities (proprietary non-tower stations), on existing towers of other operators (third-party tower stations) or on the roofs or chimneys of other operators (third-party non-tower stations). To this end, the Group concludes tenancy and lease agreements with property owners, which stipulate the obligation to restore the property to its original condition after the agreement is terminated. In calculating the amount of the provision for dismantling as at 31 December 2015, the Group used the following anticipated one-off cost of dismantling for:

- proprietary structures erected on the ground – PLN 75,000, including the expenses of dismantling electronic equipment on the base station – PLN 3,000,
- proprietary structures erected on building roofs or chimneys – PLN 25,500, including the expenses of dismantling electronic equipment – PLN 3,000,
- structures erected on land owned by another operator – PLN 19,500, including the expenses of dismantling electronic equipment – PLN 3,000,
- electronic equipment from the structures located on roofs or chimneys – PLN 3,000,
- transmission points – PLN 90,000,
- intermediate points – PLN 7,000.

The consolidated financial statements disclosed a provision for the expenses of dismantling stations in the present value, assuming a 22-year useful life of the station structures, a 10-year useful life of the electronic equipment and a discount rate stemming from the risk-free interest rate.

27. Trade and other current liabilities

27.1. Trade liabilities

	31 December 2015	31 December 2014
Trade liabilities:		
towards related parties	47,143	47,669
towards other entities	50,593	107,181
Total	**97,736**	**154,850**

(in PLN '000, except for items otherwise indicated)

Terms and conditions of payment of the above financial liabilities:

The conditions of transactions with related parties are presented in Note 31 of the additional information and explanatory notes.

Trade and other liabilities do not bear interest and are usually settled in 14-day periods.

27.2. Other liabilities

	31 December 2015	31 December 2014
VAT	2,397	6,320
Personal income tax	374	321
Social insurance liabilities	409	192
Other non-financial liabilities	30	6
Total	**3,210**	**6,839**
- current	3,210	6,839
- non-current	-	-

The amount resulting from the difference between VAT liabilities and receivables is paid to the competent tax authorities on a monthly basis.

28. The reasons for the differences existing between changes stemming from the statement of financial position and changes stemming from the statement of cash flows

The reasons for the differences existing between changes stemming from the statement of financial position and changes stemming from the statement of cash flows are presented in the tables below:

28.1. Change in the balance of receivables

	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Change in the balance of non-current trade and other receivables	46,535	(67,237)
Change in the balance of receivables on disposal of property, plant and equipment	(35)	35
Change in the balance of receivables on the acquisition of subsidiaries	6,652	-
	53,152	**(67,202)**

28.2. Change in the balance of liabilities

	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Change in the balance of current liabilities	(60,744)	29,193
Change in the balance of liabilities arising from the acquisition of property, plant and equipment and investments	38,557	(8,954)
Change in the balance of liabilities from the acquisition of subsidiaries	(52,738)	-
	(74,925)	**20,239**

28.3. Change in the balance of provisions

	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Change in the balance of provisions	6,249	10,844
Growth of provisions for dismantling reported for fixed assets	(5,598)	(9,710)
Change in the balance of provisions for the acquisition of subsidiaries	(39)	
	612	**1,134**

28.4. Change in the balance of prepayments/accruals and other non-financial assets

	01.01.2015 -	01.01.2014 -

	31.12.2015	31.12.2014
Change in the balance of prepayments/accruals and other non-financial assets	13,675	(10,876)
Advances paid towards the purchase of fixed assets	(11,275)	11,281
Change in the balance of prepayments/accruals concerning costs of bond issues	-	(19)
Change in the balance of prepayments/accruals and other non-financial assets on the acquisition of subsidiaries	529	-
	2,929	**386**

29. Significant non-cash transactions

	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Change in the balance of liabilities from loans and borrowings	178,289	108,348
Loan from PEKAO – refinancing the loan from Alior Bank (non-cash transaction)	150,000	-
Repayment of the investment loan granted by Alior Bank (non-cash transaction)	(150,000)	-
	178,289	**108,348**

30. Investment liabilities

As at 31 December 2015, the Group had investment orders for the total amount of PLN 20,418,000. The orders placed concern the purchase of telecommunications components.

31. Contingent liabilities

The note below contains a description of contingent liabilities other than those described in Note 24 (collateral for bank loans).

	31 December 2015	31 December 2014
Liabilities from bank guarantees granted mainly as performance guarantees	-	289
Total contingent liabilities	**-**	**289**

31.1. Pending court proceedings

In the proceedings below, Aero2, CenterNet and from 31 December 2014 Aero2 as the legal successor of CenterNet and Mobyland, and since 30 November Aero2 as the legal successor of Mobyland (depending on the proceedings), act as an interested party, as these proceedings are largely directed against the administrative decisions issued by the President of the OEC. However, indirectly, any final judgement in each of these proceedings may result in the President of the OEC ruling to sustain, change or reverse the previous decisions that directly concern frequency reservations for CenterNet and Mobyland in 2007 or frequency reservations granted to Aero2 in 2008 and 2009 and Sferia.

