Midas Spółka Akcyjna

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
TOGETHER WITH THE INDEPENDENT AUDITOR'S OPINION

SELECTED FINANCIAL DATA

	12-month period ended 31 December 2014	12-month period ended 31 December 2013	12-month period ended 31 December 2014 in EUR '000	12-month period ended 31 December 2013 in EUR '000
Revenues from core operating activities	82,484	22,154	19,689	5,261
Profit / (loss) on operating activities	13,894	(4,365)	3,317	(1,037)
Profit before tax	14,388	85	3,435	20
Net profit on continuing activities attributable to equity holders of the Company	12,381	85	2,955	20
Net cash flow from operating activities	(55,718)	(238,702)	(13,300)	(56,685)
Net cash flow from investing activities	17	(142)	4	(34)
Net cash flow from financing activities	(6,492)	170,351	(1,550)	40,454
Average weighted number of shares	1,479,666,750	1,479,665,366	1,479,666,750	1,479,665,366
Basic profit on continuing operations per ordinary share (in PLN)	0.0084	0.0001	0.00200	0.00001

	As at 31 December 2014	As at 31 December 2013	As at 31 December 2014 in EUR '000	As at 31 December 2013 in EUR '000
Total assets	1,696,955	1,525,742	398,131	367,897
Total liabilities	472,852	313,722	110,938	75,647
Non-current liabilities	467,560	313,123	109,697	75,502
Current liabilities	5,292	599	1,242	144
Equity attributable to shareholders of the Issuer	1,224,103	1,212,020	287,193	292,250
Share capital	147,967	147,967	34,715	35,679

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 2014: PLN/EUR 4.2623, and on 31 December 2013: PLN/EUR 4.1472.

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 2014 and financial year 2013 (4.1893 PLN/EUR and 4.2110 PLN/EUR respectively).

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Continuing operations			
Revenues from core operating activities	12.1	82,484	22,154
Own expenses from core operating activities	12.2	(64,849)	(22,657)
Depreciation and amortisation		(28)	(30)
Wages and salaries	12.3	(2,505)	(1,796)
Other expenses by type	12.4	(1,214)	(2,043)
Other operating income		9	7
Other operating expenses		(3)	-
Profit/ (loss) on operating activities		**13,894**	**(4,365)**
Financial income	12.5	494	4,450
Profit on financial activities		**494**	**4,450**
Profit before tax		**14,388**	**85**
Current income tax		-	-
Deferred tax		(2,007)	-
Total income tax	13	**(2,007)**	**-**
Net profit on continuing operations		**12,381**	**85**
Net profit/ (loss) for the period from discontinued activities		**-**	**-**
Net profit		**12,381**	**85**
Other comprehensive income		**-**	**-**
COMPREHENSIVE INCOME		**12,381**	**85**
Average weighted number of ordinary shares		1,479,666,750	1,479,665,366
Net profit on continuing operations per share attributable to shareholders of the parent company (in PLN)	14	0.0084	0.0001

Krzysztof Adaszewski	Piotr Janik	Teresa Rogala
/President of the Management Board/	/Vice-President of the Management Board/	/on behalf of SFERIA Spółka Akcyjna/

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

	Note	31 December 2014	31 December 2013
ASSETS			
Non-current assets			
Property, plant and equipment	15	55	132
Non-current financial assets	17, 18.1	1,436,976	1,272,981
Total non-current assets		**1,437,031**	**1,273,113**
Current assets			
Borrowings granted	18.1	251,302	186,021
Other assets	18.2	637	1,040
Cash and cash equivalents	19	3,350	65,543
Other current prepayments		7	25
Trade and other receivables	18.3	4,628	-
Total current assets		**259,924**	**252,629**
Total assets		**1,696,955**	**1,525,742**

	Note	31 December 2014	31 December 2013
LIABILITIES			
Equity			
attributable to shareholders of the Company, of which:			
Share capital	20.1	147,967	147,967
Supplementary capital		1,140,860	1,140,860
Uncovered losses		(64,724)	(76,807)
Accumulated losses	16	(77,105)	(76,892)
Net profit for the current period		12,381	85
Total equity		**1,224,103**	**1,212,020**
Non-current liabilities			
Loans and borrowings	21	137,499	45,580
Liabilities from issue of bonds	21	328,054	267,543
Deferred tax liability		2,007	-
Total non-current liabilities		**467,560**	**313,123**
Current liabilities			
Trade and other liabilities	22	827	415
Loans and borrowings	21	4,298	69
Accruals		167	115
Total current liabilities		**5,292**	**599**
Total equity and liabilities		**1,696,955**	**1,525,742**

Krzysztof Adaszewski	Piotr Janik	Teresa Rogala
/President of the Management Board/	/Vice-President of the Management Board/	/on behalf of SFERIA Spółka Akcyjna/

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

STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Gross profit		**14,388**	**85**
Depreciation of fixed and amortisation of intangible assets		28	30
Interest and commission expenses		64,748	21,958
Profit/ (loss) on investing activities		(3)	-
Exchange rate differences		-	(5)
Change in the balance of assets and liabilities related to operating activities:			
- trade and other receivables	19.2	(4,593)	9
– Trade and other liabilities	19.1	135	112
– Accruals		42	19
Interest income		(73,149)	(22,149)
Revaluation of embedded derivative		(7,415)	647
Other adjustments		101	52
Adjustments of total gross profit		**(5,718)**	**758**
Other cash flows from operating activities			
Borrowings granted		(50,000)	(245,000)
Repayment of borrowings granted		-	5,000
Interest received		-	540
Other cash flows from operating activities		**(50,000)**	**(239,460)**
Net cash flow from operating activities		**(55,718)**	**(238,702)**
Purchase of property, plant and equipment and intangible assets		(41)	(142)
Proceeds from sales of property, plant and equipment and intangible assets		58	-
Net cash flow from investing activities		**17**	**(142)**
Proceeds from sale of treasury shares		-	4
Issue of bonds		-	200,099
Expenses related to issuing bonds		(52)	(483)
Repayment of commercial papers issued		-	(22,250)
Interest paid on commercial papers issued		-	(3,984)
Commission and interest paid in connection with bank loan		(6,440)	(3,035)
Net cash flow from financing activities		**(6,492)**	**170,351**
Net (decrease) increase in cash and cash equivalents		**(62,193)**	**(68,493)**
Cash and cash equivalents at the beginning of the year		**65,543**	**134,036**
Cash and cash equivalents at the end of the year	19	**3,350**	**65,543**

Krzysztof Adaszewski	Piotr Janik	Teresa Rogala
/President of the Management Board/	/Vice-President of the Management Board/	/on behalf of SFERIA Spółka Akcyjna/

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014

	Note	Share capital	Supplementary capital	Treasury shares	Uncovered losses	Total equity
As at 1 January 2014		**147,967**	**1,140,860**	**-**	**(76,807)**	**1,212,020**
Settlement of merger	16	-	-	-	(298)	**(298)**
Net profit for the financial year		-	-	-	*12,381*	*12,381*
Total comprehensive income for the financial year		-	-	-	12,381	12,381
As at 31 December 2014		**147,967**	**1,140,860**	**-**	**(64,724)**	**1,224,103**

	Note	Share capital	Supplementary capital	Treasury shares	Uncovered losses	Total equity
As at 1 January 2013		**147,967**	**1,141,006**	**(150)**	**(76,892)**	**1,211,931**
Proceeds from sale of treasury shares		-	(146)	150	-	4
Net profit for the financial year		-	-	-	*85*	*85*
Total comprehensive income for the financial year		-	-	-	85	85
As at 31 December 2013		**147,967**	**1,140,860**	**-**	**(76,807)**	**1,212,020**

Krzysztof Adaszewski
/President of the Management Board/

Piotr Janik
/Vice-President of the Management Board/

Teresa Rogala
/on behalf of SFERIA Spółka Akcyjna/

ACCOUNTING POLICIES AND ADDITIONAL EXPLANATORY NOTES

1. General information

The financial statements of MIDAS S.A. ("Midas", the "Company") cover the year ended on 31 December 2014 and include comparative data for the year ended on 31 December 2013.

The Company was established pursuant to a Notarial Deed of 15 December 1994. The Company's registered office is located in Warsaw, at ul. Lwowska 19.

The Company is entered in the Register of Entrepreneurs of the National Court Register kept by the District Court in Warsaw, Division XII Commercial of the National Court Register, Entry No. KRS 0000025704. The Company was granted statistical number REGON 010974600.

The Company is established in perpetuity.

The main area of the Company's business activities includes:

- financial holdings' activities (64.20.Z)
- other credit granting forms (64.92.Z)
- other financial services activities, not classified elsewhere, except for insurance and pension funds (64.99.Z)
- other activities auxiliary to financial services, except for insurance and pension funds (66.19.Z)
- buying and selling of own real estate (68.10.Z).

Midas is the parent company of the Midas S.A. Capital Group (the "Group").

The immediate parent of Midas (first-degree parent) is Litenite Ltd. ("Litenite") with its registered office in Nicosia, Cyprus - an entity controlled by Mr Zygmunt Solorz-Żak. As at 31 December 2014, the shareholders of Litenite were: Ortholuck Ltd and LTE Holdings SPV.

2. Identification of the consolidated financial statements

The Company prepared the consolidated financial statements for the year ended on 31 December 2014, which were adopted for publication on 3 March 2015.

3. Composition of the Management Board of the Company

As at 31 December 2014 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.

In connection with end of the term of office of the Management Board of the Company on 15 December 2014, the Supervisory Board of the Company, acting in accordance with the Statute of the Company, on 9 December 2014 appointed the following Members of the Management Board for a new, two-year term of office beginning on 16 December 2014:

a) Krzysztof Adaszewski, entrusting him with the role of President of the Management Board,
b) Piotr Janik, entrusting him with the role of Vice-President of the Management Board,

During the period from 1 January 2014 to 15 December 2014, the Company's Management Board was composed of:

a) Krzysztof Adaszewski – President of the Management Board,

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

b) Maciej Kotlicki – Vice-President of the Management Board.

