The Capital Group

of Narodowy Fundusz Inwestycyjny

Midas Spółka Akcyjna

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

TOGETHER WITH THE INDEPENDENT AUDITOR'S OPINION

Selected financial data 5
Statement of comprehensive income 6
Statement of financial positioin 7
Statement of cash flows 9
Summary of changes in equity 11
Accounting policies and notes 12
1. General information 12
2. Composition of the Management Board of the parent 12
3. Approval of the financial statements 13
4. Significant values based on professional judgement and estimates 13
4.1. Professional judgement 13
4.2. Uncertainty of estimates 13
5. Basis for preparing the consolidated financial statements 13
5.1. Declaration on compliance 13
5.2. Functional currency and currency of the financial statements 14
6. Changes in accounting principles applied 14
7. New standards and interpretations which have been published but have not yet entered into force 14
8. Adjustment of error 15
9. Significant accounting principles 17
9.1. Principles of consolidation 17
9.2. Conversion of items expressed in a foreign currency 17
9.3. Property, plant and equipment 17
9.4. Intangible assets 18
9.4.1. Goodwill 19
9.5. Leasing 19
9.6. Impairment of non-financial fixed assets 19
9.7. External finance costs 19
9.8. Financial assets 20
9.9. Impairment of financial assets 21
9.9.1. Assets disclosed according to amortized cost 21
9.9.2. Financial assets shown according to cost 21
9.10. Inventories 21
9.11. Trade and other receivables 21
9.12. Cash and cash equivalents 22
9.13. Interest-bearing bank loans, loans and debt securities 22
9.14. Trade and other liabilities 22
9.15. Provisions 22
9.16. Revenues 23
9.16.1. Revenues from sales of goods and services 23
9.16.2. Provision of services 23
9.16.3. Interest 23
9.16.4. Dividends 23
9.16.5. Revenues from rentals (operating lease) 23
9.16.6. Government subsidies 23
9.17. Tax 23
9.17.1. Current tax 23
9.17.2. Deferred tax 23

9.17.3. Value added tax 24
9.18. Net loss per share 24
10. Business segments 24
11. Revenues and costs 24
11.1. Revenues from sales of goods and services (in PLN '000) 24
11.2. Costs of operating activities 25
11.3. Other operating revenues 25
11.4. Other operating costs 25
11.5. Finance income 26
11.6. Financial costs 26
11.7. Arrangement on the effective tax rate 26
11.8. Deferred income tax 28
12. Loss per share 28
13. Property, plant and equipment 30
14. Leasing 32
14.1. Liabilities from finance lease agreements and tenancy agreements with the option to buy 32
15. Intangible assets 33
16. Purchase of subsidiaries 35
17. Other assets 39
17.1. Other financial assets 39
17.2. Other non-financial assets 40
18. Inventories 40
19. Trade and other receivables 40
20. Cash and cash equivalents 41
21. Share capital and supplementary/reserve capital 42
21.1. Share capital 42
21.1.1. Nominal value of shares 42
21.1.2. Shareholders' rights 43
21.1.3. Equity holders having a significant holding 43
22. Share premium 43
22.1. Non-controlling interests 43
23. Interest on bank loans, loans and other financial liabilities 43
24. Deferred income 45
25. Provisions 46
26. Trade and other liabilities and accruals 47
26.1. Trade and other financial liabilities (current) 47
26.2. Other non-financial liabilities 47
27. Investing liabilities 48
28. Contingent liabilities 48
28.1. Litigation 49
Proceedings pending before a court, competent authority for arbitration proceeding or public administration authority. 49
29. Tax settlements 52
30. Information on related parties 52
30.1. Parent of the entire Group 53
30.2. Entity having significant influence on the Group 53
30.3. Conditions of transactions with related parties 53
30.4. Remuneration of senior management staff of the Group 53
30.4.1. Remuneration paid or due to members of the Management Board and members of the Supervisory Board of the Group 53

30.4.2. Wages and salaries paid or due to members of the Management Board in subsidiaries 54
31. Information on remuneration of the certified auditor or entity authorised to audit financial statements 54
32. Goals and principles of financial risk management 54
32.1. Interest rate risk 55
32.2. Exchange rate risk 55
32.3. Price of goods risk 55
32.4. Credit risk 55
32.5. Liquidity risk 55
33. Financial instruments 56
33.1. Fair value of particular classes of financial instruments 56
33.2. Items of income, costs, profit and loss disclosed in the income statement, divided into categories of financial instruments 58
33.3. Interest rate risk 60
34. Management of capital 60
35. Employment structure 61
36. Events occurring after the balance sheet date 61

SELECTED FINANCIAL DATA

	12-month period ended 31 December 2011	12-month period ended 31 December 2010	12-month period ended 31 December 2011	12-month period ended 31 December 2010
	in PLN'000	in PLN'000	in EUR'000	in EUR'000
Revenues from sales	30 806	14 196	7 441	3 545
Profit/ (loss) on operating activities	(46 123)	(65 795)	(11 141)	(16 431)
Profit/ (loss) before tax	(54 342)	(74 015)	(13 126)	(18 483)
Net profit/ (loss) on continued activities attributable to equity holders of the Issuer	(54 342)	(74 015)	(13 126)	(18 483)
Net cash flow from operating activities	(23 643)	(24 165)	(5 711)	(6 035)
Net cash flow from investing activities	(177 173)	4 788	(42 794)	1 196
Net cash flow from financing activities	233 261	19 706	56 342	4 921
Average weighted number of ordinary shares (not in thousands)	178 527 942	59 105 341	178 527 942	59 105 341
Basic profit/ (loss) from continued activities per ordinary share (not in thousands)	(0.30)	(1.25)	(0.07)	(0.31)

	As at 31 December 2011	As at 31 December 2010	As at 31 December 2011	As at 31 December 2010
	in PLN'000	in PLN'000	in EUR'000	in EUR'000
Total assets	1 130 280	141 389	255 905	35 702
Total liabilities	930 517	199 590	210 677	50 398
Non-current liabilities	79 543	10	18 009	3
Current liabilities	850 974	199 581	192 668	50 395
Equity attributable to equity holders of the Issuer	199 763	(58 202)	45 228	(14 696)
Share capital	29 593	5 919	6 700	1 495

Selected items from the report on financial position presented in EUR were converted according to the average EUR exchange rate announced by the National Bank of Poland on 31 December 2011: 4.4168 PLN/EUR, and on 31 December 2010: 3.9603 PLN/EUR. 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 arithmetical average of the EUR exchange rates which were in effect on the last day of a completed month in financial year 2011 and financial year 2010 (4.1401 PLN/EUR and 4.0044 PLN/EUR respectively).

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

	Note	**Year ended 31 December 2011 in PLN '000** *(audited)*	**Year ended 31 December 2010 in PLN '000** *(restated)*
Continued activities			
Revenues from sales of goods and services	11,1	30 806	14 196
Depreciation and amortization	11.2	(18 818)	(12 873)
Wages and salaries	11.2	(2 419)	(2 167)
Other costs by type	11.2	(56 660)	(53 389)
Other operating income	11.3	5 573	6 445
Other operating expenses	11.4	(4 605)	(18 007)
Profit/ (loss) on operating activities		**(46 123)**	**(65 795)**
Finance income	11.5	1 974	2 099
Other finance costs	11.6	(10 193)	(10 319)
Profit/ (loss) on financial activities		**(8 219)**	**(8 220)**
Profit/ (Loss) before tax		**(54 342)**	**(74 015)**
Current income tax	11.7	-	-
Deferred tax	11.8	-	-
Total income tax		-	-
Net profit/ (loss) from continuing activities		**(54 342)**	**(74 015)**
Net profit (loss) from discontinued activities		-	-
Net profit/ (loss)		**(54 342)**	**(74 015)**
Other comprehensive income		-	-
COMPREHENSIVE LOSS		**(54 342)**	**(74 015)**
Attributable to			
ownership interests of equity holders of the parent		(54 342)	(74 015)
non-controlling interests		-	
Average weighted number of ordinary shares		178 527 942	59 105 341
Net loss on continuing activities per share attributable to equity holders of the fund (in PLN)		(0.30)	(1.25)

STATEMENT OF FINANCIAL POSITIOIN

as at 31 December 2011

	Note	31 December 2011 in PLN '000 (audited)	31 December 2010 in PLN '000 (restated)	1 January 2010 in PLN '000 (restated)
ASSETS				
Fixed assets				
Property, plant and equipment	13	295 502	19 751	21 210
Intangible assets	15	692 278	106 716	116 502
goodwill	16	321 649	372	372
value of frequency reservations		362 327	101 802	110 286
other intangible assets		8 302	4 542	5 844
Other financial assets	17.1	39 564	-	41
Other non-financial assets	17.2	33 161	-	-
Assets from deferred income tax		-	-	-
Total non-current assets		**1 060 505**	**126 467**	**137 753**
Current assets				
Inventories	18	258	324	2 781
Trade and other receivables	19	29 716	9 420	21 951
Cash and cash equivalents	20	37 623	5 178	4 849
Other prepayments	17.2	2 178	-	-
Total current assets		**69 775**	**14 922**	**29 581**
Total assets		**1 130 280**	**141 389**	**167 334**

LIABILITIES	Note	31 December 2011 in PLN '000 (audited)	31 December 2010 in PLN '000 (restated)	1 January 2010 in PLN '000 (restated)
Equity				
attributable to equity holders of the Company, of which:				
Share capital	21.1	29 593	5 919	5 919
Share premium	22	435 560	166 903	189 802
Treasury shares		(150)	(150)	(30 000)
Retained earnings/accumulated losses		(285 214)	(230 874)	(156 859)
Retained earnings / (accumulated losses)		(230 872)	(156 859)	(110 394)
Net profit (loss) from the current period		(54 342)	(74 015)	(46 465)
Non-controlling interests	22.1	19 974	-	-
Total equity		**199 763**	**(58 202)**	**8 862**
Non-current liabilities				
Interest-bearing loans and borrowings	23	44 185	10	36
Deferred income	24	35 358	-	-
Total non-current liabilities		**79 543**		

			10	**36**
Current liabilities				
Trade and other liabilities	26.1 26.2	588 110	44 642	25 455
Deferred income	24	100 181	404	-
Current portion of interest-bearing loans and borrowings and other financial liabilities	23	161 919	147 901	126 863
Liabilities from deferred income tax		-	-	-
Provisions for other liabilities	25	764	6 634	6 118
Total current liabilities		**850 974**	**199 581**	**158 436**
Total liabilities		**1 130 280**	**141 389**	**167 334**

STATEMENT OF CASH FLOWS

as at 31 December 2011

for the year ended 31 December 2011	*Note*	**31 December 2011 in PLN ‘000 *(audited)***	**31 December 2010 in PLN ‘000 *(restated)***
Cash flow from operating activities			
Gross loss		**(54 342)**	**(74 015)**
Adjustments of items:			
Depreciation and amortization	11.2	18 818	12 873
Interest accrued		4 984	7 224
Change in receivables		1 320	5 344
Change in inventories		87	2 456
Change in trade and other liabilities		(27 426)	22 303
Changes in deferred income		51 804	-
Change in state of provisions		(5 870)	515
Change in prepayments/accruals		(15 026)	-
Other		2 008	(865)
Net cash flow from operating activities		**(23 643)**	**(24 165)**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		-	16
Purchase of property, plant and equipment and intangible assets		(10 899)	(1 304)
Sale of investment real estate		-	-
Purchase of investment real estate		-	-
Proceeds from sale of investments in associates and joint ventures		-	-
Purchase of investments in associates and joint ventures		-	-
Acquisition of subsidiary, net of cash acquired		(162 274)	-
Sale of subsidiary, net of cash disposed		-	-
Proceeds from sale of other financial assets		-	41
Purchase of other assets		(4 000)	-
Dividends obtained		-	-
Interest obtained		-	-
Repayment of loans granted		-	6 035
Loans granted		-	-
Other		-	-
Net cash flow from investing activities		**(177 173)**	**4 788**
Cash flow from financing activities			
Proceeds from shares issuance		293 566	-
Purchase/ proceeds from sale of treasury shares		-	200
Proceeds from sale of treasury shares		-	6 951

Proceeds from the issue of commercial papers	51 500	-
Redemption of commercial papers	(104 528)	(7 203)
Repayment of liabilities from finance lease	-	-
Proceeds from loans/borrowings	5 125	-
Repayment of loans/borrowings	(4 375)	-
Costs of shares issuance	(1 614)	-
Loans obtained and repaid	-	22 029
Interest paid	(5 833)	-
Other	(580)	(2 271)
Net cash flow from financing activities	**233 261**	**19 706**
Net increase (decrease) in cash and cash equivalents	32 445	329
Exchange rate differences		
Cash at beginning of period	**5 178**	**4 849**
Cash at end of period	**37 623**	**5 178**

SUMMARY OF CHANGES IN EQUITY

for the year ended 31 December 2011 (in PLN '000)

	Note	Share capital	Share premium	Own shares	Retained earnings/accumulated losses	Total	Non-controlling interests	Total equity
1 January 2011		**5 919**	**166 903**	**(150)**	**(209 576)**	**(36 904)**	-	**(36 904)**
Adjustment of error from previous years	**8**	**-**	**-**	**-**	**(21 298)**	**(21 298)**	**-**	**(21 298)**
1 January 2011 after adjustment		**5 919**	**166 903**	**(150)**	**(230 874)**	**(58 202)**	**-**	**(58 202)**
Shares issuance		**23 674**	**269 891**	**-**	**-**	**293 565**	**-**	**293 565**
Cost of shares issuance		**-**	**(1 234)**	**-**	**-**	**(1 234)**	**-**	**(1 234)**
Purchase of subsidiaries						**-**	**19 974**	**19 974**
Net profit/ (loss) for the period		**-**	**-**	**-**	**(54 342)**	**(54 342)**	**-**	**(54 342)**
Comprehensive income for the period		**-**	**-**	**-**	**(54 342)**	**(54 342)**	**-**	**(54 342)**
31 December 2011		**29 593**	**435 560**	**(150)**	**(285 216)**	**179 787**	**19 974**	**199 761**

	Note	Share capital	Share premium	Treasury shares	Retained earnings/accumulated losses	Ownership interests Total	non-controlling	Total equity
1 January 2010		**5 919**	**189 802**	**(30 000)**	**(142 013)**	**23 708**	**-**	**23 708**
Adjustment of error from previous years	8	**-**	**-**	**-**	**(14 846)**	**(14 846)**	**-**	**(14 846)**
1 January 2010 after adjustment		**5 919**	**189 802**	**(30 000)**	**(156 859)**	**8 862**	**-**	**8 862**
Result from sale of treasury shares		**-**	**(22 899)**	**29 850**	**-**	**6 951**	**-**	**6 951**
Net profit/ (loss) for the period		**-**	**-**	**-**	**(74 015)**	**(74 015)**	**-**	**(74 015)**
Other comprehensive income for the period		**-**	**-**	**-**	**-**		**-**	**-**
Comprehensive income for the period		**-**	**-**	**-**	**(74 015)**	**(74 015)**	**-**	**(74 015)**
31 December 2010		**5 919**	**166 903**	**(150)**	**(230 874)**	**(58 202)**	**-**	**(58 202)**

ACCOUNTING POLICIES AND NOTES

1. General information

The NFI Midas S.A. Capital Group (the "Group") consists of NFI Midas S.A. ("parent", "Company", "Fund") and its subsidiaries. The consolidated financial statements of the Group cover the year ended 31 December 2011 and contain comparative data for the year ended 31 December 2010.

The parent is entered in the Register of Entrepreneurs of the National Court Register kept by the District Court in Warsaw, 12th Commercial Department of the National Court Register under KRS 0000025704.

The parent holds statistical identification number (REGON) 010974600.

The parent and the entities belonging to the Group are established for an unlimited time.

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

The direct parent of the company NFI Midas S.A. is the company Litenite Limited with its registered office in Nicosia, Cyprus.

The following subsidiaries belong to the NFI Midas S.A. Group:

Entity	Registered office	Scope of activity	Percentage share of the Group in capital	
			31 December 2011	31 December 2010
CenterNet S.A.	Warsaw	telecommunications	100%	100%
Mobyland Sp. z o.o.	Warsaw	telecommunications	100%	0%
Conpidon Ltd	Nicosia	no operating activities	100%	0%
Aero 2 Sp. z o.o.	Warsaw	telecommunications	100%	0%
Daycon Trading Ltd	Nicosia	no operating activities	100%	0%
Nova Capital	Warsaw	no operating activities	42.63%	0%

As at 31 December 2011 and as at 31 December 2010, 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. An exception is Nova Capital Sp. z o.o. ("Nova"), in which the Group held 42.63 per cent of the share capital and 50.03 per cent of the votes as at 31 December 2011.