Proceedings related to the tender concerning frequencies in the 1710-1730 MHz and 1805-1825 MHz ranges, subject to reservation for CenterNet (currently Aero2) and Mobyland (currently Aero2)

In the matter concerning a reversal of the decision of the President of the OEC of 13 June 2011 No. DZC-WAP-5174-9/07(321) and of 23 August 2011 No. DZC-WAP-5174-9/07(352) invalidating – in the scope concerning the evaluation of T-Mobile's bid – the tender concerning two reservations of frequencies in the 1710-1730 MHz and 1805-1825 MHz ranges, issued in the tender concerning reservation of the frequencies granted to CenterNet and Mobyland (Current Report No. 33/2012), on 8 May 2014 the SAC issued a judgement concerning the tender for two frequency reservations, in the 1710-1730 MHz range and the 1805-1825 MHz range (the "Tender"), under which the SAC upheld the PACW's judgement of 6 July 2012. The SAC judgement was issued following the dismissal of the cassation appeals filed by the President of the OEC and the Issuer's subsidiaries: CenterNet and Mobyland. The SAC stated that the dispute in the matter centred on assessing recommendations for further action for the President of the OEC, following from the judgement of the PACW of 21 July 2009, reversing both decisions of the President of the OEC refusing to declare the invalidity of the tender concerning frequency reservations, and from the judgement of the SAC of 3 February 2011 approving the judgement of the PACW. The SAC found that the above judgements of the PACW and SAC indicated that the President of the OEC should have invalidated the Tender in its entirety. In its judgement of 21 July 2009, the PACW found that a serious breach of the applicable laws had occurred during the tender proceedings, as a result of which a party to the proceedings was deprived of the right to participate in stage two of the Tender, i.e. the criterion for flagrant infringement of the applicable laws referred to in Article 118d of the Telecommunications Law (the "TL") was fulfilled, which would justify invalidating the tender. On the other hand, the SAC, in its judgement of 3 February 2011, found that the PACW judgement indicated that the President of the OEC should have issued the opposite decision to the existing decision. In its judgement of 8 May 2014, the SAC found, taking into account the scope of the proceedings conducted by the President of the OEC and the motions to invalidate the Tender, that the opposite decision would be to invalidate the Tender in its entirety. The SAC also noted that the President of the OEC, having concerns regarding the recommendations contained in the above judgements of the PACW and the SAC, could have requested an interpretation, pursuant to Article 158 of the Act on Proceedings Before Administrative Courts, which he failed to do. Referring to Article 118d par. 1 of the TL, in the wording applicable to the matter at hand, the SAC also found that the provision was worded unambiguously and could not have led to the conclusion that the Tender could be partially invalidated. In the assessment of the SAC, this provision does not permit such a possibility. But even if it were possible, partial invalidation could not take place with reference to one of the entities taking part in the Tender (as was the case in 2011). Any partial invalidation of the Tender might at best refer to the subject, not the participants. Lastly, the SAC noted that in the court and administrative proceedings, there can be no acceptance for arguments of equitability related to, among other things, the expenses of conducting another Tender, as the deciding factor in this respect is the wording of the applicable provision of the law, its interpretation and application.

As a result of the decisions of the President of the OEC of 13 June 2011 and 23 August 2011, the President of the OEC conducted another tender with respect to assessing the bid placed by T-Mobile Polska and determined the revised result of the Tender in the form of a new list assessing each bid, taking into account the bid placed by T-Mobile. The bids placed by CenterNet were placed on the list under items 1 and 2, and the bid placed by Mobyland under item 3. On 27 October 2011, CenterNet filed a motion to obtain frequency reservations on the basis of the bid featured as item 2 on the evaluation list, and Mobyland submitted a request on the same date to obtain a reservation on the basis of the sole bid it had placed. In connection with the above motions concerning reservations submitted by CenterNet and Mobyland, proceedings concerning the reservation motions are pending before the President of the OEC. After the President of the OEC announced the revised results of the Tender, Orange Polska and T-Mobile Polska submitted motions to invalidate the Tender. In its decision of 28 November 2012, the President of the OEC refused to invalidate the Tender. The above decision was upheld by the decision of the President of the OEC of 8 November 2013. Subsidiaries of the Issuer did not file a complaint against the decision of the President of the OEC of 8 November 2013. Orange Polska and T-Mobile Polska filed complaints against the above decision with the PACW, which reversed the decisions of the President of the OEC in a judgement of 23 September 2014. Subsidiaries of the Issuer submitted cassation appeals against that judgement. The date of examining the cassation appeals is unknown.

