Midas Spółka Akcyjna

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

CONTENTS

SELECTED FINANCIAL DATA

	12-month period ended 31 December 2015	**12-month period ended 31 December 2014**	**12-month period ended 31 December 2015 in EUR '000**	**12-month period ended 31 December 2014 in EUR '000**
Revenues from core operating activities	64,270	82,484	15,358	19,689
Profit on operating activities	16,952	13,894	4,051	3,317
Profit before tax	16,978	14,388	4,057	3,435
Net profit on continuing operations attributable to equity holders of the Company	13,361	12,381	3,193	2,955
Net cash flow from operating activities	11,179	(55,718)	2,671	(13,300)
Net cash flow from investing activities	(5,357)	17	(1,280)	4
Net cash flow from financing activities	(4,443)	(6,492)	(1,062)	(1,550)
Average weighted number of shares	1,479,666,750	1,479,666,750	1,479,666,750	1,479,666,750
Basic profit on continuing operations per ordinary share (in PLN)	0.0090	0.0084	0.00216	0.00200

	Balance as at 31 December 2015	**Balance as at 31 December 2014**	**Balance as at 31 December 2015 in EUR '000**	**Balance as at 31 December 2014 in EUR '000**
Total assets	1,608,847	1,696,955	377,531	398,131
Total liabilities	371,383	472,852	87,149	110,938
Non-current liabilities	370,787	467,560	87,009	109,697
Current liabilities	596	5,292	140	1,242
Equity attributable to equity holder of the Issuer	1,237,464	1,224,103	290,382	287,193
Share capital	147,967	147,967	34,722	34,715

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

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

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2015

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Continuing operations			
Revenues from core operating activities	12.1	64,270	82,484
Own costs from core operating activities	12.2	(43,919)	(64,849)
Depreciation and amortisation		(20)	(28)
Wages and salaries	12.3	(1,662)	(2,505)
Other expenses by type	12.4	(1,722)	(1,214)
Other operating revenues		8	9
Other operating expenses		(3)	(3)
Profit on operating activities		**16,952**	**13,894**
Financial revenues	12.5	27	494
Financial expenses		(1)	-
Profit on financing activities		**26**	**494**
Profit before tax		**16,978**	**14,388**
Current income tax		-	-
Deferred tax		(3,617)	(2,007)
Total income tax	13	**(3,617)**	**(2,007)**
Net profit on continuing operations		**13,361**	**12,381**
Net profit on discontinued operations		**-**	**-**
Net profit		**13,361**	**12,381**
Other comprehensive income		**-**	**-**
COMPREHENSIVE INCOME		**13,361**	**12,381**
Average weighted number of ordinary shares		1,479,666,750	1,479,666,750
Net profit on continuing operations, per share, attributable to equity holders of the parent company (in PLN)	14	0.0090	0.0084

Krzysztof Adaszewski
/President of the Management Board/

Piotr Janik
/Vice-President of the Management Board/

Teresa Rogala
/for SFERIA Spółka Akcyjna – entity keeping books of account/

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2015

ASSETS	Note	31 December 2015	31 December 2014
Fixed assets			
Property, plant and equipment	15	35	55
(Non-current) financial assets	17, 18.2	1,343,562	1,436,976
Total fixed assets		**1,343,597**	**1,437,031**
Current assets			
Inventories		2	-
Trade and other receivables	18.1	2,803	4,628
Borrowings granted	18.2	257,701	251,302
Other assets	18.3	-	637
Other short-term prepayments		15	7
Cash and cash equivalents	19	4,729	3,350
Total current assets		**265,250**	**259,924**
Total assets		**1,608,847**	**1,696,955**

EQUITY AND LIABILITIES	Note	31 December 2015	31 December 2014
Equity attributable to equity holders of the Company:			
Share capital	20.1	147,967	147,967
Supplementary capital		1,140,860	1,140,860
Uncovered losses		(51,363)	(64,724)
Accumulated losses		(64,724)	(77,105)
Net profit for the current period		13,361	12,381
Total equity		**1,237,464**	**1,224,103**
Non-current liabilities			
Loans and borrowings	21	-	137,499
Liabilities from issue of bonds	21	365,163	328,054
Deferred tax liability	13.2	5,624	2,007
Total non-current liabilities		**370,787**	**467,560**
Current liabilities			
Trade and other liabilities	22	418	827
Loans and borrowings	21	-	4,298
Accruals		178	167
Total current liabilities		**596**	**5,292**
Total equity and liabilities		**1,608,847**	**1,696,955**