On 6 June 2011, the company Mobyland Sp. z o.o. joined the Group; the Fund holds 100 per cent of the shares in its share capital and 100 per cent of the votes at its general meeting of shareholders (see Note 16).

On 9 December 2011, the company Conpidon Ltd ("Conpidon") also jointed the Group (see Note 16). The Fund, in result of an agreement concluded on that day for the purchase from Litenite Ltd of shares in Conpidon, became the sole shareholder in the capital and votes in Conpidon. Conpidon, in turn, holds 100 per cent of shares in the share capital and voting rights in Aero 2 Sp. z o.o ("Aero2"). The subsidiaries of Aero2 are Nova and Daycon Trading Ltd ("Daycon"). Aero2 holds 100 per cent of the share capital and votes in Daycon, as well as 62,207 shares in the share capital of Nova constituting 42.63 per cent of the capital providing entitlement to 6,207 votes at the general meeting of shareholders of Nova constituting 50.03 per cent of the votes (taking account of 21,599 own shares held by Nova).

2. Composition of the Management Board of the parent

As at 31 December 2011, the Management Board of the parent was composed as follows:

1) Pytel Wojciech – President of the Management Board
2) Adaszewski Krzysztof – Member of the Management Board
3) Kotlicki Maciej – Member of the Management Board

On 25 March 2011, the Supervisory Board of the Fund appointed Mr Krzysztof Adaszewski as a Member of the Management Board.

On 27 October 2011, the Supervisory Board of the Fund, in connection with the appointment of Mr Wojciech Pytel as a Member of the Management Board of the company Polkomtel S.A. with its registered office in Warsaw ("Polkomtel") on 26 October 2011, recalled Mr Wojciech Pytel from the post of President of the Management Board of the Fund. On the same day, 27 October 2011, the Supervisory Board of the Fund appointed Mr Wojciech Pytel as President of the Management Board of the Fund effective as of 15 November 2011. The Supervisory Board's decision to recall and reappoint Mr Wojciech Pytel as President of the Management Board of the Fund was motivated by the need for Mr Pytel to obtain the consent of the relevant bodies of Polkomtel resulting from Article 380 of the Commercial Companies Code.

Up to the day on which these consolidated financial statements were approved, the composition of the Management Board of the parent did not change.

3. Approval of the financial statements

These consolidated financial statements were approved by the Management Board for publication on 20 March 2012.

4. Significant values based on professional judgement and estimates

4.1. Professional judgement

In the process of applying the accounting policies in relation to the issues discussed below, other than accounting estimates, of most significance was the professional judgement of the management.

Classification of lease agreements

The Group classifies leases as operational or financial on the basis of an assessment of what scope the risks and benefits from possessing the subject of a lease are incurred by the lessor and to the lessee. That assessment is based on the economic content of each transaction.

4.2. Uncertainty of estimates

Below, basic assumptions are discussed concerning the future and other key sources of uncertainty as at the balance sheet date with which entail a significant risk of having to adjust the balance sheet values of assets and liabilities in the next financial year.

Impairment of assets

The Group conducted impairment tests of fixed assets and temporarily acknowledged goodwill. This required estimating the useful value of the cash-generating centre to which those fixed assets belong. Estimating useful value involved determining future cash flows generated by the centre generating the cash, and requires determining the discount rate to be applied in order to calculate the current value of such cash flows.

Depreciation rates

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

5. Basis for preparing the consolidated financial statements

These consolidated financial statements were prepared in accordance with the historical cost principle, except for financial assets held for sale and financial assets and liabilities measured at fair value, corresponding to the statement of comprehensive income.

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

These consolidated financial statements were prepared on the assumption that the business activities of the companies of the Group will continue in the foreseeable future. As at the day on which these financial statements were approved, no circumstances were found which would pose a threat to the continued activity of the Group.

5.1. Declaration on compliance

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (“IFRS”) and the IFRS approved by the European Union. As at the day of approving these statements, taking account of the process ongoing in the European Union of introducing the IFRS and of the activity conducted by the Group, within the scope applied by the Group there are no differences in the accounting standards applied by the Group between the IFRS which have come into force and the IFRS approved by the European Union.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board (“IASB”) and the International Financial Reporting Standards Interpretations Committee (“IFRSIC”).

Some units of the Group keep their own books of account in accordance with the accounting principles set out in the Accountancy Act of 29 September 1994 as amended (the “Act”) and the provisions issued on its basis (“Polish accounting standards”). The consolidated financial statements contain adjustments not contained in the books of account of units of the Group, introduced in order to conform the financial statements of those units with IFRS.

5.2. Functional currency and currency of the financial statements

The functional currency of the parent and other companies included in these consolidated financial statements, and the reporting currency of these consolidated financial statements, is the Polish zloty.

6. Changes in accounting principles applied

The accounting policies applied in preparing these consolidated financial statements are consistent with those applied in preparing the annual consolidated financial statements of the Group for the year ended 31 December 2010, except for the following new or amended standards and interpretations in force for annual periods beginning on or after 1 January 2011:

- Amendments to IAS 24 *Disclosure of information on related parties* (amended in November 2009) - which apply for annual periods beginning on or after 1 January 2011. The purpose of those amendments is to simplify and clarify the definition of a related party. The amendment removed the requirement of disclosing information concerning transactions with a party related to the government which exercises control or joint control over the reporting entity or which has significant influence over another entity which is a related party, because the same government exercise control or joint control over the reporting entity and the second party or has significant influence over it. 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 financial statements.
- Amendments of IFRSIC 14 IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Pre-payments of Minimum Funding Requirements* - which apply for annual periods beginning on or after 1 January 2011. That change removes the unintended effect of IRFSIC 14 concerning voluntary payments for retirement purposes in a situation where minimum financing requirements exist. The application of these changes had no effect on the financial position or operating results of the Group.
- IFRSIC 19 - *Extinguishing Financial Liabilities with Equity Instruments* - which applies for annual periods beginning on or after 1 July 2010. IFRSIC 19 clarifies the accounting principles applied in a situation where, as a result of a party renegotiating the conditions of its debt, a liability is regulated through the debtor issuing equity instruments for the creditor. The application of that interpretation had no effect on the financial position or operating results of the Group.
- Amendments of IAS 32 *Financial Instruments: Presentation: Classification of Pre-emptive Rights Issuances.* The change specifies how a particular pre-emptive right should be recognisedin a situation where financial instruments issued are denominated in a currency other than the issuer's functional currency. The application of these changes had no effect on the financial position or operating results of the Group.
- Amendments resulting from a review of IFRS (published in May 2010) - some of the changes apply for annual periods beginning on or after 1 July 2010, and some for annual periods on or after 1 January 2011. The application of these changes had no effect on the financial position or operating results of the Group.
- Amendments of IFRS 1 *First-time Adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* - which apply for annual periods beginning on or after 1 July 2010. The application of these changes had no effect on the financial position or operating results of the Group.

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

7. New standards and interpretations which have been published but have not yet entered into force

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

- Phase one of standard IFRS 9 *Financial Instruments: Classification and Measurement* - which applies for annual periods beginning on or after 1 January 2015 - not approved by the EU by the date of approval of these financial statements. In further phases, the International Accounting Standards Board will deal with the accounting of security and impairment. The application of the first phase of IFRS 9 will affect the classification and measurement of financial assets of the Company/Group. The Company/Group will assess that impact in connection with other phases when they are published in order to present a coherent picture,
- Amendments to IFRS 7 *Financial Instruments: Disclosures: Transfers of Financial Assets* - which apply for annual periods beginning on or after 1 July 2011.
- Amendments of IAS 12 *Income taxes: Tax Realisation of Assets* - which apply for annual periods beginning on or after 1 January 2012 - not approved by the EU by the date of approval of these financial statements,

- Amendments of IFRS 1 *First-time Adoption of International Financial Reporting Standards: Sever Hyperinflation and Removal of Fixed Dates for First-time Adopters* - which apply for annual periods beginning on or after 1 July 2011 - not approved by the EU by the date of approval of these financial statements,
- IFRS 10 *Consolidated Financial Statements* - which applies for annual periods beginning on or after 1 January 2013 - not approved by the EU by the date of approval of these financial statements,
- IFRS 11 *Joint Arrangements* - which applies for annual periods beginning on or after 1 January 2013 - not approved by the EU by the date of approval of these financial statements,
- IFRS 12 *Disclosure of Interests in Other Entities* - which applies for annual periods beginning on or after 1 January 2013 - not approved by the EU by the date of approval of these financial statements,
- IFRS 13 *Fair Value Measurement* - which applies for annual periods beginning on or after 1 January 2013 - not approved by the EU by the date of approval of these financial statements,
- Amendments of IAS 19 *Employee Benefits* - which apply for annual periods beginning on or after 1 January 2013 - not approved by the EU by the date of approval of these financial statements,
- Amendments of IAS 1 *Presentation of financial statements: Presentation of items of other comprehensive income* - which apply for annual periods beginning on or after 1 July 2012 - not approved by the EU by the date of approval of these financial statements,
- IFRSIC 20 *Stripping Costs of the Production Phase in a Surface Mine* - which applies for annual periods beginning on or after 1 January 2013 - not approved by the EU by the date of approval of these financial statements,
- Amendments of IFRS 7 *Financial Instruments: Disclosures: Compensation of Financial Assets and Financial Liabilities* - which apply for annual periods beginning on or after 1 January 2013 - not approved by the EU by the date of approval of these financial statements,
- Amendments of IAS 32 *Financial Instruments: Presentation: Compensation of Financial Assets and Financial Liabilities* - which apply for annual periods beginning on or after 1 January 2014 - not approved by the EU by the date of approval of these financial statements,
- Amendments of IFRS 1 *First-time Adoption of International Financial Reporting Standards: Government loans* - which apply for annual periods beginning on or after 1 January 2013 - not approved by the EU by the date of approval of these financial statements.

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

8. Adjustment of error

Information on errors from previous years.

In connection with an adjustment of error from previous years, as at 1 January 2010 and 31 December 2010, appropriate adjustments were made of comparative data in the consolidated report on financial position, the consolidated statement of comprehensive income, the statement of cash flows, and the statement of changes in equity.

The Company identified errors in the opening balance, both on 31 December 2010 and 1 January 2010. A description of the adjustments is provided below:

As at 31 December 2010:

a) Undisclosed revaluation write-downs of receivables from goods and services as at 31 December 2010 in the amount of PLN 821,000,

b) Undisclosed revaluation write-downs of inventories as at 31 December 2010 in the amount of PLN 1,486,000,

c) Impairment of receivables in the balance sheet as at 31 December 2010 in the amount of PLN 2,909,000,

d) Premature disclosure of a write-off of liabilities of PLN 454,000,

e) Prematurely recognised revenues as at 31 December 2010 in the amount of PLN 404,000,

f) Undisclosed costs as at 31 December 2010 in the amount of PLN 495,000,

g) An undisclosed amount of depreciation of fixed and intangible assets for 2010 in the amount of PLN 820,000,

As at 1 January 2010:

h) An undisclosed impairment of fixed assets as at 1 January 2010 in the amount of PLN 2,322,000,

i) An undisclosed adjustment of sales for 2009 in the amount of PLN 345,000.

As at 31 December 2010 and 1 January 2010:

An adjustment of the cancellation of a frequency reservation as at 1 January 2010 in the amount of PLN (12,179,000) and as at 31 December 2010 in the amount of PLN (11,242,000).

The impact of the above adjustments on the net loss for 2010 and the impact on equity as at 31 December 2010 and 1 January 2010 are presented below.

Description of adjustment	Impact on result for 2010	Effect on capital as at 31 December 2010	Effect on capital as at 1 January 2010
in PLN '000			
Historical data	**(67,563)**	**(36,904)**	**23,708**
a) Write-down of receivables	(821)	(821)	-
b) Write-down of provisions	(1,486)	(1,486)	-
c) Impairment of receivables	(2,909)	(2,909)	-
d) Premature disclosure of cancelled liabilities	(454)	(454)	-
e) Premature recognition of revenues	(404)	(404)	-
f) Disclosure of costs	(495)	(495)	-
g) Disclosure of missing depreciation and amortization	(820)	(820)	-
h) Impairment of fixed assets	-	(2,322)	(2,322)
i) Undisclosed adjustment of sales	-	(345)	(345)
j) Adjustment of depreciation of frequency reservations	937	(11,242)	(12,179)
Adjusted data	**(74,015)**	**(58,202)**	**8,862**

As at 31 December 2010, adjustments of presentation were made involving connecting liabilities from accrued interest on commercial paper with assets relating to a reduction on that interest in the amount of PLN 1,577,000.

	31 December 2010
Loss per share before adjustment of error*	(1.14)
Loss per share after adjustment of error*	(1.25)

**The number of shares considered in calculating net loss per share comprises the weighted average number of shares in the amount of 59,105,341, calculated as total shares in the Fund minus own shares (the number of shares was calculated in the annual report of the Fund for the year ending on 31 December 2010)*

9. Significant accounting principles

9.1. Principles of consolidation

These consolidated financial statements comprise the financial statements of the Midas Capital Group and the financial statements of its subsidiaries, prepared in each case for the year ended 31 December 2011. The financial statements of 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 among entities of the Group, including unattained profits resulting from transactions within the group, were entirely eliminated. Unattained 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 by the parent is held when it directly or indirectly, through a subsidiary, possesses more than half of the votes in a given company, unless it can be demonstrated that that amount does not constitute having control. Control is also held when the Company has the possibility of directing the financial and operational policy of a given entity.

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 adjust the balance sheet value of the controlling shares and the 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 affect equity, and are attributed to the owner of the parent.

9.2. Conversion of items expressed in a foreign currency

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

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

	31 December 2011	**31 December 2010**
GBP	5.2691	4.5938
EUR'000	4.4168	3.9603

The functional currency of foreign subsidiaries is PLN, due to the fact that the Polish zloty is the basic currency in which transactions are denominated.

9.3. Property, plant and equipment

Property, plant and equipment are shown according to purchase price/cost of production reduced by depreciation and impairment write-downs. The initial value of fixed assets comprises their purchase price increased by all costs directly related to purchasing an asset component and adapting it for use. Costs also include the cost of replacing parts of machinery and equipment at the moment they are incurred if they meet the relevant criteria for disclosure.Costs incurred after the date on which a fixed asset is handed over for use, such as maintenance and repair costs, encumber profit or loss at the moment they are incurred.

At the moment 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. Costs of general renovations are also component parts.

Depreciation is calculated by the linear method, beginning from the first day of the month following the month in which a fixed asset was handed over for use, applying depreciation rates reflecting the estimated useful life of a given asset component. The depreciation rates applied to fixed assets are as follows:

Type	**Depreciation rates**
Buildings and structures	4.5% - 10%
Technical machinery and equipment	6% - 30%

Office equipment	20%-25%
Vehicles	14%-20%
Computers	6% - 30%
Investments in external fixed assets	20%

The final value, useful life and method of depreciation of assets components are verified annually. A given item of property, plant and equipment may be removed from the balance sheet after it has been disposed of in the case where no economic benefits are expected resulting from the further use of that asset component. All profits and losses resulting from the removal of a given asset component from the balance sheet (calculated as the difference between any eventual net proceeds from sales and the balance sheet value of a given item) are disclosed in the profit or loss for the period in which the removal occurs.

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

9.4. Intangible assets

Intangible assets acquired in a separate transaction or created (if they meet the disclosure criteria for development costs) are initially measured at purchase price or cost of production, as appropriate. The purchase price of intangible values acquired in a merger transaction is equal to their fair value as at the day of the merger. After initial disclosure, intangible assets are shown according to their purchase price or cost of production reduced by depreciation and impairment. Expenses incurred on intangible assets created on own account, other than activated expenses incurred for development, are not activated and are disclosed under costs 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 depreciated throughout that period and are subjected to impairment tests where conditions arise suggesting a decline in their value. The period and method of depreciation 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 component are disclosed by changing, as appropriate, the period or method of depreciation, treated as changes of estimated value. Write-downs of components of intangible assets having a defined useful life are disclosed in profit or loss in the category corresponding to the function of a given component of intangible assets.

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 unit generating cash.

