The Capital Group
of Midas Spółka Akcyjna

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

SELECTED FINANCIAL DATA

	12-month period ended 31 December 2014	**12-month period ended 31 December 2013**	**12-month period ended 31 December 2014 in EUR '000**	**12-month period ended 31 December 2013 in EUR '000**
Revenue from sales	430,536	229,992	102,772	54,617
Loss on operating activities	(283,420)	(210,206)	(67,654)	(49,918)
Loss before taxation	(337,933)	(225,211)	(80,667)	(53,482)
Net loss on continuing activities attributable to shareholders of the Issuer	(320,857)	(206,550)	(76,591)	(49,050)
Net cash flow from operating activities	(37,434)	(214,929)	(8,936)	(51,040)
Net cash flow from investing activities	(121,131)	(84,407)	(28,915)	(20,044)
Net cash flow from financing activities	111,768	233,694	26,680	55,496
Average weighted number of shares	1,479,666,750	1,479,665,366	1,479,666,750	1,479,665,366
Basic loss from continuing activities per ordinary share (in PLN)	(0.22)	(0.14)	(0.05)	(0.03)

	As at 31 December 2014	**As at 31 December 2013**	**As at 31 December 2014 in EUR '000**	**As at 31 December 2013 in EUR '000**
Total assets	1,394,620	1,482,769	327,199	357,535
Total liabilities	952,351	719,643	223,436	173,525
Non-current liabilities	591,784	482,565	138,841	116,359
Current liabilities	360,567	237,078	84,594	57,166
Equity attributable to shareholders of the Issuer	442,269	763,126	103,763	184,010
Share capital	147,967	147,967	34,715	35,679

Selected items from the statement of financial position presented in the report in EUR were converted using the average EUR exchange rate announced by the National Bank of Poland on 31 December 2014: PLN/EUR 4.2623, and on 31 December 2013: PLN/EUR 4.1472.

Selected items from the statement of comprehensive income and the statement of cash flows were converted to EUR according to the exchange rate announced by the National Bank of Poland, constituting the arithmetic average of the EUR exchange rates in effect on the last day of a completed month in financial year 2014 and financial year 2013 (PLN/EUR 4.1893 and PLN/EUR 4.2110, respectively).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Continuing activities			
Revenue from the sale of goods and services	12.1	430,536	229,992
Depreciation and amortisation		(126,028)	(111,774)
Wages and salaries		(8,544)	(7,120)
Expenses related to the telecommunications network	12.2	(401,093)	(269,316)
Taxes and charges		(26,715)	(28,379)
Other expenses by type		(24,527)	(23,169)
Other operating income	12.3	4,426	6,045
Impairment of non-financial assets	12.4	(126,383)	(5,501)
Other operating expenses	12.5	(5,092)	(984)
Loss on operating activities		**(283,420)**	**(210,206)**
Financial income	12.6	9,505	5,825
Financial expenses	12.7	(64,018)	(20,830)
Loss on financial activities		**(54,513)**	**(15,005)**
Loss before taxation		**(337,933)**	**(225,211)**
Current income tax		-	-
Deferred tax	13.1	17,076	18,661
Total income tax		**17,076**	**18,661**
Net loss on continuing activities		**(320,857)**	**(206,550)**
Net profit/ (loss) from discontinued activities		**-**	**-**
Net loss		**(320,857)**	**(206,550)**
Other comprehensive income		**-**	**-**
COMPREHENSIVE LOSS		**(320,857)**	**(206,550)**
Attributable to			
ownership interests of shareholders of the parent		(320,857)	(206,550)
non-controlling interests		-	-
Average weighted number of ordinary shares		1,479,666,750	1,479,665,366
Net loss on continuing activities per 1 share attributable to shareholders of the parent (in PLN)	14	(0.22)	(0.14)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2014

ASSETS	**Note**	**31 December 2014**	**31 December 2013**
Non-current assets			
Property, plant and equipment	15	467,734	403,440
Intangible assets	16	577,082	779,239
goodwill of subsidiaries		41,231	41,231
value of frequency reservations		533,712	734,554
other intangible assets		2,139	3,454
Other financial assets	18.1	74,650	61,860
Non-current receivables	20	-	26,262
Other non-financial assets	18.2	13,591	2,872
Deferred income tax assets	13.2	-	11,050
Total non-current assets		**1,133,057**	**1,284,723**
Current assets			
Inventories	19	736	187
Trade and other receivables	20	189,297	95,797
Other assets	21	17,148	1,040
Cash and cash equivalents	22	53,450	100,247
Current prepayments	18.2	932	775
Total current assets		**261,563**	**198,046**
Total assets		**1,394,620**	**1,482,769**

EQUITY AND LIABILITIES	**Note**	**31 December 2014**	**31 December 2013**
Equity			
attributable to shareholders of the Company, of which:			
Share capital	23.1	147,967	147,967
Supplementary capital	23.2	1,140,765	1,140,765
Uncovered losses		(846,463)	(525,606)
Accumulated losses		(525,606)	(319,056)
Loss for the current period		(320,857)	(206,550)
Total equity		**442,269**	**763,126**
Non-current liabilities			
Loans and borrowings	24	160,794	89,181
Liabilities from issue of bonds	24	328,054	267,543
Deferred income	25	33,325	39,011
Provisions	26	14,519	3,612
Deferred tax liability	13.2	55,092	83,218
Total non-current liabilities		**591,784**	**482,565**
Current liabilities			
Trade and other liabilities	27	161,689	132,496
Deferred income	25	150,973	104,451
Loans and borrowings	24	47,905	68
Provisions for other liabilities	26	-	63
Total current liabilities		**360,567**	**237,078**
Total equity and liabilities		**1,394,620**	**1,482,769**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Gross loss		**(337,933)**	**(225,211)**
Adjustments of items:			
Depreciation of fixed assets and amortisation of intangible assets		126,028	111,774
Interest expenses and income and commissions		59,879	18,865
Exchange rate differences		-	(5)
Loss from investing activities		127,065	5,502
Change in the balance of assets and liabilities related to operating activities:			
- Trade and other receivables	28.1	(67,202)	(57,561)
- Inventories		(549)	3
- Trade and other liabilities	28.2	20,239	49,148
- Deferred income		40,836	(118,192)
- Provisions	28.3	1,134	(546)
- Prepayments, accruals and other non-financial assets	28.4	386	592
Revaluation of embedded derivative		(7,415)	647
Other adjustments		98	55
Net cash flow from operating activities		**(37,434)**	**(214,929)**
Proceeds from sales of property, plant and equipment and intangible assets		44	487
Purchase of property, plant and equipment and intangible assets		(101,175)	(84,894)
Guarantee deposit		(20,000)	-
Net cash flow from investing activities		**(121,131)**	**(84,407)**
Proceeds from sale of treasury shares		-	4
Issue of bonds		-	200,099
Proceeds from loans borrowed		122,440	46,000
Repayment of loans		-	(6,000)
Commission and interest paid on bank loans		(10,620)	(6,409)
Other		(52)	-
Net cash flow from financing activities		**111,768**	**233,694**
Net decrease in cash and cash equivalents		(46,797)	(65,643)
Opening balance of cash		**100,247**	**165,889**
Closing balance of cash	22	**53,450**	**100,247**

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

	Note	Share capital	Supplementary capital	Treasury shares	Uncovered losses	Total equity
As at 1 January 2014		**147,967**	**1,140,765**	**-**	**(525,606)**	**763,126**
Net loss for the financial year		-	-	-	*(320,857)*	*(320,857)*
Total comprehensive loss for the financial year		-	-	-	(320,857)	(320,857)
As at 31 December 2014		**147,967**	**1,140,765**	**-**	**(846,463)**	**442,269**

	Note	Share capital	Supplementary capital	Treasury shares	Uncovered losses	Total equity
As at 1 January 2013		**147,967**	**1,140,911**	**(150)**	**(319,056)**	**969,672**
Proceeds from sale of treasury shares		-	(146)	150	-	4
Net loss for the financial year		-	-	-	*(206,550)*	*(206,550)*
Total comprehensive loss for the financial year		-	-	-	(206,550)	(206,550)
As at 31 December 2013		**147,967**	**1,140,765**	**-**	**(525,606)**	**763,126**

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ACCOUNTING POLICIES AND ADDITIONAL EXPLANATORY NOTES

1. General Information

The Midas S.A. Capital Group (the "Group") consists of Midas S.A. (the "parent", the "Company", "Midas") and its subsidiaries. The consolidated financial statements of the Group cover the year ended 31 December 2014 and contain comparative data for the year ended 31 December 2013.

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

The parent was granted statistical number REGON 010974600.

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

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

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

2. Composition of the Group

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

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

As at 31 December 2014 and as at 31 December 2013, the share in the total number of votes held by the Group in subsidiaries is equal to the share of the Group in the capital of those entities. On 21 February, the merger between Conpidon and Midas was registered. On 31 December 2014, the merger between Aero2 and CenterNet was registered. Information on the merger of Conpidon and Midas and of Aero2 and CenterNet, which were registered in 2014, is set forth in Note 17 hereto.