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

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

STATEMENT OF CASH FLOWS
for the year ended 31 December 2015

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Gross profit		**16,978**	**14,388**
Depreciation and amortisation of fixed and intangible assets		20	28
Interest and commission expenses		43,830	64,748
Profit/(loss) on investing activities		3	(3)
Exchange rate differences		-	-
Change in the balance of assets and liabilities related to operating activities:			
– Trade and other receivables	19.1	2,694	(4,593)
- Inventories		(2)	-
– Trade and other liabilities	19.2	(132)	135
– Accruals		4	42
Interest and commission revenues		(56,758)	(73,149)
Revaluation of embedded derivative		(7,512)	(7,415)
Other adjustments		86	101
Adjustments of total gross profit		**(789)**	**(5,718)**
Other cash flows from operating activities			
Borrowings granted		-	(50,000)
Interest received	18.2	10,175	-
Commission obtained		1,793	-
Other cash flows from operating activities		**11,968**	**(50,000)**
Net cash flow from operating activities		**11,179**	**(55,718)**
Purchase of property, plant and equipment and intangible assets		(3)	(41)
Proceeds from sales of property, plant and equipment and intangible assets		35	58
Purchase of other financial assets (shares)	17	(5,389)	-
Net cash flow from investing activities		**(5,357)**	**17**
Expenses related to issuing bonds		(52)	(52)
Commission and interest paid in connection with bank loan		(4,391)	(6,440)
Net cash flow from financing activities		**(4,443)**	**(6,492)**
Net (decrease) increase in cash and cash equivalents		**1,379**	**(62,193)**
Cash and cash equivalents at the beginning of the year		**3,350**	**65,543**
Cash and cash equivalents at the end of the year	19	**4,729**	**3,350**

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

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2015

	Note	Share capital	Supplementary capital	Uncovered losses	Total equity
As at 1 January 2015		**147,967**	**1,140,860**	**(64,724)**	**1,224,103**
Net profit for the financial year		-	-	*13,361*	*13,361*
Total comprehensive income for the financial year		-	-	13,361	13,361
Balance as at 31 December 2015		**147,967**	**1,140,860**	**(51,363)**	**1,237,464**

	Note	Share capital	Supplementary capital	Uncovered losses	Total equity
As at 1 January 2014		**147,967**	**1,140,860**	**(76,807)**	**1,212,020**
Settlement of the business combination		-	-	(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**

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

ACCOUNTING POLICIES AND ADDITIONAL EXPLANATORY NOTES

1. General information

The financial statements of MIDAS S.A. ("Midas", the "Company", the "Issuer") cover the year ended on 31 December 2015 and include comparative data for the year ended on 31 December 2014.

The Company was established pursuant to a Notarial Deed of 15 December 1994. The Company's registered office is located in Warsaw, at Al. Stanów Zjednoczonych 61a.

The Company is entered in the Commercial Register of the National Court Register kept by the District Court in Warsaw, Division XII Commercial of the National Court Register, under KRS 0000025704. The Company was granted statistical identification 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 forms of granting loans (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 2015, 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 2015 which were approved on 26 February 2016 for publication on 29 February 2016.

3. Composition of the Management Board of the Company

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

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

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

4. Adoption of the financial statements

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

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

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	Company's percentage share in equity	
			31 December 2015	**31 December 2014**
CenterNet S.A. ("CenterNet")*	Warsaw, Poland	telecommunications	-	100%
Mobyland Sp. z o.o. ("Mobyland")**	Warsaw, Poland	telecommunications	-	100%
Aero 2 Sp. z o.o. ("Aero2")	Warsaw, Poland	telecommunications	100%	100%
AltaLog Sp. z o.o. ("AltaLog")	Warsaw, Poland	software	66%	-
Sferia S.A. ("Sferia")	Warsaw, Poland	telecommunications	51%***	-

** On 31 December 2014, the merger of Aero2 and CenterNet was registered*
*** On 30 November 2015, the merger of Aero2 and Mobyland was registered*
**** through Aero 2 Sp. z o.o.*

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

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

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

Information on the merger between Mobyland and Aero2, which was registered in 2015, 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. 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 2015 an 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 disclosed an instrument that meets the definition of an embedded derivative (early bond redemption option). Information on the subject of the division and evaluation of the derivative instrument is found in Note 17.

Pending court proceedings

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 off to the nearest thousand (PLN ‘000) except where indicated otherwise.

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 at the date of adoption of these statements for publication, taking into account the EU process of implementing the IFRS standards, the IFRS differ from the EU IFRS. The Company has made use of the opportunity arising when applying the IFRS as adopted by the EU, of applying IFRIC 21, only from annual periods beginning from 1 January 2015, and amendments to IFRS 2 and IFRS 3 which are part of the Amendments resulting from a review of IFRS 2011-2013 from annual periods beginning from 1 January 2016.

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

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 2014, except for the following new or amended standards and interpretations in force for annual periods beginning on or after 1 January 2015:

- *Changes resulting from the review of IFRS 2011-2013* including:
    - Amendments to IFRS 3 *Business combinations*
      After the changes, not only joint ventures, but also joint contractual arrangements are out of the scope of IFRS 3. The exception applies only to the preparation of the financial statements. The change is applied prospectively.

      The application of these changes had no effect on the financial position or operating results of the Company.
    - Amendments to IFRS 13 *Measurement at fair value*
      After the changes, the exception for the investment portfolio applies not only to financial assets and liabilities but also to other agreements covered by IAS 39. Changes are applied prospectively.

      The application of these changes had no effect on the financial position or operating results of the Company.
    - Amendments to IAS 40 *Investment properties*
      A description of the additional services contained in IAS 40 distinguishes between investment properties and properties occupied by their owner (property, plant and equipment). The change is applied prospectively and explains that IFRS 3, and not the definition of additional services contained in IAS 40, is used to determine whether the transaction is the acquisition of an asset or of an undertaking.

