NFI Midas Spółka Akcyjna

FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON 31 DECEMBER 2011
TOGETHER WITH THE INDEPENDENT AUDITOR'S OPINION

SELECTED FINANCIAL DATA

	A 12-month period ended on 31 December 2011	A 12-month period ended on 31 December 2010	A 12-month period ended on 31 December 2011	A 12-month period ended on 31 December 2010
	in PLN '000	**in PLN '000**	**in EUR '000**	**in EUR '000**
Revenues from sales	12	-	3	-
Profit/ (loss) for the period on operating activities	(175)	(1,037)	(42)	(259)
Profit/ (loss) before tax	(5,669)	(5,870)	(1,369)	(1,466)
Net profit/ (loss) for the period from continued activities attributable to equity holders of the Issuer	(5,669)	(5,870)	(1,369)	(1,466)
Net cash flow from operating activities	(1,677)	(4,012)	(405)	(1,002)
Net cash flow from investing activities	(218,729)	(4,298)	(52,832)	(1,073)
Net cash flow from financing activities	223,510	8,302	53,987	2,073
Average weighted number of shares (not in thousands)	178,527,942	59,105,341	178,527,942	59,105,341
Basic profit/(loss) on continued activities per ordinary share (not in thousands)	(0.03)	(0.10)	(0.01)	(0.02)

	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	1,012,865	239,434	229,321	60,459
Total liabilities	631,646	144,877	143,010	36,582
Non-current liabilities	24,021	-	5,439	-
Current liabilities	607,625	144,877	137,571	36,582
Equity attributable to equity holders of the Issuer	381,219	94,557	86,311	23,876
Share capital	29,593	5,919	6,700	1,495

STATEMENT OF COMPREHENSIVE INCOME
for the year ended on 31 December 2011

(in PLN '000)

	Note	Year ended on 31 December 2011 (audited)	Year ended on 31 December 2010 (restated)
Continued activities			
Revenues from sales of goods and services		12	
Depreciation and amortisation		(24)	(42)
Wages and salaries		(489)	(635)
Other costs by type	13.2	(1,505)	(3,635)
Other operating income	13.1	1,842	5,352
Other operating expenses		(10)	(3)
Profit/ (loss) on operating activities		**(175)**	**1,037**
Finance income	13.3	1,843	890
Other finance costs	13.4	(7,337)	(7,797)
Profit/ (loss) on financial activities		**(5,494)**	**(6,907)**
Profit/ (loss) before tax		**(5,669)**	**(5,870)**
Current income tax	14.1	-	-
Deferred tax	14.2	-	-
Total income tax expense		-	-
Net profit/ (loss) for the period from continuing operations		**(5,669)**	**(5,870)**
Net profit/ (loss) for the period from discontinued		-	-
Net profit/ (loss) for the period		**(5,669)**	**(5,870)**
TOTAL COMPREHENSIVE LOSS		**(5,669)**	**(5,870)**
Average weighted number of ordinary shares		178,527,942	59,105,341
Net profit/ (loss) from continued activities per share attributable to equity holders of the Fund (in PLN)	15	(0.03)	(0.10)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2011

(in PLN '000)

	Note	31 December 2011 in PLN '000 (audited)	31 December 2010 in PLN '000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment	16	22	33
Other financial assets (non-current)	18	966,203	238,989
Total non-current assets		**966,225**	**239,022**
Current assets			
Trade and other receivables	19.1	42,197	98
Cash and cash equivalents	20	3,244	140
Other prepayments	19.2	1,199	174
Total current assets		**46,640**	**412**
Total assets		**1,012,865**	**239,434**

EQUITY AND LIABILITIES	**Note**	**31 December 2011 in PLN '000 (audited)**	**31 December 2010 in PLN '000 (restated)**
Equity attributable to equity holders of the Company, including:			
Share capital	21.1	29,593	5,919
Share premium	21.2	435,655	166,998
Treasury shares		(150)	(150)
Retained earnings/Accumulated losses		(83,879)	(78,210)
Retained earnings/ (Accumulated losses)		(78,210)	(72,340)
Net profit/ (loss) for the current period		(5,669)	(5,870)
Total equity		**381,219**	**94,557**
Non-current liabilities			
Other liabilities	22	24,021	
Total non-current liabilities		**24,021**	**-**
Current liabilities			
Trade and other liabilities	23.1	548,713	1,459
Deferred income	23.2	54	-
Loans and borrowings	23.1	7,411	8,715
Other financial liabilities	22,23.1	51,379	134,611
Accruals	23.2	68	92
Total current liabilities		**607,625**	**144,877**
Total equity and liabilities		**1,012,865**	**239,434**
Number of shares	15	295,928,350	59,181,670