3. Composition of the Management Board of the parent

As at 31 December 2014 the composition of the Company's Management Board was as follows:

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

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

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

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

a) Krzysztof Adaszewski – President of the Management Board,
b) Maciej Kotlicki – Vice-President of the Management Board.

4. Approval of the financial statements

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

5. Significant values based on professional judgement and estimates

5.1. Professional judgement

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

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

1. Tests against impairment of assets (more on this topic in Note 16)
2. Tests against realisability of deferred tax assets (more on this topic in Note 5.2)
3. An evaluation of lease agreements – the Group classifies leases as operating or finance on the basis of an assessment of what scope the risks and benefits from possessing the leased object are incurred by the lessor and by the lessee. That assessment is based on the economic content of each transaction.
4. Treating all companies in the Group as one operating segment and one cash-flow generating unit (more on this topic in Note 11)
5. An assessment of the period of use of base stations for the needs of a provision for dismantling (more on this topic in Note 26.2)
6. An assessment of the possible outcomes of pending court proceedings (more on this topic in Note 30.1)
7. An assessment of separating early redemption options as a separate instrument for valuation and disclosure (more on this topic in Note 18.1)
8. An assessment of the disclosure of new conditions of the contract with Polkomtel within the scope of the provision of data transmission services.

After the balance sheet date, as described in Note 37 (subsequent events), Mobyland signed an understanding with Polkomtel setting forth new conditions of cooperation pertaining to the provision of telecommunications services with respect to data transmission.

The understanding was concluded between Mobyland, 100 per cent subsidiary of the Company, and Polkomtel Sp. z o.o. ("Polkomtel"), in respect of the agreement of 9 March 2012 concluded between Mobyland and Polkomtel for the provision of wholesale telecommunications services.

In the Understanding, the parties established new conditions of cooperation between Mobyland and Polkomtel, in particular:

- The new rate for data transmission services will be PLN 2.40 net for 1 GB.
- The new rate will apply to both newly ordered data packages and to packages which have not been used but were partially paid for under the previous order as described in Current Report No. 4/2014.
- The new conditions of cooperation enter into force on 1 January 2015, and the order placed for data transmission services will be in effect for 4 years.

- In the case where Mobyland starts up services on further of its own frequencies or on those to which it obtains a right of use, Mobyland will increase the scope of data transmission services provided to Polkomtel.

In accordance with the provisions of the Understanding, on 3 March 2015 Polkomtel submitted an order with Mobyland for a data package of 1,571.7 million GB (the "PLK Order"). The total net value of the PLK Order is PLN 3,772.0 million, where the surplus payment for the previous order submitted by Polkomtel to Mobyland, taking account of actual consumption, in the amount of PLN 144.6 million, will be counted as an advance payment towards the PKL Order.

Before the balance sheet date, on 25 November 2014 the Management Board of Midas published a current report in which it reported on its entering into negotiations with Polkomtel concerning new conditions of cooperation pertaining to data transmission services. The intention of the parties at that time and at the balance sheet date was that the new conditions of cooperation would be in force as from 1 January 2015 in relation to all data transmission services provided by the Midas Group, and that the previous contract would be settled.

The Management Board analysed the new conditions of cooperation with Polkomtel and concluded that, on the basis of International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS"), those conditions constitute a separate arrangement between the parties, and the previous arrangement would be settled.

Taking this into account, the Group made a final settlement of the previous order as at 31 December 2014.

5.2. Uncertainty of estimates

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

Impairment of assets

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

The Group conducted an impairment test of goodwill and of the cash-generating unit attributed to it. This required estimating the recoverable value of the cash-generating unit. The estimate of the recoverable value was made by determining the fair value of the cash-generating unit reduced by sales expenses. The fair value as at 31 December 2014 is the market capitalisation of the Group. The surplus market capitalisation above the book value of the cash-generating unit is sufficient to cover potential sales expenses. Details are provided in Note 16.

Depreciation and amortisation rates

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

Deferred tax asset

The Group recognises a deferred tax asset based on the assumption that, in the future, a taxable profit will be earned allowing it to be used. A worsening of the tax results obtained in the future may result in that assumption proving to be unjustified. As at 31 December 2014, the Group recognised deferred income tax assets counted accrued on tax losses of Midas in connection with the strong likelihood of those losses being utilised, while deferred tax assets in other companies were not recognised. A detailed deferred tax calculation is found in Note 13.2.

Option of early redemption of bonds

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

Provision for dismantling

The estimates used in calculating the provision for dismantling base stations are set forth in Note 9 hereto.

6. Basis for preparing the consolidated financial statements

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

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

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

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

As discussed in more detail in Note 33.5, the available cash and sources of financing are more than sufficient to cover the requirements resulting from the operating, investment and financing activities of the Group.

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

6.1. Statement of compliance

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (the "IFRS") as adopted by the European Union (the "EU IFRS"). As at the date of approval of these statements for publication, taking into account the EU process of implementing the IFRS standards and the business conducted by the Group, in the context of the accounting principles applied by the Group, the IFRS accounting principles differ from EU IFRS. The Company has made use of the opportunity arising when applying the International Financial Reporting Standards as adopted by the EU, to apply IFRIC 21, only from annual periods beginning from 1 January 2015, and amendments to IFRS 2 and IFRS 3 which are part of the Amendments resulting from a review of IFRS 2010-2012 from annual periods beginning from 1 January 2016.

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

6.2. Functional currency and currency of the financial statements

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

7. Changes in the accounting principles applied

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

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

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

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

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

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

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

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

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

- IFRS 12 *Disclosure of interests in other entities*

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

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

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

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

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

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

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

The changes introduced to IAS 32 specify the concept and consequences of valid legal title to offset a financial asset and a financial liability, and specify the offsetting criteria for gross clearing systems (such as clearing houses).

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

- *Recoverable amount disclosures for non-financial assets* - amendments of IAS 36

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

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

- *Novation of derivatives and continuation of hedge accounting* - amendments to IAS 39

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

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

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

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

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

- IFRS 9 *Financial Instruments* (published on 24 July 2014) - effective for annual periods beginning on or after 1 January 2018 - not approved by the EU until the date of approval of these financial statements
- IFRIC 21 *Levies* (published on 20 May 2013) - effective for annual periods beginning on or after 1 January 2014 - in the EU, effective at the latest for annual periods beginning on or after 17 June 2014
- Amendments of IAS 19 *Defined benefit plans: employee contributions* (published on 21 November 2013) – effective for annual periods beginning on or after 1 July 2014 – in the EU, effective at the latest for annual periods beginning on or after 1 February 2015
- *Amendments resulting from an IFRS review 2010-2012* (published on 12 December 2013) - some of the amendments are effective for annual periods beginning on or after 1 July 2014, and some prospectively for transactions taking place on or after 1 July 2014 - in the EU, effective at the latest for annual periods beginning on or after 1 February 2015
- *Amendments resulting from an IFRS review 2011-2013* (published on 12 December 2013) - effective for annual periods beginning on or after 1 July 2014, in the EU, effective at the latest for annual periods beginning on or after 1 January 2015
- IFRS 14 *Regulatory deferral accounts* (published on 30 January 2014) - effective for annual periods beginning on or after 1 January 2016 - no decision was made regarding the time frame in which EFRAG will conduct each phase of the works leading to the approval of the standard, not approved by the EU until the date of approval of these financial statements
- Amendments to IFRS 11 *Accounting for acquisitions of interests in joint operations* (published on 6 May 2014) - effective for annual periods beginning on or after 1 January 2016 - not approved by the EU until the date of approval of these financial statements
- Amendments to IAS 16 and IAS 38 *Clarification of acceptable methods of depreciation and amortisation* (published on 12 May 2014) - effective for annual periods beginning on or after 1 January 2016 - not approved by the EU until the date of approval of these financial statements
- IFRS 15 *Revenue from contracts with customers* (published on 28 May 2014) - effective for annual periods beginning on or after 1 January 2017 - not approved by the EU until the date of approval of these financial statement
- Amendments to IAS 16 and IAS 41 *Agriculture: bearer plants* (published on 30 June 2014) - effective for annual periods beginning on or after 1 January 2016 - not approved by the EU until the date of approval of these financial statements
- Amendments to IAS 27 *Equity method in separate financial statements* (published on 12 August 2014) - effective for annual periods beginning on or after 1 January 2016 - not approved by the EU by the date of approval of these financial statements
- Amendments to IFRS 10 and IAS 28 *Sale or contribution of assets between an investor and its associate or joint venture* (published on 11 September 2014) - effective for annual periods beginning on or after 1 January 2016, where that date was initially deferred by the IASB - no decision was taken on the date by which EFRAG will implement particular stages of work leading to the approval of those changes - not approved by the EU by the date of approval of these financial statements
- *Amendments resulting from an IFRS review 2012-2014* (published on 25 September 2014) - effective for annual periods beginning on or after 1 January 2016 - not approved by the EU by the date of approval of these financial statements
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment entities: applying the consolidation exception* (published on 18 December 2014) - effective for annual periods beginning on or after 1 January 2016 - not approved by the EU by the date of approval of these financial statements

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

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

9. Changes in estimates

Provision for dismantling

During the 12-month period ended 31 December 2014, there was a change in the estimated values of the Group's provision for dismantling base stations.