The Management Board of the Issuer believes that the SAC judgement of 8 May 2014 and the PACW judgement of 23 September 2014 will have no influence on CenterNet's (currently Aero2) and Mobyland's (currently Aero 2) ability to continue their existing operations. This means that these companies can still make full use of the frequencies granted to them, and can therefore still carry out the objectives adopted in the operations of the Midas Capital Group. Furthermore, the Management Board maintains its position expressed in Current Report No. 8/2014 that it is currently impossible to predict the direction or scope of further action in the matter that may be taken by the President of the OEC and other participants of the proceedings. The Management Board of the Issuer also notes that on 29 May 2014 the SAC upheld the judgement of the PACW of 19 November 2012, as noted hereinabove. The judgement concerned the dismissal on substantive grounds of T-Mobile's complaint against the decision of the President of the OEC concerning frequency reservations in the 1710-1730 MHz and 1805-1825 MHz ranges issued for CenterNet and Mobyland. The above judgement of the SAC of 29 May 2014 is final and means that the frequency reservations had become final. The decisions may only be reversed upon reopening the proceedings. At this point, the Issuer's Management Board does not see any legal grounds on which this scenario could be fulfilled.

Proceedings to invalidate the tender concerning frequency reservations for Aero2 in the 2570-2620 MHz range.

On 21 May 2009, the President of the OEC announced a tender for a frequency reservation in the 2570-2620 MHz range, for the entire area of Poland, designated for the provision of telecommunications services in broadband wireless mobile networks, until 31 December 2024 ("Tender 2.6"). In response to the tender announcement, Milmex Systemy Komputerowe sp. z o.o. ("Milmex") and Aero2 submitted their bids. Because of a number of formal deficiencies, the bid submitted by Milmex was not admitted to the substantive evaluation stage. In effect, the bid submitted by Aero2 was found to be the best.

After the results were announced, Milmex filed a motion for the invalidation of Tender 2.6. In its decision of 28 December 2010, No. DZC-WAP-5176-9/09(112), the President of the OEC refused to invalidate Tender 2.6. The above decision was upheld by a decision of the President of the OEC of 20 November 2012, No. DZC-WAP-5176-9/09(237).

Milmex filed a complaint against that decision to the PACW. In its judgement of 27 June 2013 (case file No. VI SA/Wa 464/13), the PACW dismissed the complaint. Milmex filed a cassation appeal with the SAC against the above judgement, which appeal was dismissed by a binding ruling of the SAC of 9 April 2015 (case file No. II GSK 370/14). In the opinion of the SAC, the judgement of the court of first instance was correct, as it cannot be concluded in the case in question that the tender involved irregularities that resulted in the flagrant infringement of Milmex's interests or a flagrant breach of law. Therefore, Milmex's bid rightly failed to advance to stage two of the tender due to its formal defects. The judgement concludes a series of proceedings concerning the tender for frequencies in the 2.6 GHz range. The Company reported on the above judgement in Current Report No. 7/2015.

Proceedings related to Sferia's frequencies in the 816-821 MHz and 857-862 MHz range

Sferia obtained radio frequency reservations valid until 31 December 2018 based on the decision of the President of the Office for Telecommunication and Post Regulation ("President of the OTPR") of 31 December 2003 (LR 7346/03), as subsequently amended by the decisions of the President of the OTPR of 19 August 2004 (LR 4269/04), 29 September 2004 (DZC-WDO-5106-9/04(4)) and 20 October 2005 (DZC-WAP-5106-1/05(5)), as well as by the decisions of the *President of the Office of Electronic Communications ("President of the OEC")* of 10 July 2007 (DZC-WAP-5106-1/05(35)), 15 October 2008 (DCZ-WAP-5106-1/05(112)), 19 March 2009 (DCZ-WAP-5106-1/05(140)), 27 December 2013 (DZC-WAP-5174-16/13(62) and 26 September 2014 (DZC-WAP-5174-16/13(137)).

In the context of this report, of key importance were the last two above-mentioned decisions of the President of the OEC, i.e. the decisions of 27 December 2013 and 26 September 2014 under which, in exchange for the frequency reservations in the 824-830 MHz and 869-875 MHz range made by the decision of the President of the OTPR of 20 October 2005, the President of the OEC allocated to Sferia the frequencies from the 816-821 MHz and 857-862 MHz range ("800 MHz Range").