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

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

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

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) – not adopted by the EU until the date of adoption of these financial statements – effective for annual periods beginning on or after 1 January 2018,
- Amendments of IAS 19 *Defined benefit plans: employee contributions* (published on 21 November 2013) – effective for annual periods beginning on or after 1 July 2014 – in the EU, applicable at the latest to annual periods beginning on or after 1 February 2015,
- *Amendments resulting from an IFRS review 2010-2012* (published on 12 December 2013) – some of the amendments are effective for annual periods beginning on or after 1 July 2014, and some prospectively for transactions taking place on or after 1 July 2014 – in the EU, effective at the latest for annual periods beginning on or after 1 February 2015,
- IFRS 14 *Regulatory deferral accounts* (published on 30 January 2014) – pursuant to the decision of the European Commission the process for approval of the standard in its preliminary version will not be initiated before the final version of the standard is published – not adopted by the EU by the date of adoption of these financial statements – effective for annual periods beginning on or after 1 January 2016,
- Amendments to IFRS 11 *Accounting for acquisitions of interests in joint operations* (published on 6 May 2014) – effective for annual periods beginning on or after 1 January 2016,

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

- Amendments to IAS 16 and IAS 38 *Clarification of acceptable methods of depreciation and amortisation* (published on 12 May 2014) – effective for annual periods beginning on or after 1 January 2016,
- IFRS 15 *Revenues from contracts with customers* (published on 28 May 2014), including amendments to IFRS, *Effective date of IFRS 15* (published on 11 September 2015) – not adopted by the EU by the date of adoption of these financial statements – effective for annual periods beginning on or after 1 January 2018,
- Amendments to IAS 16 and IAS 41 *Agriculture: bearer plants* (published on 30 June 2014) – effective for annual periods beginning on or after 1 January 2016,
- Amendments to IAS 27 *Equity method in separate financial statements* (published on 12 August 2014) – effective for annual periods beginning on or after 1 January 2016,
- Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture* (published on 11 September 2014) – no decision was taken on the date by which EFRAG will implement particular stages of work leading to the adoption of those changes – not adopted by the EU by the date of adoption of these financial statements – effective date was postponed indefinitely by IASB,
- *Amendments resulting from an IFRS review 2012-2014* (published on 25 September 2014) – effective for annual periods beginning on or after 1 January 2016,
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment entities: application of an exception concerning consolidation* (published on 18 December 2014) – not adopted by the EU by the date of adoption of these financial statements – effective for financial years beginning on or after 1 January 2016,
- Amendments to IAS 1 *Disclosures* (published on 18 December 2014) – effective for annual periods beginning on or after 1 January 2016,
- IFRS 16 *Leases* (published on 13 January 2016) – no decision was made regarding the time frame in which EFRAG will conduct each phase of the works leading to the adoption of these amendments, not adopted by the EU by the date of adoption of these financial statements – effective for annual periods beginning on or after 1 January 2019,
- Amendments to IAS 12 *Recognition of deferred tax assets for unrealised losses* (published on 19 January 2016) – not adopted by the EU until the date of adoption of these financial statements – effective for annual periods beginning on or after 1 January 2017,
- Amendments to IAS 7 Disclosure Initiative (published on 29 January 2016) – not adopted by the EU by the date of adoption of these financial statements – effective for annual periods beginning on or after 1 January 2017.

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

10. Significant accounting principles

10.1. Translations of foreign currency items

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

As at the balance sheet date, monetary assets and liabilities expressed in currencies other than Polish zlotys are converted into zlotys using the relevant average exchange rate announced by the National Bank of Poland 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 2015	**31 December 2014**
EUR	4.2615	4.2623

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

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 2015 and 31 December 2014, 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 at amortised cost using the effective interest rate method. Financial assets held to maturity are qualified as non-current assets if their maturity falls more than 12 months after the balance sheet date.

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

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

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

b) 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, a separation of the embedded derivative would be prohibited. At their initial recognition, financial assets may be designated as measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or significantly reduces the inconsistency in the recognition or measurement (accounting mismatch); or (ii) the assets are a part of a group of financial assets which are managed and evaluated on a fair value basis in accordance with a documented risk management strategy. Further, financial assets valuated at fair value through profit or loss 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 profit or loss.

Borrowings and receivables are financial assets not disclosed under derivative instruments having payments which are defined or possible to define, and which are not listed on an active market. They 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, 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 through profit or loss comprise financial liabilities designated for trading and financial liabilities initially classified to categories measured at fair value through profit or loss. Financial liabilities are classified as designated for trading if they were acquired to be sold in the near future. Derivative instruments, including separated embedded instruments, are also classified as designated for trading, unless they are recognised as effective hedging instruments. Financial liabilities may be classified after initial disclosure to categories measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or considerably reduces inconsistencies of treatment when both the measurement and the principles of recognising losses or profits are subject to other regulations, or (ii) the liabilities are part of a group of financial liabilities which are managed and measured at fair value in accordance with a documented risk management strategy. Further, financial assets valuated at fair value through profit or loss 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 profit or loss. As at 31 December 2015 no financial liabilities were classified as measured at fair value through profit or loss (as at 31 December 2014: zero).

Financial liabilities measured at fair value through profit or loss are measured at fair value, taking account of their market value as at the balance sheet date regardless of the costs of the sale transaction. Changes in the fair value of 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 disclosed in the amount in which is likely that the Company can obtain economic benefits in connection with a given transaction and if the amount of revenues can be reliably assessed. Revenues are recognised at the fair value of a payment obtained or due, after deduction of 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 be performed.

10.14.3 Interest

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

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 concessions 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.

10.15.3 Value added tax

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

- when the value added tax 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 focused 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.