The Management Board of the Company updated the anticipated cost of dismantling the electronic equipment installed on the proprietary base stations and on the structures supported by other operators. The anticipated expenses of dismantling the electronic equipment per base station was estimated at PLN 3 thousand.

A description of the assumptions made for the needs of calculating the provision for dismantling base stations is contained in Note 26.1.

10. Significant accounting principles

10.1. Principles of consolidation

These consolidated financial statements comprise the financial statements of Midas S.A. and the financial statements of its subsidiaries, prepared in each case for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent, using consistent accounting principles based on uniform accounting principles applied for commercial transactions and events having a similar nature. In order to eliminate any inconsistencies in the accounting principles applied, adjustments are made.

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

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

Control is exercised by the parent when:

• it has authority over a given entity

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

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

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

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

• the share of the voting rights held in comparison with the number of shares and the degree of dispersion of the voting rights held

by other shareholders

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

• the rights resulting from other contractual arrangements, and

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

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

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

10.2. Conversion of items denominated in a foreign currency

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

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

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

	31 December 2014	**31 December 2013**
EUR	4.2623	4.1472

10.3. Property, plant and equipment

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

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

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

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

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

The residual value, useful life and method of depreciation of assets are verified annually. A given item of property, plant and equipment may be derecognised after it has been disposed of if no economic benefits are expected from continued use of that asset. All profits and losses resulting from derecognition of a given asset (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 derecognition occurs.

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

10.4. Intangible assets

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

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

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

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

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

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

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

10.4.1. Goodwill

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

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

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

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

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

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

10.5. Leases

The Group as a lessee

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

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

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

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

10.6. Impairment of non-financial non-current assets

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

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

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

10.7. Third party financing expenses

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

10.8. Financial assets

Financial assets are divided into the following categories:

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

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

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

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

A financial asset measured at fair value through profit or loss is an asset which meets the following conditions:

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

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

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

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

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

Financial assets available for sale are financial assets which are not derivative instruments, which were classified as available for sale, or which do not belong to any of the previous 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. Where there is no listing on an active market and no possibility of reliably determining their fair value using alternative methods, financial assets available for sale are measured at their purchase price adjusted by an impairment write-down. Positive and negative differences between the fair value of assets available for sale (if there exists a market price determined on an active market or for which fair value may be determined in another reliable way) and their purchase price after deduction of deferred tax are disclosed in other comprehensive income. A decline in the value of assets available for sale caused by impairment is disclosed under financial expenses.

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

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

10.9. Impairment of financial assets

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

10.9.1. Assets recognised at amortised cost

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

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

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

10.9.2. Financial assets recognised at cost

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

10.9.3. Financial assets available for sale

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

10.10. Embedded derivatives

Embedded derivatives are different 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 recognised in profit or loss.

Embedded derivatives are shown in a similar manner as autonomous derivatives, which are not recognised as hedging instruments.

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

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

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

10.11. Inventories

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

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

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

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

10.12. Trade and other receivables

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

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

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

10.13. Cash and cash equivalents

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

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

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

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

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

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

10.15. Trade and other liabilities

Current trade liabilities are shown in the amount to be paid.

Financial liabilities measured at fair value through profit or loss comprise financial liabilities designated for trading and financial liabilities initially classified to categories measured at fair value through profit or loss. Financial liabilities are classified as designated for trading if they were acquired to be sold in the near future. Derivative instruments, including separated embedded instruments, are also classified as designated for trading, unless they are recognised as effective hedging instruments. Financial liabilities may be classified after initial disclosure to categories measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or considerably reduces inconsistencies of treatment when both the measurement and the principles of recognising losses or profits are subject to other regulations, or (ii) the liabilities are part of a group of financial liabilities which are managed and measured at fair value in accordance with a documented risk management strategy. Further, financial assets measured at fair value through profit or loss are counting as embedded derivatives which should be disclosed separately if the unit is able to reliably estimate the fair value of the embedded derivative on the basis of the provisions and conditions of a contract. If an entity is required to separate an embedded derivative from its host contract, but is unable to measure the embedded derivative separately either at acquisition or at a subsequent financial reporting date, it shall treat the entire contract at fair value through profit or loss. As at 31 December 2014 and at 31 December 2013, no financial liabilities were classified in categories measured at fair value through profit or loss.

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

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

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

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

10.16. Provisions

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

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

10.17. Revenue

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

10.17.1. Revenues from sales of goods and services

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

10.17.2. Provision of services

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

10.17.3. Interest

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

10.17.4. Dividends

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

10.17.5. Rental revenues (operating lease)

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

10.17.6. Subsidies

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

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

10.18. Taxes

10.18.1. Current tax

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

10.18.2. Deferred tax

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

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

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

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

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

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

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

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

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

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

10.18.3. Value added tax

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

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

10.19. Net loss per share

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

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

10.20. Business combinations

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

11. Operating segments

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

12. Revenues and expenses

12.1. Revenue from the sale of goods and services

	Year ended 31 December 2014	**Year ended 31 December 2013**
Sales of telecommunications services	424,291	225,578
Other sales	6,245	4,414
Total	**430,536**	**229,992**

During the 12-month period ended 31 December 2014, revenue increased by PLN 200,544 thousand in comparison with the corresponding period of the previous year. This was mainly due to the increasing amount of data transmission services ordered by wholesale customers of the Group resulting from such factors as the growing popularity of the LTE technology, and to the consistently expanding coverage of the telecommunications network utilised by the Group. The Management Board of the Company emphasises that revenue in the fourth quarter of 2014 increased by approximately 55.48 per cent compared to the revenue achieved in the third quarter of 2014.

In the year ended 31 December 2014, more than 90 per cent of Group revenue was achieved on the basis of long-term agreements (revenue from data transfers) signed with related entities (Polkomtel Sp. z o.o. and Cyfrowy Polsat S.A.).

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

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

12.2. Expenses related to the telecommunications network

During the 12-month period ended 31 December 2014, operating expenses related to the telecommunications network increased by PLN 131,777 thousand in comparison with the corresponding period of the previous year. The expenses of maintaining and operating the telecommunications network change in accordance with an increase in the number of base stations.

12.3. Other operating income

	Year ended 31 December 2014	**Year ended 31 December 2013**
Release of provisions	59	122
Received compensation and similar benefits	56	14
Release of write-downs of receivables and inventories	27	124
Liabilities written off	-	1,153
Subsidies	2,689	2,427
Postal charges	1,494	1,828
Other	101	377
Total	**4,426**	**6,045**

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

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

12.4. Impairment of non-financial assets

The write-down made in 2014 concerns frequency reservations in the 2570-2620 MHz band allocated to Aero2 by a decision of the President of the Office of Electronic Communications (the "OEC") of 10 November 2009 amended by a decision of the President of the OEC of 4 September 2012. As a consequence of the write-down (as a result of which the value of the aforementioned assets will be zero zlotys), the consolidated operating result of the Group for 2014 will be reduced by PLN 126.4 million, and the consolidated net result of the Group by PLN 104.9 million. The write-down is regarded as a one-off, non-cash event. That event has no influence on operating activities, because as at today the frequency in the 2570-2620 MHz range is not being used to generate network capacity being made available to the Group's key customers. The Management Board emphasises that the event described is not the same as Aero2 waiving or losing its right to that frequency, but was made in connection with Aero2 not exercising its reservation obligations resulting from the above decision of the OEC President in that part concerning ensuring the reservation coverage defined in the decision and as a result of a periodic evaluation of the possibility of using frequency reservations.

The revaluation write-down in the amount of PLN 5,501 thousand made in 2013 concerns the value of fixed and intangible telecommunications assets of CenterNet. The Group estimated the value-in-use of the fixed assets and made a write-down of their value as at 31 December 2013.

12.5. Other operating expenses

	Year ended 31 December 2014	**Year ended 31 December 2013**
Donations	120	28
Cost of abandoned investments	1,229	-
Loss from disposal / liquidation of non-financial non-current assets	672	16
Revaluation write-down of receivables	2,949	128

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

Write-off of bad debts	-	402
Other	122	410
Total	**5,092**	**984**

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

12.6. Financial income

	Year ended 31 December 2014	**Year ended 31 December 2013**
Revaluation of embedded derivative	7,415	-
Income from bank interest	1,537	5,215
Income from interest on borrowings granted	546	608
Other interest income	4	2
Positive exchange rate differences	3	-
Total	**9,505**	**5,825**

During the 12-month period ended 31 December 2014, there was an increase in the value of financial income by PLN 3,680 thousand in comparison to the corresponding period of the previous year. The change results primarily from a revaluation of the embedded derivative (early bond redemption option). The change in the value of the embedded derivative results from the change (increase) in the value of the discount (security change) on the bonds and changes in market parameters, including changes in the yields of bonds with similar maturities.