STATEMENT OF CASH FLOWS
for the year ended on 31 December 2011

(in PLN '000)

	Note	31 December 2011 (audited)	31 December 2010 (restated)
Gross result		**(5,669)**	**(5,870)**
Depreciation and amortization		24	42
Interest expense		7,337	7,797
Gain/ (loss) on investing activities		6	15
Exchange rate differences		(84)	(13)
Change in assets and liabilities related to operating activities :			
- Trade and other receivables	20.2	(719)	-
- Inventories		(1)	-
- Trade and other liabilities	20.1	(1,157)	1,022
- Prepayments/accruals	20.3	(24)	(6,130)
interest income and dividends on securities available-for-sale		(1,760)	(875)
Other adjustments		370	-
Net cash flow from operating activities		**(1,677)**	**(4,012)**
Acquisition of subsidiary	20.4	(179,213)	-
Purchase of property, plant and equipment and intangible assets		(33)	-
Proceeds from sale of property, plant and equipment and intangible assets		-	1
Loans granted and repaid	19.1	(40,500)	(4,499)
Purchase/ proceeds from sale of other non-current assets		-	200
Interest received		327	-
Other		690	-
Net cash flow from investing activities		**(218,729)**	**(4,298)**
Proceeds from the sale of treasury shares		-	6,951
Income tax on the acquisition of treasury shares Redemption of papers (including interest expenses)	22	(116,884)	-
Proceeds from borrowings	22	5,125	15,561
Loan repayments (including interest expense)	22	(7,022)	(14,119)
Proceeds from issue of debt securities	22	51,500	36
Expenditures related to the share capital increase		(1,483)	(129)
Proceeds from share issue		293,566	-
Other		(1,292)	2
Net cash flow from financing activities		**223,510**	**8,302**
Net increase/(decrease) in cash and cash equivalents and bank overdraft		3,104	(8)
Cash and cash equivalents and bank overdraft at the beginning of the period		140	148
Cash and cash equivalents and bank overdraft at the end of the period	20	3,244	140

STATEMENT OF CHANGES IN EQUITY
for the year ended on 31 December 2011

(in PLN '000)

	Share capital (Note 21.1)	Share premium (Note 21.2)	Treasury shares	Retained earnings/Accumulated losses (Note 21.3)	Total equity
As at 1 January 2011	**5,919**	**166,998**	**(150)**	**(78,210)**	**94,557**
Issue of share capital	23,674	269,891	-	-	293,565
Transaction costs	-	(1,234)	-	-	(1,234)
Net profit/(loss) for the period	-	-	-	*(5,669)*	*(5,669)*
Total comprehensive income/(loss) for the period	-	-	-	(5,669)	(5,669)
As at 31 December 2011 (audited)	**29,593**	**435,655**	**(150)**	**(83,879)**	**381,219**

	Share capital	Share premium	Treasury shares	Retained earnings/Accumulated losses	Total equity
As at 1 January 2010	**5,919**	**189,897**	**(30,000)**	**(72,340)**	**93,476**
Proceeds from the sale of treasury shares	-	(22,899)	29,850	-	6,951
Net profit/(loss) for the period	-	-	-	*(5,870)*	*(5,870)*
Total comprehensive income/(loss) for the period	-	-	-	(5,870)	(5,870)
As at 31 December 2010 (restated)	**5,919**	**166,998**	**(150)**	**(78,210)**	**94,557**

ACCOUNTING PRINCIPLES (POLICY) AND ADDITIONAL EXPLANATORY NOTES

1. General Information

The financial statements of NFI MIDAS S.A. cover the year ended on 31 December 2011 and include comparative data for the year ended on 31 December 2010.

NFI MIDAS S.A. ("Company", "entity") was established pursuant to the Notarial Deed of 15 December 1994. The Company's registered office is located in Warsaw, ul. Lwowska 19.

The Company 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, Entry No. KRS 0000025704. The Company was issued statistical identification number (REGON) 010974600.

The Company was established in perpetuity.

The core business activity of the Company is:

- Financial holding activity (64.20.Z)
- Other forms of granting loans (64.92.Z)
- Other financial services activities, not classified elsewhere, except for insurance and pension funds (64.99.Z)
- other activities auxiliary to financial services, except for insurance and retirement funds (66.19.Z)
- purchase and sale of real estate on its own account (68.10.Z)

Narodowy Fundusz Inwestycyjny Midas is the parent of NFI Midas S.A. Capital Group.