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

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

	Licenses	*Concessions for frequencies*	*Computer software*	*Know-how*
Useful life	For licenses used on the basis of an agreement concluded for a defined period of time, that period is used in conjunction with an additional period for which the useful life may be extended.	15 years	2-5 years	5 years
Method of depreciation used	Depreciation over period of agreement (2-7 years) - linear method	15 years - linear method	2-5 years - linear method	5 years - linear method
Internally produced or acquired	Acquired	Acquired	Acquired	Acquired
Impairment test	Annually in the case of components not yet handed over for use and where circumstances suggest impairment.	Annually in the case of components not yet handed over for use and where circumstances suggest impairment.	Annual assessment where circumstances suggesting impairment arise.	Annual assessment where circumstances suggesting impairment arise.

Profits and losses resulting from the removal of a given asset component from the balance sheet are measured according to the difference between net proceeds from sales and the balance sheet value of a given asset component, and are disclosed in the profit or loss for the period in which they are removed from the balance sheet.

9.4.1. Goodwill

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

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

After the initial disclosure, goodwill is shown according to purchase price reduced by all accumulated impairment write-downs. An impairment test is conducted once per year, or more often is circumstances suggest such a need. Goodwill is not subject to depreciation.

As at the day of takeover, the goodwill acquired is allocated to each centre generating cash which could benefit from the synergy of the merger. Each centre or group of centres 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 not 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 centre to which a given amount of goodwill was allocated. In the case where the recoverable value of a cash-generating centre is lower than the balance sheet value, an impairment write-down is made. In the case where goodwill comprises part of a cash-generating centre and a sale is made of part of the operations of that centre, when determining profit or loss on sales for such activity, goodwill associated with the operations sold is joined to its balance sheet value. In such circumstances, the goodwill sold is determined on the basis of the relative value of the operation sold and the value of the part of the cash-generating centre retained.

9.5. Leasing

The Group as a lessee

Finance lease agreements for which the Group bears in principal all of the risk and benefits resulting from possession of the subject of the lease are disclosed in the balance sheet on the day the lease commences, according to the lower of the following two values: fair value of the fixed asset comprising the subject of the lease, or the current value of the minimum lease payments. Lease payments are divided among financial costs and reduced by the balance of the lease liability in a way which makes it possible to obtain a fixed interest rate on that part of the liability remaining to be repaid. Finance costs are disclosed in profit or loss, unless the capital requirements are met.

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

Lease agreements under which the lessor retains in principle all of the risk and benefits resulting from possession of the subject of the lease are disclosed under operating lease agreements. Lease payments from an operating lease and later lease instalments are disclosed as operating costs in profit or loss by the linear method over the period of the lease.

Conditional lease payments are disclosed as a cost in the period in which they are due.

9.6. Impairment of non-financial fixed assets

As at each balance sheet date, the Group assesses whether conditions exist which suggest that an impairment recognised in previous periods for a given asset component is unnecessary or should be reduced. If such circumstances exist, the Group estimates the recoverable value of the asset component. A previously disclosed impairment write-down is subject to reversal when and only when, since the moment 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 component. In such a case, the balance sheet value of the asset component is increased to the amount of its recoverable value. The increased amount cannot exceed the balance sheet value of the asset component which would be determined (after amortization) if in previous years no impairment write-down had been made for that asset component. Reversal of an impairment write-down is immediately disclosed as revenue. After the reversal of a write-down, in subsequent periods the write-down concerning a given component is adjusted so as to make it possible, during the rest of the component’s useful life, to systematically write down its verified balance sheet value reduced by its final value.

9.7. External finance costs

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

9.8. Financial assets

Financial assets are divided into the following categories:

- Financial assets held to maturity,
- Financial assets measured at fair value by the financial result,
- 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 in the initial disclosure as measured at fair value by the financial result,
- those designated as available for sale,
- those meeting the definition of loans and receivables.

Financial assets held to maturity are measured according to amortized cost using the effective interest rate method. Financial assets held to maturity are qualified as long-term assets if their maturity occurs more than 12 months after the balance sheet date.

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

a) it is classified as designated for trading. Financial asset components 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 hedging accounting and financial guarantee agreements,

b) qualified to that category in accordance with IAS 39 at the moment of initial disclosure.

Financial assets measured at fair value by the financial result 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 value of such financial instruments are disclosed in the statement of comprehensive income as financial income or costs. If a contract contains one or more embedded derivative instruments, the entire contract may become classified in the category of financial assets measured at fair value by the financial result. This does not apply to cases where an embedded derivative instrument does not significantly affect cash flow from the contract or where it is obvious without or after conducting a superficial analysis that, if a similar hybrid instrument had first been considered, the separation of the embedded derivative instrument would have been prohibited. At the initial disclosure, financial assets may be classified to categories measured at fair value by the financial result if the following criteria are met: (i) such classification eliminates or considerably reduces inconsistencieswithin the scope of the disclosure or measurement (accounting mismatching), or (ii) the assets are part of a group of financial assets which are managed and measured at fair value in accordance with a documented risk management strategy, or (iii) the financial assets contain embedded derivative instruments which should be disclosed separately. As at 31 December 2011 and at 31 December 2010, financial assets of a value of PLN 37,623,000 were classified in categories measured at fair value by the financial result (as at 31 December 2010, PLN 5,178,000).

Loans 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 is not more than 12 months after the balance sheet date. Loans granted and receivables having a maturity date falling more than 12 months after the balance sheet date are counted as fixed 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 costs which may be directly assigned to the acquisition or issue of the financial asset component. Where there is no listing on an active market and no possibility of reliably determining their fair value by 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 as a financial cost.

The acquisition and sale of financial assets is recognised as at the day of a transaction. At the moment of initial disclosure, a component of financial assets is measured at fair value, increased, in the case of an asset component not classified as measured at fair value by the financial result, by the transaction costs which can be directly attributed to the purchase.

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

9.9. Impairment of financial assets

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

9.9.1. Assets disclosed according to amortized cost

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

The Group first evaluates whether any objective circumstances exist for the impairment of particular financial assets which are individually significant, as well as circumstances for the impairment of financial assets which are individually not significant. If it results from the analysis that no objective circumstances exist for the impairment of an individually assessed component of financial assets, irrespective of whether it is significant or not, then the Group attaches that component to a group of financial assets having similar credit risk characteristics and makes a joint assessment of impairment. Assets which are assessed individually with regard to 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 assessment of a group of assets with regard to impairment.

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. A later reversal of an impairment write-down is disclosed in profit or loss within the scope the balance sheet value of the asset component did not exceed its amortized cost on the day of the reversal.

9.9.2. Financial assets shown according to cost

If there are objective circumstances indicating that there has been an 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 balance sheet value of the financial asset component and the current value of estimated future cash flows discounted by applying the current market rate of return for similar financial assets.

9.10. Inventories

Inventories are measured according to the lower of two values: purchase price, and net sale price possible to obtain.

The costs 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	• in purchase price determined by the detailed identification method
Goods	• in purchase price determined by the detailed identification method

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

9.11. 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 cease to be probable.

In the case where the impact of a monetary value in time is important, the value of the receivable is determined by discounting the forecast future cash flows to the current value, applying a discount rate which reflects the current market price of the monetary value over time. If a method involving discounting was applied, an increase of a receivable in connection with the lapse of time is disclosed as financial income.

Other receivables includes in particular advances paid on future purchases of property, plant and equipment, intangible assets, and inventories. Advances are presented in accordance with the nature of the assets to which they refer - fixed or current assets, as appropriate. As non-monetary assets, advances are not subject to discounting.

Budget receivables are presented under other non-financial assets, except for receivables from corporate income tax, which constitute a separate item in the balance sheet.

9.12. Cash and cash equivalents

Cash and short-term deposits shown in the balance sheet comprise cash at bank and on hand, and short-term deposits having an initial maturity period of not more than three months.

The balance of cash and equivalents shown in the consolidated cash flow statement consists of the above-defined cash and cash equivalents reduced by unrepaid credit on current accounts.

9.13. Interest-bearing bank loans, loans and debt securities

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

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

Proceeds and costs are disclosed in profit or loss at the moment a liability is removed from the balance sheet, as well as in result of a settlement by the effective interest rate method.

9.14. Trade and other liabilities

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

Financial liabilities measured at fair value by the financial result comprise financial liabilities designated for trading and financial liabilities initially classified to categories measured at fair value by the financial result. Financial liabilities are classified as designated for trading if they were acquired to be sold in the near future. Derivative instruments, including separated embedded instruments, are also classified as designated for trading, unless they are recognised as effective hedging instruments. Financial liabilities may be classified after initial disclosure to categories measured at fair value by the financial result if the following criteria are met: (i) such classification eliminates or considerably reduces inconsistencies of treatment when both the measurement and the principles of recognising losses or profits are subject to other regulations, or (ii) the liabilities are part of a group of financial liabilities which are managed and measured at fair value in accordance with a documented risk management strategy, or (iii) the financial liabilities contain embedded derivative instruments which should be disclosed separately. As at 31 December 2011 and at 31 December 2010, no financial liabilities were classified in categories measured at fair value by the financial result.

Financial liabilities measured at fair value by the financial result 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 costs or revenues.

Other financial liabilities which are not financial instruments measured at fair value by the financial result are measured according to amortized costs, 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 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 balance sheet values is shown in profit or loss.

Other non-financial liabilities comprises 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 non-financial assets are disclosed in the amount of payment due.

9.15. 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 costs comprising the provision will be refunded, for example under an insurance agreement, then that refund is disclosed as a separate asset component, but only when it is virtually certain that that refund will actually be made. Costs concerning a given provision are shown in the statement of income after reduction by all refunds.

In the case where the impact of a monetary value in time is important, the value of the provision is determined by discounting the forecast future cash flows to the current value, applying a discount rate which reflects the current market price of the monetary value in time 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 as a financial cost.

9.16. Revenues

Revenues are disclosed in the amount which is likely that the Group can obtain economic benefits in connection with a given transaction and if the amount of revenues can be reliably assessed. Revenues are recognised at the fair value of a payment obtained or due, after deduction of VAT and discounts. In disclosing revenues, the criteria stated below also apply.

9.16.1. Revenues from sales of goods and services

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

9.16.2. Provision of services

Revenues from sales of services are disclosed in the period in which a service is provided, based on the degree of advancement of a specific transaction, determined on the basis of the amount of the work actually performed in relation to the entire service to be performed.

9.16.3. Interest

Revenue from interest is disclosed successively as it accrues (using the effective interest rate method constituting the discount rate of future proceeds over the estimated life of the financial instruments) in proportion to the net balance sheet value of a given component of financial assets.

9.16.4. Dividends

Dividends are disclosed at the moment shareholders or owners are granted the right to obtain them.

9.16.5. Revenues from rentals (operating lease)

Revenues from the rental of investment real estate are disclosed by the linear method over the period of the lease in relation to open agreements.

9.16.6. Government 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, then it is disclosed as a reduction of the costs 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.

9.17. Tax

9.17.1. Current tax

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

9.17.2. *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 balance sheet value as shown in the financial statements.

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

- except for a situation where the provision for deferred tax arises in result of an initial disclosure of goodwill or an initial disclosure of a component of assets or a liability from a transaction which does not constitute a merger and which at the moment of its conclusion has no effect on the gross financial result or taxable income or tax loss, and
- in the case of additional temporary differences resulting from investments in subsidiaries or associates and ownership interests 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 asset for deferred tax concerns negative temporary differences arising in result of the temporary disclosure of a component of assets or liabilities from a transaction not constituting a merger and which, at the moment of being concluded, has no effect on the gross financial result, taxable income or tax loss, and
- in the case of negative temporary differences from investments in subsidiaries or associates and ownership interests in joint ventures, an asset component from deferred income tax is disclosed in the balance sheet 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 set off the negative temporary differences.

The balance sheet value of an asset component from deferred tax 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 implementing the asset component from deferred income tax. An undisclosed asset component from deferred income tax is subject to revaluation at each balance sheet date and is disclosed in the amount reflecting the likelihood of achieving taxable income in the future which will make it possible to recover that asset component.

Assets from deferred income tax 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 component is implemented or provision dissolved, assuming the tax rates (and tax provisions) in force as at the balance sheet date or those which are sure to be in force in the future as at the balance sheet date.

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

The Group balances assets from deferred income tax with provisions for deferred income tax when and only when its capacity to enforce legal title to compensate receivables with liabilities from current tax and deferred income tax relates to the same taxpayer and the same tax authority.

9.17.3. Value added tax

Revenues, costs, 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 component or as part of the cost item, and
- receivables and liabilities which are shown taking account of the amount of VAT.

The net amount of VAT which can be recovered or is due to be paid to the tax authorities is disclosed in the balance sheet as part of receivables or liabilities.

9.18. Net loss per share

The net loss per share 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 diluted loss per share because there are no dilutive potential ordinary shares.

10. Business segments

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

11. Revenues and costs

11.1. Revenues from sales of goods and services (in PLN '000)

	Year ended 31 December 2011	**Year ended 31 December 2010**
Proceeds from sale of telecommunications services	29 509	13 777
Proceeds from sale of telephone handsets	1 272	82
Other	25	337
Total	30 806	14 196

11.2. Costs of operating activities

	Year ended 31 December 2011 in PLN '000	Year ended 31 December 2010 in PLN '000
Cost of own materials and services sold	1 452	584
Depreciation and amortization	18 818	12 873
Consumption of materials	559	604
External services	38 528	43 386
Taxes and charges	15 116	5 422
Advertising	521	3 086
Wages and salaries	2 419	2 167
Social insurance and other benefits	352	306
Other costs	131	1
Total	**77 897**	**68 429**

11.3. Other operating revenues

	Year ended 31 December 2011 in PLN '000	Year ended 31 December 2010 in PLN '000
Dissolution of provisions	4	5 339
Compensation obtained and similar*	1 791	-
Dissolution of write-downs of receivables and inventories	244	-
Cancellation of financial liabilities**	3 178	-
Other	356	1 106
Total	**5 573**	**6 445**

** including the amount of the advance together with interest (PLN 1,091,000) returned to the Issuer by Torpol Sp. z o.o. in connection with a settlement described more fully in Note 28.1.*
*** In 2011, CenterNet S.A. concluded Understandings with suppliers on the basis of which part of the Company's financial liabilities towards those partners was cancelled after the Company met certain additional requirements. The total amount written off was PLN 3,178,000.*

11.4. Other operating costs

	Year ended 31 December 2011 in PLN '000	Year ended 31 December 2010 in PLN '000
Compensation and penalties	-	6 507
Understandings/settlements	-	4 043
Enforcement costs	-	42
Loss from disposal/liquidation of non-financial fixed assets	1 491	6
Revaluation write-down of the value of fixed assets under construction*	2 742	-
Revaluation write-down of the value of inventories	-	1 486

Write-down of receivables	-	820
Revaluation write-down of the value of other assets	-	2 909
Inventory differences	-	571
Other	372	1 623
Total	**4 605**	**18 007**

**the write-down concerning fixed assets under construction comprising telecommunications infrastructure of CenterNet S.A. The Company estimated the usable value of the fixed assets and made a write-down of their value as at 31 December 2011*

11.5. Finance income

	Year ended 31 December 2011 in PLN '000	Year ended 31 December 2010 in PLN '000
Income from bank interest	376	48
Income from interest on commercial papers	-	251
Income from interest on loans granted	848	778
Investment income	-	888
Positive exchange rate differences	86	134
Other finance income*	664	-
Total	**1 974**	**2 099**

**Cheques obtained from the liquidation of the subsidiary ACC Ltd, over which the Fund lost control*

11.6. Financial costs

	Year ended 31 December 2011 in PLN '000	Year ended 31 December 2010 in PLN '000
Interest on issued commercial papers	4 566	7 686
Interest on loans and borrowings	3 531	2 124
Interest on bank guarantees	273	-
Interest on delays	124	324
Interest on finance lease agreements	4	139
Negative exchange rate differences	1 635	47
Other finance costs	60	-
Total	**10 193**	**10 320**

11.7. Arrangement on the effective tax rate

The arrangement on income tax on the gross financial result before tax according to the statutory tax rate, with income tax charged at the effective tax rate of the Group for the years ending on 31 December 2011 and 31 December 2010, is as follows:

	Year ended 31 December 2011 in PLN '000	Year ended 31 December 2010 in PLN '000

Loss before taxation	(54 342)	(74 015)
Tax at the statutory tax rate in effect in Poland - 19%	10 325	14 063
Undisclosed tax loss and other undisclosed temporary differences	(10 325)	(14 063)
Tax at the effective tax rate of 0% (2010: 0%)	-	-
Income tax shown in the consolidated loss	-	-

11.8. Deferred income tax

Deferred income tax results from the following items:

	Year ended 31 December 2011 in PLN '000	Year ended 31 December 2010 in PLN '000
Negative temporary differences:		
Interest on liabilities accrued but not paid	977	566
Negative exchange rate differences from the balance sheet measurement	3	8
Balance sheet depreciation andamortization different from tax amortization	21 773	2
Revaluation write-downs of receivables	740	736
Revaluation write-downs of inventories	263	1 486
Revaluation write-downs of property, plant and equipment	2 742	2 322
Provisions for other costs	1 388	17 624
Other	-	4
	27 885	22 749
Accumulated tax losses to be settled	244 780*	20 800**
Tax loss from current year	178 364*	50 494**
Total deferred tax losses	423 144	71 295
Gross value of assets from deferred income tax	85 696	17 868
The value of items for which deferred tax was not disclosed given the anticipated impossibility of realising the assets in deferred tax from future tax results of the Group	(85 696)	(17 868)
Assets from deferred income tax shown in the balance sheet	-	-
Provision for deferred income tax shown in the balance sheet	-	-
Value of deferred tax disclosed in capital in the reporting period	-	-
Change in deferred tax disclosed in the income statement	-	-

** concerns the following companies: Midas S.A., Aero2 Sp. z o.o., CenterNet S.A., Mobyland Sp. z o.o., Nova Capital Sp. z o.o.*
*** concerns the following companies: Midas S.A. and CenterNet S.A.*

12. Loss per share

The basic loss per share is calculated by dividing the net loss for the period attributed 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 2011 in PLN '000	Year ended 31 December 2010 in PLN '000
Net loss on continuing activities	54 342	74 015
Loss on discontinued activities	-	-
Net loss	**54 342**	**74 015**

	Year ended 31 December 2011	Year ended 31 December 2010
Weighted average number of ordinary shares issued used in calculating the basic loss per share	**178 527 942**	**59 105 341**

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.