12.7. Financial expenses

	Year ended 31 December 2014	**Year ended 31 December 2013**
Revaluation of embedded derivative	-	647
Interest on issued bonds	55,240	17,625
Interest on bank loans received	4,107	718
Commission on bank loans received	1,079	1,129
Late-payment interest	34	392
Cost of guaranteeing debt	2,250	-
Negative exchange rate differences	-	11
Other financial expenses	1,308	308
Total	**64,018**	**20,830**

During the 12-month period ended 31 December 2014, financial expenses increased by PLN 43,188 thousand in comparison with the corresponding period of the previous year. That change results mainly from discount costs from the series A bonds issued, and in particular from the effect of a 1.7 per cent change in the discount rate recognised in 2014.

The item "Cost of guaranteeing debt" concerns guarantees granted by Inwestycje Polskie for an investment loan granted by Alior Bank (more on that topic in Note 24).

13. Income tax

13.1. Reconciliation of the effective tax rate

The reconciliation of the income tax on the gross profit (loss) before tax at the statutory tax rate, with income tax charged at the effective tax rate of the Group for the years ending on 31 December 2014 and 31 December 2013, is as follows:

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

	Year ended 31 December 2014	**Year ended 31 December 2013**
Gross loss before tax	(337,933)	(225,211)
Tax at the statutory tax rate in effect in Poland - 19%	64,207	42,790
Tax effect of non-taxable revenue and non-deductible expenses	(5,377)	(8,719)
Undisclosed tax loss and other undisclosed temporary differences	(41,754)	(15,410)
Tax at the effective tax rate of 5.2% (2013: 8.3%)	**17,076**	**18,661**
Income tax shown in the consolidated loss	**17,076**	**18,661**

13.2. Deferred income tax

Deferred income tax results from the following items:

	Statement of financial position		*Statement of comprehensive income for the year ended*	
	31 December 2014	***31 December 2013***	***31 December 2014***	***31 December 2013***
Provision for deferred income tax				
Valuation of frequency reservations	52,955	82,638	29,683	8,190
Interest accrued but not yet received	19,367	5,502	(13,865)	(3,050)
Other	1,812	580	(1,232)	(580)
Value of items for which the provision for deferred income tax was set off against deferred income tax assets	(19,042)	(5,502)	13,540	3,051
Provision for deferred income tax	55,092	83,218	28,126	7,611
Deferred income tax assets				
Interest accrued but not paid	34,653	8,943	25,710	6,731
Negative exchange rate differences from the balance sheet valuation	1	2	(1)	2
Balance sheet depreciation and amortisation different from tax depreciation and amortisation	26,789	15,788	11,001	6,676
Revaluation write-downs of receivables	738	178	560	8
Revaluation write-downs of inventories	3	8	(5)	(14)
Revaluation write-downs of property, plant and equipment	1,896	2,189	(293)	1,045
Provisions for other expenses	2,903	2,000	903	679
Losses deductible from future taxable income	110,267	103,898	6,369	7,738
Value of items for which the provision for deferred income tax was set off against deferred income tax assets	(19,042)	(5,502)	(13,540)	(3,050)
Deferred income tax assets	158,208	127,504	30,704	19,815
The value of tax losses and temporary differences for which deferred tax was not disclosed due to the anticipated impossibility of realising the deferred tax assets from future tax results of the Group	(158,208)	(116,454)	(41,754)	(8,765)
Deferred income tax charge			17,076	18,661
Net provision for deferred income tax, of which:	(55,092)	(72,168)		
Deferred income tax assets - continuing activities	-	11,050		
Provision for deferred income tax - continuing activities	(55,092)	(83,218)		

14. Loss per share

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

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

	Year ended 31 December 2014	**Year ended 31 December 2013**
Net loss on continuing activities	(320,857)	(206,550)
Net loss	**(320,857)**	**(206,550)**
Weighted average number of ordinary shares issued used in calculating the basic earnings per share	1,479,666,750	1,479,665,366
Net loss on continuing activities per 1 share attributable to	(0.22)	(0.14)

shareholders of the parent (in PLN)

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

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

15. Property, plant and equipment

Year ended on 31 December 2014

	Buildings, premises and civil and water engineering facilities		Other technical equipment and machinery	Technical equipment and machinery - infrastructure	Vehicles	Other fixed assets	Investments in progress		Total
Gross value of fixed assets as at 1 January 2014	**92,026**		**1,463**	**337,164**	**403**	**494**	**52,458**		**484,009**
Increases resulting from purchase of assets	-		88	-	-	19	99,595		99,702
Other increases	9,711	*	-	-	-	-	6,751	**	16,462
Disposal/liquidation	(494)		(238)	(309)	(79)	(3)	(693)		(1,816)
Other reductions	-		-	-	-	-	(1,301)		(1,301)
Reclassification from fixed assets under construction	18,529		-	29,292	-	-	(47,821)		-
Gross value of fixed assets as at 31 December 2014	**119,772**		**1,313**	**366,147**	**324**	**510**	**108,989**		**597,056**
Accumulated depreciation as at 1 January 2014	**(7,929)**		**(868)**	**(61,134)**	**(85)**	**(269)**	**(10,284)**		**(80,569)**
Depreciation	(5,812)		(280)	(43,626)	(65)	(129)	-		(49,912)
Impairment write-down	-		-	-	-	-	693		693
Disposal/liquidation	78		230	114	41	3	-		466
Transfers	-		-	(264)	-	-	264		-
Accumulated depreciation as at 31 December 2014	**(13,663)**		**(918)**	**(104,910)**	**(109)**	**(395)**	**(9,327)**		**(129,322)**
Net value of fixed assets as at 1 January 2014	84,097		595	276,030	318	225	42,174		403,440
Net value of fixed assets as at 31 December 2014	106,109		395	261,237	215	115	99,662		467,734

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

*** capitalised financing expenses*

The impairment test is described in Note 16.

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

Year ended on 31 December 2013

	Buildings, premises and civil and water engineering facilities	Other technical equipment and machinery	Technical equipment and machinery - infrastructure	Vehicles	Other fixed assets	Investments in progress	Total
Gross value of fixed assets as at 1 January 2013	**90,304**	**1,262**	**211,961**	**140**	**436**	**46,772**	**350,876**
Increases resulting from purchase of assets	-	231	-	263	64	128,361	128,919
Other increases	16	-	-	-	-	5,040	5,056
Transfers	-	-	(959)	-	-	769	(190)
Disposal/liquidation	-	(30)	(605)	-	(6)	-	(641)
Other reductions	-	-	-	-	-	(11)	(11)
Reclassification from fixed assets under construction	1,706	-	126,767	-	-	(128,473)	-
Gross value of fixed assets as at 31 December 2013	**92,026**	**1,463**	**337,164**	**403**	**494**	**52,458**	**484,009**
Accumulated depreciation as at 1 January 2013	**(3,663)**	**(600)**	**(30,904)**	**(20)**	**(148)**	**(6,023)**	**(41,358)**
Depreciation and amortisation	(4,266)	(297)	(30,195)	(65)	(126)	(263)	(35,212)
Impairment write-down	-	-	(356)	-	-	(3,998)	(4,354)
Disposal/liquidation	-	29	131	-	5	-	165
Transfers	-	-	190	-	-	-	190
Accumulated depreciation as at 31 December 2013	**(7,929)**	**(868)**	**(61,134)**	**(85)**	**(269)**	**(10,284)**	**(80,569)**
Net value of fixed assets as at 1 January 2013	86,641	662	181,057	120	288	40,749	309,518
Net value of fixed assets as at 31 December 2013	84,097	595	276,030	318	225	42,174	403,440

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

16. Intangible assets

Year ended on 31 December 2014

	Goodwill	Frequency reservation	Computer software and licences	Other	Intangible assets - infrastructure	Total
Gross value of intangible assets as at 1 January 2014	**41,231**	**922,392**	**3,371**	**756**	**6,619**	**974,369**
Increases resulting from purchase of assets	-	-	180	1	245	426
Reduction from liquidation	-	-	(2)	(16)	(3,056)	(3,074)
Gross value of intangible assets as at 31 December 2014	**41,231**	**922,392**	**3,549**	**741**	**3,808**	**971,721**
Accumulated amortisation as at 1 January 2014	**-**	**(187,838)**	**(1,930)**	**(620)**	**(4,742)**	**(195,130)**
Amortisation	-	(74,459)	(1,060)	(112)	(485)	(76,116)
Impairment write-down	-	(126,383)	-	-	-	(126,383)
Reduction from liquidation	-	-	2	-	2,988	2,990
Accumulated amortisation as at 31 December 2014	**-**	**(388,680)**	**(2,988)**	**(732)**	**(2,239)**	**(394,639)**
Net value of intangible assets as at 1 January 2014	41,231	734,554	1,441	136	1,877	779,239
Net value of intangible assets as at 31 December 2014	41,231	533,712	561	9	1,569	577,082