4. Adoption of the financial statements

These financial statements were adopted by the Management Board for publication on 3 March 2015.

5. Investments of the Company

The Company holds investments in the following subsidiaries (the table below shows direct and indirect subsidiaries):

Entity	Registered office	Scope of activity	The Company's percentage share in equity	
			31 December 2014	31 December 2013
CenterNet S.A. ("CenterNet")	Warsaw, Poland	telecommunications	100%	100%
Mobyland Sp. z o.o. ("Mobyland")	Warsaw, Poland	telecommunications	100%	100%
Conpidon Ltd ("Conpidon")	Nicosia, Cyprus	holding	-	100%
Aero 2 Sp. z o.o. ("Aero2")	Warsaw, Poland	telecommunications	100%	100%

As at 31 December 2014 and as at 31 December 2013, the share in the total number of votes held by the Group in subsidiaries is equal to the share of the Group in the capital of those entities. On 21 February, the merger between Conpidon and Midas was registered. On 31 December 2014, the merger between Aero2 and CenterNet was registered. Information on the merger of Conpidon and Midas and of Aero2 and CenterNet is set forth in Note 16 hereto.

6. Significant values based on professional judgement and estimates

6.1. Professional judgement

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. An evaluation of the occurrence of conditions for the impairment of shares in subsidiaries (further described in Note 17),
2. An evaluation of the feasibility of asset components from deferred tax (further described in Note 6.2)
3. Treating all companies in the Group as one operating segment and one unit generating cash flows (further described in Note 17),
4. An assessment of the possibility of settling pending court proceedings (further described in Note 17),
5. An assessment of separating the option of early repayment as a separate instrument for valuation and disclosure (further described in Note 17).

6.2. Uncertainty of estimates and assumptions

Basic assumptions regarding the future and other key sources of uncertainty as at the balance sheet date, involving a significant risk of adjustments of the balance sheet value of assets and liabilities in the following financial year, are discussed below. The Company 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 Company. Such changes are reflected in estimates or assumptions when they occur.

Impairment of assets

The Management Board of the Company identified grounds for declaring an impairment of the value of shares in subsidiaries (the market capitalisation of Midas is lower than the equity of the Company), and therefore carried out an asset impairment test (Note 18). As a result of that test, an estimate was made of the recoverable amount in excess of the book value of the investments in subsidiaries. The main assumptions of the test and the associated uncertainty are described in Note 17.

Deferred income tax asset component

The Company discloses asset components from deferred income tax in the amount reflecting the likelihood of achieving taxable income in the future which will make it possible to recover those assets. In 2014 asset was disclosed from deferred income tax from tax losses (Note 13) in connection with the high likelihood of those losses being utilised.

Option of early redemption of bonds

At the moment of initial recognition of a liability from bonds, the Company determined whether the instrument meets the definition of an embedded derivative (early bond repayment option). Information on the subject of the division and evaluation of the derivative instrument is found in Note 17.

Litigation

The assessment of the Management Board on pending court proceedings is found in Note 17.

7. Basis for preparation of the financial statements

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

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

These financial statements were prepared assuming that the Company would continue as a going concern in the foreseeable future, i.e. in a period of at least twelve months following the balance sheet date. As at the date of adoption of these financial statements there are no facts or circumstances that would indicate a threat to the continuing operations of the Company.

7.1. Statement of compliance

These financial statements were prepared in accordance with the International Financial Reporting Standards (the "IFRS") and the IFRS adopted by the European Union (the "EU IFRS"). As on the date of adoption of these statements for publication, taking into account the EU process of implementing the IFRS standards and the business conducted by the Company, within the scope of the accounting policies applied by the Company, the IFRS differ from the EU IFRS. The Company has made use of the opportunity arising when applying the International Financial Reporting Standards 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 2010-2012 from annual periods beginning from 1 January 2016.

The EU IFRS comprise standards and interpretations accepted by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC").

7.2. Functional currency and currency of the financial statements

The Company's functional currency and the reporting currency of these financial statements is the Polish zloty (PLN).

8. Changes in the accounting principles applied

The accounting principles (policies) applied in preparing the financial statements are consistent with those applied in preparing the financial statements of the Company for the year ended on 31 December 2013, except for the following new or amended standards and interpretations in force for annual periods beginning on or after 1 January 2014:

- IFRS 10 *Consolidated financial statements* and IAS 27 *Separate financial statements*

Standard IFRS 10 replaces part of the previous standard IAS 27 "Consolidated and separate financial statements" in respect of consolidated financial statements, and introduces a new definition of control. IFRS 10 may cause changes in how a consolidated group is treated in respect of the possibility of consolidating units which were heretofore subject to consolidation, or vice versa. No changes are introduced in respect of consolidation procedures and methods of settling transactions in consolidated financial statements.

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

- IFRS 11 *Joint arrangements* and IAS 28 *Investments in associates and joint* ventures.

IFRS 11 covers the subject of joint arrangements. It introduces two categories of joint arrangements: joint activities and joint ventures, as well as valuations methods appropriate to each.

The application of that standard may result in a change in the valuation method used for joint arrangements (e.g. enterprises previously classified as a jointly controlled unit and valuation using the proportional method may now be classified as joint ventures, thereby valuated using the equity method).

IAS 28 has been amended, and contains guidelines for the application of the equity method to joint ventures.

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

- IFRS 12 *Disclosure of interests in other entities*

Standard IFRS 12 contains a series of clarifications in respect of the involvement of an entity in subsidiaries, associates and joint ventures. The application of this standard may result in wider disclosures in financial statements, including:

  - key financial information, including the risks relating to the enterprises of the Company
  - the disclosure of participation in non-consolidated special units and the risks relating to such enterprises
  - information on each enterprise in which there exist significant non-controlling interests
  - the disclosure of significant judgements and assumptions made when classifying particular entities as subsidiaries, joint arrangements or associates.

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

- *Investment entities* - amendments to IFRS 10, IFRS 12 and IAS 27

The amendments introduce the concept of investment entities, which are exempt from the obligation to consolidate subsidiaries, and which, after the amendment, valuate their subsidiaries at fair value by profit or loss.

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

- *Offsetting financial assets and financial liabilities* - amendments to IAS 32

The changes introduced to IAS 32 specify the concept and consequences of valid legal title to compensation of an asset and financial liabilities, and specify the criteria for compensation for gross settlement systems (such as clearing houses).

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

- *Disclosure of recoverable amount for non-financial assets* - amendments of IAS 36

Those amendments removed the unintended consequences of IFRS 13 concerning disclosures required under IAS 36. Moreover, those changes introduce additional disclosure of recoverable value of assets or cash-generating units (CGUs) for which impairment was recognised or reversed in a given period, where the usable value corresponds to fair value reduced by the expenses of disposal.

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

- *Renewal of derivatives and continuation of accounting of collateral* - amendments to IAS 39

The amendments to IAS 39 concern the application of hedge accounting to the renewal (novation) of derivatives, and make it possible to continue applying hedge accounting when novation meets the criteria specified in IAS 39.

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

The Company 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*.

9. New standards and interpretations already published but not yet in force

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) - effective for annual periods beginning on or after 1 January 2018 - not adopted by the EU until the date of adoption of these financial statements
- IFRIC 21 *Levies* (published on 20 May 2013) - effective for annual periods beginning on or after 1 January 2014 - in the EU, effective at the latest for annual periods beginning on or after 17 June 2014
- Amendments of IAS 19 *Defined benefit plans: employee contributions* (published on 21 November 2013) – which apply 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
- *Amendments resulting from an IFRS review 2011-2013* (published on 12 December 2013) - effective for annual periods beginning on or after 1 July 2014, in the EU, effective at the latest for annual periods beginning on or after 1 January 2015
- IFRS 14 *Regulatory deferral accounts* (published on 30 January 2014) - effective for annual periods beginning on or after 1 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 the standard, not adopted by the EU by the date of adoption of these financial statements
- 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 - not adopted by the EU by the date of adoption of these financial statements
- 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 - not adopted by the EU by the date of adoption of these financial statements
- IFRS 15 *Revenues from contracts with customers* (published on 28 May 2014) - effective for annual periods beginning on or after 1 January 2017 - not adopted by the EU by the date of adoption of these financial statement
- 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 - not adopted by the EU by the date of adoption of these financial statements
- 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 - not adopted by the EU by the date of adoption of these financial statements
- 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) - effective for annual periods beginning on or after 1 January 2016, where that date was initially deferred by the IASB - 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
- *Amendments resulting from an IFRS review 2012-2014* (published on 25 September 2014) - effective for annual periods beginning on or after 1 January 2016 - not adopted by the EU by the date of adoption of these financial statements
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment entities: application of an exception concerning consolidation* (published on 18 December 2014) - effective for financial years beginning on or after 1 January 2016 - not adopted by the EU by the date of adoption of these financial statements

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

- Amendments to IAS 1 *Disclosures* (published on 18 December 2014) - effective for annual periods beginning on or after 1 January 2016 - not adopted by the EU by the date of adoption of these financial statements.

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

10. Significant accounting principles

10.1. Translations of foreign currency items

Transactions expressed in currencies other than Polish zlotys are converted to 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 (costs) or income/expenses of operating activities or, where determined by the accounting policies, they are capitalised in the value of assets. Non-monetary assets and liabilities recognised according to their historical cost in a foreign currency are shown at the historical exchange rate on the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are based on the rate applicable on the date of fair value measurement.