13. Property, plant and equipment

For the year ended 31 December 2011 (in PLN '000)

	Civil engineering buildings, premises and facilities	Other technical equipment and machinery	Infrastructure technical equipment and machinery	Vehicles	Investments in external fixed assets	Other fixed assets	Investments commenced	Total
Gross value of fixed assets as at 1 January 2011	-	425 -	11 172	174 -	129 -	37	11 847	23 784
Decrease resulting from loss of control over subsidiaries	-	-	-	-	-	-	-	-
Purchase of subsidiaries	88 808	70	193 204	-	-	614	19 297	301 993
Increase resulting from purchase of assets	-	21	-	-	-	-	309	330
Other increases	-	-	-	-	-	-	-	-
Impairment write-down	-	-	-	-	-	-	(2 742)	(2 742)
Transfers	-	-	-	-	-	-		-
Sale/liquidation	-	(118)	-	(109)	(129)	(8)	(494)	(858)
Transfer from fixed assets under construction	-	19	1 045	-	-	-	(1 064)	-
Gross value of fixed assets as at 31 December 2011	88 808	417	205 421	65	-	643	27 153	322 507
Accumulated depreciation as at 1 January 2011		353	3 499	143	8	30		4 033
Decrease resulting from loss of control over subsidiaries	-	-	-	-	-	-	-	-
Depreciation and amortization	-	54	3 914	21	-	2	-	3 991
Purchase of subsidiaries	3 050	52	15 902	-	-	208	-	19 212
Reclassification of assets designated for sale	-	-	-	-	-	-	-	-
Sale/liquidation	-	(108)	-	(108)	(8)	(7)	-	(231)
Exchange rate differences	-	-	-	-	-	-	-	-
Cancellation as at 31 December 2011	3 050	351	23 315	56	-	233	-	27 005
Net value of fixed assets as at 1 January 2011	-	72	7 673	31	121	7	11 847	19 751
Net value of fixed assets as at 31 December 2011	85 758	66	182 106	9	.	410	27 153	295 502

Year ended 31 December 2010 (in PLN '000)

	Civil engineering buildings, premises and facilities	Other technical equipment and machinery	Infrastructure technical equipment and machinery	Vehicles	Investments in external fixed assets	Other fixed assets	Investments commenced	Total
Gross value of fixed assets as at 1 January 2010	-	464	10 359	174	129	43	11 224	22 393
Decrease resulting from loss of control over subsidiaries	-	-	-	-	-	-	-	-
Increase resulting from purchase of assets	-	32	75	-	-	-	68	175
Other increases		-	637	-	-	-	656	1 293
Transfers	-	-	-	-	-	-	-	-
Sale/liquidation	-	(71)		-	-	(6)	-	(77)
Transfer from fixed assets under construction	-	-	102	-	-	-	(102)	-
Gross value of fixed assets as at 31 December 2010	-	425	11 173	174	129	37	11 846	23 784
Cancellation as at 1 January 2010	-	291	762	94	7	28	-	1 182
Decrease resulting from loss of control over subsidiaries	-	-	-	-	-	-	-	-
Depreciation and amortization	-	116	2 737	49	1	6	-	2 909
Reclassification of assets designated for sale		-	-	-	-	-	-	-
Sale/liquidation	-	(54)	-	-	-	(5)	-	(59)
Exchange rate differences	-	-	-	-	-	-	-	-
Cancellation as at 31 December 2010	-	353	3 499	143	8	29	-	4 032
Net value of fixed assets as at 1 January 2010	-	173	9 597	80	122	15	11 224	21 211
Net value of fixed assets as at 31 December 2010	-	72	7 674	31	121	8	11 846	19 752

14. Leasing

14.1. Liabilities from finance lease agreements and tenancy agreements with the option to buy

As at 31 December 2011, and at 31 December 2010 and 1 January 2010, future minimum lease charges from those agreements and the net value of the current minimum lease charges is as follows:

	31 December 2011 in PLN '000		**31 December 2010 in PLN '000**		**1 January 2010* in PLN '000**	
	Charges minimum	Value of current charges	Charges minimum	Value of current charges	Charges minimum	Value of current charges
In a 1-year period	97 501	92 247	–	–	–	–
In a 1-5 year period	–	–	–	–	–	–
Over 5 years	–	–	–	–	–	–
Total minimum lease charges	97 501	92 247	–	–	–	–
Minus finance costs	5 254	–	–	–	–	–
Value of current minimum lease charges, of which:	97 501	–	–	–	–	–
Current	97 501	92 247	–	–	–	–
Non-current	–	–	–	–	–	–

15. Intangible assets

For the year ended 31 December 2011 (in PLN '000)

	Goodwill .	Frequency reservation	Computer software and licenses	Other	Intangible assets infrastructure	Total
Gross value of intangible assets as at 1 January 2011	**372**	**127 960**	**342**	**10**	**6 157**	**134 841**
Purchase of subsidiaries	**321 277**	**344 960**	**14**	**5 331**	**61**	**671 643**
Increase resulting from purchase of assets	**-**	**-**	**4**	**21**	**1 193**	**1 218**
Other increases	**-**	**-**		**11**	**1 373**	**1 384**
Decrease	**-**	**-**	**(297)**	**-**	**(2 000)**	**(2 297)**
Exchange rate differences	**-**	**-**	**-**	**-**	**-**	**-**
Gross value of intangible assets as at 31 December 2011	**321 649**	**472 920**	**63**	**5 373**	**6 784**	**806 789**
Cancellation as at 1 January 2011	**-**	**26 158**	**342**	**10**	**1 615**	**28 125**
Depreciation and amortization	**-**	**13 444**	**4**	**5**	**1 374**	**14 827**
Purchase of subsidiaries	**-**	**70 991**	**-**	**1 427**	**-**	**72 418**
Reclassification of assets designated for sale	**-**	**-**	**-**	**-**	**-**	**-**
Decrease	**-**	**-**	**(292)**	**0**	**(567)**	**(859)**
Cancellation as at 31 December 2011	**-**	**110 593**	**54**	**1 442**	**2 422**	**114 511**
Net value of intangible assets as at 1 January 2011	**372**	**101 802**			**4 542**	**106 716**
Net value of intangible assets as at 31 December 2011	**321 649**	**362 327**	**9**	**3 931**	**4 362**	**692 278**

Year ended 31 December 2010 (in PLN '000)

	Goodwill .	Frequency reservation	Computer software and licenses	Other	Intangible assets infrastructure	Total
Gross value of intangible assets as at 1 January 2010	372	127 960	338	10	5 981	134 661
Purchase of subsidiaries	-	-	-	-	-	-
Increase resulting from purchase of assets	-	-	-	-	1 130	1 130
Other increases	-	-	4	-	230	234
Transfer from intangible assets under construction	-	-	-	-	-	-
Decrease	-	-	-	-	(1 184)	(1 184)
Gross value of intangible assets as at 31 December 2010	372	127 960	342	10	6 157	134 841
Cancellation as at 1 January 2010		17 674	314	10	161	18 159
Depreciation and amortization	-	8 484	28	-	1 454	9 966
Reclassification of assets designated for sale	-	-	-	-	-	-
Cancellation as at 31 December 2010	-	26 158	342	10	1 615	28 125
Net value of intangible assets as at 1 January 2010	372	110 286	24		5 820	116 502
Net value of intangible assets as at 31 December 2010	372	101 802	-	-	4 542	106 716

In the course of 2011, the Group acquired shares in Mobyland Sp. z o.o. and Conpidon (Aero2 Sp. z o.o.).

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 Fund there exists a single cash-generating centre (in the meaning of IAS 36 *Impairment of assets*) focused on telecommunications activities and wholesale data transfers based on LTE and HSPA+ technologies, which are relatively new solution in Poland and globally.

In developing and approving business plans, the Management Board of the Fund takes account of changes upcoming on the telecommunications market in Poland and of its own market analyses and signed or negotiated contracts with telecommunications operators.

On the basis of its best estimates and assumptions, the Management Board of the Fund analyses at each balance sheet date whether circumstances exist which would point to a potential impairment of assets. Wholesale data transfers using LTE technology is a new operating activity for the Midas Group for which there is no historical financial data. In accordance with the requirements of IAS 36 *Impairment of assets*, the Management Board of the Fund conducted impairment tests of goodwill and fixed assets as at 31 December 2011. As a result of those tests, no additional impairment write-downs were recognised.

The goodwill recognised upon the acquisition of CenterNet was PLN 372,000. However, the goodwill recognised on the acquisition of Mobyland and the Conpidon Group was temporarily recognised in the financial statements in the amounts of PLN 115,591,000 and PLN 205,686,000 respectively.

The main assumptions made by the Management Board of the Fund in order to determine the usable value of the cash-generating centre were based on expectations with regard to:

- the market value of data transfers,

- the Midas Group’s share of the rapid data transmission market,

- the rate of growth in demand for rapid data transfers in Poland.

The amounts assigned to each of those parameters reflect the Management Board of the parent’s best estimates of customers’ current and future needs for data transfers. In the calculations, account was taken of anticipated changes in the scope of the business plan, although these may be subject to the impact of unforeseeable technological, political, economic or legal changes. Consequently, uncertainty exists as at the day these financial statements were prepared as to whether the assumptions made will prove true.

The end growth rate accepted is 0.5 per cent after the period of the forecast, whereas the pre-tax discount rate is 13.6 per cent (the after-tax discount rate is 10.9 per cent). The period covered by the forecast is 2011-2020.

The Management Board of the parent predicts that, during the period of the forecast, i.e. 2011-2020, the average growth rate of revenues of external companies from beyond the Group will be approximately 45 per cent annually, where the greatest growth will be seen in the first 3 years of the period analysed. Prices for wholesale consumers, however, will drop significantly over the next 5 years. The Group will mainly incur operating costs relating to maintaining and using its telecommunications network, and to charges for possession of frequencies and radio bands.

The Management Board of the parent also analysed sensitivity, and this showed that, if cash flows were discounted at an after-tax rate of approximately 13.0 percent, then the value of goodwill and other assets would equal their recoverable value. The Management Board maintains that there are no other possible rational changes to any of the key assumptions which could lead to the value of assets significantly exceeding their recoverable value.

16. Purchase of subsidiaries

Information on the structure of the capital group is presented in Note 1 to the consolidated financial statements of the Group for 2011. In the course of 2011, the Group acquired shares in Mobyland Sp. z o.o. and Conpidon (Aero2 Sp. z o.o.), as more fully described in Note 5 to the standalone financial statements of the Company for 2011 and in Note 1 of the consolidated financial statements of the Group for 2011.

The acquisition of Mobyland Sp. z o.o. and of the Conpidon capital group were disclosed temporarily in these consolidated financial statements in accordance with IFRS 3 *Business combinations*. Below is presented the report on the financial position of Mobyland and the Conpidon Group as at the date of acquisition, as well as selected financial data from the statement of comprehensive income up to the day on which control was assumed.

Assets and liabilities of Mobyland Sp. z o.o. as at the takeover date	
Disclosed temporarily in accordance with IFRS 3	
ASSETS	in PLN '000
Fixed assets	
Property, plant and equipment	126
Intangible assets	78 363
Other financial assets (non-current)	24 292
Other non-financial assets (non-current)	1 189
Assets from deferred income tax	148
Total fixed assets	**104 118**
Current assets	
Inventories	8
Trade and other receivables	15 319
Other financial assets (current)	20 138
Other non-financial assets (current)	
Cash and cash equivalents	13 858
Total current assets	**49 323**
Total assets	**153 441**
LIABILITIES	
Current liabilities	
Trade and other liabilities	23 059
Deferred income	42 568
Interest-bearing loans and borrowings	26 257
Liabilities from deferred income tax	148
Total current liabilities	**92 032**
Total liabilities	**92 032**
Statement of comprehensive income	
For the period from 1 January 2011 to the takeover date	
Revenues from sales	**(5 136)**
Net loss	**(27 710)**
Statement of comprehensive income	
Prepared for the period from the takeover date to 31 December 2011	
Revenues from sales	**1 217**
Net loss	**(4 232)**

Year ended

31 December 2011

		in PLN '000
Cash paid	177 000	
Net assets possible to identify		(61 409)
Non-controlling interests		-
Goodwill as at the date of acquisition		**115 591**

Where circumstances indicated in a Preliminary Agreement which justify the Fund withdrawing from the Preliminary Agreement exist after the conclusion of the Preliminary Agreement, or existed before the conclusion of the Preliminary Agreement but became known to the Parties only after the conclusion of the Preliminary Agreement, the Fund is entitled to demand that the Seller repurchase its shares in Mobyland for a price of PLN 177,000,000 (the "Put Option"). The Fund's use of its entitlements resulting from the Put Option should be made within the time periods indicated with regard to withdrawing from the Preliminary Agreement in relation to each circumstance justifying the Fund's use of such entitlements. The Fund's right to exercise its entitlements resulting from the Put Option expires no later than on 31 December 2014. As security for claims of the Fund resulting from the Put Option, upon concluding the Preliminary Agreement the Seller provided the Fund with an irrevocable purchase offer, valid to 31 December 2014, for 100 per cent of the shares in Mobyland at a price of PLN 177,000,000.

Assets and liabilities of the Conpidon Group as at the takeover date (in PLN '000) *Disclosed temporarily in accordance with IFRS 3*	
ASSETS	
Fixed assets	
Property, plant and equipment	296 393
Intangible assets	199 620
Other financial assets (non-current)	10 375
Other non-financial assets (non-current)	3 721
Assets from deferred income tax	-
Total fixed assets	510 109
Current assets	
Inventories	13
Trade and other receivables	38 793
Other financial assets (current)	54 900
Other non-financial assets (current)	645
Cash and cash equivalents	2 638
Total current assets	96 989
Total assets	***607 098***
LIABILITIES	
Current liabilities	
Trade and other liabilities	110 113
Deferred income	74 129

Interest-bearing loans and borrowings	60 568
Liabilities from deferred income tax	-
Total current liabilities	244 810
Total liabilities	***244 810***
Statement of comprehensive income (in PLN '000)	
For the period from 1 January 2011 to the takeover date	
Revenues from sales	***33 260***
Net profit	***6 468***
Statement of comprehensive income (in PLN '000)	
Prepared for the period from the takeover date to 31 December 2011	
Revenues from sales	***3 199***
Net loss	***(7 648)***

	Year ended 31 December 2011 in PLN '000
Purchase price	548 000
Net assets possible to identify	(362 288)
Non-controlling interests measured in proportion to share in net assets (Note 22.1)	19 974
Goodwill as at the date of acquisition	**205 686**

The Final Agreement for the purchase of the Conpidon Group contains a put option for the Fund which can be utilised in the case:

a) where the issue of D series ordinary bearer shares (the "Share Issue") is not completed successfully;

b) where the entitled party, as referred to in Article 422 par. 2 CCC effectively challenges the Resolution; a successful challenge of the Resolution is understood as a situation in which a competent court issues a legally binding ruling on revoking the Resolution or confirming its invalidity;

c) where, by 29 February 2012, the Financial Supervision Authority does not approve the issue prospectus for the Shares Issuance;

d) where the registry court competent for the Fund issues a decision on refusing to register the increase of the share capital of the Fund in connection with the Share Issue, or on dismissing the application in this regard, and the Fund decides not to appeal against that court decision.