Year ended on 31 December 2013

	Goodwill	Frequency reservations	Computer software and licences	Other	Intangible assets - infrastructure	Total
Gross value of intangible assets as at 1 January 2013	**41,231**	**922,392**	**3,252**	**756**	**6,839**	**974,470**
Increases resulting from purchase of assets	-	-	153	-	461	614
Reduction from liquidation	-	-	(34)	-	(681)	(715)
Gross value of intangible assets as at 31 December 2013	**41,231**	**922,392**	**3,371**	**756**	**6,619**	**974,369**
Accumulated amortisation as at 1 January 2013	**-**	**(113,377)**	**(1,015)**	**(321)**	**(3,423)**	**(118,136)**
Depreciation and amortisation	-	(74,461)	(949)	(299)	(853)	(76,562)
Impairment write-down	-	-	-	-	(1,147)	(1,147)
Reduction from liquidation	-	-	34	-	681	715
Accumulated amortisation as at 31 December 2013	**-**	**(187,838)**	**(1,930)**	**(620)**	**(4,742)**	**(195,130)**
Net value of intangible assets as at 1 January 2013	41,231	809,015	2,237	435	3,416	856,334
Net value of intangible assets as at 31 December 2013	41,231	734,554	1,441	136	1,877	779,239

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

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

On the basis of its best estimates and assumptions, the Management Board of the parent considers at each balance sheet date whether there are indications of a potential impairment of assets. In accordance with the requirements of IAS 36 *Impairment of assets*, the Management Board of the parent conducted impairment tests of goodwill as at 31 December 2014. The Group conducted an impairment test of goodwill and of the cash-generating unit attributed to it. This required estimating the recoverable value of the cash-generating unit. The estimate of the recoverable value was made by determining the fair value of the cash-generating unit reduced by sales costs. The fair value as at 31 December 2014 is the market capitalisation of the Group. The surplus market capitalisation above the book value of the cash-generating unit is sufficient to cover potential sales costs. As a result of those tests, no additional impairment write-downs from the impairment of assets were recognised.

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

17. Business combinations

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

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 CenterNet without liquidating it, in accordance with the provisions of the CCC.

The merger transactions had no effect on the consolidated financial statements.

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

18. Other assets

18.1. Financial assets

	31 December 2014	31 December 2013
Borrowings granted	-	14,628
Embedded derivative - option of early redemption of bonds	54,647	47,232
Long-term deposit	20,003	-
Total	**74,650**	**61,860**

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 therefore was recognised in the statement of financial position as a separate derivative instrument under non-current financial assets.

The value of that instrument, recognised at the moment of initial disclosure, was determined as PLN 47,879 thousand while as at 31 December 2013, it was measured at PLN 47,232 thousand. As at 31 December 2014 the option was measured at PLN 54,647 thousand (the difference from 31 December 2013 of PLN 7,415 thousand was recognised in financial income).

Borrowings granted

The loan granted to Sferia S.A. ("Sferia") is presented in accordance with the conditions of the agreement as a short-term loan (in the item other assets, as at 31 December 2013 the loan in the amount of PLN 14,628 thousand was presented as long-term).

Long-term deposit

In accordance with the content of the investment loan agreement of 10 July 2014 concluded between Bank Polska Kasa Opieki S.A. ("PEKAO S.A.") and companies from the Midas Group, the Group undertook to maintain amounts at all times on the DSRA Account equal to at least 10 per cent of the total value committed (the maximum commitment amount is PLN 200 million). The amounts on the DSRA Account (except for accrued interest) may be used solely in order to repay mature amounts due from the Borrowers, if any amounts due to the Lender are not repaid on time. A term deposit was created for the funds gathered on the DSRA Account, under conditions no worse than market conditions. The value of the deposit together with accrued interest is presented in a note.

18.2. Other non-financial assets and prepayments

	31 December 2014	31 December 2013
Non-current		
Advance payments for fixed assets under construction	11,456	176
Pre-paid expenses of joint use of the telecommunications network of another operator	1,958	2,447
Other	177	249
Total	**13,591**	**2,872**
Current		
Pre-paid costs of joint use of the telecommunications network of another operator	490	490
Advances paid	123	19
Other prepayments	319	266
Total	**932**	**775**

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

19. Inventories

	31 December 2014	31 December 2013
Materials	36	35
Goods	716	195
Revaluation write-down	(16)	(43)
Total	**736**	**187**

20. Trade and other receivables

	31 December 2014	31 December 2013
Trade receivables	134,728	66,645
Receivables from VAT	53,343	51,768
Receivables from the sale of fixed assets	35	-
Other receivables	1,191	3,646
Total net receivables	**189,297**	**122,059**
Revaluation write-down of receivables	3,885	938
Gross receivables	**193,182**	**122,997**
- current	149,043	95,797
- non-current	40,254	26,262

In the 12 months of 2014 there was growth in the Group of the value of receivables, primarily due to an increase in the Group’s receivables from Polkomtel (the performance of contracts concluded) and an increase in receivables not settled by Sferia in relation to Aero2 for, among other things, joint use of the telecommunications network (as at 31 December 2013 those receivables are presented as non-current, in the amount of PLN 26,262 thousand). In the opinion of the Management Board, taking account of the agreements signed with Sferia S.A., those receivables are fully collectible.

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

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

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

As at 31 December 2014, trade receivables of PLN 3,885 thousand (as at 31 December 2013: PLN 938 thousand) were deemed uncollectible and written down.

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

	2014	2013
Revaluation write-down as at 1 January	938	897
Increase	2,945	128
Use	-	(87)
Revaluation write-down as at 31 December	**3,883**	**938**

Presented below is an analysis of trade and other receivables which were overdue as at 31 December 2014 but which were not deemed uncollectible and were not written down.

		Overdue but collectible (in PLN ‘000)				
Total	Not overdue	< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	>120 days
135,954	44,709	48,116	2,322	1,174	1,338	38,295

Receivables overdue for more than 120 days mainly comprise receivables from Sferia.

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

21. Other current assets

	31 December 2014	31 December 2013
Borrowings granted	15,174	-
Commission paid on bank loans received	1,974	1,040
Total	**17,148**	**1,040**

Borrowings granted

The value of borrowings granted as at 31 December 2014 consists of loans in the amount of PLN 15,174 thousand granted to Sferia. The principal of the borrowings is due to the companies:

- Aero2 in the amount of PLN 4,443 thousand
- Mobyland in the amount of PLN 10,731 thousand

Interest accrues quarterly. The borrowings bear interest at the rate WIBOR 1R + a margin. In accordance with an annex of 15 January 2015 to the loan agreement (extending the repayment deadline by one year) the loans are to be repaid in a single instalment by 31 January 2016. Part or all of the borrowings may become payable immediately if important assets of Sferia are sold without the prior written consent of the entities granting the borrowings. The borrowings are secured by a blank promissory note up to the amount of the borrowings plus interest, and by a declaration of voluntary submission to enforcement under the procedure of Article 777 par. 1 pt. 5 of the Code of Civil Procedure.

22. Cash and cash equivalents

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

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

	31 December 2014	31 December 2013
Cash at bank and on hand	22,802	35,083
Short-term bank deposits	30,648	65,002
Interest accrued on bank deposits	-	162
Cash and cash equivalents	**53,450**	**100,247**

23. Share capital and supplementary/reserve capitals

23.1. Share capital

As at 31 December 2013, and as at the date of publishing this report, the share capital of the Company amounts to PLN 147,966,675 (one hundred forty-seven million nine hundred sixty-six thousand six hundred seventy-five zlotys) divided into 1,479,666,750 (one billion four hundred seventy-nine million six hundred sixty-six thousand seven hundred fifty) ordinary bearer shares each, including:

11,837,334 series A shares,

47,349,336 series B shares,

236,746,680 series C shares,

1,183,733,400 series D shares.

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

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

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

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

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

23.1.1. Nominal value of shares

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

23.1.2. 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.

23.1.3. Shareholders having a significant holding

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

23.2. Retained earnings and dividend payment restrictions

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

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

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

	Effective interest rate %	Repayment date	31 December 2014	31 December 2013
Current				
Bank loan obtained in the amount of PLN 38,166 thousand, bearing interest at the rate of WIBOR 3M + margin	7.00%	26.09.2015	29,435	-
Bank loan obtained in the amount of PLN 26,330 thousand, bearing interest at the rate of WIBOR 3M + margin	6.73%	30.09.2015	14,172	-
Investment loan with a nominal value of PLN 150,000 thousand, bearing interest at the rate of WIBOR 1M + margin (Alior Bank)	5.97%	31.12.2015	4,298	-
Commission charged (investment loan)			-	68
Total			**47,905**	**68**
Non-current				
Bank loans obtained in the amount of PLN 38,166 thousand, bearing interest at the rate of WIBOR 3M + margin	7.00%	26.09.2015	-	29,431
Bank loan obtained in the amount of PLN 26,330 thousand, bearing interest at the rate of WIBOR 3M + margin	6.73%	30.09.2015	-	14,170
Issue of series A bonds of a nominal value of PLN 643,935 thousand, discount rate of 16.01%	11.31%	16.04.2021	328,054	267,543
Investment loan with a nominal value of PLN 150,000 thousand, bearing interest at the rate of WIBOR 1M + margin (Alior Bank)	5.97%	31.03.2018	137,499	45,580
Investment loan with a nominal value of PLN 200,000 thousand, bearing interest at the rate of WIBOR 1M + margin (Bank PEKAO)	4.88%	30.06.2018	23,295	-
Total			**488,848**	**356,724**

Capitalisation of third party financing expenses

In 2014, the Group capitalised third party financing expenses in the amount of PLN 6,751 thousand, at a capitalisation rate of 22.32% (in 2013: PLN 5,040 thousand at a capitalisation rate of 10.18%).