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

	31 December 2014	31 December 2013
EUR	4.2623	4.1472

10.2. Property, plant and equipment

Property, plant and equipment are presented at their purchase price/production expenses less accumulated depreciation and impairment losses. The initial value of fixed assets includes their purchase price plus all expenses directly associated with purchase, adaptation and commissioning of such assets. 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, encumber profit or loss at the time they are incurred.

When purchased, fixed assets are divided into components being valuable items to which separate economic lives might be attributed. Expenses of general renovations 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 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 include fixed assets under construction or assembly and are recognised at purchase price or production expenses less impairment write-downs, if any. Fixed assets under construction are not depreciated until their construction is completed and they are commissioned.

10.3. Intangible assets

Intangible assets acquired in a separate transaction or created (if they meet the disclosure criteria for development costs) are initially measured at purchase price or expenses of production, as appropriate. The purchase price for intangible assets purchased in a business combination equals their fair value as at the date of such combination. After the initial entry, intangible assets are recognised at their purchase price or cost of manufacturing less amortisation and impairment write-downs. Expenditures made for intangible assets manufactured in house, except capitalised expenses for development works, are not capitalised and are disclosed under expenses of the period in which they are incurred.

The Company decides whether the economic life of intangible assets is limited or unlimited. Intangible assets with a limited economic life are amortised during such economic life and tested against impairment whenever there are indications of their impairment. Periods and methods for amortisation of intangible assets with a limited economic life are verified at least as at the end of each financial year. Changes in the expected economic life or expected scheme of economic benefits originating from a given asset are presented by modifying as appropriate its amortisation period or method, and are recognised as changes of estimates.

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. Profits and losses resulting from the removal of a given intangible asset from the statement of financial position are measured according to the difference between net proceeds from sales and the carrying amount of a given asset, and are disclosed in the profit or loss for the period in which they are removed from the statement of financial position.

10.4. Leases

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: fair value of leased fixed assets or present value of minimum lease charges. Lease charges are allocated between financial expenses and a reduction of the balance of lease liabilities in a way making it possible to obtain a fixed interest rate on liabilities still outstanding. Financial expenses are recognised in profit or loss, unless the capitalisation requirements are met.

Fixed assets used under finance leases are depreciated over the shorter of: the estimated useful life of the fixed asset or the lease term.

Lease agreements under which a lessor essentially retains the entire risk and all benefits from holding leased objects are classified as operating leases. Operating lease charges and subsequent lease payments are recognised as expenses in profit or loss on a straight-line method over the term of the lease.

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

During the years ended on 31 December 2014 and 31 December 2013, the Company was not a party to lease agreements.

10.5. Shares in subsidiaries, associates and joint ventures

Shares in subsidiaries are carried at purchase price, as adjusted by impairment write-downs.

At each balance sheet date, the Company assesses whether there are any indications of impairment of shares in subsidiaries. In the event that there are such indications, the Company estimates the recoverable amount of the shares in subsidiaries.

Carrying out an impairment test involves determining the value-in-use of the cash-generating unit, and requires determining the discount rate to be applied in order to calculate the current value of cash flows.

The recoverable amount of the shares in subsidiaries corresponds to the fair value less any expenses required to sell the asset or its value in use, whichever is higher.

As at each balance sheet date, the Company verifies whether there are any reasons indicating that an impairment write-down presented in previous periods against the shares in subsidiaries is no longer necessary or whether it should be reduced. If there are such reasons, the Company estimates the recoverable amount of the shares. An impairment write-down previously recognised is reversed only in the event that, since the disclosure of the date of the last impairment write-down, the estimated values applied to define the recoverable amount of such shares actually changed. In such case, the carrying amount of the shares is increased up to their recoverable amount.

10.6. 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,
- Available-for-sale financial assets.

Financial assets held to maturity are financial assets quoted on an active market other than derivatives, involving payments which can be specified or whose maturity is established, that the Company intends and has the ability to keep until then, other than:

- designated at their 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 according to 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) it was qualified for this category in accordance with IAS 39 at its initial recognition.

Financial assets recognised at fair value through the financial result are disclosed at their fair value taking into account their market value as of the balance sheet date without considering any selling expenses. 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 financial result 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 valuated at fair value through financial result are counting as embedded derivatives which should be disclosed separately if the unit is able to credibly valuate the fair value of the embedded derivative on the basis of the provisions and conditions of a contract. If an entity is required by this Standard 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 financial result.

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 are presented under current assets provided that their maturity does not exceed 12 months from the balance sheet date. Borrowings and receivables with a maturity date exceeding 12 months from the balance sheet date are classified 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. Financial assets available for sale are disclosed at fair value, increased by those transaction expenses which may be directly assigned to the acquisition or issue of the financial asset. In the event that they are not listed on any active stock exchange market and it is not possible to reliably determine their fair value based on alternative methods, financial assets available for sale are stated at their purchase price adjusted by impairment write-down, if any. Positive and negative differences between the fair value of assets available for sale (if there is a market price determined on an active regulated market or whose fair value may be reliably determined) and their purchase price, less any deferred taxes, are presented under comprehensive income. Any impairment-related decrease in the value of assets available for sale is reported as financial expenses.

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

A financial asset is removed from the statement of financial position if the Company 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.

10.7. Impairment of financial assets

As at each balance sheet date the Company verifies whether there are any objective reasons for an impairment of a financial asset or a group of financial assets.

10.7.1 Assets recognised at amortised cost

In the event that there are objective reasons indicating that an impairment loss on borrowings and receivables stated at their capitalised cost is actually incurred, then the amount of a resulting impairment write-down equals the difference between the carrying amount of a given financial asset and the present value of estimated future cash flows (excluding future losses on non-collectible receivables which are not yet incurred), discounted at a respective original effective interest rate (i.e. interest rate determined at the initial recognition of such asset). The carrying amount of the asset is reduced through revaluation write-downs. The amount of the loss is recognised in profit or loss.

First, the Company verifies whether there are any objective reasons indicating an impairment of individual financial assets which are significant on a stand-alone basis, as well as reasons for impairment of financial assets which are insignificant on a stand-alone basis. In the event that such verification proves that there are no objective reasons for impairment of any individually examined financial asset regardless of whether it is significant or not, the Company incorporates such assets in the group of financial assets with a similar credit risk description and tests them jointly against impairment. Assets which are individually impairment-tested and for which an impairment write-down is recognised or for which it is decided that the hitherto existing write-down is not going to be adjusted, are not taken into consideration for the purposes of a joint impairment test of the pertinent asset group.

In the event that, in the subsequent period, an impairment write-down decreases and such decrease might be objectively associated with an event taking place after recognising such impairment write-down, the write-down previously disclosed 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.

10.7.2 Financial assets recognised at cost

In the event that there are any objective reasons indicating that an unlisted equity instrument not measured at fair value because its fair value is impossible to define or a derivative which is associated and has to be settled by delivery of such unlisted equity instrument, might be impaired, the amount of a required impairment write-down is determined as the difference between the carrying amount of a given financial asset and the present value of estimated future cash flows discounted at the current market return rate for similar financial assets.

10.7.3 Financial assets available for sale

In the event that there are objective reasons indicating that a financial asset available for sale might be impaired, the amount constituting the difference between a purchase price of such asset (less any principal payment and amortisation / depreciation) and its current 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.

10.8. 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 valuates an identified embedded derivative at fair value. Changes in fair value are recognised in the statement of comprehensive income as income or expenses from operating activities.

10.9. 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. Write-downs against receivables are estimated only in the event that recovery of their full amount is no longer probable.

In the event that an influence of the time value of money is essential, the balance of receivables is determined by discounting forecast future cash flows to the present value at a gross discount rate reflecting current market assessments of the time value of money. In the event that a discounting-based method is applied, any growth in the balance of receivables resulting from the lapse of time is presented as financial income.

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

10.10. 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.

10.11. 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 the loan or borrowing.

After their initial recognition, interest-bearing borrowings and debt securities are stated at their capitalised cost using the effective interest rate method. When defining their capitalised cost, any expenses associated with obtaining such loan or borrowing as well as discounts or premiums received when settling liabilities are taken into consideration.

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

10.12. Trade and other liabilities

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

Financial liabilities measured at fair value by the financial result comprise financial liabilities designated for trading and financial liabilities initially classified to categories measured at fair value by the financial result. 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 by financial result 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 valuated at fair value through financial result are counted as embedded derivatives which should be disclosed separately if the unit is able to credibly valuate the fair value of the embedded derivative on the basis of the provisions and conditions of a contract. If an entity is required by this Standard 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 financial result. As at 31 December 2014 no financial liabilities were classified as measured at fair value through financial result (as at 31 December 2013: zero).

Financial liabilities measured at fair value by financial result 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 fair value of these instruments are recognised in profit or loss as financial expenses or income.

Financial liabilities which are not financial instruments recognised at fair value through profit or loss are stated on a capitalised cost basis using the effective interest rate method.

The Company excludes financial liabilities from its statement of financial position when a liability has expired - that is, when an obligation set out in an agreement has been discharged, cancelled or has expired. A replacement of the hitherto existing debt instrument by an instrument with essentially different terms and conditions made between the same parties is recognised by the Company as the expiry of the original financial liability and a recognition of a new financial liability. Similarly, significant modifications to the terms and conditions of the contract regulating an existing financial liability are recognised by the Company as the expiry of the original and a recognition of a new financial liability. Any differences in respective carrying amounts arising on such replacements are reported 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 amount of payment due.

10.13. Provisions

Provisions are created whenever the Company has an obligation (legal or customarily expected) resulting from past events and when it is probable that the performance of such obligation will require expending economic benefits and provided that it is possible to reliably estimate the amount of such obligation. In the event that the Company expects that expenses covered by a provision are going to be recovered, e.g. under an insurance contract, such recovery is disclosed as a separate asset but only when it is actually certain that such recovery is going to take place. Expenses relating to the given provision are shown in the statement of comprehensive income, less any recoveries.