The Fund's use of its entitlements resulting from the Put Option should be made within the time periods during which it has the right to withdraw from the Agreement, in relation to each circumstance justifying the Fund's exercise of those entitlements - in the cases specified in pt. (a) - (c) above, within 30 days from the day on which the Fund becomes aware of circumstances justifying its use of the Put Option, and in cases as specified in pt. (d) above, within 7 business days from the day on which the Fund receives a decision on refusing to register the increase in the share capital or on dismissing the application in this regard. The Fund's right to exercise its entitlements resulting from the Put Option expires no later than on 31 December 2015.

In the periods ending on 31 December 2011 and 31 December 2010, the following changes in goodwill took place:

	Year ended 31 December 2011 in PLN '000	Year ended 31 December 2010 in PLN '000
Goodwill at beginning of period	372	372
Increases in goodwill as a result of the acquisition of Mobyland	115 591	–
Increases in goodwill as a result of the acquisition of the Conpidon Group	205 686	–
Decreases of goodwill from write-downs made	–	–
Decreases of goodwill from sales	–	–
Total balance sheet value at end of period	**321 649**	**372**

The goodwill resulting from the merger of entities was subjected to an impairment test as at the balance sheet date. The assumptions of the test are presented in Note 15 to the consolidated financial statements of the Group.

Transaction costs of PLN 2,215,000 were disclosed as other costs by type in the statement of comprehensive income.

17. Other assets

17.1. Other financial assets

	31 December 2011 in PLN '000	31 December 2010 in PLN '000
Loans granted to related parties	35 564	-
Other	4 000	-
Total	**39 564**	**-**

Loans granted

The value shown in the above table includes items in the amount of PLN 32,330,000 together with interest in the amount of PLN 3,234,000. Aero2 granted the company Sferia S.A. a loan in the amount of PLN 32,330,000 designated for finansing part of the investment outlays incurred by Sferia in connection with carrying out the construction and startup of a wireless 3G telecommunications network based on a WSDMA (HSPA+) platform, in particular the costs of purchasing BTS Elektronika and RNC Core for the UMTS 850 system which Aero2 had previously purchased from Huawei. The loan was paid out in tranches. Interest accrued quarterly. The loan bears interest at the rate of 1Y WIBOR + 1 pp. The loan is to be repaid as a lump sum by 31 January 2015. Part or all of the loan may become payable immediately if important asset components of Sferia are sold without the prior written consent of the entities granting the loan. The loan is secured by an in blanco promissory note up to the amount of the loan 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 Administrative Procedure. On 12 May 2010, Aero2 assigned the receivables stemming from the loan to Mobyland Sp. z o.o., in the amount of PLN 23,000,000.

Other financial assets

The amount of other financial assets shown in the above table includes two bank term deposits of a value of PLN 2,000,000 each, bearing interest of 3.5 per cent and 4.0 per cent annually and constituting a deposit securing a guarantee limit in the amount of PLN 4,000,000 at the disposal of CenterNet on the basis of an agreement with Alior Bank S.A. As at 31 December 2011, CenterNet had used PLN 3,765,000 of the guarantee limit. The amount will be released for the benefit of CenterNet on 20 January 2013.

17.2. Other non-financial assets

	31 December 2011 in PLN '000	31 December 2010 in PLN '000
Non-current		
Advance payments for fixed assets under construction	29 644	-
Pre-paid costs of joint use of the telecommunications network of another operator	3 437	-
Other	80	-
Total	**33 161**	**-**

	31 December 2011 in PLN '000	31 December 2010 in PLN '000
Current		
Costs of a future shares issuance	1 199	-
Prepayments/accruals	488	-
Pre-paid costs of joint use of the telecommunications network of another operator	491	-
Costs of commission on commercial papers issuance	-	-
Total	**2 178**	**-**

18. Inventories

	31 December 2011 in PLN '000	31 December 2010 in PLN '000
Materials	35	35
Goods	384	1 775
Revaluation write-down	(185)	(1 486)
Other	24	-
Total	258	324

19. Trade and other receivables

Conditions of transactions with related parties are presented in Note 30.

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 which, 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.

	31 December 2011 in PLN '000	**31 December 2010 in PLN '000**
Trade and other receivables	9 977	2 228
Receivables from VAT	14 957	3 221
Receivables from sale of fixed assets	9	-
Other receivables	4 773	3 971
Total net receivables	**29 716**	**9 420**
Revaluation write-down of receivables	739	736
Gross receivables	**30 455**	**10 156**

As at 31 December 2011, trade receivables of PLN 739,000 (as at 31 December 2010: PLN 736,000) were deemed uncollectible and written down.

The write-downs of receivables were as follows:

	31 December 2011 in PLN '000	**31 December 2010 in PLN '000**
Revaluation write-down at 1 January	736	-
Increase	359	736
Use	356	-
Revaluation write-down at 31 December	**739**	**736**

Below is an analysis of trade receivables which were overdue as at 31 December 2011 but which were not deemed uncollectible and not written down.

		Overdue but collectible (in PLN '000)				
Total	Not overdue	< 30 days	30 – 90 days	60 – 90 days	90 – 120 days	>120 days
29 716	23 853	-	164	1 490	181	4 028

20. 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 fair value of cash and cash equivalents as at 31 December 2011 is PLN 37,623,000 (as at 31 December 2010: PLN 5,178,000).

The balance of cash and cash equivalents shown in the consolidated statement of cash flows consists of the following items:

	31 December 2011 in PLN '000	31 December 2010 in PLN '000
Cash at bank and on hand	34 019	5 049
Short-term bank deposits	2 641	129
Bank guarantee	-	-
Credits in current accounts	-	-
Other*	962	-
Cash and cash equivalents	**37 623**	**5 178**

**of which:*

- cheques of a value of PLN 748,000 obtained from the liquidation of the subsidiary ACC Ltd, over which the Fund lost control

- a brokerage account in the company Nova Capital Sp. z o.o. with funds of PLN 117,000

21. Share capital and supplementary/reserve capital

21.1. Share capital

As at 31 December 2011, as at the date of publication of this report, the share capital of the Fund is PLN 29,593,335.00 (twenty-nine million five hundred ninety-three thousand three hundred thirty-five zlotys) divided into 295,933,350 (two hundred ninety-five million nine hundred thirty-three thousand three hundred fifty) ordinary bearer shares, including:

- 11,837,334 A series shares,
- 47,349,336 B series shares,
- 236,746,680 C series shares.

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

Series/issue	Type of shares	Number of shares	Value of series/issue at nominal value (in PLN '000)	Method of covering capital	Date of registration
Series A	Bearer	1,000,000	100	cash	1995-03-31
Series A	Bearer	32,000,000	3,200	In-kind	1995-09-08
Series A	Bearer	1,000,000	100	In-kind	1996-02-03
Series A	Bearer	500,000	50	In-kind	1996-05-06
Series A	Bearer	400,000	40	In-kind	1996-06-03
A Series	Bearer	100,000	10	In-kind	1996-06-05
Redemption 1996	-	(3,973,815)	(397)	-	1996-12-19
Redemption 1997	-	(255,106)	(26)	-	1997-11-17
Redemption 1998	-	(313,038)	(31)	-	1998-11-24
Redemption 1999	-	(401,917)	(40)	-	1999-11-18
Redemption 2003	-	(7,512,989)	(752)	-	2003-12-18
Redemption 2005	-	(10,705,801)	(1,070)	-	2005-11-10
B series	Bearer	47,349,336	4,734	shares issuance	2006-07-17
C series	Bearer	236,746,680	23,674	shares issuance	2011-06-30
	Total	295,933,350			

During the financial year, the share capital was increased by PLN 23,674,000 by an issue of 236,746,680 new ordinary shares of a value of PLN 0.10 each.

21.1.1. Nominal value of shares

All shares issued have a nominal value of PLN 0.10 andare paid up in full.

21.1.2. Shareholders' rights

Each ordinary share provides one vote at the General Meeting of Shareholders. Shares of all series are privileged equally with regard to dividends and return of capital.

21.1.3. Equity holders having a significant holding

	31 December 2011		*31 December 2010*
Zygmunt Solorz - Żak* **		Nova Capital Sp. z o.o. (**)	
share in capital	65.9975%	share in capital	60.3073%
share in votes	65.9986%	share in votes	60.3125%
Other equity holders		Other equity holders	
share in capital	34.0008%	share in capital	39.6842%
share in votes	34.0014%	share in votes	39.6875%
NFI MIDAS		NFI MIDAS	
share in capital	0.0017%	share in capital	0.0085%
share in votes	-	share in votes	-

(*) Mr Zygmunt Solorz-Żak controls the Fund through: (i) Karswell Limited with its registered office in Nicosia, Cyprus, (ii) Ortholuck Limited with its registered office in Nicosia, Cyprus, and (iii) Litenite Limited with its registered office in Nicosia, Cyprus, within the scope of 195,308,538 shares in the Fund held by Litenite, as well as through (iv) the Fund, within the scope of 5,000 shares in the Fund held by the Fund.

(**) The share in capital and votes does not take account of 5,000 own shares of the Fund held indirectly by Litenite Limited, where, in accordance with Article 364 of the Commercial Companies Code, the Fund does not exercise voting rights from the own shares it holds.

22. Share premium

In 2011, a share premium in the amount of PLN 269,891,000 was reduced by the costs of the shares issuance in the amount of PLN 1,234,000. The share premium was PLN 435,655,000 as at 31 December 2011.

22.1. Non-controlling interests

As at 31 December 2011, the non-controlling interests shown in the amount of PLN 19,974,000 concern shares of the parent in Nova Capital Sp. z o.o.

23. Interest on bank loans, loans and other financial liabilities

Current	**Effective interest rate in %**	**Repayment date**	**31 December 2011**	**31 December 2010**
Bank loans obtained in the amount of PLN 38,166,000 from Invest Bank, bearing interest at the rate of WIBOR 3M + 2.3%	**7.19%**	**31.12.2012**	**10 594**	**-**
Bank loans obtained in the amount of PLN 26,330,000 from Invest Bank, bearing interest at the rate of WIBOR 3M + 2.3%	7.24%	31.12.2012	7 468	-
Issue of series MID 0612.1 commercial papers of a nominal value of PLN 21,500,000, bearing interest at the rate of WIBOR 1M + 2.5%*	7.25%	30.06.2012	21 632	-

Issue of series MID 0612.2 commercial papers of a nominal value of PLN 30,000,000, bearing interest at the rate of WIBOR 1M + 2.5%*	7.27%	30.06.2012	30 137	-
Reduced in the balance sheet by the value of commission			**(380)**	**-**
Loan by Conpidona from Anokymma Ltd. (EUR, fixed rate)	**3.50%**	**31.12.2012**	**221**	**-**
Loans granted by Aero2 Sp. z o.o. to NFI Midas S.A. of a total value of PLN 4,200,000	5.00%	31.12.2011	-	4 228
Loans granted by Nova Capital Sp. z o.o. do NFI Midas S.A. of a total value of PLN 2,470,000	5.00%	31.12.2010	-	2 525
Loan granted by Aero2 Sp. z o.o. to CenterNet S.A. of a value of PLN 1,275,000, bearing interest at the rate of WIBOR 1M + 2%	WIBOR for **deposits of 1 month + 2%**	31.12.2011	-	1 306
Loans granted by Aero2 Sp. z o.o. to CenterNet S.A. of a total value of PLN 14,110,000	5.00%	31.12.2011	-	14 207
MID0611B commercial papers, purchased by Mobyland, nominal value of PLN 20,000,000	**7.61%**	**30.06.2011**	**-**	**20 000**
MID0611.1 commercial papers, purchased by Alchemia S.A., nominal value of PLN 80,500,000	**7.61%**	**30.06.2011**	**-**	**80 500**
MID0611.2 commercial papers, purchased by NFI Krezus S.A., nominal value of PLN 20,000,000	**7.61%**	**30.06.2011**	**-**	**20 000**
MID0611.3 commercial papers, purchased by NFI Krezus S.A., nominal value of PLN 3,924,000	**7,61**	**30.06.2011**	**-**	**3 924**
X09 commercial papers, acquirer Alchemia, nominal value of PLN 88,363,000	**5.98%**	**18.11.2009**	**-**	**1 113**
U03.09.C commercial papers, purchased by Baterpol, nominal value of PLN 3,455,000	**8.50%**	**22.03.2010**	**-**	**73**
Liabilities from leasing	**7.00%**	**30.09.2012**	**92 247**	**-**
Other financial liabilities			**-**	**25**
Total			**161 919**	**147 901**
Non-current				
Bank loans obtained in the amount of PLN 38,166,000 from Invest Bank, bearing interest at the rate of WIBOR 3M + +2.3%	7.19%	26.09.2015	26 255	-
Bank credits obtained in the amount of PLN 26,330,000 from Invest Bank, bearing interest at the rate of WIBOR 3M + +2.3%	7.24%	30.09.2015	17 930	-
Other financial liabilities			**-**	**10**
Total			**44 185**	**10**

Interest liabilities on loans obtained are settled together with repayment of the loans. Interest liabilities on commercial papers issued are settled:
- in monthly periods.

In the 12-month period ending on 31 December 2011, NFI Midas redeemed the following commercial papers:
- Alior Bank, in the amount of PLN 104,639,000 (together with interest).

Papers held by Alior Bank S.A.

On 18 May 2011 the Fund entered with Alior Bank S.A. ("Alior Bank") into an Agreement on contracts for sale of registered papers referenced respectively as MID0611.1, MID0611.2, MID0611.3 issued by the Fund ("Agreement"). The Agreement was executed as the Bank intended to enter into contracts for sale of registered papers referenced as MID0611.1, MID0611.2, MID0611.3 ("Papers") to holders of Papers (NFI Midas will not be a party to those Contracts).

Under the Agreement the Bank also agreed to subscribe for the new issue of Papers up to the total nominal value of PLN 104,424,189.78 ("Nominal Value of New Papers") in the event of their roll-over by the Fund for subsequent 12 months ("New Papers"). In the period from 19 May 2011 to 29 June 2011, the Fund and the Bank concluded three annexes to the Understanding. Detailed information on the Understanding (and the annexes) can be found in point 2.4.1 of the Directors’ Report of NFI Midas S.A. for 2011.

On 10 June 2011, the Fund made an early redemption of papers marked MID0611.1, MID0611.2 and MID0611.3 (the "Commercial Papers") issued on 21 April 2010. The owner of the Papers on the date of their early redemption was Alior Bank S.A. The Papers were redeemed for the total amount of PLN 104,639,446.66 which included PLN 104,424,189.78 of the nominal value of the Papers, and PLN 215,256.88 of interest due for the period from 1 June 2011 to 10 June 2011.

On 18 July 2011 the Fund issued 21,500 series MID0612.1 debt papers with a nominal value of PLN 1,000 each ("Papers"), with a total nominal value of PLN 21,500,000. The Papers were subscribed for on 19 July 2011 by Alior Bank at a price equal to their nominal value as a result of the acceptance by Alior Bank, on 18 July 2011, of the proposal to subscribe for the Papers of 15 July 2011 ("Proposal") and as a result of the payment of the a/m issue price on 19 July 2011. Under the terms of the issue of the Papers stipulated in the Proposal, the Papers mature on 30 June 2012, however the Fund has the right for an early redemption of the Papers. In addition, the Papers entitle to interest, accrued and paid on a monthly basis, at WIBOR 1M from the second working day preceding the beginning of the given interest period, increased by 2.5 percentage points, per annum.