Three operators, i.e. T-Mobile Polska S.A. ("T-Mobile"), Orange Polska S.A. ("Orange") and P4 Sp. z o.o. ("Play"), as well as the French Chamber of Industry and Trade ("FIPH"), took a number of legal actions aimed at preventing the possible use by Sferia of the new range of frequencies, as described further below:

a. Proceedings court case No. II C 184/14 held before the Regional Court in Warsaw, based on the claim of T-Mobile for acknowledging the invalidity of the settlement entered into by and between the State Treasury and Sferia together with its shareholders in order to evade compensation claims related to the discrimination of Sferia. The proceedings are pending. As part of the proceedings by the decision of 24 February 2015, court case No. I ACz 119/15, the Court finally dismissed the motion by T-Mobile for an injunction in the form of the prohibition for Sferia to use the frequencies from the 800 Mhz range, due to the fact that the complainant failed to show legal interest in having such an injunction granted.
b. Proceedings court case No. VI SA/WA 4043/14 held before the Province Administrative Court in Warsaw, based on the complaint by Orange on reversing the decisions of the President of the OEC replacing the frequencies reserved for Sferia with the frequencies from the 800 MHz range (Decisions of 27 December 2013 and 26 September 2014), together with a motion to suspend the enforceability of

the decisions. By the ruling of 11 January 2016 the Court rejected the motion by Orange on suspending enforcement of the decision appealed against. By a separate decision issued on the same date, the Court suspended the proceedings until the complaints filed by Orange and Play against the judgements of the Province Administrative Court in Warsaw of 19 May 2015 are examined by the SAC.

c. Proceedings court case No. II GSK 3393/15 held before the Supreme Administrative Court in Warsaw, based on the complaint by Orange on reversing the unfavourable judgement of the Province Administrative Court in Warsaw of 19 May 2015, court case No. VI SA/WA 3939/14, dismissing the complaint by Orange against the decision of the President of the OEC on the inadmissibility of the appeal/motion for re-examination of the decision of the President of the OEC of 27 December 2013 (DZC-WAP-5174-16/13(62)). In the judgement challenged by Orange, the Province Administrative Court in Warsaw acknowledged that Orange did not have the status of party to the proceedings in the proceedings for replacement of Sferia's frequency reservations.

d. Proceedings court case No. VI SA/WA 4106/14 held before the Province Administrative Court in Warsaw, based on the complaint by Play on reversing the decisions of the President of the OEC replacing the frequencies reserved for Sferia with the frequencies from the 800 MHz range, together with a motion to suspend the enforceability of the decisions. Sferia filed a reply to the complaint and a motion to suspend the enforceability of the decisions. By the ruling of 11 January 2016 the Court rejected the motion by Play on suspending enforcement of the decision appealed against. By a separate decision issued on the same date, the Court suspended the proceedings until the complaints filed by Orange and Play against the judgements of the Province Administrative Court in Warsaw of 19 May 2015 are examined by the SAC.

e. Proceedings court case No. II GSK 3252/15 held before the Supreme Administrative Court in Warsaw, based on the complaint by Play on reversing the unfavourable judgement of the Province Administrative Court in Warsaw of 19 May 2015, court case No. VI SA/WA 3793/14, dismissing the complaint by Play against the decisions of the President of the OEC refusing to admit Play to the proceedings for replacement of Sferia's frequencies with the frequencies from the 800 Mhz range. On 10 December 2015 Sferia filed a pleading with a detailed presentation of the party's position. Currently, the date for hearing the case has not yet been determined.

f. Proceedings court case No. VI SA/WA 4095/14 held before the Province Administrative Court in Warsaw, based on the complaint by FIPH on reversing the decisions of the President of the OEC replacing the frequencies reserved for Sferia with the frequencies from the 800 MHz range. By the decision of 30 October 2015 the Court suspended the proceedings until the complaints filed by Orange and Play against the aforementioned judgements of the Province Administrative Court in Warsaw of 19 May 2015 are examined by the SAC. What is essential is that earlier, during the proceedings conducted, the Court, in the ruling of 24 July 2015, rejected FIPH's motion to suspend the enforcement of the decisions appealed against.

The Management Board of Sferia considers any claims under the aforementioned proceedings unjustified. At the current stage all valid judgements of the Court are favourable for Sferia and acknowledge the legality of the decisions of the President of the OEC of 27 December 2013 and 26 September 2014. However, until the final closing of the proceedings the possibility cannot be excluded that the judgements would be modified in a manner unfavourable for Sferia as part of the currently pending proceedings.

Other proceedings

In the decisions of the SMP issued by the President of the OEC on 14 December 2012, the SMP obliged Aero2, CenterNet and Mobyland to apply fees for call termination in public mobile telecommunications networks (respectively) of Aero2, CenterNet and Mobyland, in the amount of: (i) in the period from 1 January to 30 June 2013: PLN 0.0826/min. (ii) after 30 June 2013: PLN 0.0429/min., i.e. in a lower amount for these periods and earlier aligned to (symmetrical with) the rates of other providers than what is indicated in earlier decisions of the President of the OEC. On 31 December 2012, all of the above companies filed appeals to the Regional Court in

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Warsaw (Division XVII Competition and Consumer Protection) against the above decision of the SMP along with motions to suspend their immediate enforceability.

By the judgement of 19 January 2015, XVII AmT 69/13, the OCCP Court dismissed the appeal by CenterNet. Aero2, as the legal successor of CenterNet, filed an appeal against that judgement, which has not yet been heard.