Collateral for Plus Bank loan

As at 31 December 2014, the Group held the following collateral under loan agreements with Plus Bank S.A.:

- a blank promissory note issued by the Borrower together with a promissory note declaration;

- the borrower's declaration on submission to enforcement up to PLN 76,433 thousand;

- authorisation to manage the borrower's bank accounts.

Investment loan from Alior Bank

During the 12-month period ended 31 December 2014, the Company drew down subsequent tranches of the investment loan (agreement with Alior Bank of 28 February 2013) in a total amount of PLN 99 million. The funds from the loan were sent directly to the bank account of Aero2 subsidiary, in accordance with the loan agreement concluded between Midas and Aero2 on 13 September 2013. In the statement of financial position, the value shown of liabilities from the loan is based on the effective interest rate, taking account of expenses incurred in connection with obtaining the financing.

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

The collateral for the Loan is: an authorisation to manage the account of the Company in the Bank, a contractual mortgage up to PLN 225 million on the real property of Inwestycje Polskie Sp. z o.o. (related entity of the Group) situated in Warsaw at ul. Ostrobramska 77 together with an assignment of rights from the all-risks insurance policy on the real property in an amount of not less than PLN 150 million, a confirmed assignment of rights from premises rental agreements in the real property concluded by Inwestycje Polskie Sp. z o.o. with tenants up to an amount of not less than PLN 15 million, a suretyship under civil law by the guarantor together with a declaration on submission to enforcement under the suretyship granted up to the amount of PLN 300 million, and declarations by the Company on submission to enforcement under the above procedure up to the amount of PLN 300 million. On 1 August 2013, the companies Aero2, CenterNet and Mobyland (the "Guarantors") concluded a guarantee agreement with Alior Bank in order to jointly secure the Company's obligations from the investment loan agreement in the amount of PLN 150 million, for the term of the Loan set forth in the loan agreement, i.e. until 31 March 2018. The amount of each of the above joint and several guarantees was set at PLN 300 million. The Company points out that each of the Guarantors is an entity which is a 100-per cent subsidiary of the Company, whereas no ties exist between the Guarantors and Alior Bank or between the Company and Alior Bank.

<u>Series A bonds</u>

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

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

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

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

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

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

<u>Investment loan from PEKAO S.A.</u>

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

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

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

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

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

The data presented below provides information on the level of selected financial ratios as at 31 December 2014 (calculated in accordance with the conditions of the Bond issue):

consolidated financial debt: PLN 536,753 thousand, consolidated equity: PLN 442,269 thousand, leverage ratio: 0.548 (determined as "consolidated financial debt / (consolidated financial debt + consolidated equity").

consolidated financial debt (less the value of the embedded derivative): PLN 488,874 thousand, leverage ratio (not including the embedded derivative): 0.525 (determined as "(consolidated financial debt - value of early redemption option) / (consolidated financial debt - value of early redemption option + consolidated equity)".

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

25. Deferred income

	31 December 2014	31 December 2013
Non-current	**33,325**	**39,011**
- subsidies for fixed assets*	21,336	24,025
- joint use of the network**	11,989	14,986
Current	**150,973**	**104,451**
- subsidies for fixed assets*	2,672	2,672
- joint use of the network**	2,997	2,997
- data transmission***	144,553	97,997
- telecommunications services (prepaid)****	751	785
Total	**184,298**	**143,462**

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

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

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

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

26. Provisions

	31 December 2014	31 December 2013
Provision for liabilities from terminating an agreement on the provision of services	-	57
Provision for dismantling base stations	14,519	3,612
Other provisions	-	6
Total	**14,519**	**3,675**
Current	-	63
Non-current	14,519	3,612

26.1. Changes in provisions

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

	Dismantling of base stations	Other provisions	Total
As at 1 January 2013	3,350	871	4,221
Created during the financial year	262	28	290
Used	-	(836)	(836)
As at 31 December 2013	**3,612**	**63**	**3,675**
Current as at 31 December 2013	-	63	63
Non-current as at 31 December 2013	3,612	-	3,612

26.2. Provision for dismantling base stations

During the 12-month period ended 31 December 2014, the Group revalued non-current provisions for the expenses of anticipated dismantling of base stations forming part of the telecommunications infrastructure. Stations may be erected on land (proprietary tower stations), on roofs or chimneys of existing facilities (proprietary non-tower stations), on existing towers of other operators (third-party tower stations) or on the roofs or chimneys of other operators (third-party non-tower stations). To this end, the Group concludes tenancy and lease agreements with property owners, which stipulate the obligation to restore the property to its original condition after the agreement is terminated. In calculating the amount of the provision for dismantling as at 31 December 2014, the Group used the following anticipated one-off cost of dismantling for:

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

- proprietary structures erected on the ground - PLN 75 thousand, including the expenses of dismantling electronic equipment on the base station - PLN 3 thousand,
- proprietary structures erected on building roofs or chimneys - PLN 25.5 thousand, including the expenses of dismantling electronic equipment - PLN 3 thousand,
- structures erected on land owned by another operator - PLN 19.5 thousand, including the expenses of dismantling electronic equipment - PLN 3 thousand,
- electronic equipment from the structures located on roofs or chimneys - PLN 3 thousand,
- transmission points - PLN 90 thousand,
- intermediate points - PLN 7 thousand.

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

The value of the provision as at 31 December 2014 was PLN 14,519 thousand - the increase in the value of the provision compared to its value as at 31 December 2013 results primarily from the change in the estimates of the Management Board, which is discussed in Note 9 hereto. The change in the value of the provision, resulting from a revision of the Management Board’s estimate, in the amount of PLN 9,711 thousand, was recognised in correspondence to the book value of the fixed assets which the dismantling concerns. The change in the provision resulting from revaluation of the discount amounted to PLN 1,196 thousand and was recognised under financial expenses.

27. Trade and other current liabilities

27.1. Trade liabilities

	31 December 2014	31 December 2013
Trade liabilities:		
towards related parties	47,669	73,960
towards other entities	107,181	54,213
Total	**154,850**	**128,173**

Terms and conditions of payment of the above financial liabilities:

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

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

27.2. Other liabilities

	31 December 2014	31 December 2013
VAT	6,320	3,985
Personal income tax	321	170
Social insurance liabilities	192	163
Other non-financial liabilities	6	5
Total	**6,839**	**4,323**
- current	6,839	4,323
- non-current	-	-

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

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

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

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

28.1. Change in the balance of receivables

	01.01.2014 - 31.12.2014	**01.01.2013 - 31.12.2013**
Change in the balance of non-current trade and other receivables	(67,237)	(57,566)
Exchange rate differences		5
Change in the balance of receivables on disposal of property, plant and equipment	35	-
	(67,202)	**(57,561)**

28.2. Change in the balance of liabilities

	01.01.2014 - 31.12.2014	**01.01.2013 - 31.12.2013**
Change in the balance of non-current liabilities	29,193	88,162
Change in the balance of liabilities arising from the acquisition of property, plant and equipment and investments	(8,954)	(39,014)
	20,239	**49,148**

28.3. Change in the balance of provisions

	01.01.2014 - 31.12.2014	**01.01.2013 - 31.12.2013**
Change in the balance of provisions	10,844	(546)
Growth of provisions for dismantling reported for fixed assets	(9,710)	-
	1,134	**(546)**

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

	01.01.2014 - 31.12.2014	**01.01.2013 - 31.12.2013**
Change in the balance of prepayments/accruals and other non-financial assets	(10,876)	205
Advances paid towards the purchase of fixed assets	11,281	
Change in the balance of prepayments/accruals concerning costs of bond issues	(19)	-
Change in the balance of non-current prepayments/accruals	-	387
	386	**592**

29. Investment commitments

As at 31 December 2014, the Group had investment orders for the total amount of PLN 23,415 thousand. The orders placed concern the purchase of telecommunications components.

30. Contingent liabilities

The note below contains a description of contingent liabilities other than those described in Note 24 (collaterals for bank loans and pledges on shares in subsidiaries related to the bonds issue).

	31 December 2014	**31 December 2013**

Liabilities from bank guarantees granted mainly as security for the performance of trade agreements	289	461
Total contingent liabilities	**289**	**461**

As at 31 December 2014, the conditional debt of the Group was PLN 289 thousand, of which:

- a bank guarantee of PLN 288 thousand of which the beneficiary is IVG Institutional Funds GmbH, granted by mBank S.A. (formerly BRE Bank S.A., hereinafter "mBank") at the instruction of Aero2 in connection with securing a rental agreement of 11 February 2010 for office premises and parking spaces in the Norway House building located at ul. Lwowska 19 in Warsaw.
- a bank guarantee of PLN 0.6 thousand of which the beneficiary is Orange Polska S.A. (formerly PTK Centertel Sp. z o.o.), granted by mBank at the instruction of Aero2 in connection with securing the Framework Agreement for the provision of Telehousing PRO No. POS/K-9827 concluded on 25 June 2012.