On 9 July 2011, the Fund issued 30,000 series MID0612.1 debt bonds having a nominal value of PLN 1,000 each ("Bonds") and a total nominal value of PLN 21,500,000. The Papers were subscribed for by Alior Bank S.A. with its registered office in Warsaw for the price equal to their nominal value as a result of the acceptance by Alior Bank of the proposal to subscribe for the Papers ("Proposal") and as a result of the payment of the a/m issue price by Alior Bank. Under the terms of the issue of the Papers stipulated in the Proposal and accepted by Alior Bank, the Papers 2 mature on 30 June 2012, however the Fund has the right for an early redemption of the Papers 2. In addition, the Papers entitle to interest, accrued and paid on a monthly basis, at WIBOR 1M from the second working day preceding the beginning of the given interest period, increased by 2.5 percentage points, per annum.

Detailed information about the issues of the a/m papers (including on security collaterals established in connection therewith) is included in section 2.4.1 in the Management Report on the operations of NFI Midas S.A. in 2011.

24. Deferred income

	31 December 2011 in PLN '000	**31 December 2010 in PLN '000**
Non-current	**35 358**	**-**
- subsidies for fixed assets*	14 397	-
- joint use of network**	20 961	-
Current	**100 181**	**404**
- subsidies for fixed assets*	2 047	-
- joint use of network**	3 004	-
- data transmission***	94 281	-
- telecommunications services (prepaid)****	849	404
Total	**135 539**	**404**

** On the basis of an agreement of 30.12.2009, the company Aero2 obtained a subsidy in 2011 from the Polish Business Development Agency to develop a telecommunications network in Podkarpacki Province.*

*** The company Aero2 signed an agreement with the company Sferia S.A. on mutual use of telecommunications infrastructure in the period from 22 December 2009 to 21 December 2019.*

****The Company Mobyland signed a cooperation agreement with the company Cyfrowy Polsat S.A. on the provision of Data Transmission Services, on the basis of which Mobyland provides a data transmission service based on LTE and HSPA+ technologies for Cyfrowy Polsat subscribers. On the date the agreement was concluded, Cyfrowy Polsat placed on order for certain amounts of data (measured in gigabytes (GB)), which can be used over a period of 36 months. Mobyland invoices in amounts constituting the product of the number of GB resulting from an order and the guaranteed price, in 12 monthly instalments. The amounts invoiced are shown as revenue from future periods, whereas settlement of the revenues over time is made on the basis of the number of gigabytes (GB) actually used. As at 31 December 2011, the value of services remaining to be settled was PLN 94,281,000.*

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

25. Provisions

	31 December 2011 in PLN '000	31 December 2010 in PLN '000
Provision for a liability from compensation to Fundacja Lux Veritatis	-	5 000
Provision for liabilities - Era	-	1 500
Provision for a liability from terminating an agreement on the provision of services	764	-
Other provisions	-	134
Total	**764**	**6 634**

in PLN '000	Other provisions	Total
As at 1 January 2011	6 634	6 634
Created during the financial year	764	764
Used	(5 134)	(5 134)
Dissolved	(1 500)	(1 500)
As at 31 December 2011	**764**	**764**
Current as at 31 December 2011	764	764
Non-current as at 31 December 2011	-	-
As at 1 January 2010	6 118	6 118
Created during the financial year	6 634	6 634
Utilised	(6 118)	(6 118)
As at 31 December 2010:	**6 634**	**6 634**
Current as at 31 December 2010	6 634	6 634
Non-current as at 31 December 2010	-	-

The amount of provisions as at 31 December 2010 comprised:

- a provision for a liability from compensation to Fundacja Lux Veritatis in the amount of PLN 5,000,000 for terminating a cooperation agreement concluded between CenterNet S.A. and the foundation on creating and running mobile telephony under the business name "wRodzinie";
- a provision for a liability from a debit note in the amount of PLN 1,500,000 issued by PTC to CenterNet S.A.;
- other provisions in the amount of PLN 134,000.

In accordance with an understanding concluded on 11 January 2011, CenterNet paid Fundacja Lux Veritatis (as the entity previously co-running the "wRodzinie" project) a contractual penalty of PLN 5,000,000, which exhausted all claims by the Foundation.

In connection with CenterNet S.A.'s withdrawing from an understanding on transferring numbers and performing tasks and duties relating to state defence and security and public security and order, on 29 December 2010, PTC charged CenterNet a contractual penalty in the amount of PLN 1,500,000.

On 18 August 2011, the parties signed an understanding under which CenterNet's withdrawal from the understanding was deemed as non-existent and not resulting in any legal effects.

PTC annulled the debit note in the amount of PLN 1,500,000, and on 1 September 2011 issued a discretionary note.

The amount of PLN 764,000 shown as at 31 December 2011 constitutes a provision for CenterNet S.A.'s liability from an agreement on the provision of services which CenterNet withdrew from on 30 October 2010. The contractual partner continued to issue invoices to CenterNet even though that agreement was never implemented by the parties. In August and October 2011, CenterNet received a claim demanding payment of those invoices, against which CenterNet issued an objection.

The amount of the provision consists of: the main receivable of PLN 630,000, interest of PLN 102,000, and court costs of PLN 32,000.

26. Trade and other liabilities and accruals

26.1. Trade and other financial liabilities (current)

	31 December 2011 in PLN '000	**31 December 2010 in PLN '000**	**1 January 2010 in PLN '000**
Trade and other liabilities			
Towards related parties	2 948	–	–
Towards other entities	36 496	23 340	25 455
	39 444	**23 340**	**25 455**
Other liabilities			
Liabilities towards employees from wages and salaries	–	–	–
Liabilities from purchase of the Conpidon Group	548 000	–	–
Liabilities towards a joint venture	–	–	–
Other liabilities	77	21 237	–
	548 077	**21 237**	–
Total liabilities	**587 521**	**44 577**	**25 455**

Rules and conditions of payment of the above financial liabilities:

Conditions of transactions with related parties are presented in Note 30 of the supplementary information and explanations.

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

26.2. Other non-financial liabilities

	31 December 2011 in PLN '000	**31 December 2010 in PLN '000**
Liabilities from tax, customs duty, social insurance and other	–	–
VAT	405	–
Lump-sum tax at source	–	–
Personal income tax	78	–
Liabilities from social insurance	84	–
Other	–	–
Surplus of liabilities over Works Social Benefits Fund assets	–	–
Other non-financial liabilities	22	65
Total	**589**	**65**
- current	589	65
- non-current	–	–

27. Investing liabilities

As at 31 December 2011, the Group undertook to incur expenses for property, plant and equipment in the amount of PLN 93,874,000. That amount will be allocated for such things as purchasing new machinery and equipment.

As at 31 December 2010, the Group's obligation to incur expenses for property, plant and equipment in the amount of PLN 23,149,000.

28. Contingent liabilities

	31 December 2011 in PLN '000	**31 December 2010 in PLN '000**
Liabilities from bank guarantees granted mainly as security for the performance of trade agreements	4 310	1 665
Total contingent liabilities	4 310	1 665

As at 31 December 2011, the conditional debt of the Group was PLN 4,310,000, including from:

- a bank guarantee for PLN 2,000,000 for the benefit of PTC, granted by Alior Bank S.A. at the instruction of CenterNet in connection with securing the proper performance by CenterNet of its obligations resulting from a domestic roaming agreement, Understanding MNP/LI of 19 January 2010, together with Annex No. 1 of 18 August 2011, pertaining to PTC ensuring that CenterNet has the possibility of implementing its obligations in connection with the transferability of numbers of CenterNet users and performing duties and obligations for state defence and security and public security and order, as well as an Agreement of 15 March 2010 for the lease of digital connections in the ERA network.
- a bank guarantee in the amount of PLN 750,000 of which the beneficiary is PTC, granted by Alior Bank S.A. at the instruction of CenterNet in connection with securing Decision of the President of the UKE No. *DHRT-WWM-6080-148/09 (20)* replacing an agreement on connecting networks,
- a bank guarantee in the amount of PLN 615,000 of which the beneficiary is Polkomtel, granted by Alior Bank S.A. at the instruction of CenterNet in connection with securing Decision of the President of the UKE No. *DHRT-WWM-6080-129/09 (26)* replacing an agreement on connecting networks,
- a bank guarantee in the amount of PLN 260,000 of which the beneficiary is Lanya Investments Sp. z o.o., granted by BRE Bank S.A. 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 in the amount of PLN 285,000 of which the beneficiary is Oracle Polska Sp. z o.o., granted by Alior Bank S.A. at the instruction of CenterNet in connection with securing the proper performance by CenterNet of its obligations resulting from Agreement No. 44574, of which the subject is the purchase of "Intelligent Network/online charging system solution software" (the above guarantee expired on 31 January 2012).
- a bank guarantee in the amount of PLN 115,000 of which the beneficiary is Oracle Polska Sp. z o.o., granted by Alior Bank S.A. at the instruction of CenterNet in connection with securing the proper performance by CenterNet of its obligations resulting from Agreement No. 43306, of which the subject is the purchase of "Intelligent Network/online charging system solution software" (the above guarantee expired on 31 January 2012).

Furthermore, in March 2012 (after the balance sheet date) the conditional debt increased by PLN 285,000, from:

- a bank guarantee in the amount of PLN 112,000 of which the beneficiary is Polska Telefonia Komórkowa Sp. z o.o., granted by BRE Bank S.A. at the instruction of Aero2 in connection with securing Decision of the President of the UKE No. DHRT-WWM-6080-1/10(34) of 9 December 2010,
- a bank guarantee in the amount of PLN 173,000 of which the beneficiary is PTC, granted by BRE Bank S.A. at the instruction of Aero2 in connection with securing Decision of the President of the UKE No. DHRT-WWM-6080-171/09(40) of 9 December 2010.

As at 31 December 2010, the conditional and indirect debt of the Group was PLN 1,665,000, including from:

- a bank guarantee in the amount of PLN 750,000 of which the beneficiary is PTC, granted by Alior Bank S.A. at the instruction of CenterNet in connection with securing Decision of the President of the UKE No. DHRT-WWM-6080-148/09 (20) replacing an agreement on connecting networks,
- a bank guarantee in the amount of PLN 615,000 of which the beneficiary is Polkomtel, granted by Alior Bank S.A. at the instruction of CenterNet in connection with securing Decision of the President of the UKE No. DHRT-WWM-6080-129/09 (26) replacing an agreement on connecting networks,
- a bank guarantee in the amount of PLN 300,000 of which the beneficiary is PTK Centertel, granted by Alior Bank S.A. at the instruction of CenterNet in connection with securing Decision of the President of the UKE No. DHRT-WWM-6080-121/09 (21) replacing an agreement on connecting networks,

28.1. Litigation

Proceedings pending before a court, competent authority for arbitration proceeding or public administration authority.

<u>Proceedings concerning frequency reservations for CenterNet and Mobyland:</u>

In a case pending before the Provincial Administrative Court in Warsaw (hereinafter "“WSAW” - Wojewódzki Sąd Administracyjny w Warszawie) under case file No. VI SA Wa 2335/08 (hereinafter “Proceeding 2335/08”), by a judgement of 21 July 2009, the WSAW reversed a decision by the President of the UKE of 29 August 2008, No. DZC-WAP-5174-9/07(182), and of 28 November 2007, No. DZC-WAP-5174-9/07(37), in which the President of the UKE refused (in the first instance and after a motion for reconsideration of the matter) to invalidate a tender in the matter of reserving frequencies granted to CenterNet and Mobyland. That ruling was appealed against by the President of the UKE in a cassation appeal of 16 November 2009. Mobyland and the Polish Electronics and Telecommunications Chamber of Commerce also submitted appeals against that ruling. On 3 February 2011, the Supreme Court of Administration (“NSA”) dismissed all of the cassation appeals against that ruling. According to the notifications provided by the Management Boards of CenterNet and Mobyland, the above ruling of the NSA does not concern the legally binding ruling on granting frequency reservations to CenterNet and Mobyland. In accordance with the relevant provision of the Telecommunications Law Act and established rulings, administrative proceedings concerning frequency reservations and proceedings concerning tenders for frequency reservations are separate types of administrative proceedings. In the opinion of the Management Boards of CenterNet and Mobyland, the ruling of the NSA of 3 February 2011 gives the President of the UKE the opportunity to take measures resulting in revoking the actions questioned by the NSA ruling, as a consequence of which it will be possible to avoid CenterNet and Mobyland possibly raising claims for compensation.

In a case pending before the WSAW under case file No. VI SA Wa 1185/09 upon an appeal by Polkomtel against Decision of the President of the UKE, No. DZC-WAP-5174-6/07(190) of 30 November 2007 (a decision in which the President of the UKE made a frequency reservation for the benefit of CenterNet and Mobyland and refused to do so for the benefit of PTC and Polkomtel, “Reservation Decision 1”) and of 23 April 2009 upholding the above decision after reconsideration of the matter (“Reservation Decision 2”), on 23 November 2009, the WSAW decided to suspend the proceeding. The decision of the WSAW to suspend the proceedings was appealed against in a grievance by Polkomtel and consequently reversed by the NSA in a decision of 10 August 2010, case file No. II GZ 61/10. On 11 February 2011, the WSAW reversed Reservation Decision 1 and Reservation Decision 2; as at the Prospectus Date that ruling is not legally binding. In accordance with the notifications provided by the Management Boards of CenterNet and Mobyland, in its verbal justification the WSAW held that it was necessary to reverse the contested decisions because doubts arose as to whether the company Mobyland, which submitted the application for the frequency reservation, is a company which was established as a result of a change of name of the company Tolpis which took part in the tender proceeding, or whether there was some other relationship between those companies which would disqualify Mobyland from having status as Tolpis’s legal successor within the scope of administrative law. In the opinion of the WSAW, there was also doubt over whether Mr Andrzej Voigt, acting at that time on behalf of Mobyland, was authorised to represent Mobyland, or authorised to act individually. Those doubts, in the WSAW’s assessment, were not satisfactorily clarified by the President of the UKE. At the same time, in a notification obtained from Mobyland, there is information that Mobyland (as a participant in the proceeding for a frequency reservation) is the legal successor of the entity which took part in the tender process, i.e. TOLPIS (previous name). In addition, the Management Board of Mobyland declared that Mr Andrzej Voigt has full authority to represent Mobyland individually.

In accordance with the information provided by the management boards of CenterNet and Mobyland, on 9 March 2011 the authorised representative of CenterNet and Mobyland received from the WSAW a written justification of the ruling of 11 February 2011. Apart from the arguments presented by the WSAW on the date of the announcement in its verbal ruling, which were repeated in the written justification of the ruling in question, the WSAW expanded its verbal justification to include issues relating to the lack of a reference by the President of the UKE in the proceeding initiated by Polkomtel to reconsider the matter of Reservation Decision 1, and to include issues relating to the proceeding initiated by Mobyland concerning an extension of the deadlines for discharging its obligations resulting from Reservation Decision 1. As a result of the proceeding conducted by the President of the UKE at Mobyland’s request, Reservation Decision 1 was changed in relation to Mobyland, but the fact that Mobyland made such a motion was not considered by the President of the UKE in the proceeding for reconsideration of the matter initiated by Polkomtel. Moreover, in the proceeding initiated by Polkomtel for reconsideration of the case, the President of the UKE did not take account of the issues relating to the check of CenterNet made by the President of the UKE pertaining to CenterNet discharging its obligations under Reservation Decision 1.

CenterNet and Mobyland made use of their entitlement and brought cassation appeals against the ruling of the WSAW to the NSA within the statutory time period. Cassation appeals against that ruling (the ruling of the WSAW of 11 February 2011 reversing Reservation Decision 1 and Reservation Decision 2) were also filed by: the President of the UKE, Polkomtel, PTC, and the Polish Electronics and Telecommunications Chamber of Commerce. Given the complexity of the above case, its final outcome cannot be judged with any certainty at the present time and there is concern that the ruling of the NSA may be unfavourable for CenterNet and Mobyland. However, the Management Board of the Company is of the opinion that the issue should not have a negative impact on the financial results of the Group.

In connection with the above rulings of the NSA and WSAW, on 11 February 2011 the President of the UKE issued a declaration on taking measures aimed at eliminating all the formal requirements pointed out by the NSA.

On 13 June 2011, the President of the UKE issued Decision No. DZC-WAP-5174-9/07(321) on invalidating - within the scope concerning the assessment of the offer of PTC - the tender for two frequency reservations of which each covers 49 duplex radio channels with a duplex interval of 95 MHz in the 1710-1730 MHz and 1805-1825 MHz bands throughout the territory of Poland, for use in the public telecommunications network in the period from 31 December 2022, which the President of the UKE announced on 2 October 2007 (the “Decision on Invalidation”).