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

12. Revenues and expenses

12.1. Revenues from core operating activities

	Year ended 31 December 2015	Year ended 31 December 2014
Interest revenues on borrowings granted to related parties	55,258	73,149
Other revenues from related parties	1,500	1,918
Revaluation of embedded derivative	7,512	7,415
Positive exchange rate differences	-	2
Total	**64,270**	**82,484**

During the 12-month period ended 31 December 2015, revenues from core operating activities decreased by PLN 18,214,000 in comparison with the corresponding period of the previous year. The foregoing changes result from the fact of recognition during the 12-month period ended 31 December 2014 of a change to interest rate for long-term loans granted to the subsidiaries from proceeds of the bond issue. A change of interest rate resulted from a change in a security for the issued bonds. The interest rate on the loans 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 by PLN 24,280,000.

12.2. Own costs from core operating activities

	Year ended 31 December 2015	Year ended 31 December 2014
Interest on bonds	37,073	60,479
Interest on bank loans received	5,590	3,466
Commission on bank loans received	1,168	803
Other costs	88	101
Total	**43,919**	**64,849**

During the 12-month period ended 31 December 2015, costs of core operating activities decreased by PLN 20,930,000 in comparison with the corresponding period of the previous year. The foregoing changes result from the fact of recognition during the 12-month period ended 31 December 2014 of expenses associated with a change to the security for the bond issue. Under the terms of issue of the bonds, the discount rate increased then 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 in the amount of PLN 29,833,000.

12.3. Wages and salaries

	Year ended 31 December 2015	Year ended 31 December 2014
Management Board	1,528	1,731
Supervisory Board	102	148
Others	32	626
Total	**1,662**	**2,505**

12.4. Other expenses by type

	Year ended 31 December 2015	Year ended 31 December 2014
Materials and energy used	2	10
External services	1,437	964
Taxes and charges	8	27
Social insurance and other benefits	135	112
Other costs	140	101
Total	**1,722**	**1,214**

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

12.5. Financial income

	Year ended 31 December 2015	Year ended 31 December 2014
Bank interest revenues	27	494
Total	**27**	**494**

During the 12-month period ended 31 December 2015, financial revenues decreased by PLN 467,000 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.

13. Income tax

13.1. Reconciliation of the effective tax rate

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

	Year ended 31 December 2015	Year ended 31 December 2014
Profit before tax	16,978	14,388
Tax based on the applicable tax rate – 19%	(3,226)	(2,734)
Expenses not constituting tax deduction costs	(8)	(6)
Undisclosed temporary differences	(383)	733
Income tax for the financial year	(3,617)	(2,007)
Income tax in the statement of comprehensive income	(3,617)	(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 2015	***31 December 2014***	***31 December 2015***	***31 December 2014***
Deferred income tax provision				
Interest accrued but not received on borrowings granted	27,932	19,366	(8,566)	(13,894)
Interest accrued but not received on bank deposits	-	-	-	31
Measurement of the option of early redemption of bonds	2,713	1,682	(1,031)	(1,682)
Deferred income tax provision	30,645	21,048	(9,597)	(15,545)
Deferred tax assets				
Unused holiday leave provision	22	25	(3)	10
Interest on liabilities accrued but not paid	22,331	15,286	7,045	11,490
Losses deductible from future taxable income	2,657	3,723	(1,066)	509
Other	11	7	4	(136)
Deferred tax assets	25,021	19,041	5,980	11,873
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
Deferred tax liabilities			(3,617)	(2,007)
Net assets/provision for deferred tax, of which:	5,624	2,007		
Deferred tax assets – continuing operations	-	-		
Provision for deferred tax – continuing operations	5,624	2,007		

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

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 2015	**Year ended 31 December 2014**
Net profit on continuing operations	13,361	12,381
Net profit	**13,361**	**12,381**
Weighted average number of ordinary shares issued used in calculating the basic earnings per share	1,479,666,750	1,479,666,750
Net profit on continuing operations per share (PLN)	0.0090	0.0084

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 31 December 2015

	Other technical equipment and machinery	**Technical equipment and machinery – infrastructure**	**Vehicles**	**Total**
Gross value of fixed assets as at 1 January 2015	**83**	**27**	**69**	**179**
Increases resulting from purchase of assets	-	3	-	3
Disposal/liquidation	(11)		-	(11)
Gross value of fixed assets as at 31 December 2015	**72**	**30**	**69**	**171**
Accumulated depreciation as at 1 January 2015	**(77)**	**(27)**	**(20)**	**(124)**
Depreciation and amortisation	(3)	(3)	(14)	(20)
Disposal/liquidation	8	-	-	8
Accumulated depreciation as at 31 December 2015	**(72)**	**(30)**	**(34)**	**(136)**
Net value of fixed assets as at 1 January 2015	**6**	**-**	**49**	**55**
Net value of fixed assets as at 31 December 2015	**-**	**-**	**35**	**35**

Year ended 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**
Accumulated depreciation as at 1 January 2014	**(73)**	**(27)**	**(16)**	**(116)**
Depreciation and amortisation	(9)	-	(19)	(28)
Disposal/liquidation	5	-	15	20
Accumulated depreciation as at 31 December 2014	**(77)**	**(27)**	**(20)**	**(124)**
Net value of fixed assets as at 1 January 2014	**17**	**-**	**115**	**132**
Net value of fixed assets as at 31 December 2014	**6**	**-**	**49**	**55**

16. Business combinations

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)