In the assessment of the Management Board concerning proceedings relating to frequency reservations pending in relation to subsidiaries of Midas (described below in Note 30.1), there has been no change in comparison with the assessment presented in Note 31.1 of the consolidated financial statements for the year ended 31 December 2013. The carrying amount of the above concessions granted to CenterNet and Mobyland, disclosed in the consolidated statement of financial position, as at 31 December 2014 was PLN 185,830 thousand.

30.1. Pending court proceedings

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

Proceedings concerning frequency reservations for CenterNet and Mobyland

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

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

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

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

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

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

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

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

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

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

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

Milmex filed a complaint against that decision to the PACW. In its judgement of 27 June 2013 (case file No. VI SA/Wa 464/13), the PACW dismissed the complaint. Milmex filed a cassation appeal against that judgement with the SAC. The date for hearing the case in the Supreme Administrative Court has not yet been determined.

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

30.2. Tax settlements

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

Tax settlements are subject to inspection for 5 years beginning from the end of the year in which a tax payment was made. As a result of inspections, the tax settlements made by the Group to date may be increased by additional tax liabilities. In the opinion of the Group, as at 31 December 2014, there is no need to create a provision for recognised and measurable tax risk.

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

31. Information on related parties

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

		Revenue from mutual transactions, of which:	**from sales**	**interest on borrowings**	**other**
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	2014	430,734	428,275	546	1,913
	2013	232,009	225,185	608	6,216

		Expenses of mutual transactions, of which:	**interest on commercial papers**	**interest on borrowings**	**other**
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	2014	358,886	-	2,105	356,781
	2013	221,730	-	2,891	218,839

		Receivables from related parties, of which:	**trade**	**borrowings**	**other**
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	*2014*	151,151	133,530	15,174	2,447
	2013	79,926	62,362	14,628	2,936

		Liabilities towards related parties, of which:	**trade**	**borrowings**	**other**
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	*2014*	279,517	76,377	43,601	159,539
	2013	233,541	73,960	43,601	115,980

**Amounts recognised as deferred income*

31.1. Ultimate parent of the whole Group

As at 31 December 2014, Litenite Limited is the owner of 66 per cent of the ordinary shares in the parent (31 December 2013: 66 per cent).

In the year ended on 31 December 2014, there were no transactions between the Group and Litenite Ltd.

31.2. Entity having a significant influence on the Group

As at 31 December 2014 no entity had a significant influence on the Group.

31.3. Remuneration of the senior management staff of the Group

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

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

	Year ended 31 December 2014	**Year ended 31 December 2013**

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

Management Board of the parent		
Current employee benefits or similar (wages and salaries and bonuses)	1,731	1,261
Supervisory Board of the parent		
Current employee benefits or similar (wages and salaries and bonuses)	148	89
Total	**1,879**	**1,350**

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

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

	Year ended 31 December 2014	**Year ended 31 December 2013**
Management Board of the parent		
Current employee benefits (wages and salaries and bonuses)	531	383
Supervisory Board of the parent		
Current employee benefits (wages and salaries and bonuses)	12	12
Total	**543**	**395**

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

The table below shows the remuneration of the entity authorised to audit the financial statements paid or due for the year ending on 31 December 2014 and 31 December 2013 by type of service:

	Year ended 31 December 2014	**Year ended 31 December 2013**
Compulsory audit of the consolidated financial statements	285	215
Other services	68	35
Total	**353**	**250**

33. Objectives and principles of financial risk management

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

The Group does not conclude transactions using derivative instruments.

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

The main types of risk resulting for the Group from financial instruments are interest rate, liquidity, exchange rate and credit risks. The Management Board verifies and agrees the rules for managing each of those risk types - those rules are described briefly below. The Group also monitors the market price risk relating to all of the financial instruments held. The degree of that risk was presented in Note 33.3.

33.1. Interest rate risk

Changes in market interest rates directly affect the Group’s revenues in connection with the borrowing granted by the Group to Sferia S.A., as well as cash flow from operating activities through high interest on current accounts and overnight deposits, and cash flow from financing activities through the expenses of servicing the bank loan held by the Group. The Company systematically analyses the level of interest rate risk, and also prepares scenarios for refinancing and hedging against such risk. On the basis of those scenarios, the effect of specified changes in interest rates on the financial result is estimated.

Interest rate risk - sensitivity to changes

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

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

	Increase / decrease in percentage points	*Impact on gross financial result*
Year ended 31 December 2014		
PLN	+1%	(1,935)
PLN	-1%	1,935
Year ended 31 December 2013		
PLN	+1%	(745)
PLN	-1%	745

33.2. Currency risk

The Group incurs expenses also in foreign currencies, but their share in the Group's overall expenses for the period from 1 January to 31 December 2014 was not significant. However, a rising share of expenses expressed in foreign currencies in the total expenses incurred by the Group could be expected in subsequent periods because expenses associated with the further development of the Group's telecommunications infrastructure may be denominated in EUR or possibly in another foreign currency. In the case of supplies and services provided by Ericsson and Nokia Solutions & Networks under the provisions of the applicable contracts, their prices are denominated in EUR or USD and will be converted to PLN at the exchange rate effective on the date or for the period set forth in those agreements.

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

33.3. Market risk

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

33.4. Credit risk

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

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

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

33.5. Liquidity risk

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

The net current assets of the Group, adjusted by deferred income, as at 31 December 2014 were positive, amounting to PLN 11,715 thousand. As at 31 December 2014 the Group had cash resources in the amount of PLN 53,450 thousand.

The Group possesses a line of credit available in Alior Bank and in Bank PEKAO S.A. in a total amount of PLN 181,560 thousand as at 31 December 2014. Moreover, only some of the sources of financing drawn down by the

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

Group become payable in 2015. As a result of the analysis conducted, the Management Board ascertained that the available cash and sources of financing cover, with a surplus, the cash requirements resulting from the operating, investing and financing activities of the Group in the foreseeable future, i.e. for a period of at least 12 months following the balance sheet date.

The table below shows the financial liabilities of the Group as at 31 December 2014 and at 31 December 2013 by maturity date on the basis of undiscounted contractual payments.

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

31 December 2013	*On demand*	*Under 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	-	1,472	4,536	96,050	-	102,058
Issued bonds	-	-	-	-	583,772	583,772
Trade and other liabilities	9,114	119,059	-	-	-	128,173
	9,114	**120,531**	**4,536**	**96,050**	**583,772**	**814,003**

34. Financial instruments

34.1. Fair value of particular classes of financial instruments

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

		Carrying amount		**Fair value**	
	Category in accordance with IAS 39	**31 December 2014**	**31 December 2013**	**31 December 2014**	**31 December 2013**
Financial assets					
Borrowings granted	LAR	15,174	14,628	15,174	14,628
Embedded derivative	FAFVPL	54,647	47,232	54,647	47,232
Long-term deposits	FAFVPL	20,003	-	20,003	-
Trade and other receivables	LAR	134,763	67,229	134,763	67,229
Cash and cash equivalents	FAFVPL	53,450	100,247	53,450	100,247
		278,037	**229,336**	**278,037**	**229,336**
Financial liabilities					
Interest-bearing bank loans, of which:	OFLAC	208,699	89,249	208,699	89,249
- long-term, bearing interest at a variable interest rate	OFLAC	160,794	89,181	160,794	89,181
- other - short-term	OFLAC	47,905	68	47,905	68
Liabilities from issue of bonds	OFLAC	328,054	267,543	304,283	254,737
Trade and other financial liabilities	OFLAC	154,850	128,173	154,850	128,173
		691,603	**484,965**	**667,832**	**472,159**

Abbreviations used:

FAHM – *Financial assets held to maturity,*

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

LAR *- Loans and receivables,*

FAAS *- Financial assets available for sale,*

OFLAC *- Other financial liabilities measured at amortised cost*

Hierarchy of fair value as at 31 December 2014

	Level 1	Level 2	Level 3	Total
Financial assets				
Borrowings granted	-	-	15,174	15,174
Embedded derivative	-	-	54,647	54,647
Long-term deposits	-	-	20,003	20,003
Trade and other receivables	-	94,509	40,254	134,763
Cash and cash equivalents	53,450	-	-	53,450
Financial liabilities				

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

Interest-bearing bank loans, of which:	-	-	208,699	208,699
- long-term, bearing interest at a variable interest rate	-	-	160,794	160,794
- other - short-term	-	-	47,905	47,905
Liabilities from issue of bonds	-	-	304,283	304,283
Trade and other financial liabilities	-	154,850	-	154,850