In a judgement of 5 February 2015, XVII AmT 73/13, the OCCP Court partially ruled in favour of an appeal by Mobyland and reversed the decision of the President within the scope of the schedule established for adjusting rates for the completion of connections. Within the remaining scope, Mobyland's appeal was dismissed. Mobyland and the President of the OEC filed an appeal against this judgement, while Mobyland appealed against the part in which the appeal was dismissed. By the judgement of 14 October 2015, the Appeal Court in Warsaw admitted the appeal of the President of the OEC and reversed the judgement of the Court of first instance to the extent of sections 1 and 3, i.e. in the part where the decision of the President of the OEC on imposing the obligation on Mobyland to apply fees in a respective amount was reversed, and in the part where mutual costs of the proceedings were waived between the parties, and forwarded the case for re-examination by the Court of first instance. The Appeal Court also dismissed in its entirety the appeal by Mobyland. Aero 2 – acting as the legal successor of Mobyland – filed a cassation appeal against the aforementioned judgement of the Appeal Court, which is awaiting examination.

In a judgement of 6 May 2015, XVII AmT 71/13, the OCCP Court dismissed an appeal by Aero2. Aero2 appealed against that judgement too. The date of the appeal hearing is unknown.

In the assessment of the Management Board concerning proceedings relating to frequency reservations pending in relation to subsidiaries of Midas, there has been no change in comparison with the assessment presented in Note 30.1 of the consolidated financial statements for the year ended 31 December 2014. The carrying amount of the above concessions granted to CenterNet (currently Aero2) and Mobyland (Mobyland (currently Aero2), disclosed in the consolidated statement of financial position, as at 31 December 2015 was PLN 162,667,000.

In view of the above circumstances, the Management Board is not able to predict the final outcome, but currently feels that none of the above proceedings should have an adverse effect on the financial position or results of the Midas Group.

31.2. Tax settlements

Settlements of taxes and other regulated areas of activity (e.g. customs or foreign exchange matters) may be the subject of an inspection by administrative bodies, and these are authorised to impose high penalties and sanctions. The lack of reference to long established legal regulations in Poland causes a lack of clarity and cohesion in the binding provisions. Frequent differences of opinion as to how to interpret tax provisions, both internally among state authorities and between state authorities and businesses, cause areas of uncertainty and conflicts to arise. This means that the tax risk in Poland is considerably higher than that normally existing in countries whose tax systems are more mature.

Tax settlements are subject to inspection for 5 years beginning from the end of the year in which a tax payment was made. As a result of inspections, the tax settlements made by the Group to date may be increased by additional tax liabilities. In the opinion of the Group, as at 31 December 2015, there is no need to create a provision for recognised and measurable tax risk.

32. Information on related parties

The following table shows totals of transactions with related parties for the current and previous financial years:

		Revenues from mutual transactions, of which:	**from sales**	**interest on borrowings**	**other**
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	2015	576,444	573,958	442	2,044
	2014	430,734	428,275	546	1,913

(in PLN '000, except for items otherwise indicated)

		Costs of mutual transactions, of which:	**interest on borrowings**	**other**
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	2015	495,158	1,682	493,476
	2014	358,886	2,105	356,781

		Receivables from related parties, of which:	**trade**	**borrowings**	**other**
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	*2015*	120,662	120,662	-	-
	2014	151,151	133,530	15,174	2,447

		Payables to related parties, of which:	**trade**	**borrowings**	**other**
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	*2015*	564,759	47,143	41,101	476,515*
	2014	279,517	76,377	43,601	159,539*

**Amounts recognised as deferred income*

32.1. Ultimate parent of the whole Group

As at 31 December 2015, Litenite Limited is the owner of 66% of the ordinary shares in the parent (31 December 2014: 66%).

In the year ended on 31 December 2015, there were no transactions between the Group and Litenite Ltd.

32.2. Entity having a significant influence on the Group

As at 31 December 2015 no entity had a significant influence on the Group.

32.3. Remuneration of the senior management staff of the Group

32.3.1. Remuneration paid or due to members of the Management Board and members of the Supervisory Board of the Group

The table below shows the value of remuneration (together with bonuses) paid or due to members of the Management Board of the Company and members of the Supervisory Board of the Company for the performance of their duties on the governing bodies of the Company.

	Year ended 31 December 2015	**Year ended 31 December 2014**
Management Board of the parent		
Current employee benefits or similar (wages and salaries and bonuses)	1,528	1,731
Supervisory Board of the parent		
Current employee benefits or similar (wages and salaries and bonuses)	102	148
Total	**1,630**	**1,879**

(in PLN '000, except for items otherwise indicated)

32.3.2. Remuneration paid or due to other members of senior management

The table below shows the value of wages and salaries (together with bonuses) paid or due to members of the Management Board of the Company and members of the Supervisory Board of the Company for the performance of their duties on the governing bodies of subsidiaries or for performing services for subsidiaries.