In the event that an influence of the time value of money is essential, the balance of a provision is determined by discounting forecast future cash flows to the present value using a discount rate reflecting current market assessments of the time value of money and risks, if any, associated with a respective obligation. In the event that a discounting-based method is applied, any growth in the balance of a provision resulting from a lapse of time is presented as financial expenses.

10.14. Revenues

Revenues are recorded in the extent to which it is likely that the Company will obtain economic benefits associated with the transaction and the amount of revenues 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.

10.14.1 Sales of goods and products

Revenues are recognised when significant risks and benefits resulting from holding a title to goods and products are passed to their buyer and when the amount of revenues can be reliably determined.

10.14.2 Rendering of services

Revenues from sales of services are recognised in the period when the services were delivered based on the progress of a specific transaction, determined as the ratio of the works actually carried out to all the services to perform.

10.14.3 Interest

Interest revenues are recorded gradually as it accrues (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.

10.14.4 Dividends

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

10.15. Taxes

10.15.1 Current tax

Current tax liabilities and receivables for the current and previous periods are measured in amounts expected to be payable to tax authorities (subject to reimbursement from tax authorities), taking into account tax rates and legislation that were lawfully or actually in force as at the balance sheet date.

10.15.2 Deferred tax

For financial reporting purposes, deferred tax is calculated using the method of balance sheet liabilities in reference to temporary differences existing as at the balance sheet date between tax values of assets and liabilities and their carrying amount recognised in the financial statements.

A provision against deferred tax is presented in relation 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 very moment of its execution does not affect either the gross financial result 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.

Deferred tax assets are presented in reference to all negative temporary differences as well as unused tax credit and unused tax losses carried forward in amounts at which it is probable that a taxable income allowing the use of the foregoing differences, assets and losses is going to be produced

- 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 financial result, 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 every deferred tax asset is verified as at each balance sheet date and is gradually reduced to the extent in which it is no longer probable that a taxable profit sufficient to partly or entirely use such deferred income tax asset is going to be produced. An undisclosed asset from deferred income tax 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 against deferred tax are stated using tax rates which are expected to be in force when a given asset is going to be used or a given provision is going to be released, accepting as a basis tax rates (and tax regulations) effective as at the balance sheet date or those whose effective force in the future is certain as at the balance sheet date.

Income tax on items recognised outside profit or loss is recognised outside profit or loss: under other comprehensive income for items included in other comprehensive income or directly in equity for items recognised directly in equity.

The Company sets off deferred income tax assets with provisions against deferred income tax in the event that it holds an enforceable legal title to set off current tax receivables against liabilities and respective deferred income tax refers to the same taxpayer and the same tax authorities, and only then.

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

10.15.3 Value added tax

Revenues, expenses, assets, equity and liabilities are presented less the value of respective value added taxes, except:

- 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, and
- 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.

10.16. Net earnings (loss) per share

The net earnings (loss) per share for each period are calculated by dividing the net earnings (loss) for a given period by the weighted average number of shares in a given reporting period.

The Company does not disclose diluted earnings per share since there are no dilutive potential ordinary shares.

10.17. Business combinations

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

11. Business segments

The Company conducts holding activities focuses on organising financing for its subsidiaries.

The Management Board treats the entire group as a single operating segment and evaluates the financial results of the Group based on the consolidated financial statements.

12. Revenues and expenses

12.1. Revenues from core operating activities

	Year ended 31 December 2014	Year ended 31 December 2013
Income from interest on borrowings granted to related entities	73,149	22,149
Other revenues from related entities	1,918	-
Revaluation of embedded derivative	7,415	-
Positive exchange rate differences	2	5
Total	**82,484**	**22,154**

During the 12-month period ended 31 December 2014, revenues from core operating activities increased by PLN 60,330 thousand in comparison with the corresponding period of the previous year. The above changes result primarily from the higher value of loans granted to subsidiaries and thus, the increased value of the interest computed on short- and long-term loans granted and from recharging the cost of the bank loan (commissions, cost of collaterals) granted by Alior Bank to the subsidiary Aero2. Details on borrowings granted are presented in Note 18.1.

The increase in income also results from a change in the interest rate on long-term loans granted to subsidiaries from the proceeds from the issue of bonds, which are calculated on the basis of the debt servicing costs. After the change of security on the bonds issued, i.e. deleting the pledge on the shares of subsidiaries from the pledge register, the interest rate on the borrowings increased by 1.7 percentage points. The difference in the amount of interest discounted by the effective interest rate over the outstanding repayment period increased the revenues for the period.

The other changes in revenues result from a revaluation of the embedded derivative (early bond redemption option). The change in the value of the embedded derivative results from the change (increase) in the value of the discount (change of security) on the bonds, and changes in market parameters, including changes in the profitability of bonds with similar maturities.

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

12.2. Own costs from core operating activities

	Year ended 31 December 2014	Year ended 31 December 2013
Interest on bonds	60,479	19,978
Interest on commercial papers issued to related entities	-	337
Interest on bank loans received	3,466	746
Commission on bank loans received	803	897
Revaluation of embedded derivative	-	647
Other expenses	101	52
Total	**64,849**	**22,657**

During the 12-month period ended 31 December 2014, costs of core operating activities increased by PLN 42,192 thousand in comparison with the corresponding period of the previous year. The above change results from an increase in costs related to issuing the bonds and servicing the debt under the investment loan granted by Alior Bank. The increase in interest expenses on the bonds results from a change of security, i.e. the deletion of the pledge on the shares of the subsidiaries. Under the terms of issue of the bonds, the discount rate increased by 1.7 percentage points. The difference in the nominal value of the bonds, discounted by the effective rate of discount over the outstanding repayment period, resulted in a charge for the period. More information relating to the change of security is presented in Note 21.

12.3. Wages and salaries

	Year ended 31 December 2014	Year ended 31 December 2013
Management Board	1,731	1,261
Supervisory Board	148	89
Others	626	446
Total	**2,505**	**1,796**

12.4. Other expenses by type

	Year ended 31 December 2014	Year ended 31 December 2013
Materials and energy used	10	4
External services	964	1,831
Taxes and charges	27	41
Social insurance and other benefits	112	108
Other expenses	101	59
Total	**1,214**	**2,043**

12.5. Finance income

	Year ended 31 December 2014	Year ended 31 December 2013
Income from bank interest	494	4,450
Total	**494**	**4,450**

During the 12-month period ended 31 December 2014, financial income decreased by PLN 3,956 thousand in comparison with the corresponding period of the previous year. That change resulted from the lower value of funds in deposits and changes in bank deposit interest rates.

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

13. Income tax

13.1. Arrangement on the effective tax rate

The arrangement on income tax on the gross profit before tax according to the statutory tax rate, with income tax charged at the effective tax rate of the Company for the years ended on 31 December 2014 and 31 December 2013, is as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Profit before tax	14,388	85
Tax based on the applicable tax rate - 19%	(2,734)	(16)
Expenses not constituting expenses of obtaining income	(6)	(3)
Undisclosed tax loss and other undisclosed temporary differences	733	19
Income tax for the financial year	(2,007)	-
Income tax in the statement of comprehensive income	(2,007)	-

13.2. 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 2014	***31 December 2013***	***31 December 2014***	***31 December 2013***
Deferred income tax provision				
Interest accrued but not received on borrowings granted	19,366	5,472	(13,894)	(4,106)
Interest accrued but not received on bank deposits	-	31	31	34
Other	1,682	-	(1,682)	-
Deferred income tax provision	21,048	5,503	(15,545)	(4,072)
Deferred income tax assets				
Unused holiday leave provision	25	15	10	6
Interest on liabilities accrued but not paid	15,286	3,796	11,490	3,103
Loss which can be deducted from future taxable income	3,723	3,214	509	810
Other	7	143	(136)	134
Deferred income tax assets	19,041	7,168	11,873	4,053
The value of tax losses and temporary differences for which deferred tax was not disclosed due to the anticipated impossibility of realising the assets in deferred tax from future tax results of the Company	-	(1,665)	1,665	19
Deferred tax liabilities			(2,007)	-
Net assets/provision for deferred income tax, of which:	2,007	-		
Deferred income tax assets - continuing operations	-	-		
Provision for deferred income tax - continuing operations	2,007	-		

14. Earnings per share

Basic earnings per share is calculated by dividing the net earnings for a given period attributable to holders of ordinary shares of the Company by the weighted average number of ordinary shares outstanding in that period.

Presented below are data on the earnings and shares used in calculating the basic earnings per share:

	Year ended 31 December 2014	Year ended 31 December 2013
Net profit on continuing operations	12,381	85
Net profit	**12,381**	**85**
Weighted average number of ordinary shares issued used in calculating the basic earnings (loss) per share	1,479,666,750	1,479,665,366
Net profit on continuing operations per share (PLN)	0.0084	0.0001

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

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.