In a letter of 28 June 2011, PTC submitted a motion for reconsideration of the matter ended by the Decision on Invalidation. On 23 September 2011, the President of the UKE issued a decision upholding the Decision on Invalidation in force (the “Decision to Uphold”). In the justification, the President of the UKE rejected the arguments presented by PTC, and the evaluation of the case made by the President of the UKE in the Decision to Uphold is essentially the same as that contained in the Decision to Invalidate, that is, within the scope concerning the evaluation of PTC’s offer, the tender for the two above-described frequency reservations for CenterNet and Mobyland was partially invalidated. The participants in the proceeding have the right to appeal against the Decision to Uphold in a proceeding before an administrative court.

On 21 October 2011, the results of the tender for two frequency reservation in the 1710-1730 MHz and 1805-1825 MHz bands were announced. The tender results published by the President of the UKE indicate that, in connection with the invalidation of the tender within the scope of the evaluation of PTC’s offer, that offer was against assessed at the first stage of the tender, and qualified for the second stage of offer assessment. After the assessment conducted at the second stage, the offer of PTC obtained 139,367 points and was therefore placed fourth on the list of offers submitted in the tender proceeding. As a result, the President of the UKE published a list as referred to in Article 118c of the Telecommunications Law Act, which is current as follows:

1) Offer No. 1 submitted by CenterNet S.A. - 340,000 points,
2) Offer No. 2 submitted by CenterNet S.A. - 287,461 points,
3) Offer submitted by TOLPIS Sp. z o.o. (currently: Mobyland Sp.z o.o.) - 225,785 points,
4) Offer submitted by PTC - 139,367 points,
5) Offer submitted by Polkomtel S.A. - 122,726 points,
6) Offer submitted by PTK Centertel Sp. z o.o. - 103,656 points.

On 27 October 2011, CenterNet - acting on the basis of offer No. 2, and Mobyland - acting on the basis of the offer ranked in position No. 3, exercising their entitlements in connection with the announcement of the tender results, submitted a motion to the President of the UKE for the reservation of two frequencies in the 1710-1730 MHz and 1805-1825 MHz bands (where both motions concern reserving both of the above frequencies). As at the day on which this report was prepared, the motions on the frequency reservations have not yet been considered.

<u>Proceedings concerning reserved frequencies for Aero2</u>

In a decision of 9 December 2008, the President of the UKE granted Aero2 a frequency reservation in the 885.1-890.1 MHz and 930.1-935.1 MHz bands; detailed information on that decision was published in point 9.2.1 of Section III of the Prospectus. After the submission by PTC, PTK Centertel and Polkomtel of a motion for reconsideratio of the matter, that decision was upheld in force by a decision of the President of the UKE on 22 July 2010, No. DZC-WAP-5174-1/08(544). PTC, PTK Centertel and Polkomtel appealed against that decision to the WSAW. In a ruling of 24 June 2011, case file No. VI SA/Wa 1963/10, the WSAW dismissed all the appeals as groundless. PTK Centertel and PTC brought a cassation appeal before the NSA, and therefore the ruling of the WSAW is not yet legally binding. The NSA has not yet set a date for hearing the matter.

After the announcement of the result of the tender for the frequency reservations in the 885.1-890.1 MHz and 930.1-935.1 MHz bands (“Tender”), PTC, PTK Centertel, Polkomtel, CenterNet and Arbit Sp. z o.o. submitted a motion for its invalidation. In a decision of 4 March 2010, No. DZC-WAP-5174-4/08(156), the President of the UKE refused to invalidate the Tender, and the above decision was upheld in force by a decision of the President of the UKE on 29 October 2010, No. DZC-WAP-5174-4/08(270). PTC, PTK Centertel and Polkomtel decided to appeal against that decision to the WSAW. In a ruling of 26 September 2011, case file No. VI SA/Wa 2682/10, the WSAW dismissed those appeals. PTK Centertel and PTC brought a cassation appeal against that ruling before the NSA, and therefore the ruling of the WSAW is not yet legally binding. The NSA has not yet set a date for hearing the matter.

<u>Other proceedings</u>

On 31 March 2010, the Company received a copy of a decision of the Supreme Court on accepting for consideration a cassation appeal raised by the Company against a ruling of 16 April 2009 by the Court of Appeal in Warsaw, 6th Civil Department, in which it dismissed the Company's appeal against a ruling of the District Court in Warsaw, 20th Commercial Department, of 2 April 2008 (case file No. XX GC 175/05). On the basis of the rulings challenged in the cassation appeal, the Company paid Torpol Sp. z o.o. with its registered office in Poznan the amount of PLN 627,131.58 together with statutory interest, and the amount of PLN 45,365.35 as the costs of the proceedings. The amount paid was part of an advance paid by Torpol Sp. z o.o. under a conditional agreement for the purchase of shares in the company PRK SA in Poznan. Torpol Sp. z o.o. submitted a declaration on withdrawing from the effects of the conditional agreement for the purchase of shares in result of an error, and demand, and thereafter pursued before the courts, the return of the advance paid. The Company settled all its obligations towards Torpol Sp. z o.o. resulting from that legally binding ruling XX GC 175/05. In a ruling of 29 October 2010, No. I CSK 595/09, the Supreme Court reversed a contested ruling and referred the matter to the Court of Appeal in Warsaw for reconsideration. In the justification of the ruling, the Supreme Court showed that there was a lack of a basis for accepting the effectiveness of Torpol Sp. z o.o.'s withdrawal from the effects of the conditional share purchase agreement. In view of that ruling, on 15 March 2011 the Issuer and Torpol Sp. z o.o. concluded an Out-of-court Settlement in which, among others: i) the parties confirmed that Torpol Sp. z o.o.'s declaration on withdrawing from the effects of the conditional agreement for the purchase of shares in the company PRK S.A. had no legal effect, ii) the advanced paid by Torpol Sp. z o.o. belonged to the Issuer, iii) by 21 March 2011 Torpol Sp. z o.o. would return to the Issuer the amount of the advanced enforced and interest in a total amount of PLN 1,091,459.48, iv) the parties undertook to promptly lead to the conclusion of a court agreement before the Court of Appeal in Warsaw also providing for the return by Torpol Sp. z o.o. to the Issuer of the amount of the costs of the cassation proceeding, in the amount of PLN 36,757, and for the mutual waiver of other costs. On 21 March 2011, the Out-of-court Settlement was concluded - Torpol Sp. z o.o. returned the amount of PLN 1,091,459.48 to the Issuer, and the parties concluded a court settlement before the Court of Appeal in Warsaw under the above conditions, where the amount of the costs of the cassation proceeding (PLN 36,757) had not yet been paid as at the Prospectus Date.

The District Court for the City of Warsaw in Warsaw, 12th Commercial Department of the National Court Register conducted a proceeding, case file No. WaXII Ns Rej KRS 38026/11/641, on deleted an inadmissible entry from the commercial register of the National Court Register concerning Aero2. The proceedings was brought ex officio in connection with a letter by the comany Milmex Systemy Komputerowe Sp. z o.o. with its registered office in Sosnowiec ("Milmex"). On 28 November 2011, Aero2 received a summons from the above Court to take a position against that letter. In the letter, Milmex moved for deletion of all entries in the above court, in particular those concerning the establishment of the governing bodies of Aero2, claiming that Aero2 had been established by attorneys practising their profession in the form of a limited partnership (Chajec, Don-Siemion & Żyto Sp. k.), whereas the relevant provisions of the law regulating the legal profession and legal assistance in Poland by foreign attorneys state, in Milmex's evaluation, that a limited partnership in which attorneys at law are practising can only provide legal services, and cannot establish a limited liability company (Aero2). In Milmex's opinion, on the same principle, it is inadmissible for such a limited partnership to appoint members of the governing bodies of a limited liability company or to take other actions which do not constitute practising the legal profession. Furthermore, in Milmex's opinion, a member of the management board of a limited liability company cannot be a partner in a limited partnership solely providing legal assistance.

Aero2 submitted a writ to the above Court in which it responded to the above letter of Milmex; it questioned the legal argumentation in its entirety and moved for dismissal of the proceeding. In Aero2's assessment, there is no legal or factual basis whatsoever justifying the deletion of entries concerning Aero2 from the National Court Register; in particular, Aero2 was established in accordance with the relevant provisions of law, Aero2's activities are conducted reliably and in compliance with all legal requirements, and Aero2 correctly provided all the required information to the registry court. Moreover, Aero2 showed that the above argument of Milmex is flawed, and that, in accordance with the law, a limited partnership in which attorneys practise their profession can establish a limited liability company and, as the founding company, can also exercise corporate entitlements towards such a company. In Aero2's assessment, an attorney at law who also practises his profession as a partner in a limited partnership may also act as a member of the management board of a limited liability company.

In a decision of 13 February 2012, case file No. Wa XII Ns Rej KRS 38026/11/641, the District Court for the City of Warsaw in Warsaw, 12th Commercial Department of the National Court Register dismissed the proceeding on the deletion of an inadmissible entry from the commercial register of the National Court Register concerning Aero2. In the opinion of the Court, there are no grounds for deleting the company Aero2 from the register. In particular, the fact raised by Milmex that Aero2 was established by a limited partnership which is a law firm is irrelevant. The type of activity conducted by a limited partnership has no bearing on its capacity to be the founder of another company, including a limited liability company. Furthermore, no legal provision prohibits a founding company from exercising its corporate entitlements towards its subsidiary (in this case, Aero2), including its entitlements to appoint the governing bodies of that company. According to information obtained from the secretarial office of the District Court for the City of Warsaw in Warsaw, the decision of 13 February 2012 is legally binding.

29. Tax settlements

Settlements of taxes and other areas of activity involving regulations (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 tax risk in Poland is considerably higher than that normally existing in countries whose tax system is better developed.

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 2011 there is no need to create a provision for recognised and calculated tax risk.

30. Information on related parties

in PLN '000

Entities belonging to the Capital Group		*Revenues from mutual transactions, of which:*	*from sales*	*interest on loans*	*other*	*Costs of mutual transactions, of which:*	*interest on commercial papers*	*interest on loans*	*other*
Midas/Mobyland	*2011*					652	652		
	2010								
Midas/Aero	*2011*					192		192	
	2010								
Midas/Nova	*2011*					340		340	
	2010								
CNT/Mobyland	*2011*	5 837	5 837						
	2010								
Aero2/Mobyland	*2011*					562		562	
	2010								
CNT/Aero	*2011*					857		857	
	2010								

in PLN '000

Other related parties:		*Revenues from mutual transactions, of which:*	*from sales*	*interest on loans*	*other*	*Costs of mutual transactions, of which:*	*interest on commercial papers*	*interest on loans*	*other*
Sferia	*2011*	1 713	799	886	27	916			916
	2010								
Cyfrowy Polsat	*2011*	11 699	11 544		155	14			14
	2010								
INVEST BANK	*2011*					310		306	4
	2010								
Litenite	*2011*								
	2010								
Inwestycje Polskie	*2011*					338			338
	2010								
RS TV	*2011*	12			12				
	2010								
Polkomtel	*2011*	130	130			188			188
	2010								
Media Biznes Sp.z	*2011*								

o.o.	*2010*								
Tele Audio Sp.z o.o.	*2011*					93			93
	2010								
Polaris Finance BV	*2011*					20			20
	2010								

in PLN '000

Other related parties:		***Receivables from related parties, of which:***	***trade***	***from loans***	***other***	***Liabilities towards related parties, of which:***	***trade***	***from loans***	***other***
Sferia	*2011*	44 558	5 066	35 564	3 928	25 585	1 620		23 965
	2010								
Cyfrowy Polsat	*2011*	288	288			94 281			94 281
	2010								
Invest Bank	*2011*					62 247		62 247	
	2010								
Litenite	*2011*					548 249			548 249
	2010								
Inwestycje Polskie	*2011*					1	1		
	2010								
RS TV	*2011*					1	1		
	2010								
Polkomtel	*2011*					1 143	1 143		
	2010								
Media Biznes Sp. z o.o.	*2011*					12	12		
	2010								
Tele Audio Sp. z o.o.	*2011*								
	2010								

30.1. Parent of the entire Group

In the year ending on 31 December 2011 and that ending on 31 December 2010, there were no transactions between the Group and NFI Midas S.A.

30.2. Entity having significant influence on the Group

As at 31 December 2011, Litenite Limited was the owner of 66% of the ordinary shares in the parent (31 December 2010: 0%).

30.3. Conditions of transactions with related parties

No transactions with related parties were concluded on other than market conditions.

30.4. Remuneration of senior management staff of the Group

30.4.1. 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 their performance of their duties on the governing bodies of the Company.

(*in PLN '000)*	**Year ended 31 December 2011**	**Year ended 31 December 2010**
Management Board of the parent		

Current employee benefits (wages and salaries and bonuses)	239	361
Supervisory Board of the parent		
Current employee benefits (wages and salaries and bonuses)	19	176
Total	**258**	**537**

30.4.2. Wages and salaries paid or due to members of the Management Board in subsidiaries

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 their performance of their duties on the governing bodies of subsidiaries or for performing services for subsidiaries.

	Year ended 31 December 2011 in PLN '000	**Year ended 31 December 2010 in PLN '000**
Management Board of the parent		
Current employee benefits (wages and salaries and bonuses)	–	–
Remuneration for services provided	25	–
Supervisory Board of the parent		
Current employee benefits (wages and salaries and bonuses)	80	68
Total	**105**	**68**

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

The table below shows remuneration of the entity authorised to audit the financial statements paid or due for the year ending on 31 December 2011 and 31 December 2010, broken down into type of service:

Type of service	**Year ended 31 December 2011* in PLN '000**	**Year ended 31 December 2010* in PLN '000**
Mandatory audit of financial statements	80	32
Other evidencing services	160	-
Tax advisory services	-	-
Other services	30	-
Total	**270**	**32**

**refers to Ernst & Young Audit sp. z o.o.*
***refers to BAKER TILLY Smoczyński i Partnerzy Sp. z o.o.*

Remuneration does not cover services provided for the benefit of other companies in the Group

32. Goals and principles of financial risk management

The main financial instruments used by the Group include bank loans, loans, financial lease and rental agreements with a buyout option, cash, and short-term deposits. The main purpose of such financial instruments is to obtain means of financing the activities of the Group. The Group also possesses 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 this report, is not to trade in financial instruments.

The main types of risk resulting for the Group from financial instruments are interest rate risk, liquidity risk, exchange rate risk and credit risk. 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 market price risk relating to all of the financial instruments it possesses. The degree of that risk was presented in Note 32.3.

32.1. Interest rate risk

Changes in market interest rates directly affect the Group's revenues in connection with the loan granted by the Group to the company Sferia S.A., as well as cash flow from operations through high interest on current accounts and overnight deposits, and cash flow from financial operations through the costs of servicing the bank credits and bonds held by the Group. The Company systematically analyses the level of interest rate risk, and also prepares scenarios for refinancing and securing 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

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 of equity and comprehensive income of the Group as a whole is not shown.

	Increase/ decrease in percentage points	*Impact on gross financial result in PLN '000*
Year ended 31 December 2011		
PLN	+ 1%	(737)
PLN	- 1%	737
Year ended 31 December 2010		
PLN	+ 1%	(1 424)
PLN	- 1%	1 424

32.2. Exchange rate risk

The Group is not exposed to significant exchange rate risk from transactions concluded.

32.3. Price of goods risk

Price risk in the NFI Midas S.A. Capital Group relates to changes in the current value of items measured at fair value. If a given balance sheet item is based on market prices, then the balance sheet total is subject to change and must be shown in profit, loss or change in the amount of capital.

32.4. Credit risk

The maximum credit risk burden of the Group is reflected in the value of trade receivables and credits and loans obtained. Given the fact that the Group has a small number of customers, the credit risk connected with trade receivables is limited.

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 verification 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 regard to other financial assets of the Group such as cash and cash equivalents, financial assets held for sale and certain derivative instruments, the credit risk of the Group arises when the other party to an agreement cannot make payments, and the maximum exposure to that risk is equal to the balance sheet value of those instruments.

There are no concentrations of credit risk within the Group.

32.5. Liquidity risk

The Group monitors the risk of a lack of funds using a tool for periodically planning liquidity. That tool takes account of maturity/morbidity of both investments and financial assets (e.g. receivables accounts, other financial assets) and forecast cash flows from operations.

The Group's aim is to maintain a balance between financial continuity and elasticity by utilising various sources of financing such as credits on current accounts, bank loans, commercial papers, preferred shares, financial lease agreements, and tenancy agreements with a buyout option.