	Year ended 31 December 2015	Year ended 31 December 2014
Management Board of the parent		
Current employee benefits (wages and salaries and bonuses)	407	531
Supervisory Board of the parent		
Current employee benefits (wages and salaries and bonuses)	12	12
Total	**419**	**543**

33. Information on the remuneration of the certified auditor or entity authorised to audit financial statements

The table below shows the remuneration of the entity authorised to audit the financial statements paid or due for the year ending on 31 December 2015 and 31 December 2014 by type of service:

	Year ended 31 December 2015	Year ended 31 December 2014
Compulsory audit of the consolidated financial statements	331	285
Other services	230	68
Total	**561**	**353**

34. Goals and principles of financial risk management

The main financial instruments used by the Group include bonds, bank loans, borrowings, cash and short-term deposits. The above financial instruments are aimed at sourcing funding for the Group's operations. The Group also holds other financial instruments such as trade receivables and liabilities which arise directly during the course of its activities.

The Group does not conclude transactions using derivative instruments.

The principle applied by the Group, now and throughout the entire period covered by these statements, is not to trade in financial instruments.

The main types of risk resulting for the Group from financial instruments are interest rate, liquidity, exchange rate and credit risks. The Management Board verifies and agrees the rules for managing each of those risk types – those rules are described briefly below. The Group also monitors the market price risk relating to all of the financial instruments it possesses. The degree of that risk was presented in Note 34.3.

34.1. Interest rate risk

Changes in market interest rates directly affect the Group's revenues in connection with cash flows from operating activities through the amount of interest on current accounts and overnight deposits, and cash flows from financing activities through the expenses of servicing the bank loans held by the Group. The Company systematically analyses the level of the interest rate risk, and also prepares scenarios for refinancing and hedging against such risk. On the basis of those scenarios, the effect of specified changes in interest rates on the financial result is estimated.

<u>*Interest rate risk – sensitivity to changes*</u>

The table below shows the sensitivity of the gross financial result to reasonably possible changes in interest rates, assuming the constancy of other factors (in connection with financial liabilities and assets having a variable interest rate). The effect on equity and comprehensive income of the Group as a whole is not shown.

	Increase/decrease in percentage points	*Impact on gross financial result*
Year ended 31 December 2015		

(in PLN '000, except for items otherwise indicated)

PLN	+1%	(3,904)
PLN	-1%	3,904
Year ended 31 December 2014		
PLN	+1%	(1,935)
PLN	-1%	1,935

34.2. Currency risk

The Group incurs expenses also in foreign currencies, but their share in the Group's overall expenses for the period from 1 January to 31 December 2015 was not significant. However, a rising share of expenses expressed in foreign currencies in the total expenses incurred by the Group could be expected in subsequent periods because expenses associated with the further development of the Group's telecommunications infrastructure may be denominated in EUR or possibly in another foreign currency. In the case of supplies and services provided by Ericsson and Nokia Solutions & Networks under the provisions of the applicable contracts, their prices are denominated in EUR or USD and will be converted into PLN at the exchange rate effective on the date or for the period set forth in those agreements.

The Group is therefore exposed to an exchange rate risk which may generate higher expenses of purchasing external services and goods, caused by adverse changes in currency exchange rates. Such circumstances may have a material adverse effect on the operating activities and financial performance of the Group.

34.3. Market risk

Market risk is associated with changes in the present value of items measured at fair value. If a given balance sheet item is based on market prices, the balance sheet total is subject to change and must be shown in profit, loss or change in the amount of capital. As at 31 December 2015 and 31 December 2014, in the Midas S.A. Capital Group the only financial assets measured at fair value through profit or loss were: the early bond redemption option and cash.

34.4. Credit risk

The maximum credit risk burden of the Group is reflected in the value of trade receivables and borrowings granted. The Group has a limited number of customers and their financial position is stable, in the assessment of the Management Board.

The Group concludes transactions only with renowned companies having a good credit rating. All of its customers who wish to take advantage of trade credit undergo an initial credit screening procedure. In addition, thanks to ongoing monitoring of the state of receivables, the Group's exposure to the risk of uncollectable receivables is insignificant.

With reference to other financial assets of the Group, such as cash and cash equivalents, the Group's credit risk arises when its counterparty is not able to pay, and the maximum exposure to such risk is equal to the carrying amount of those instruments.

34.5. Liquidity risk

As part of the periodic analysis of liquidity conducted by the Management Board of the Company, a summary was made of cash, available sources of financing, and of the need for cash stemming from the operating, investing and financing activities of the Group in the 12 months following the balance sheet date.

The net current assets of the Group, adjusted by deferred income, as at 31 December 2015 were positive, and amounted to PLN 88,345,000. As at 31 December 2015, the Group has cash resources in the amount of PLN 144,128,000 and, in addition, only a part of the financing contracted by the Group matures in 2016. As a result of the analysis conducted, the Management Board ascertained that the available cash and sources of financing cover, with a surplus, the cash requirements resulting from the operating, investing and financing activities of the Group in the foreseeable future, i.e. for a period of at least 12 months following the balance sheet date.