15. Property, plant and equipment

Year ended on 31 December 2014

	Other technical equipment and machinery	Technical equipment and machinery - infrastructure	Vehicles	Total
Gross value of fixed assets as at 1 January 2014	**90**	**27**	**131**	**248**
Increases resulting from purchase of assets	-	-	41	41
Disposal/liquidation	(7)	-	(103)	**(110)**
Gross value of fixed assets as at 31 December 2014	**83**	**27**	**69**	**179**
Cancellation as at 1 January 2014	**(73)**	**(27)**	**(16)**	**(116)**
Depreciation and amortisation	(9)	-	(19)	(28)
Disposal/liquidation	5	-	15	**20**
Cancellation as at 31 December 2014	**(77)**	**(27)**	**(20)**	**(124)**
Net value of fixed assets as at 1 January 2014	**17**	**-**	**115**	**132**
Net balance of fixed assets as at 31 December 2014	**6**	**-**	**49**	**55**

Year ended on 31 December 2013

	Other technical equipment and machinery	Technical equipment and machinery - infrastructure	Vehicles	Total
Gross value of fixed assets as at 1 January 2013	**81**	**27**	**-**	**108**
Increases resulting from purchase of assets	9	-	131	140
Gross value of fixed assets as at 31 December 2013	**90**	**27**	**131**	**248**
Cancellation as at 1 January 2013	**(60)**	**(27)**	**-**	**(87)**
Depreciation and amortisation	(13)	-	(16)	(29)
Cancellation as at 31 December 2013	**(73)**	**(27)**	**(16)**	**(116)**
Net value of fixed assets as at 1 January 2013	**21**	**-**	**-**	**21**
Net value of fixed assets as at 31 December 2013	**17**	**-**	**115**	**132**

16. Business combinations

On 21 February 2014, the District Court for the City of Warsaw in Warsaw, Division XII Commercial of the National Court Register, registered the merger of Midas with its registered office in Warsaw (as the Acquiring Company) with the subsidiary Conpidon with its registered office in Nicosia, Cyprus (as the Target Company). As a result of the merger, Midas entered into all the rights and obligations, assets and liabilities of Conpidon, which was dissolved without being liquidated. In view of the fact that all of the shares in the Target Company were held by the Acquiring Company, the Merger was effected without increasing the share capital of the Acquiring Company.

Result on the merger in the amount of PLN 298 thousand is disclosed under uncovered losses. The merger did not have a material effect on other reporting items.

On 31 December 2014, the merger of Aero2 and CenterNet, in which the Company holds 100 per cent 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.

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

17. Non-current financial assets

	31 December 2014	31 December 2013
Shares, of which:		
CenterNet S.A.	238,989	238,989
Mobyland Sp. z o.o.	178,770	178,770
Conpidon Ltd	-	548,444
Aero2 Sp. z o.o.	548,444	-
Borrowings granted (including interest)	416,126	259,546
Embedded derivatives - option of early redemption of bonds	54,647	47,232
Total	**1,436,976**	**1,272,981**

Borrowings granted

Details concerning long-term loans granted in 2014 are described in Note 18.1 hereto.

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 repurchase 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 therefore was 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 thousand while as at 31 December 2013 it was valuated at PLN 47,232 thousand. As at 31 December 2014 the option was valuated at PLN 54,647 thousand (the difference from 31 December 2013 of PLN 7,415 thousand was recognised in revenues from core operating activities).

Shares

For the needs of preparing the annual financial statements, the Management Board of the Company revaluated the long-term financial plans of the Group, and conducted an impairment test of investments in subsidiaries by estimating their recoverable value.

The recoverable value of the shares in subsidiaries was estimated as the fair value less any expenses of making sales. The fair value was estimated using the third level of the fair value hierarchy (financial instruments valuated using defined valuation techniques due to the absence of an active market).

The tests did not reveal a need to make impairment write-downs of shares in subsidiaries. The surplus of the recoverable value over the carrying amount is sufficient to cover any expenses of making sales.

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 Company investments in subsidiaries constitute 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. As a result of the above, the impairment test of shares in subsidiaries was conducted on the basis of forecast cash flows to be generated jointly by all subsidiaries constituting the single 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.

The Management Board of the Company based the main assumptions made in order to determine the usable value of the cash-generating unit on expectations with regard to:

- the market value of data transfers,
- the share of subsidiaries of Midas in the high-speed data transmission market,
- the rate of growth in demand for rapid data transfers in Poland.

The values assigned to each of those parameters reflect the best estimates of the Management Board of the Company as to current and future needs of clients for data transfer services. In the calculations, account was taken of anticipated changes in the scope of the business plan, although these may be subject to the impact of unforeseeable technological, political, economic or legal changes. Consequently, uncertainty exists as at the date of preparing these financial statements as to whether the assumptions made will prove true.

The end growth rate accepted is 0 per cent after the period of the forecast. The WACC discount rate after tax is 10.6 per cent, and is 0.5 per cent higher than the discount rate applied before the revaluation of the financial plans, which reflects the higher risk specific for revaluated plans.

The period covered by the forecast is 2015-2030. The forecast period was extended in relation to the period assumed before the revaluation of the financial plans (before then, the last year in the period was 2021). The extension of the forecast period results mainly from taking account of Project 800 in the financial plans ("Project 800" is understood as an investment in infrastructure used in providing broadband mobile Internet access using frequencies in the 800 MHz range and obtaining the right to use frequencies in the 800 MHz range).

The Management Board of the Company predicts that the average growth rate in the use of data transfers during the period of the forecast, i.e. 2015-2030, will be approximately 16.6 per cent annually, with the greatest growth occurring in 2015-2019 when the average will be 52.7 per cent. Prices for end wholesale customers will decline considerably and will be about 50 per cent lower in the next four years than in 2014. The planned growth in data transfer use is in line with market forecasts. The subsidiaries will mainly incur operating expenses relating to maintaining and using its telecommunications network, and to charges for possession of frequencies and radio bands. In connection with the implementation of Project 800, operating expenses and investment outlays will increase significantly, in particular in the years 2015 – 2016.

The Company would have to recognise an impairment write-down with respect to investments in subsidiaries if the WACC after-tax discount rate of 10.6 per cent increased to 11.63 per cent.

The table below shows the sensitivity of financial plans to changes in individual assumptions - the WACC level, the end growth rate, and revenues. The table shows the level shown of any impairment write-down for the relevant level of key assumptions:

		Growth in residual period (in PLN million)				
		(4.0%)	(2.0%)	0.0%	2.0%	4.0%
WACC applied	10.6%	-	-	-	-	-
	11.6%	(214)	(114)	-	-	-
	12.6%	(404)	(334)	(234)	(104)	-
	13.6%	(564)	(504)	(434)	(394)	(334)
	14.6%	(704)	(654)	(604)	(564)	(524)

Impact of a reduction in revenues after 2018 as a result of the test (in PLN million)*				
(10.0%)	(8.0%)	(6.0%)	(5.0%)	(4.0%)
(466)	(311)	(157)	(80)	-

**assuming an equal reduction in all years of the forecast after 2018*

Proceedings concerning frequency reservations for CenterNet and Mobyland

In the proceedings pending before the Provincial Administrative Court in Warsaw (the "PACW") on the basis of a complaint of Polkomtel against the decisions of the President of the OEC of 30 November 2007, under which the President of the OEC made a reservation of frequencies for CenterNet and Mobyland and refused such reservations to PTC (currently T-Mobile Polska S.A., "T-Mobile") and Polkomtel ("Reservation Decision 1") and the decision of 23 April 2009, upholding Reservation Decision 1 after re-examining the case ("Reservation Decision 2"), on 19 November 2012 the PACW issued a judgement under which, on the merits of the case, it dismissed the complaint brought by T-Mobile and cancelled the proceeding initiated by the complaint of Polkomtel (in connection with the withdrawal of the complaint by a procedural submission made before the hearing).

In the grounds of the ruling dismissing T-Mobile's complaint, the PACW emphasised in particular that the primary argument of that complaint concerning a breach of substantive law due to a failure to examine in the reservation proceedings the prerequisites referred to in Article 114 par. 3 of the Telecommunications Law is unjustified, as the prerequisites set forth in the above regulation are subject to examination by the President of the OEC at the stage of earlier, separate tender proceedings, and thus there is no need to re-establish them in the reservation proceedings. The PACW found the other points of the above complaint, referring to procedural irregularities, to be groundless or irrelevant to the direction of the resolution adopted by the President of the OEC (Current Report No. 53/2012).

T-Mobile filed a cassation appeal against that judgement by the PACW. On 29 May 2014, the SAC issued a final judgement pursuant to which, following the dismissal of the cassation appeal filed by T-Mobile Polska, the SAC upheld the judgement of the PACW of 19 November 2012. The SAC did not share the objection of T-Mobile's cassation appeal concerning the invalidity of the proceedings, based on the assertion that T-Mobile's attorney had been incorrectly notified about the hearing before the PACW. In the SAC's assessment, in order to challenge the manner of delivering court correspondence, a party must first file a complaint with Poczta Polska (the Polish Post Office). Only conducting such proceedings made it possible to effectively overturn the supposition of a correct delivery, and, as the SAC pointed out, T-Mobile did not make such a complaint. The SAC also referred to the objections of T-Mobile concerning a breach of Article 114 par. 3 of the Telecommunications Law, holding – like the PACW – that they were unjustified. In the SAC's assessment, the frequency reservation was made correctly by the President of the OEC in 2007. The SAC also pointed out that the SAC's judgement of 8 May 2014 concerning a Tender for a frequency reservation was not relevant in deciding this case (the judgement is described hereinbelow).

The Management Board of the Issuer feels that the SAC judgement of 29 May 2014, almost seven years after granting frequency reservations to CenterNet and Mobyland, has finally and lawfully put an end to the dispute concerning the aforementioned reservations and confirmed the correctness of the reservation proceedings conducted by the President of the OEC in 2007. In the opinion of the Issuer's Management Board, CenterNet and Mobyland can therefore continue to make full use of the frequencies granted to them until 2022, and can therefore still carry out the objectives adopted in the operations of the Midas Capital Group.

<u>Proceedings related to the tender concerning frequencies subject to reservation for CenterNet and Mobyland</u>

In the matter concerning a repeal 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, repealing 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 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 gross breach 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

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

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 cost 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 complaints 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 overturned the decision 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 reviewing 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 and Mobyland's 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 presently impossible to predict the direction or scope of further action in the matter that may be undertaken 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. That judgement concerned 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 SAC judgement of 29 May 2014 is binding, and means that those frequency reservations are final. The decisions may only be repealed 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.