The parent of Narodowy Fundusz Inwestycyjny Midas is Litenite Ltd with its registered office in Nicosia, Cyprus.

2. Identification of the consolidated financial statements

The Company prepared the consolidated financial statements for the year ended on 31 December 2011, approved for publication on 20 March 2012.

3. Composition of the Management Board of the Company

As at 31 December 2011 the composition of the Company's Management Board was as follows:

Wojciech Pytel – President of the Management Board

Maciej Kotlicki – Member of the Management Board

Krzysztof Adaszewski – Member of the Management Board

On 25 March 2011 the Supervisory Board of the Fund appointed Mr. Krzysztof Adaszewski to 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.

4. Approval of the financial statements

On 20 March 2012 these financial statements were approved for publication by the Management Board.

5. Investments of the Company

The Company holds investments in the following subsidiaries:

Entity	Registered office	Core business	Share of the Company in equity in %	
			31 December 2011	31 December 2010
CenterNet S.A.	Warsaw	Telecommunications services	100%	100%
Mobyland Sp. z o.o.	Warsaw	Telecommunications services	100%	0%
Conpidon LTD	Nicosia	No operating activities	100%	0%
Aero2 Sp. z o.o.	Warsaw	Telecommunications services	100%	0%
Nova Capital Sp. z o.o.	Warsaw	No operating activities	42.63%	0%
Daycon Trading Ltd	Nicosia	No operating activities	100%	0%

As at 31 December 2011 and 31 December 2010 the share in the total number of votes held by the Company in subsidiaries is equal to the Company's share in the equity of those entities. An exception is Nova Capital Sp. z o.o. ("Nova"") in which the Group holds 42.63% of the share capital and 50.03% of voting rights.

Mobyland Sp. z o.o.
On 6 June 2011 the Fund entered with Daycon Ltd into an agreement for the sale of shares in Mobyland Sp. z o.o. under which the Fund acquired, on 6 June 2011, assets of a significant value.
Under the Agreement, the Seller sold to the Fund and the Fund purchased from the Seller assets of a significant value in the form of 204,200 shares in Mobyland, with a nominal value of PLN 500 each, representing 100% of the share capital of Mobyland and providing an entitlement to 100% of the votes at the shareholders meeting of Mobyland for the price of PLN 177,000,000. Mobyland Sp. z o.o. carries out telecommunications activities for the wholesale lease of frequencies.

Detailed information about the Final Agreement is included under section 2.4.1 in the Management Report on the operations of NFI Midas S.A. in 2011.

Conpidon LTD
On 19 September 2011 the Fund entered with Litenite Limited, with its registered office in Nicosia, Cyprus ("Seller") into a preliminary conditional agreement ("Agreement") for the purchase by the Fund of shares in Conpidon Limited, with its registered office in Nicosia, Cyprus ("Conpidon") which as at the date of the Agreement was the majority shareholder of Aero 2 Sp. z o.o. ("Aero2"). The subject of the Agreement was the obligation to enter into another agreement ("Final Agreement") under which the Seller sells and transfers to the Fund 100% of the shares ("Conpidon Shares") in the share capital of Conpidon ("Transaction"). Under the Agreement, for the Conpidon Shares the Fund agreed to pay to the Seller a price equal to PLN 548,000,000. The

price was determined based on the assumption that net debts of Aero2 are not higher than PLN 70,000,000. In the event when Aero2 net debts are higher, the price for the shares will be reduced by the amount of such excess. The Preliminary Agreement incorporated various conditions precedent which were reserved for the benefit of the Fund until 29 February 2012. By 29 February 2012 the conditions precedent were satisfied.

The Final Agreement also contained provisions under which the Fund could withdraw from the agreement, e.g. when Aero2 loses 900 and 2600 MHz frequencies.
Additionally, the Final Agreement provided for a put option for the Fund which could be exercised in the event when:

a) the issue of D class ordinary bearer shares ("Share Issue") is not successful;

b) the authorised entity, referred to in Art. 422 § 2 of the Code of Commercial Companies, successfully challenges the Resolution; such successful challenge being a situation when the court validly and finally decides to repeal the Resolution or declare invalidity of the same;

c) the issue prospectus for the Share Issue is not approved by the Polish Financial Supervision Authority by 29 February 2012;

d) the registry court having jurisdiction over the Fund issues a decision on refusal to register the Fund's share capital increase following the Share Issue or on rejection of the application in that respect, and the Fund decides not to to appeal against such court decision.