The table below shows the financial liabilities of the Group as at 31 December 2015 and at 31 December 2014 by maturity date on the basis of undiscounted contractual payments.

(in PLN '000, except for items otherwise indicated)

31 December 2015	*On demand*	*Under 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	-	19,824	92,130	302,961	-	414,915
Issued bonds	-	-	-	-	643,935	643,935
Trade and other liabilities	14,423	86,523	-	-	-	100,946
	14,423	**106,347**	**92,130**	**302,961**	**643,935**	**1,159,796**

31 December 2014	*On demand*	*Under 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	-	2,830	58,712	171,872	-	233,414
Issued bonds	-	-	-	-	643,935	643,935
Trade and other liabilities	13,295	148,188	206	-	-	161,689
	13,295	**151,018**	**58,918**	**171,872**	**643,935**	**1,039,038**

35. Financial instruments

35.1. Fair value of particular classes of financial instruments

The table below shows a comparison of the carrying amount and fair value of all financial instruments of the Group, divided into classes and categories of assets and liabilities.

		Carrying amount			**Fair value**
	Category as per IAS 39	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Financial assets					
Borrowings granted	LAR	-	15,174	-	15,174
Embedded derivative	FAFVFR	62,159	54,647	62,159	54,647
Non-current deposits	FAFVFR	20,134	20,003	20,134	20,003
Trade and other receivables	LAR	121,159	134,763	121,159	134,763
Cash and cash equivalents	FAFVFR	144,128	53,450	144,128	53,450
		347,580	**278,037**	**347,580**	**278,037**
Financial liabilities					
Interest-bearing bank loans, of which:	OFLAC	386,988	208,699	386,988	208,699
- non-current, bearing interest at a variable interest rate	OFLAC	290,554	160,794	290,554	160,794
- other – short-term	OFLAC	96,434	47,905	96,434	47,905
Liabilities from issue of bonds	OFLAC	365,163	328,054	363,901	304,283
Trade and other financial liabilities	OFLAC	97,736	154,850	97,736	154,850
		849,887	**691,603**	**848,625**	**667,832**

Abbreviations used:

FAHM – *Financial assets held to maturity,*

FAFVPL - *Financial Assets Measured at Fair Value through Profit or Loss,*

LAR - *Loans and receivables,*

FAAS - *Financial assets available for sale,*

OFLAC - *Other financial liabilities measured at amortised cost*

Hierarchy of fair value as at 31 December 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Borrowings granted	-	-	-	-
Embedded derivative	-	-	62,159	62,159
Non-current deposits	-	-	20,134	20,134
Trade and other receivables	-	121,159	-	121,159
Cash and cash equivalents	144,128	-	-	144,128
Financial liabilities				
Interest-bearing bank loans, of which:	-	-	386,988	386,988
- non-current, bearing interest at a variable interest rate	-	-	290,554	290,554
- other – current	-	-	96,434	96,434
Liabilities from issue of bonds	-	-	363,901	363,901
Trade and other financial liabilities	-	97,736	-	97,736

(in PLN '000, except for items otherwise indicated)

Hierarchy of fair value as at 31 December 2014

	Level 1	Level 2	Level 3	Total
Financial assets				
Borrowings granted	-	-	15,174	15,174
Embedded derivative	-	-	54,647	54,647
Non-current deposits	-	-	20,003	20,003
Trade and other receivables	-	94,509	40,254	134,763
Cash and cash equivalents	53,450	-	-	53,450
Financial liabilities				
Interest-bearing bank loans, of which:	-	-	208,699	208,699
- non-current, bearing interest at a variable interest rate	-	-	160,794	160,794
- other – current	-	-	47,905	47,905
Liabilities from issue of bonds	-	-	304,283	304,283
Trade and other financial liabilities	-	154,850	-	154,850

The fair value of current financial assets and liabilities does not differ from the carrying amount due to the short time limit of maturity. The fair value of non-current financial assets and liabilities having a variable interest rate is close to the carrying amount due to the market nature of the interest rate (base rate plus margin).

The fair value of non-current financial liabilities having a fixed interest rate was defined in accordance with generally accepted valuation models based on an analysis of discounted cash flows, while the most significant input data is the discount rate reflecting the counterparty credit risk.

The option of early redemption was measured using the Leisen-Reimer binomial tree model. The variability of the price of the bonds analysed was modelled. As the initial value of the bonds, their value as at the measurement date, determined in accordance with the above description, was accepted. The parameter of variability of the bonds analysed was determined on the basis of an analysis of the variability of the yield of corporate bonds in EUR with a BBB rating and 7-year maturity.