On 7 October 2015, a plan was agreed and signed for a merger (the "Merger") between the companies Aero2 (as the acquiring company) and Mobyland (as the target company). The decision to merge the two companies resulted from the desire to optimise and streamline the ownership structure of the Midas Group. The Merger was effected by way of: (i) dissolving the company Mobyland without liquidating it and (ii) transferring all of the assets and liabilities of Mobyland to Aero2 via universal succession, in accordance with Article 492 par. 1 pt. 1) of the CCC. As a result of the Merger, pursuant to Article 494 par. 1 of the CCC, Aero2 entered into the rights and obligations of Mobyland. As a result of the Merger the share capital of Aero2 was increased from PLN 11,100,000 to PLN 113,200,000, i.e. by PLN 102,100,000, by creating 2,042,000 new shares with a nominal value of PLN 50 each. As a result of the Merger, the Company, as the sole shareholder of Mobyland, received 2,042,000 new shares in the share capital of Aero2 with the nominal value of PLN 500 each in exchange for 204,200 existing shares in the share capital of Mobyland.

17. (Non-current) financial assets

	31 December 2015	**31 December 2014**
Shares, of which:		
CenterNet S.A.	-	238,989
Mobyland Sp. z o.o.	-	178,770
Aero2 Sp. z o.o.	966,203	548,444
AltaLog Sp. z o.o.	5,389	-
Borrowings granted (including interest)	309,811	416,126
Embedded derivative – option of early redemption of bonds	62,159	54,647
Total	**1,343,562**	**1,436,976**

Borrowings granted

Details concerning long-term borrowings granted in 2015 are described in Note 18.2 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 redemption of bonds) – the Company evaluated the parameters of that option and of the degree of connection of the embedded instrument with the principal agreement. In accordance with the estimate, the embedded derivative identified meets the requirements of IAS 39 for being separate from the principal agreement, and was therefore recognised in the statement of financial position as a separate derivative instrument under non-current financial assets.

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

Shares

For the purpose 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 valued using defined valuation techniques due to the absence of an active market).

The tests did not reveal a need to make revaluation 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 cohesive 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 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 to be true.

The end growth rate accepted is 0% after the period of the forecast. The WACC discount rate after tax is 10.5%, and is 0.1% lower than the discount rate applied before the revaluation of the financial plans, which reflects a similar level of risk for revaluated plans.

The period covered by the forecast is 2016-2030. The forecast period results mainly from taking into account, in the financial projections, plans for development of the access network and expenditures for the renewal of frequencies and their normalisation in the residual period.

The Management Board of the Company predicts that the average annual growth rate (CAGR) in the use of data transfers during the period of the forecast, i.e. 2016-2030, will be approximately 10.5% annually, with the growth rate in the years 2016-2019 reaching an average of 33.5%. 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 the telecommunications network, and to charges for possession of frequencies and radio bands. The Company would have to recognise a revaluation write-down with respect to investments in subsidiaries if the WACC after-tax discount rate of 10.5% increased to 12.75%.

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 of any revaluation 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	10.5%	-	-	-	-	-
	11.5%	-	-	-	-	-
	12.5%	(104)	(44)	-	-	-
	13.5%	(214)	(164)	(104)	(24)	-
	14.5%	(314)	(274)	(234)	(164)	(84)

Analysis of the sensitivity of the test results (expressed as a write-down amount) to changes in revenues

-10.0%	-8.0%	-6.0%	-5.0%	-4.5%
(514)	(328)	(144)	(53)	-

Purchase of shares in AltaLog Sp. z o.o.

On 5 August 2015 Midas acquired 3,630 shares in AltaLog for the price of PLN 5,326,000. The acquired shares represent a 66% share in the share capital of AltaLog and give the right to 66% of votes at the general meeting of AltaLog. The nominal value of one share is PLN 1,000, and the total nominal value of the shares acquired amounts to PLN 3,630,000. The advance payment for the shares was paid on 22 June 2015, and the remaining balance, i.e. PLN 5,060,000, was paid on 5 August 2015.

Proceedings related to the tender concerning frequencies subject to reservation for CenterNet (currently Aero2) and Mobyland (currently Aero2)

In the matter concerning overturning 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, overturning 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 of flagrant infringement of the applicable laws referred to in Article 118d of the Telecommunications Law (the "TL") was fulfilled, which would justify invalidating the Tender. On the other hand, the SAC, in its judgement of 3 February 2011, found that the PACW judgement indicated that the President of the OEC should have issued the opposite decision to the existing decision. In its judgement of 8 May 2014, the SAC found, taking into account the scope of the proceedings conducted by the President of the OEC and the motions to invalidate the Tender, that the opposite decision would be to invalidate the Tender in its entirety. The SAC also noted that the President of the OEC, having concerns regarding the recommendations contained in the above judgements of the PACW and the SAC, could have requested an interpretation, pursuant to Article 158 of the Act on Proceedings Before Administrative Courts, which he failed to do. Referring to Article 118d par. 1 of the TL, in the wording applicable to the matter at hand, the SAC also found that the provision was worded unambiguously and could not have led to the conclusion that the Tender could be partially invalidated. In the assessment of the SAC, this provision does not permit such a possibility. But even if it were possible, partial invalidation could not take place with reference to one of the entities taking part in the Tender (as was the case in 2011). Any partial invalidation of the Tender might at best refer to the subject, not the participants. Lastly, the SAC noted that in the court and administrative proceedings there can be no acceptance for arguments of equitability related to, among other things, the expenses of conducting another Tender, as the deciding factor in this respect is the wording of the applicable provision of 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 made by T-Mobile and determined the revised result of the Tender in the form of a new list assessing each bid, taking into account the bid made by T-Mobile. The bids made by CenterNet were placed on the list under items 1 and 2, and the bid made 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 made. In connection with the above motions concerning reservations submitted by CenterNet and Mobyland, proceedings concerning the reservation motions are pending before the President of the OEC. After the President of the OEC announced the revised results of the Tender, Orange Polska and T-Mobile Polska submitted motions to invalidate the Tender. In its decision of 28 November 2012, the President of the OEC refused to invalidate the Tender. The above decision was upheld by the decision of the President of the OEC of 8 November 2013. Subsidiaries of the Issuer did not file a complaint against the decision of the President of the OEC of 8 November 2013. Orange Polska and T-Mobile Polska filed complaints against the above decision with the PACW, which 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 examining the cassation appeals is unknown.