Hierarchy of fair value as at 31 December 2013

	Level 1	Level 2	Level 3	Total
Financial assets				
Borrowings granted	-	-	14,628	14,628
Embedded derivative	-	-	47,232	47,232
Trade and other receivables	-	40,967	26,262	67,229
Cash and cash equivalents	100,247	-	-	100,247
Financial liabilities				
Interest-bearing bank loans, of which:	-	-	89,249	89,249
- long-term, bearing interest at a variable interest rate	-	-	89,181	89,181
- other - short-term	-	-	68	68
Liabilities from issue of bonds	-	-	254,737	254,737
Trade and other financial liabilities	-	128,173	-	128,173

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

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

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

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

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

Year ended 31 December 2014

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

Year ended 31 December 2013

	Category in accordance with IAS 39	*Interest income /(expenses)*	*Profit /(loss) from exchange rate differences*	*Releasing/(creating) revaluation write-downs*	*Profit/(loss) on valuation*	*Profit/(loss) from the sale of financial instruments*	*Other*	*Total*
Financial assets								
Other financial assets (non-current)		608	-	-	-	-	-	608
Embedded derivative	FAFVPL	-	-	-	(647)	-	-	(647)
Cash and cash equivalents	FAFVPL	5,217	-	-	-	-	-	5,217
Financial liabilities								
Interest-bearing bank loans (short-term and long-term)	OFLAC	(718)	-	-	-	-	(1,130)	(1,848)
Trade and other financial liabilities	OFLAC	(394)	(11)	-	-	-	(253)	(658)
Issued bonds	OFLAC	(17,625)	-	-	-	-	(52)	(17,677)
Total		**(12,912)**	**(11)**	**-**	**(647)**	**-**	**(1,435)**	**(15,005)**

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

34.3. Interest rate risk

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

Fixed interest rate	<1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Issued bonds	-	-	-	-	-	328,054	328,054
Short-term bank deposits	30,648	-	-	-	-	-	30,648
	30,648	**-**	**-**	**-**	**-**	**328,054**	**358,702**

Variable interest rate	<1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Financial assets	15,174	-	20,003	-	-	-	35,177
Bank loans	54,832	62,120	78,977	12,770	-	-	208,699
Total	**70,006**	**62,120**	**98,980**	**12,770**	**-**	**-**	**243,876**

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

35. Capital management

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

The Group manages its capital structure and changes it as economic conditions change. In the year ended on 31 December 2014 and 31 December 2013, there were no changes to the objectives, principles and processes applicable in this area.

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

	31 December 2014	31 December 2013
Interest-bearing loans and issued bonds	536,753	356,792
Minus cash and cash equivalents and other financial assets (cash + borrowings granted, Note 21 + long-term deposit, Note 18.1)	88,627	114,875
Net debt	**448,126**	**241,917**
Equity attributable to shareholders of the parent	442,269	763,126
Total capital	**442,269**	**763,126**
Capital and net debt	**890,395**	**1,005,043**
Leverage ratio (net debt / (total capital + net debt)	0.503	0.241

36. Employment structure

The average headcount (on a FTE basis) in the Group during the year ended on 31 December 2014 and 31 December 2013 was as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Management Board of the Company	2.07	3.00
Others	67.65	41.49

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

Total	**69.72**	**44.49**

37. Subsequent events

Termination of agreements with Sferia

On 2 January 2015, Aero2 and Sferia terminated the following agreements by mutual consent:

a cooperation agreement concluded on 8 January 2010 pertaining to the construction of a telecommunications network

an agreement of 30 November 2011 on terms and conditions for the mutual use of telecommunications infrastructure or telecommunications network components.

The termination of the agreements will not have a significant effect on the operating activities of the Midas Capital Group. The Midas Group will continue to cooperate with Sferia under the agreements described below.

Meeting the last condition precedent under the framework agreement with Sferia

On 26 February 2015 the Supervisory Board of the Company consented to the conclusion of a Supply Agreement, and thereby fulfilled the last condition precedent contained in the Framework Agreement described in Current Report No. 55/2012. At the same time, the Supervisory Board of the Company consented to the conclusion of a Wholesale Agreement. The Company reported on those events in Current Report No. 3/2015. The agreements in question were concluded on 3 March 2015. Details of the agreements concluded are described in the point below.

Conclusion of cooperation agreements with Sferia

On 3 March 2015, Aero2 and Mobyland concluded an infrastructure supply agreement with Sferia (the "Supply Agreement") and a wholesale telecommunications network access agreement (the "Wholesale Agreement").

Under the Supply Agreement, Aero2 will make a telecommunications network available to Sferia for the purpose of Sferia providing services based on the 800 MHz band in LTE technology. The Agreement was concluded for a period of at least six months. In the case where cooperation is not extended, Sferia will be obliged to buy back devices and to return Aero2's outlays incurred in constructing the telecommunications network in the 800 MHz band. Under the Wholesale Agreement, Mobyland is authorised to acquire, for its own benefit or that of its customers, telecommunications services created by Sferia in LTE technology in the 800 MHz band. The remuneration resulting from the conclusion of the above agreements is in the form of a lump sum, whose total value (together with other settlements with Sferia for the last 12 months) does not exceed the threshold of 10 per cent of the Company's equity.

In the first phase of implementation of the LTE800 network, about 1,200 stations will be started up, while taking account of the optimal reach of the LTE800 network, a total of more than 5,000 stations may be constructed and started up. The deadline for the start-up of the LTE800 network will depend, however, on a number of conditions, including the technical conditions for the construction of the network. The Company reported on this development in Current Report No. 5/2015.

The conclusion by Mobyland of clearing agreements with Polkomtel as well as Polkomtel's submission of order No. 4 for data transmission services

On 3 March 2015, Mobyland signed an understanding (the "Understanding") with Polkomtel (a "Party", and jointly with Mobyland the "Parties") and accepted the order submitted by Polkomtel for data transmission services (Order 4),

The Understanding concluded establishes new conditions of cooperation between Mobyland and Polkomtel:

- The new rate for data transmission services will be PLN 2.40 net for 1 GB.
- The new rate will apply to both newly ordered data packages and to packages which have not been used but were partially paid for under the previous order described in Current Report No. 4/2014.
- The new conditions of cooperation enter into force on 1 January 2015, and the order placed for data transmission services will be in effect for 4 years.

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

- In the case where Mobyland starts up services on further of its own frequencies or on those to which it obtains a right of use, Mobyland will increase the scope of data transmission services provided to Polkomtel.

On the date of the Understanding, the understanding of 27 March 2014 which the Company reported on in Current Report No. 4/2014 ceases to be valid.

At the same time, Mobyland accepted Order 4 placed by Polkomtel, under which Polkomtel undertook to purchase 1,571.68 million GB at a unit price of PLN 2.40 net for 1 GB. The total value of the order is PLN 3,772.04 million (three billion seven hundred seventy-two million and forty thousand zlotys), of which PLN 144.56 million resulting from a surplus pre-paid by Polkomtel and actual use under the previous order will be calculated as an advance payment towards Order 4.

Order 4 will be paid by Polkomtel in the following manner:

a) PLN 119.25 million net - for the first quarter of 2015, in 3 equal monthly instalments
b) PLN 132.00 million net - for the second quarter of 2015, in 3 equal monthly instalments
c) PLN 245.00 million net - for the third quarter of 2015, in 3 equal monthly instalments
d) PLN 354.00 million net - for the fourth quarter of 2015, in 3 equal monthly instalments
e) PLN 989.31 million net - for 2016, in 12 equal monthly instalments
f) PLN 880.00 million net - for 2017, in 12 equal monthly instalments
g) PLN 907.92 million net - for 2018, in 12 equal monthly instalments

On the date of publication of this current report, Order 4 for 1,571.68 million GB with a value of PLN 3,772.04 million exceeds 10 per cent of the equity of the Company, which qualifies Order 4 as a significant agreement. As a result of Mobyland accepting Order 4, the total value of orders and agreements submitted and concluded since 17 December 2014 inclusive by entities from the Midas Capital Group in relation to Polkomtel and other entities from the Cyfrowy Polsat Capital Group amounts to PLN 3,772.23 million.

In the Company's assessment, as at the date of publication of this current report, the Understanding, the accepted Order 4 and the financing obtained permit the Company to finance involvement in "Project 800".

The final cost of "Project 800" will depend on the quantity of bandwidth available in the 800 MHz range and on the possible investments resulting from that availability.

At the same time, the Management Board announces that, given the implementation of "Project 800", in its revision of the strategy the Midas Group will increase the number of locations and base stations comprising the telecommunications network it currently uses, and this will have a significant effect on the Company's performance and cash flows, particularly over the medium term, through increasing the Company's operating expenses and capital expenditures in connection with developing the LTE 800 network and obtaining the right to the 800 MHz frequency. The Company reported on this development in Current Report No. 4/2015.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Krzysztof Adaszewski	Piotr Janik
/President of the Management Board/	/Vice-President of the Management Board/

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING THE BOOKS OF ACCOUNT:

Teresa Rogala
/on behalf of SFERIA Spółka Akcyjna/

Warsaw, 3 March 2015