The Management Board of the Company is not able to predict the final outcome of the proceedings concerning frequency reservations pending against the subsidiaries of Midas, but, taking account of the legal analysis, it is of the opinion that the issue should not have an adverse impact on the recoverable value of shares in subsidiaries. The value of investments in subsidiaries is presented in Note 17 to these separate financial statements.

18. Other assets

18.1. Borrowings granted

	31 December 2014	31 December 2013
Borrowings granted (together with interest computed)	667,428	445,567
Total	**667,428**	**445,567**
Loans granted - non-current	251,302	186,021
Non-current (presented in the statement of financial position under	416,126	259,546

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

financial assets (non-current))

During the 12-month period ended 31 December 2014, the Company granted borrowings with a total value of PLN 149,000 thousand of which:

- to Aero2 Sp. z o.o., short-term loans in the amount of PLN 15,000 thousand and long-term loans in the amount of PLN 99,000 thousand (the amount of PLN 99,000 thousand from loan granted to Midas was transferred directly to the account of the Company's subsidiary Aero2, further discussed in Note 21),
- to Mobyland, short-term loans in the amount of PLN 35,000 thousand.

Details of the borrowings granted are presented in the table below:

Company	Amount of borrowing	Date borrowing granted	Date borrowing repaid	Interest rate and other conditions of the borrowing
Mobyland	30,000	2014-01-15	31.12.2015	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the commencement of the interest period, assuming that the year has 365 days
Aero2	20,000	2014-01-08	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	15,000	2014-06-12	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	10,000	2014-03-25	31.12.2015	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the commencement of the interest period, assuming that the year has 365 days
Aero2	10,000	2014-04-04	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	10,000	2014-05-20	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	10,000	2014-07-11	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	10,000	2014-10-31	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	10,000	2014-12-01	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	9,000	2014-12-29	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	5,000	2014-09-12	31.12.2015	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the commencement of the interest period, assuming that the year has 365 days
Mobyland	5,000	2014-09-25	31.12.2015	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the commencement of the interest period, assuming that the year has 365 days
Aero2	5,000	2014-12-22	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)

All of the above borrowings are secured by an own in blanco promissory note.
The borrowings were granted for the purpose of financing the expansion and maintenance of the telecommunications network of the Midas Group, conducted as part of the normal operations of the Midas Group.
The status of borrowings granted in preceding years is as follows:

Company	Amount of borrowing	Date borrowing repaid	Interest rate and other conditions of the borrowing
Mobyland	122,000	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	78,000	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	46,000	to April 2021 (in accordance with bond repayment date)	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	154,000	31.12.2015	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the commencement of the interest period, assuming that the year has 365 days
CenterNet	16,500	31.12.2015	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M on the borrowings repayment date

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

18.2. Other assets

	31 December 2014	31 December 2013
Commission paid on bank loans received	637	1,040
Total	**637**	**1,040**

Under other current assets as at 31 December 2014 and 31 December 2013, some commissions concerning unused bank loans are included.

18.3. Trade and other receivables

	31 December 2014	31 December 2013
Receivables from the sale of fixed assets	35	-
Receivables from related parties	4,593	-
Total	**4,628**	**-**

Trade receivables do not bear interest and usually have a 14-day payment period. Receivables from related parties result from charging to the subsidiary Aero2 the additional costs related to the investment loan obtained from Alior Bank (cost of collaterals and commissions).

19. Cash and cash equivalents

Cash at banks generates interest based on variable interest rates whose amount depends on interest rates for one-day bank deposits. Short-term deposits are made for periods ranging from one day to one month, depending on the Company's current needs for cash and earn interest at their respective fixed interest rates.

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

	31 December 2014	31 December 2013
Cash at bank and on hand	2,702	379
Short-term bank deposits	648	65,002
Interest accrued on bank deposits	-	162
Cash and cash equivalents	**3,350**	**65,543**

Notes 19.1 - 19.2 refer to the statement of cash flows

19.1. Change in the balance of current liabilities

	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Change in the balance of current liabilities	412	(25,740)
Change in the balance of loans and borrowings	(277)	(69)
Change arising from the issue of debt securities	-	25,897
Change in the balance of other financial liabilities	-	24
Total	**135**	**112**

19.2. Change in the balance of short-term receivables

	01.01.2014 - 31.12.2014	01.01.2013 - 31.12.2013
Change in the balance of short-term receivables	(4,628)	(49,057)
Change in the balance of receivables from loans and borrowings	-	49,066
Change in the balance of receivables on disposal of property, plant and equipment	35	-
Total	**(4,593)**	**9**

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

20. Share capital and supplementary/reserve capital

20.1. Share capital

As at 31 December 2014, and as at the date of publishing these financial statements, 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.

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

The table below shows the history of operations on shares issued by the Company:

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**			

20.1.1 Nominal value of shares

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

20.1.2 Shareholders' rights

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

20.1.3 Shareholders having a significant holding

	31 December 2014	31 December 2013
Zygmunt Solorz-Żak through Litenite Limited		
share in capital	65.9975%	65.9975%
share in votes	65.9975%	65.9975%
ING OFE		
share in capital	5.4066%	5.4066%
share in votes	5.4066%	5.4066%
Other shareholders		
share in capital	28.5959%	28.5959%
share in votes	28.5959%	28.5959%

20.2. 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 per cent 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.

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

21. Interest-bearing bank loans and borrowings and issued bonds

	Effective interest rate %	Repayment date	31 December 2014	31 December 2013
Current				
Investment loan with a nominal value of PLN 150,000 thousand, bearing interest at the rate of WIBOR 1M + margin	5.97%	31.12.2015	4,298	-
Commission charged (investment loan)			-	69
Total			**4,298**	**69**
Non-current				
Issues of series A bonds of a nominal value of PLN 643,935 thousand, discount rate of 16.01% (the discount rate before the change of security on the bonds was 14.31%)	11.31%	16.04.2021	328,054	267,543
Investment loan with a nominal value of PLN 150,000 thousand, bearing interest at the rate of WIBOR 1M + margin	5.97%	31.03.2018	137,499	45,580
Total			**465,553**	**313,123**

During the 12-month period ended 31 December 2014, the Company drew down other tranches of the investment loan (agreement with Alior Bank of 28 February 2013) in a total amount of PLN 99 million. The funds from the loan were sent directly to the bank account of Aero2 subsidiary, 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.

Since 1 July 2014, as a result of the signing, on 12 June 2014, of Annex No. 1 to the loan agreement concerning investment loan, concluded on 28 February 2013 between Midas and Alior Bank, the bank's margin has been changed (reduced).

During the 12-month period ended 31 December 2014, 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 and an increase in the value of the discount related to a change of security for the bonds. The amount of discount was added to the existing debt under the series A bonds.

On 23 July 2014, Midas, acting on the basis of the provisions of the Bond Issue Conditions ("BIC"), announced that it was intending to make use of the right to which it was entitled to change the security ("Change of Security") for the series A bonds issued on 16 April 2013, which would involve deleting the following registered pledges from the register of pledges:

(i) a pledge on 221,000 shares of Aero2 representing 100 per cent of the share capital of that company and giving entitlement to 100 per cent of the votes at the meeting of shareholders of that company, owned by the Issuer;

(ii) a pledge on 4,264,860 shares of CenterNet representing 100 per cent of the share capital of that company and giving entitlement to 100 per cent of the votes at the meeting of shareholders of that company, owned by the Issuer;

(iii) a pledge on 204,200 shares of Mobyland representing 100 per cent of the share capital of that company and giving entitlement to 100 per cent of the votes at the meeting of shareholders of that company, owned by the Issuer.

The decision concerning the intention to make use of the right to change security is the consequence of the agreement concluded by the Company on 10 July 2014 with Bank Polska Kasa Opieki S.A. concerning investment loan for up to PLN 200 million (as described above). Under the provisions of the Agreement, one form of security for the Loan being granted is a registered pledge up to the amount of PLN 300 million on the shares of subsidiaries of the Issuer, i.e. Aero2, CenterNet and Mobyland. On 27 August 2014, the registered pledges on the shares of Aero2, Mobyland and CenterNet were deleted.

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

22. Trade and other liabilities

	31 December 2014	31 December 2013
Trade payables		
Liabilities to other entities	28	69
Liabilities to related parties	565	240
	593	**309**
Other liabilities		
Other liabilities	234	106
	234	**106**
Total	**827**	**415**

Terms and conditions of payment of the above financial liabilities:

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

Other liabilities do not bear interest and their average maturity is 1 month.

23. Investing liabilities

As at 31 December 2014 and as at 31 December 2013, the Company did not incur any capex liabilities that have not been disclosed in these financial statements.

24. Contingent liabilities

As at 31 December 2014 and at 31 December 2013, Midas had no contingent assets or liabilities.

24.1. Litigation

In the current reporting period, there were no proceedings pending in relation to Midas. Proceedings pending in relation to Midas's subsidiaries are described in Note 30.1 to the consolidated financial statements.

24.2. Tax settlements

Tax settlements and other areas of regulated operations (such as customs or foreign exchange issues) might constitute subjects of controls carried out by administrative authorities which are authorised to impose high penalties and sanctions. The lack of reference to established legal frameworks in Poland leads to ambiguities and inconsistencies in the currently effective legislation. Frequent differences of opinions as to legal interpretation of tax regulations among state authorities as well as between state authorities and corporations, result in large areas of uncertainty and conflict. Therefore, the tax risk in Poland is significantly higher than is usually the case in countries with more developed tax systems.

Tax settlements might be audited for a period of five years, starting from the end of the year when respective taxes are actually paid. Following such audits, the Company's previous tax settlements might be increased by additional tax liabilities.

In the opinion of the Company, as at 31 December 2014, there was no need to establish provisions for tax risk.