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

The Management Board of the Issuer believes that the SAC judgement of 8 May 2014 and the PACW judgement of 23 September 2014 will have no influence on CenterNet’s (currently Aero2) and Mobyland’s (currently Aero 2) ability to continue their existing operations. This means that these companies can still make full use of the frequencies granted to them, and can therefore still carry out the objectives adopted in the operations of the Midas Capital Group. Furthermore, the Management Board maintains its position expressed in Current Report No. 8/2014 that it is presently impossible to predict the course or scope of further actions in the matter that may be taken by the President of the OEC and other participants in 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 overturned 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. Trade and other receivables

	31 December 2015	31 December 2014
Receivables from the sale of fixed assets	-	35
Trade receivables from related parties	2,803	4,593
Total	**2,803**	**4,628**

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

18.2. Borrowings granted

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

Company	Amount of borrowing	Date borrowing repaid	Interest rate and other conditions of the borrowing
Mobyland (currently Aero2)	122,000	to 16 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
Mobyland (currently Aero2)	35,000	31.12.2016	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	78,000	to 16 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	145,000	to 31 March 2018 (in accordance with the repayment schedule set out in the agreement)	cost of debt to Alior (WIBOR 1M plus margin)
Aero2	169,000	31.12.2016	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 (currently Aero2)	16,500	31.12.2016	WIBOR 1M plus margin, interest accrued in arrears – WIBOR 1M on the borrowings repayment date

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.

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

Borrowings granted during the reporting period

In 2015 the Company granted a long-term borrowing to Aero2 in the amount of PLN 5,000,000 (the amount of PLN 5,000,000 was obtained from the loan granted by Alior Bank and was transferred directly to Aero2's account).

Details of the borrowing 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
Aero2	5,000	24.04.2015	31.03.2018	cost of debt to Alior (WIBOR 1M plus margin)

The above borrowing was granted for the purpose of financing the expansion and maintenance of the telecommunications network of the Midas Group.

Repayments of borrowings in the reporting period

On 30 June 2015 Aero2 made an early repayment of the principal under the borrowing granted by the Company in the amount of PLN 150,000,000 (borrowing granted from the funds originating from the loan granted by Alior Bank under the loan agreement of 13 September 2013). In accordance with the agreement between Aero2 and Midas, by 30 September 2015 Aero2 repaid PLN 7,000,000 of interest, and the outstanding balance of interest amounting to PLN 3,703,000 will be repaid no later than by 31 March 2016. At the same time Midas repaid the loan at Alior Bank from funds originating from the loan granted by Bank Polska Kasa Opieki S.A. ("Bank Pekao") as described under Note 21 (PLN 150,000,000). The above operations were settled without any cash flows between the Group entities (funds were transferred between banks). After the aforementioned transactions the nominal value of the Aero2 borrowing from Midas was converted into the Aero2 loan at Bank Pekao. Repayment of the borrowing results from the Group refinancing the investment loan at Alior Bank as described more extensively under Note 26.

During the 12 months of 2015 Mobyland made early repayments of interest on current borrowings in the total amount of PLN 3,175,000 (interest due for the period until and including November 2015).

The balance of borrowings granted to subsidiaries as at 31 December 2015 was presented below:

	31 December 2015	31 December 2014
Borrowings granted (together with accrued interest)	567,512	667,428
Total	**567,512**	**667,428**
Borrowings granted – current	257,701	251,302
non-current (presented in the statement of financial position under financial assets (non-current))	309,811	416,126

18.3. Other assets

	31 December 2015	31 December 2014
Commission paid on bank loans received	-	637
Total	**-**	**637**

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 2015	31 December 2014
Cash at bank and on hand	229	2,702
Short-term bank deposits	4,500	648

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

Cash and cash equivalents	**4,729**	**3,350**

Notes 19.1 - 19.2 refer to the statement of cash flows

19.1. Change in the balance of current receivables

	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Change in the balance of current receivables	1,825	(4,628)
Change in the balance of receivables from loans and borrowings	904	-
Change in the balance of receivables on disposal of property, plant and equipment	(35)	35
Total	**2,694**	**(4,593)**

19.2. Change in the balance of current liabilities

	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Change in the balance of current liabilities	(409)	412
Change in the balance of loans and borrowings	277	(277)
Total	**(132)**	**135**

19.3. Significant changes to the result on non-cash transactions

	01.01.2015 - 31.12.2015	01.01.2014 - 31.12.2014
Change in the balance of liabilities on loans and borrowings	(141,797)	(96,149)
Change resulting from non-cash transactions	145,000	99,000
Interest and commission accrual and payment	(3,203)	(2,851)
Total	**-**	**-**

20. Share capital and supplementary/reserve capitals

20.1. Share capital

As at 31 December 2015, 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 transactions 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

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

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 2015	31 December 2014
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% 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.