(in PLN '000, except for items otherwise indicated)

35.2. Items of revenue, expenses, profit and loss disclosed in the income statement by category of financial instruments

Year ended 31 December 2015

	Category as per IAS 39	*Interest income /(expenses)*	*Profit /(loss) from exchange rate differences*	*Releasing/(creating) revaluation write-downs*	*Profit/(loss) on valuation*	*Profit/(loss) from the sale of financial instruments*	*Other*	*Total*
Financial assets								
Other financial assets (current)		442	-	-	-	-	-	442
Embedded derivative	FAFVFR	-	-	-	7,512	-	-	7,512
Cash and cash equivalents	FAFVFR	1,241	-	-	-	-	-	1,241
Financial liabilities								
Interest-bearing bank loans (short-term and long-term)	OFLAC	(9,350)	-	-	-	-	(3,061)	(12,411)
Trade and other financial liabilities	OFLAC	(2,115)	(72)	-	-	-	(685)	(2,872)
Issued bonds	OFLAC	(32,154)	-	-	-	-	(88)	(32,242)
Total		**(41,936)**	**(72)**	**-**	**7,512**	**-**	**(3,834)**	**(38,330)**

Year ended 31 December 2014

	Category as per IAS 39	*Interest income /(expenses)*	*Profit /(loss) from exchange rate differences*	*Releasing/(creating) revaluation write-downs*	*Profit/(loss) on valuation*	*Profit/(loss) from the sale of financial instruments*	*Other*	*Total*
Financial assets								
Other financial assets (current)		546	-	-	-	-	-	546
Embedded derivative	FAFVFR	-	-	-	7,415	-	-	7,415
Cash and cash equivalents	FAFVFR	1,541	3	-	-	-	-	1,544
Financial liabilities								
Interest-bearing bank loans (short-term and long-term)	OFLAC	(4,107)	-	-	-	-	(3,329)	(7,436)
Trade and other financial liabilities	OFLAC	(34)	-	-	-	-	(1,207)	(1,241)
Issued bonds	OFLAC	(55,240)	-	-	-	-	(101)	(55,341)
Total		**(57,294)**	**3**	**-**	**7,415**	**-**	**(4,637)**	**(54,513)**

(in PLN '000, except for items otherwise indicated)

35.3. Interest rate risk

The table below shows the carrying amount of the Group's financial instruments exposed to interest rate risk, by maturity.

Fixed interest rate	**<1 year**	**1–2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Issued bonds	-	-	-	-	-	365,163	365,163
Short-term bank deposits	116,346	-	-	-	-	-	116,346
	116,346	**-**	**-**	**-**	**-**	**365,163**	**481,509**

Variable interest rate	**<1 year**	**1–2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Financial assets	-	-	20,134	-	-	-	20,134
Bank loans	99,506	98,517	139,895	49,070	-	-	386,988
Total	**99,506**	**98,517**	**160,029**	**49,070**	**-**	**-**	**407,122**

The interest on financial instruments with variable interest rates is revised more than once per year. Interest on financial instruments with fixed interest rates is fixed for the entire period until the maturity of these instruments. Other financial instruments of the Group not disclosed in the above tables do not bear interest and are therefore not subject to the interest rate risk.

35.4. Capital management

A key objective of the Group's capital management is to maintain a good credit rating and safe capital ratios which would support the Group's operating activities and increase the value for its shareholders.

The Group manages its capital structure and changes it as economic conditions change. In the year ended 31 December 2015 and 31 December 2014, there were no changes to the objectives, principles and processes applicable in this area.

The Group monitors the state of capital using the leverage ratio, counted as the relation of net debt to total capitals increased by net debt. The Group's net debt comprises interest-bearing loans and bonds issued, reduced by cash and equivalents and other financial assets. Capital comprises convertible preferred shares and equity belonging to shareholders of the parent.

	31 December 2015	**31 December 2014**
Interest-bearing loans and issued bonds	752,151	536,753
Minus cash and cash equivalents and other financial assets (cash + loans granted, Note 22 + long-term deposit, Note 18.1)	164,262	88,627
Net debt	**587,889**	**448,126**
Equity belonging to the shareholders of the parent	310,211	442,269
Total capital	**310,211**	**442,269**
Net capital and debt	**898,100**	**890,395**
Leverage ratio (net debt / (total capital + net debt)	0.655	0.503

36. Employment structure

In the years ending on 31 December 2015 and 31 December 2014, the average employment (on an FTE basis) in the Group was as follows:

(in PLN '000, except for items otherwise indicated)

	Year ended 31 December 2015	**Year ended 31 December 2014**
Management Board of the Company	2.58	2.07
Others	67.41	67.65
Total	**69.99**	**69.72**

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Krzysztof Adaszewski
/President of the Management Board/

Piotr Janik
/Vice-President of the Management Board/

SIGNATURE OF THE PERSON ENTRUSTED TO MAINTAIN THE BOOKS OF ACCOUNT:

Teresa Rogala
/on behalf of Sferia Spółka Akcyjna –
entity keeping books of account/

Warsaw, 26 February 2016