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

25. 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:	**interest on borrowings**	**other revenues on operating activities**	**other**
Subsidiaries	*2014*	77,827	73,149	4,593	85
	2013	22,154	22,149	-	5
Entities controlled by a person (or members of their family) who controls, jointly controls or has significant influence over Midas S.A.	*2014*	38	-	-	38
	2013	1,422	-	-	1,422

		Expenses of mutual transactions, of which:	**interest on bonds**	**other**
Subsidiaries	*2014*	562	-	562
	2013	478	337	141
Entities controlled by a person (or members of their family) who controls, jointly controls or has significant influence over Midas S.A.	*2014*	2,601	-	2,601
	2013	1,005	-	1,005

		Receivables from related parties, including:	**trade receivables**	**borrowings**
Subsidiaries	*2014*	672,021	4,593	667,428
	2013	445,567	-	445,567

		Liabilities to related parties, including:	**trade receivables**
Subsidiaries	*2014*	348	348
	2013	7	7
Entities controlled by a person (or members of their family) who controls, jointly controls or has significant influence over Midas S.A.	*2014*	217	217
	2013	233	233

25.1. Entity with a significant influence over the Company

As at 31 December 2014, Litenite Limited held 66 per cent of the ordinary shares of Midas (31 December 2013: 66 per cent).

25.2. Significant agreements entered into by Midas

Investment loan with Bank Polska Kasa Opieki S.A.

On 10 July 2014, the Company, together with the following of its subsidiaries: Aero2, CenterNet and Mobyland (hereinafter the "Borrowers"), concluded an agreement with Bank PEKAO S.A. (the "Bank") (the "Agreement" or "Loan Agreement") concerning investment loan for up to PLN 200 million for the purpose of expanding the LTE and HSPA+ telecommunications network. The above Agreement was concluded following negotiations simultaneously conducted by the Company with the Bank and with Bank Zachodni WBK S.A. ("BZWBK") and Banco Santander S.A. ("Banco Santander").

Under the Agreement, the Borrowers may utilise the Loan after the Bank notifies the Borrowers, within the time frame specified in the Agreement, that all of the conditions precedent set forth in the Agreement (and described in more detail below) for the utilisation of the Loan (the "Conditions Precedent") have been satisfied, but no later than one year from the date of entering into the Agreement (the "Availability Period"). The Loan will each time be disbursed upon written instruction from a Borrower (the "Utilisation Request"), prepared in accordance with the Agreement. The loan will be repaid in 48 equal monthly principal instalments (the "Repayment Period"), starting from the month following the month of the last day of the Availability Period, but no later than on the fifth anniversary of executing the Agreement. The interest, calculated on the basis of the 1M WIBOR rate increased by the Bank's margin, will also be repaid in monthly periods. In the case set forth in the Agreement and related to the accounting revenues of Midas Capital Group entities generated until the end of 2015, the Bank will be entitled to shorten the Repayment Period so that it ends on the third anniversary of executing the Agreement, unless the Borrowers provide a solution acceptable to the Bank, which will require the Borrowers to obtain external assistance that will ensure timely debt repayment. For granting the Loan and for its early repayment, the Bank is also entitled to commission, the amount of which has been determined at a market level. The Agreement also defines events ("Events of Default") that will cause the Bank's margin to be increased by the amount specified in the Agreement. The higher margin for the Bank will be in effect until an Event of Default has been remedied by the Borrowers. The list of Events of Default defined in the Agreement is a standard list commonly used in these types of agreements. The Borrowers are jointly and severally liable for any amounts payable to the Bank under the Agreement.

The Loan is secured by: (a) a registered pledge for up to PLN 300 million over the shares of CenterNet, Aero2 and Mobyland; (b) a registered pledge for up to PLN 300 million over a pool of assets and rights owned by the Borrowers and treated as a single economic unit, but in the case of Aero2 up to PLN 396.7 million; (c) an assignment of rights under the insurance policies concluded by Aero2 concerning assets securing the Loan; (d) an assignment of receivables under the agreements on wholesale data transfer services concluded by Mobyland with Cyfrowy Polsat S.A. and Polkomtel Sp. z o.o.; (e) subordination of the receivables of an entity outside the Borrower's group (save for Alior Bank SA, Plus Bank SA and holders of the Company's series A bonds) providing financing for the Borrowers, with respect to the Bank's receivables from the Borrowers under the Finance Documents; (f) conditional powers of attorney authorising the Bank to act on behalf of the Borrowers (save for the Company) before the Polish Office of Electronic Communications; (g) powers of attorney for the Borrowers' bank accounts; (h) a declaration of submission to enforcement for up to PLN 300 million made by the Borrowers in favour of the Bank pursuant to Article 97 of the Banking Law of 29 August 1997; (i) a declaration by Mr Zygmunt Solorz-Żak on providing, within the scope of rights vested in shareholders of public companies, assistance throughout the term of the Agreement, which, in particular, involves making efforts to ensure that the Borrowers repay any and all of their obligations towards the Bank in a timely manner, remain in sound economic and financial standing and obtain additional financing sufficient to satisfy their obligations towards the Bank in the event of a delay in their repayment.

Furthermore, each potential prospective guarantor of the Loan agrees to issue a guarantee to the Bank for up to PLN 300 million, as well as other collaterals that may be agreed with the Bank (the obligation is in effect until 30 June 2022). In the Agreement, the Borrowers also agreed to open temporary bank accounts to which amounts due from the Borrowers will be made under agreements on wholesale data transfer services and insurance policies, as well as a DSRA account, in which a balance of no less than 10 per cent of the value of the Loan will be maintained throughout the term of the Loan. Subject to the terms and in the manner set forth in the Agreement, the Bank may block certain amounts in the above accounts and apply them towards satisfying due and payable obligations of the Borrowers under the Loan. The Company also agrees that, without the Bank's written approval (which approval will not be unreasonably denied by the Bank), it will not exercise its early redemption option with respect to the Company's series A bonds.

The Company has also agreed that, until the lapse of the Repayment Period, it will not disburse dividends or refund contributions or any other compensation or payments on its share capital, except in the event of a possible consolidation of the Company's shares, and that none of the Borrowers will acquire (directly or indirectly) any entity or enterprise, except as provided in the Agreement. The Company also restricts the Borrowers' ability to dispose of their assets and to encumber and divide the Borrowers' assets, save for any exceptions stipulated in the Agreement. The Agreement also contains provisions concerning General Obligations, both by the Borrowers and by the Bank, which do not vary considerably from provisions commonly used in these types of agreements. Up to 31 December 2014, subsidiaries drew down loan tranches in a total amount of PLN 23 million. Detailed information on the subject of the loan granted is found in the Management Report on the activities of MIDAS S.A., in section 2.3.

Borrowings granted to Aero2

In 2014, as a result of loan agreements (the "Agreements") concluded with Aero 2 Sp. z o.o., the Company granted Aero2 loans in a total amount of PLN 114,000 thousand of which PLN 99,000 thousand constitute long-term loans, and PLN 15,000 thousand short-term loans.

The conditions of the agreements concluded are presented below:

- for the short-term loans: the annual interest rate is equal to the WIBOR 1M + margin, the loans are secured, and the repayment date falls on 31 December 2015;
- for the long-term loans of a total value of PLN 99,000 thousand the interest is calculated on the basis of the cost of Midas obtaining the capital increased by a margin, the loan is secured and subject to repayment in full together with accrued interest on 30 March 2018 (the loan repayment schedule corresponds to the repayment schedule presented above - investment loan from Alior Bank).

The borrowings were granted for the purpose of financing the investments carried out by the Midas Group.

Borrowings granted to Mobyland

In 2014, as a result of loan agreements (the "Agreements") concluded with Mobyland, the Company granted Mobyland loans for a total of PLN 35,000 thousand. As stipulated in the Agreements, the loans bear interest at WIBOR 1M + margin per annum, the borrowings are secured, and they are subject to repayment on 31 December 2015. The borrowings were granted for the purpose of financing the investments carried out by the Midas Group.

25.3. Remuneration of the Company's management staff

	Year ended 31 December 2014	**Year ended 31 December 2013**
Management Board		
Current employee benefits or similar (wages and salaries and bonuses)	1,731	1261
Supervisory Board		
Current employee benefits or similar (wages and salaries and bonuses)	148	89
Total	**1,879**	**1,350**

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

The following table shows the fees of the entity authorised to audit financial statements paid or payable for the years ended on 31 December 2014 and 31 December 2013 by type of service:

Type of service	**Year ended 31 December 2014**	**Year ended 31 December 2013**
Mandatory audit of financial statements*	40	40
Other services	35	35
Total	**75**	**75**

Refers to Ernst & Young Audyt Polska Sp. z o.o. Sp. k.

27. Financial risk management

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

The underlying principle applied by the Company now and throughout the entire reporting period is not to trade in financial instruments.

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

Key risks of the Company's financial instruments include the interest rate risk, liquidity risk, currency risk and credit risk. The Management Board reviews and adopts applicable rules for managing each such risk – those rules are summarised below. The Company also monitors the risk of market prices for all financial instruments held.

27.1. Interest rate risk

Changes in market interest rates may affect Midas's revenues, costs, and operating cash flows. The Company invests its free funds in instruments considered safe or instruments with short maturities.

Interest rate risk - sensitivity to changes

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

	Increase/ decrease in percentage points	*Impact on gross financial result*
Year ended 31 December 2014		
PLN	+1%	2,205
PLN	-1%	(2,205)
Year ended 31 December 2013		
PLN	+1%	1,705
PLN	-1%	(1,705)

27.2. Currency risk

The Company is not exposed to significant currency risk on its transactions.

27.3. Market risk

The price risk in Midas is associated with changes to the current 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. The financial assets measured at fair value by the financial result in 2014 and 2013 were: the early bond repurchase option and cash.

27.4. Credit risk

The maximum credit risk at Midas is reflected in the value of borrowings granted and cash.