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

	Effective interest rate %	Repayment date	31 December 2015	31 December 2014
Current				
Investment loan with a nominal value of PLN 150,000,000, bearing interest at the rate of WIBOR 1M + margin	5.97%	31.12.2015	-	4,298
Total			**-**	**4,298**
Non-current				
Issue of series A bonds of a nominal value of PLN 643,935,000, discount rate of 16.01%	11.31%	16.04.2021	365,163	328,054
Investment loan with a nominal value of PLN 150,000,000, bearing interest at the rate of WIBOR 1M + margin	5.97%	31.03.2018	-	137,499
Total			**365,163**	**465,553**

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

On 24 April 2015 the Company drew down a subsequent tranche of the investment loan (agreement with Alior Bank of 28 February 2013) in the amount of PLN 5,000,000. The funds from the loan were sent directly to the bank account of the Company's subsidiary Aero2, in accordance with the loan agreement concluded between Midas and Aero2 on 13 September 2013. In the statement of financial position, the value shown of liabilities from the loan was based on the effective interest rate, taking account of expenses incurred in connection with obtaining the financing. The entire balance of the loan was repaid before its original maturity.

Repayment of the investment loan granted by Alior Bank

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

On 1 July 2015 the Company received from Alior Bank a confirmation of repayment on 30 June 2015 of the investment loan. Thus the loan, whose final repayment under the agreement signed on 28 February 2013 was set at 31 March 2018, was closed earlier, on 30 June 2015. The loan granted by Alior Bank was repaid from funds originating from the loan granted by Bank Polska Kasa Opieki S.A. ("Bank Pekao") as described under Note 26 (refinancing of the loan for up to PLN 150,000,000). The above operation was settled without any cash flows between the Group entities (funds were transferred between banks). Following the transaction the nominal value of the Aero2 borrowing from Midas was converted into the Aero2 loan at Bank Pekao. Repayment of the borrowing results from the Group refinancing the investment loan at Alior Bank as described more extensively under Note 26.

Bonds

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

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

Security for the bonds includes:

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

22. Trade and other liabilities

	31 December 2015	31 December 2014
Trade liabilities		
Liabilities to other entities	11	28
Liabilities to related parties	28	565
	39	**593**
Other liabilities		
Other liabilities	379	234
	379	**234**
Total	**418**	**827**

Terms and conditions of payment of the above financial liabilities:

Trade 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. Investment liabilities

As at 31 December 2015 and as at 31 December 2014, the Company did not incur any investment liabilities that have not been disclosed in these financial statements.

24. Contingent liabilities

As at 31 December 2015 and at 31 December 2014, Midas had no contingent assets or liabilities.

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

24.1. Pending court proceedings

In the current reporting period there were no proceedings pending in relation to Midas. Proceedings pending in relation to Midas' subsidiaries are described in Note 17 to these separate financial statements and Note 31.1 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 applicable legislation. Frequent differences of opinions as to the 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 may 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 2015 there was no need to establish provisions for tax risk.

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	*2015*	58,690	55,258	3,246	186
	2014	77,827	73,149	4,593	85
Entities controlled by a person (or members of their family) who controls, jointly controls or has significant influence over Midas S.A.	*2015*	23	-	-	23
	2014	38	-	-	38

		Costs of mutual transactions, of which:	**other**
Subsidiaries	*2015*	346	346
	2014	562	562
Entities controlled by a person (or members of their family) who controls, jointly controls or has significant influence over Midas S.A.	*2015*	1,645	1,645
	2014	2,601	2,601

		Receivables from related parties, including:	**trade receivables**	**borrowings**
Subsidiaries	*2015*	570,315	2,803	567,512
	2014	672,021	4,593	667,428

		Liabilities to related parties, including:	**trade receivables**	**borrowings**	**issue of commercial papers**
Subsidiaries	*2015*	27	27	-	-
	2014	348	348	-	-
Entities controlled by a person (or members of their family) who controls, jointly controls or has significant influence over Midas S.A.	*2015*	-	-	-	-
	2014	217	217	-	-

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

25.1. Entity with a significant influence over the Company

As at 31 December 2015, Litenite Limited held 66% of the ordinary shares of Midas (31 December 2014: 66%).

25.2. Remuneration of the Company's management staff

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

26. Significant agreements entered into by Midas

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

On 26 June 2015 the Company together with subsidiaries Aero 2 and Mobyland entered with Bank Pekao into the annex to the agreement for financing the development of the LTE and HSPA+ telecommunications network of 10 July 2014 (the "Loan Agreement").

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

1. Increasing the loan amount from PLN 200,000,000 to PLN 350,000,000,

2. Extending the use of the loan by refinancing the existing loan from Alior Bank in the amount of PLN 150,000,000,

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

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

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

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

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

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

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

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

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

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

27. 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 2015 and 31 December 2014 by type of service:

Type of service	**Year ended 31 December 2015**	**Year ended 31 December 2014**
Mandatory audit of financial statements*	72	40
Other services	35	35
Total	**107**	**75**

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

28. 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 in the course of its business activities.