The table below shows the financial liabilities of the Group as at 31 December 2011 and at 31 December 2010 according to the date of morbidity, on the basis of undiscounted contractual payments.

31 December 2011 in PLN '000	*On demand*	*Over 3 months*	*From 3 to 12 months*	*From 1-5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	-	5 487	16 690	48 690	-	**70 867**
Issued commercial papers	-	885	52 741	-	-	**53 626**
Trade and other liabilities	-	40 110	548 000	-	-	**588 110**
Finance lease		23 062	69 185			**92 247**
Derivative instruments	-	-	-	-	-	-
	-	**69 544**	**686 616**	**48 690**	-	**804 850**

31 December 2010 in PLN '000	*On demand*	*Over 3 months*	*From 3 to 12 months*	*From 1-5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	-	15 517	7 125	11	-	**22 653**
Convertible preferred shares	-	-	-	-	-	-
Other liabilities (including bonds)	-	2 072	127 707	-	-	**129 779**
Trade and other liabilities	-	44 642	-	-	-	**44 642**
Derivative instruments	-	-	-	-	-	-
	-	**62 231**	**134 832**	**11**	-	**197 074**

33. Financial instruments

33.1. Fair value of particular classes of financial instruments

The table below shows a comparison of the balance sheet values and fair value of all financial instruments of the Group, divided into individual classes and categories of assets and liabilities.

in PLN '000	Category in accordance with IAS 39	Balance sheet value 31 December 2011	31 December 2010	1 January 2010*	Fair value 31 December 2011	31 December 2010	1 January 2010
Financial assets							
Other financial assets (non-current)	*LAR*	39 564	–	–	39 564	–	–
Trade and other receivables	*LAR*	29 716	9 420		29 716	9 420	–
Cash and cash equivalents	FAFVFR	37 623	5 178	–	37 623	5 178	–
		106 903	14 598	-	106 903	14 598	
Financial liabilities							
Interest-bearing credits and loans, of which:	OFLAC	62 469	22 276	–	62 469	22 276	–
- non-current bearing interest at a variable rate*	OFLAC	44 185	10	–	44 185	10	–
- other - current	OFLAC	18 284	22 266	–	18 284	22 266	–
- Liabilities from financial lease and tenancy agreements with the option to buy		92 247	–	–	92 247	–	–
Trade and other financial liabilities (including commercial papers) shown in the balance sheet as loans and borrowings and other financial liabilities	OFLAC	639 498	170 277	–	639 498	170 277	–
		794 214	192 553		794 214	192 553	

Abbreviations used:

FAHM - *Financial assets held to maturity,*
FAFVFR - *Financial Assets Measured at Fair Value by the Financial Result,*
LAR - *Loans and receivables,*
FAAS - *Financial assets available for sale.*
OFLVAC - *Other financial liabilities measured at amortized cost*

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

Year ended 31 December 2011

in PLN '000	*Category in accordance with IAS 39*	*Interest income (costs)*	*Profit (loss) from exchange rate differences*	*Dissolution (creation) of revaluation write-downs*	*Profit/ (loss) from valuation*	*Profit/ (loss) from sale of financial instruments*	*Other*	*Total*
Financial assets								
Other financial assets (non-current)		848						848
Other financial assets (current)			86					86
Cash and cash equivalents	FAFVFR	376					664	1 040
Financial liabilities								
Interest-bearing loans and borrowings (non-current and current)	OFLAC	(3 531)						(3 531)
- Liabilities from financial lease and tenancy agreements with the option to buy		(4)						(4)
Trade and other financial liabilities	OFLAC	(124)	(1 635)				(60)	(1 819)
Discount commercial papers issued		(4 566)						(4 566)
Collateral								
Bank guarantees		(273)						(273)
Total		(7 274)	(1 549)	-	-	-	604	(8 219)

Year ended 31 December 2010

in PLN '000	*Category in accordance with IAS 39*	*Interest income (costs)*	*Profit (loss) from exchange rate differences*	*Dissolution (creation) of revaluation write-downs*	*Profit/ (loss) from valuation*	*Profit/ (loss) from sale of financial instruments*	*Other*	*Total*
Financial assets								
- Loan bonds	Available for sale							
Other financial assets (current)		778	134			888		1 800
Commercial papers		251						251
Cash and cash equivalents	FAFVFR	48						48
Financial liabilities								
Interest-bearing bank loans and loans (non-current and current)	OFLAC	(2 124)						(2 124)
Other liabilities (short-term), of which:	OFLAC							
- Liabilities from financial lease and tenancy agreements with the option to buy		(139)						(139)
Trade and other financial liabilities	OFLAC	(324)	(47)					(371)
Issued commercial papers		(7 686)						(7 686)
Total		(9 196)	87	-	-	888		(8 221)

33.3. Interest rate risk

The table below shows the balance sheet value of Group financial instruments exposed to interest rate risk, divided into particular age categories.

31 December 2011 in PLN '000

Variable interest

	<1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Financial assets	–	4 000	–	35 564	–	–	39 564
Credits in current accounts	–	–	–	–	–	–	–
Bank loans in the amount of PLN 62,247,000	18 062	32 498	11 687	–	–	–	62 247
Share in credit drawn down by joint ventures	–	–	–	–	–	–	–
Issued commercial papers	51 769	–	–	–	–	–	51 769
	69 831	36 498	11 687	35 564	-	-	153 580

31 December 2010 in PLN '000

Variable interest

	<1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash assets	–	–	–	–	–	–	–
Credits in current accounts	–	–	–	–	–	–	–
Other including commercial papers issued	125 635	–	–	–	–	–	125 635
Share in credit drawn down by joint venture	–	–	–	–	–	–	–
Secured bank credit	–	–	–	–	–	–	–
Loans obtained	22 276	–	–	–	–	–	22 276
	–	–	–	–	–	–	–
	147 911	-	-	-	-	-	147 911

The interest on interest-bearing financial instruments is updated at least once per year. Interest on financial instruments having a fixed interest rate is fixed throughout the period up to the maturity/morbidity of those instruments. Other financial instruments of the Group not disclosed in the above tables do not accrue interest and are therefore not subject to interest rate risk.

34. Management of capital

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 shareholding structure and changes it as economic conditions change. In order to maintain or adjust shareholding structure, the Group may change dividends paid to shareholders, return capital to shareholders, or issue new shares. In the years ending on 31 December 2011 and 31 December 2010, no changes were made in the goals, rules or processes in effect in this area.

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

	31 December 2011 in PLN '000	31 December 2010 in PLN '000

Interest-bearing loans and borrowings, commercial papers issued and finance lease	206 104	147 911
Minus cash and cash equivalents and other financial assets	77 187	5 178
Net debt	**128 917**	**142 733**
Convertible preferred shares	-	-
Equity belonging to equity holders of the parent	179 789	(58 202)
Reserve capital from unachieved net profit	-	-
Total capital	**179 789**	**(58 202)**
Net capital and debt	**308 706**	**84 531**
Leverage ratio	0.418	1.689

35. Employment structure

In the years ending on 31 December 2011 and 31 December 2010, average employment in the Group was as follows:

	Year ended 31 December 2011 in PLN '000	**Year ended 31 December 2010 in PLN '000**
Management Board of the Company	1.19	0.67
Others	37.77	14.07
Total	**38.96**	**14.74**

36. Events occurring after the balance sheet date

Specification of issue price for D series shares

On 3 February 2012 the Management Board of the Company, acting pursuant to Resolution No. 27/2011 of the General Meeting of the Fund of 15 November 2011 determined, with the consent of the Supervisory Board of the Fund expressed in its resolution of 3 February 2012, the issue price for D class shares at PLN 0.70 (in words: seventy grosz) per share.

Arrangements, whose future implementation may cause changes in the Company's method of control

On 6 December 2011, on the basis of an agreement concluded between the holder of 100 per cent of the shares in Litenite, the company Ortholuck Limited with its registered office in Nicosia, Cyprus, ("Ortholuck"), and LTE Holdings, a subsidiary of Polkomtel S.A. with its registered office in Warsaw ("Polkomtel"), LTE Holdings acquired from Ortholuck 49% of the shares in Litenite. The 51% of the shares in in Litenite remaining in Ortholuck's possession were encumbered by a pledge in favour of Polkomtel, the pledge being governed by Cypriot law ("Polkomtel Pledge"). In addition, a call option was reserved for LTE Holdings whereunder it could buy the remaining 51 per cent of the shares in Litenite from Ortholuck at market price ("Call Option"). In addition, a return call option was reserved for Ortholuck whereunder it could buy back the 49 per cent of the shares in Litenite sold to LTE Holdings ("Return Call Option").

A detailed description of possible future events in connection with the above agreement can be found in point 4.4.5 of the Report of the Management Board on the Operations of NFI Midas S.A. for 2011.

Issue of debt papers

After Alior Bank S.A. with its registered office in Warsaw ("Alior Bank") subscribed on 17 February 2012 for 20,000 series MID0612.3 debt papers with a nominal value of PLN 1,000 each ("Papers"), with a total nominal value of PLN 20,000,000 for the issue price equal to their nominal value ("Issue Price") as a result of the acceptance by Alior Bank on 16 February 2012 of the proposal to subscribe for the Papers ("Proposal") and as a result of the payment of the Issue Price by Alior Bank, the issue of the Papers was successful. In accordance with terms and conditions for the issue of the Papers, contained in the Proposal, the Papers mature on 30 June 2012 but the Company has the right to make an unconditional early redemption of the Papers. In addition, the Papers entitle to interest, accrued and paid on a monthly basis, except for the first interest period which will last from 17 February 2012 to 1 March 2012. Interest rate on the Papers shall be equal to WIBOR 1M from the second working day preceding beginning of a given interest period, increased by 2.5 percentage points, in annual relation.

The proceeds from issue of the Papers shall be designated for bridge financing of investments being implemented by the Midas Group. The Company expects to use the bridge financing until the end of the public offering of D series shares of the Company. The Company informs that as a part of such financing proceeds from the issue of the Papers will be used for a loan in the amount of PLN 20,000,000 to the subsidiary - Aero 2 Sp. z o.o. with its registered office in Warsaw.

Detailed information on the issue of the above commercial papers (including information on the security established in connection with the issue) can be found in point 5.2 of the Directors' Report of NFI Midas S.A. for 2011.

Agreement on a mutual set-off of receivables with Litenite Limited:

On 28 February 2012, NFI Midas concluded an agreement with Litenite Limited with its registered office in Nicosia, Cyprus for a mutual set-off of receivables ("Agreement").

Pursuant to the Agreement, on 28 February 2012, the Fund and Litenite made a contractual offset of liabilities in the amount of PLN 546,863,906.40 due to NFI Midas from Litenite from Litenite's obligation to pay for 781,234,152 D series shares in the Fund covered by a basic subscription submitted by Litenite on 28 February 2012 at an issue price of PLN 0.70 per share, as part of a public offering of D series shares (a closed subscription), against a receivable in the amount PLN 548,000,000 due from NFI Midas to Litenite as payment of the sale price for 100 per cent of the shares in Conpidon Limited on the basis of an agreement for the sale of shares in the company Conpidon Limited with its registered office in Nicosia, Cyprus. As a result of the contractual set-off, the above receivable due to the Company was written off in full, i.e. in the amount of PLN 546,863,906.40, and the above receivable due to Litenite was partially written off, i.e. to the amount of PLN 1,136,093.60.

In the Agreement, NFI Midas and Litenite also decided that the Fund shall be authorised to withdraw from the Agreement if a decision of the registry court having jurisdiction over the Fund becomes legally binding: (i) on refusing to register the increase of the Fund's share capital connected with the issue of the D series shares, or (ii) on rejecting the application for making such registration. Such right shall be held by the Company for a period of one month from the date such a decision of the court becomes legally binding.

The Agreement was concluded within the framework of implementing the first target of issuing the D series shares, that is, payment of the price for canvassing of Aero2 Sp. z o.o. with its registered office in Warsaw. Considering the above-mentioned set-off, the amount of PLN 1,136,093.60 constitutes the receivable of Litenite remaining to be paid by the Company within the framework of performing this target of the issue. However, the Company stresses the above-mentioned possibility of withdrawing from the Agreement. In the case of such a withdrawal, in accordance with Article 395 par. 2 sentence 1 of the Civil Code, the Agreement shall be deemed not concluded, and the Company shall be bound to pay the amount of PLN 548,000,000 to Litenite as the price for the sale of 100% of shares in Conpidon Limited.

Receipt by Mobyland of an order for a data transmission service

On 23 January 2012, Cyfrowy Polsat S.A. ("Cyfrowy Polsat") submitted order No. 2 ("Order") to the Agreement of 15 December 2010 concerning the principles of cooperation between Mobyland and Cyfrowy Polsat within the scope related to Mobyland providing data transmission services to Cyfrowy Polsat ("Agreement"). Under this Order, Cyfrowy Polsat ordered a data package in the wireless data transmission service in the Mobyland network, in the size of 13 million gigabytes and having a total value of PLN 103,034,880 (in words: one hundred three million thirty-four thousand eight hundred and eighty zlotys) increased by VAT in the amount compliant with the provisions of law. The above value of the Order shall be settled in 12 equal, monthly instalments, payable on the basis of invoices issued by Mobyland. The data package ordered by Cyfrowy Polsat shall have a guaranteed validity period of 36 months from the date of submitting the Order. In the Agreement, the parties allow for the possibility of prolonging this period. The Order was submitted in relation to Mobyland achieving its telecommunications network development level declared in the Agreement, meaning 900 base stations built and integrated with the Mobyland network until the end of 2011. Pursuant to the above notification received from Mobyland, as on 29 December 2011, 1072 base stations were functioning in the Mobyland network.

Agreement concluded by Mobyland for the provision of telecommunications services under wholesale conditions with Polkomte S.A.:

on 9 March 2012, with Polkomtel S.A. ("Polkomtel" or a "Party", or the "Parties" together with Mobyland) on rendering telecommunications services under wholesale conditions (the "Agreement"). The Agreement was concluded in relation to the letter of intent concluded by Mobyland and Polkomtel ("Letter of Intent"), which was reported on by the Fund in current report No. 84/2011 of 29 November 2011.

Under the Agreement, on 9 March 2012 Mobyland received the first order for data transmission services from Polkomtel, in the amount of 11 million gigabytes, for a total net amount of PLN 101.7 million.

In the Agreement, Mobyland and Polkomtel agreed the following: (i) the conditions of cooperation with respect to providing Polkomtel with access to the mobile public telecommunications network operated by Mobyland in Poland, covering all base stations used or ready to be used by Mobyland in a given period for rendering telecommunications services (the "Mobyland Network"), and (ii) the conditions of Mobyland rendering data transmission services for Polkomtel in LTE and WCDMA technology as defined in detail in the Agreement, for the needs of Polkomtel providing telecommunications services to Polkomtel subscribers.

Pursuant to the Agreement, Polkomtel may submit an order for data transmission services to Mobyland any time ("Order"). The minimum size of each order is 1 million gigabytes. Each Order should be submitted in the minimum size (1 million GB) or a multiple thereof. The period of use of every Order is 36 calendar months from the date of its coming into force ("Validity Period"). The Parties may always agree on prolongation of the Validity Period of a given Order. An Order is binding for Mobyland from the moment of its acceptance.

Remuneration due to Mobyland for data transmission services included in a given Order shall be determined based on settlement rates defined in the Agreement. The basic amount of these rates depends on the size of a given Order, and cannot exceed the net amount of PLN 0.036 for 1 MB or be lower than the net amount of 0.00477 for 1 MB. However, the Parties agreed that, depending on the size of the Orders accepted or considered accepted in every annual period, Mobyland will provide Polkomtel with additional discounts concerning those rates, where the total value of discounts shall not exceed 25 per cent of the value of such Orders. Payments for every Order should be made by Polkomtel monthly, in at least 12 equal instalments. In addition, the Parties agreed in the Agreement that Polkomtel shall pay Mobyland lump-sum remuneration for traffic performed in the Mobyland Network for the needs of commercial testing of data transmission services, under the Letter of Intent, in the amount of PLN 500,000, within 7 days after the conclusion of the Agreement.

Detailed information on the issue of the above Agreement can be found in point 5.2 of the Directors' Report of NFI Midas S.A. for 2011.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

_________________________	_________________________	_________________________
Wojciech Pytel	Maciej Kotlicki	Krzysztof Adaszewski
/President of the Management Board/	/Member of the Management Board/	/Member of the Management Board/

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

____

Teresa Rogala
/ on behalf of Sferia
Spółka Akcyjna/

Warsaw, 20 March 2012