With reference to financial assets of the Company such as cash and cash equivalents, the Company's credit risk appears when a counter-party is not able to pay, and the maximum exposure to such risk is equal to the carrying amount of those instruments.

The Company invests its cash resources only in reputable companies. Borrowings are granted to subsidiaries which have a high balance of receivables from entities in good financial condition. In the opinion of the Management Board, the risk of loans not being repaid is negligible.

27.5. Liquidity risk

The Company monitors the risk of funding shortages using a regular liquidity planning tool. This tool takes into account due dates/maturities of both investments and financial assets (e.g. receivables accounts, other financial assets) and projected cash flows from operating activities.

The Company's objective is to keep a balance between continuity and flexibility of funding through the use of various sources of financing, such as borrowings, commercial papers, share or bond issues.

The table below shows the Company's liabilities as at 31 December 2014 and 31 December 2013 by maturity date on the basis of contractual non-discounted figures.

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

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	-	1,816	9,844	149,568	-	161,228
Other financial liabilities	-	-	-	-	643,935	643,935
Trade and other liabilities	-	827	-	-	-	827
Total	**-**	**2,643**	**9,844**	**149,568**	**643,935**	**805,990**

31 December 2013

	On demand	*Under 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	-	740	2,287	50,212	-	53,239
Other financial liabilities	-	-	-	-	583,772	583,772
Trade and other liabilities	-	415	-	-	-	415
Total	**-**	**1,155**	**2,287**	**50,212**	**583,772**	**637,426**

28. Financial instruments

28.1. Fair value of particular classes of financial instruments

The following table compares carrying amounts and fair values of all financial instruments held by the Company by class and category of assets and liabilities.

		Carrying amount		*Fair value*	
Financial assets	***Category as per IAS 39***	***31 December 2014***	***31 December 2013***	***31 December 2014***	***31 December 2013***
Other financial assets (non-current), of which:		470,773	306,778	506,114	294,509
- borrowings	LAR	416,126	259,546	451,467	247,277
- embedded derivative	FAFVFR	54,647	47,232	54,647	47,232
Other financial assets (current), of which:		251,302	186,021	251,302	186,021
- borrowings	LAR	251,302	186,021	251,302	186,021
Other receivables	LAR	4,628	-	4,628	-
Cash and cash equivalents	FAFVFR	3,350	65,543	3,350	65,543
Financial liabilities					
Other liabilities (non-current), of which:	OFLAC	465,553	313,123	441,782	300,317
- bank loan	OFLAC	137,499	45,580	137,499	45,580
- bonds	OFLAC	328,054	267,543	304,283	254,737
Other liabilities (current), of which:	OFLAC	4,891	378	4,891	378
- bank loan	OFLAC	4,298	69	4,298	69
- trade liabilities	OFLAC	593	309	593	309

Abbreviations used:

FAHM – Financial assets held to maturity,
FAFVFR – Financial assets/ liabilities measured at fair value through profit or loss,
LAR – Loans and receivables,
FAAS – Financial assets available for sale,
OFLAC – Other financial liabilities measured at capitalised cost

Hierarchy of fair value as at 31 December 2014

	Level 1	Level 2	Level 3	Total
Financial assets				
Borrowings granted, of which:	-	-	702,769	702,769
- non-current, bearing interest at a floating interest rate	-	-	451,467	451,467
- current	-	-	251,302	251,302
Embedded derivative	-	-	54,647	54,647
Trade and other receivables	-	-	-	-
Cash and cash equivalents	3,350	-	-	3,350

Financial liabilities

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

Interest-bearing bank loans, of which:	-	-	141,797	141,797
- non-current, bearing interest at a floating interest rate	-	-	137,499	137,499
- other - current	-	-	4,298	4,298
Liabilities from issue of bonds	-	-	304,283	304,283
Trade liabilities	-	593	-	593

Hierarchy of fair value as at 31 December 2013

	Level 1	Level 2	Level 3	Total
Financial assets				
Borrowings granted, of which:	-	-	433,298	433,298
- non-current, bearing interest at a floating interest rate	-	-	247,277	247,277
- current	-	-	186,021	186,021
Embedded derivative	-	-	47,232	47,232
Trade and other receivables	-	-	-	-
Cash and cash equivalents	65,543	-	-	65,543
Financial liabilities				
Interest-bearing bank loans, of which:	-	-	45,649	45,649
- non-current, bearing interest at a floating interest rate	-	-	45,580	45,580
- other - current	-	-	69	69
Liabilities from issue of bonds	-	-	254,737	254,737
Trade liabilities	-	309	-	309

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 information packet is the discount rate reflecting the credit risk of contractual partners.

The fair value of non-current loans granted having a fixed interest rate (loans granted from funds stemming from bonds) was defined in accordance with generally accepted valuation models based on an analysis of discounted cash flows, while the most significant information packet is the discount rate reflecting the credit risk of contractual partners.

The option of early repurchase was valuated 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 valuation date, determined in accordance with the description in Note 17, was accepted. The parameter of variability of the bonds analysed was determined on the basis of an analysis of the variability of the profitability of corporate bonds in EUR with a rating of BBB and a maturity period of 7 years.

28.2. Items of income, costs, profit and loss disclosed in the statement of comprehensive income, divided into categories of financial instruments

Year ended 31 December 2014

Financial assets	*Category as per IAS 39*	*Revenues/(expenses) of operating activities*	*Financial revenues/(expenses)*	*Profit/(loss) on exchange rate differences*	*Total*
Other financial assets (non-current)	LAR	61,901	-	-	61,901
Other financial assets (current)	LAR	11,248	-	-	11,248
Trade receivables	LAR	1,918	-	-	1,918
Embedded derivative	FAFVFR	7,415	-	-	7,415
Cash and cash equivalents	FAFVFR	-	494	2	496
Financial liabilities					
Interest-bearing bank loan, of which:	OFLAC	(4,269)	-	-	(4,269)
- non-current, bearing interest at a floating interest rate	OFLAC	(3,466)	-	-	(3,466)
- short-term, with a fixed interest rate	OFLAC	(803)	-	-	(803)
Other liabilities (non-current)	OFLAC	(60,580)	-	-	(60,580)

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

Year ended 31 December 2013

Financial assets	*Category as per IAS 39*	*Revenues/(expenses) of operating activities*	*Financial revenues/(expenses)*	*Profit/(loss) on exchange rate differences*	*Total*
Other financial assets (non-current)	LAR	13,545	-	5	13,550
Other financial assets (current)	LAR	8,604	-	-	8,604
Embedded derivative	FAFVFR	(647)			(647)
Cash and cash equivalents	FAFVFR	-	4,450	-	4,450
Financial liabilities					
Interest-bearing bank loan, of which:	OFLAC	(1,643)	-	-	(1,643)
- non-current, bearing interest at a floating interest rate	OFLAC	(746)	-	-	(746)
- short-term, with a fixed interest rate	OFLAC	(897)	-	-	(897)
Other liabilities (non-current)	OFLAC	(20,030)	-	-	(20,030)
Other liabilities (current)	OFLAC	(337)	-	-	(337)

28.3. Interest rate risk

The table below presents the carrying amount of the Company's financial instruments exposed to the interest rate risk by age category.

31 December 2014

Fixed interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Borrowings granted in the amount of PLN 200,000 thousand	-	-	-	-	-	269,850	269,850
Short-term bank deposits	648	-	-	-	-	-	648
Bonds of a nominal value of PLN 643,935 thousand	-	-	-	-	-	328,054	328,054

Variable interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Borrowings granted in the amount of PLN 365,500 thousand	251,482	64,800	64,800	16,496	-	-	397,578
Bank loan	11,225	62,120	55,682	12,770	-	-	141,797

31 December 2013

Fixed interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Borrowings granted in the amount of PLN 200,000 thousand	-	-	-	-	-	212,742	212,742
Borrowings granted in the amount of EUR 75 thousand	287	-	-	-	-	-	287
Short-term bank deposits	65,164	-	-	-	-	-	65,164
Bonds of a nominal value of PLN 583,772 thousand	-	-	-	-	-	267,543	267,543

Variable interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Borrowings granted in the amount of PLN 216,500 thousand	185,734	-	46,804	-	-	-	232,538
Bank loan	-	4,156	41,424	-	-	-	45,580

Interest rates for floating rate financial instruments are updated at least once a year. Interest on financial instruments with fixed interest rates is fixed for the entire period until the maturity/due date of these instruments. Other financial instruments of the Company which are not included in the above tables do not bear interest and are therefore not subject to the interest rate risk.

29. Management of capital

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

The Company manages its capital structure and, following changes in economic conditions, introduces corresponding changes to that structure. In the year ended on 31 December 2014 and 31 December 2013, there were no changes to the objectives, principles and processes applicable in this area.

The Company monitors the state of capital using the leverage ratio, counted as the relation of net debt to total capital increased by net debt. The Company'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.

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

	31 December 2014	**31 December 2013**
Interest-bearing loans and issued papers and bonds	469,851	313,192
Minus cash and cash equivalents and other financial assets	3,350	65,543
Net debt	**466,501**	**247,649**
Equity belonging to the shareholders of the parent	1,224,103	1,212,020
Total capital	**1,224,103**	**1,212,020**
Net capital and debt	**1,690,604**	**1,459,669**
Leverage ratio	0.276	0.170

30. Employment structure

The average headcount by full-time position in the Company during the years ended on 31 December 2014 and 31 December 2013 was as follows:

	Year ended 31 December 2014	**Year ended 31 December 2013**
Management Board of the Company	0.20	1.17
Others	2.95	2.61
Total	**3.15**	**3.78**

31. Events occurring after the balance sheet date

No significant events occurred after the balance sheet date.

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/

Warsaw, 3 March 2015