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

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.

28.1. Interest rate risk

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

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

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 2015		
PLN	+1%	2,205
PLN	-1%	(2,205)
Year ended 31 December 2014		
PLN	+1%	2,205
PLN	-1%	(2,205)

28.2. Currency risk

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

28.3. 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 2015 and 2014 were: the early bond redemption option and cash.

28.4. 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.

28.5. 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 2015 and 31 December 2014 by maturity date on the basis of contractual non-discounted figures.

31 December 2015

	On demand	***Under 3 months***	***From 3 to 12 months***	***From 1 to 5 years***	***Over 5 years***	***Total***
Other financial liabilities	-	-	-	-	643,935	643,935
Trade and other liabilities	-	418	-	-	-	418
Total	**-**	**418**	**-**	**-**	**643,935**	**644,353**

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

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

Trade and other liabilities	-	827	-	-	-	827
Total	**-**	**2,643**	**9,844**	**149,568**	**643,935**	**805,990**

29. Financial instruments

29.1. 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.

	Category as per IAS 39	*Carrying amount*		*Fair value*	
Financial assets		*31 December 2015*	*31 December 2014*	*31 December 2015*	*31 December 2014*
Other financial assets (non-current), of which:		371,970	470,773	427,134	506,114
- borrowings	LAR	309,811	416,126	364,975	451,467
- embedded derivative	FAFVFR	62,159	54,647	62,159	54,647
Other financial assets (current), of which:		257,701	251,302	257,701	251,302
- borrowings	LAR	257,701	251,302	257,701	251,302
Other receivables	LAR	2,803	4,628	2,803	4,628
Cash and cash equivalents	FAFVFR	4,729	3,350	4,729	3,350
Financial liabilities					
Other liabilities (non-current), of which:	OFLAC	365,163	465,553	363,901	441,782
- bank loans	OFLAC	-	137,499	-	137,499
- bonds	OFLAC	365,163	328,054	363,901	304,283
Other liabilities (current), of which:	OFLAC	39	4,891	39	4,891
- bank loans	OFLAC	-	4,298	-	4,298
- trade liabilities	OFLAC	39	593	39	593

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 2015

	Level 1	Level 2	Level 3	Total
Financial assets				
Borrowings granted, of which:	-	-	622,676	622,676
- non-current, with a fixed interest rate	-	-	364,975	364,975
- current	-	-	257,701	257,701
Embedded derivative	-	-	62,159	62,159
Trade and other receivables	-	-	-	-
Cash and cash equivalents	4,729	-	-	4,729
Financial liabilities				
Liabilities from issue of bonds	-	-	363,901	363,901
Trade liabilities	-	39	-	39

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

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

- non-current	-	-	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				
Interest-bearing bank loans, of which:	-	-	141,797	141,797
- non-current, bearing interest at a variable 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

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 redemption 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.

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

Year ended 31 December 2015

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	45,067	-	-	45,067
Other financial assets (current)	LAR	10,191	-	-	10,191
Trade receivables	LAR	1,500	-	-	1,500
Embedded derivative	FAFVFR	7,512	-	-	7,512
Cash and cash equivalents	FAFVFR	-	27	-	27
Financial liabilities					
Interest-bearing bank loans, of which:	OFLAC	(6,758)	-	-	(6,758)
- non-current, bearing interest at a variable interest rate	OFLAC	(5,590)	-	-	(5,590)
- short-term, with a fixed interest rate	OFLAC	(1,168)	-	-	(1,168)
Other liabilities (non-current)	OFLAC	(37,161)	-	-	(37,161)

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 loans, of which:	OFLAC	(4,269)	-	-	(4,269)

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

- non-current, bearing interest at a variable 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)

29.3. 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 2015

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 200,000,000	-	-	-	-	-	309,811	309,811
Short-term bank deposits	4,500	-	-	-	-	-	4,500
Bonds of a nominal value of PLN 643,935,000	-	-	-	-	-	365,163	365,163

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 220,500,000	257,702	-	-	-	-	-	257,702

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 200,000,000	-	-	-	-	-	269,850	269,850
Short-term bank deposits	648	-	-	-	-	-	648
Bonds of a nominal value of PLN 643,935,000	-	-	-	-	-	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 365,500,000	251,482	64,800	64,800	16,496	-	-	397,578
Bank loan	11,225	62,120	55,682	12,770	-	-	141,797

Interest rates for variable 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.

30. Capital management

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 31 December 2015 and 31 December 2014, 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 2015	31 December 2014
Interest-bearing loans and issued papers and bonds	365,163	469,851
Minus cash and cash equivalents and other financial assets	4,729	3,350
Net debt	**360,434**	**466,501**
Equity belonging to the shareholders of the parent	1,237,464	1,224,103
Total capital	**1,237,464**	**1,224,103**
Net capital and debt	**1,597,898**	**1,690,604**
Leverage ratio	0.226	0.276

31. Employment structure

The average headcount on an FTE basis in the Company during the years ended 31 December 2015 and 31 December 2014 was as follows:

	Year ended 31 December 2015	Year ended 31 December 2014
Management Board of the Company	0.97	0.20
Others	0.78	2.95
Total	**1.75**	**3.15**

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Krzysztof Adaszewski
/President of the Management Board/

Piotr Janik
/Vice-President of the Management Board/

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

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

Warsaw, 26 February 2016