The Fund’s exercise 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.
The Agreement does not contain provisions concerning contractual penalties. Subject to contractual provisions in the case of a non-performance or improper performance of obligations under the Agreement, as well as for any losses resulting from a breach of or untrue representations and warranties made in this Agreement, the Parties will be liable according to general principles.

On 9 December 2011 the Fund entered with Litenite Limited, with its registered office in Nicosia, Cyprus ("Seller") into an agreement for the purchase by the Fund of shares in Conpidon Limited, with its registered office in Nicosia, Cyprus ("Agreement") following which the Fund became an indirect owner of 100% of shares in Aero 2 Sp. z o.o. The agreement was executed in performance of the preliminary agreement for the purchase shares in Conpidon Limited ("Preliminary Agreement") referred to above.
Under the Agreement, the Seller sold to the Fund and the Fund purchased from the Seller assets of a significant value in the form of 221,000 shares in Conpidon, with a nominal value of EUR 1 each, representing 100% of the share capital of Conpidon and providing an entitlement to 100% of the votes at the shareholders meeting of Conpidon for the price of PLN 548,000,000 ("Price for Conpidon Shares"). As a result of the Agreement the Fund indirectly acquired 221,000 shares in Aero2, with a nominal value of PLN 50 each, representing 100% of the share capital of Aero2 and entitling to 100% of the votes at the shareholders meeting of Aero2. The Parties jointly agreed that the transfer of title to the shares had been effected when entering into the Agreement.
Under the Agreement the Price for Conpidon Shares should be paid on or before 31 May 2012, but no later than within 5 working days of the date of receipt by the Fund of the decision of the registry court having jurisdiction over the Fund on the registration of the share capital increase following the issuance of D class shares of the Fund. The Fund prepared the Closing Balance Sheet and on its basis calculated the net debts of Aero2 as at the date of the Agreement. Those debts did not exceed PLN 70,000,000. The Closing Balance Sheet and Net Debt

Calculation were provided to the Seller in writing. The Seller did not provide the Seller's Calculations which is considered as its final approval of the Net Debt Calculation. Therefore, the Price for Conpidon Shares was finally set at PLN 548,000,000.
In addition, the Agreement provides for, by reference to the provisions of the Preliminary Agreement, subject to the provisions of Annex 1 to that agreement, the Fund's right to request that the Seller repurchase the Shares for the price of PLN 548,000,000 plus interest on that amount calculated at WIBOR 3M (as at the date of the Final Agreement) + 2% ("Put Option"). The Fund should exercise its rights under the Put Option within periods specified in the Preliminary Agreement. The Fund's right to exercise its entitlements resulting from the Put Option expires no later than on 31 December 2015. In order to secure the Fund's claims under the Put Option, the Seller submitted, when entering into the Agreement, an irrevocable offer, valid until 31 December 2015, to acquire a 100% stake in Conpidon for the price of PLN 548,000,000 plus interest on that amount calculated at WIBOR 3M (as at the date of the Agreement) + 2%. The provisions of the Preliminary Agreement also apply to the Agreement, subject to the provisions of Annex 1 to that agreement, to the extent of the Seller's representations and warranties, representations and warranties of the Fund, liability of the Fund and of the Seller and confidentiality.

The Agreement does not contain provisions concerning contractual penalties. Subject to contractual provisions in the case of a non-performance or improper performance of obligations under the Agreement, as well as for any losses resulting from a breach of or untrue representations and warranties made in this Agreement, the Parties will be liable according to general principles.

6. Significant values based on professional judgement and estimates

6.1. Professional judgement

In the process of applying accounting policies to certain matters specified below, the greatest role, aside from accounting estimates, is played by the management's professional judgement.

6.2. Uncertainty of estimates

Basic assumptions regarding the future and other key sources of uncertainty as of the balance sheet date, involving a significant risk of adjustments of the balance sheet value of assets and liabilities in the following financial year, are discussed below.

Impairment of assets
On each reporting date the Company determines whether there is any objective evidence indicating the impairment of a financial asset or a group of financial assets.

The Management Board tested shares in subsidiaries against impairment, and results of such tests as at 31 December 2011 are presented in Note 18.

7. Basis for preparation of the financial statements

These financial statements were prepared on a historical cost basis, except for financial assets available for sale and financial assets and liabilities measured at fair value with corresponding items in the statement of comprehensive income.

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

These financial statements were prepared assuming that the Company would continue as a going concern in the foreseeable future. As at the date of approval of these financial statements there are no facts or circumstances that would indicate a threat to the continued activity of the Company.

7.1. Statement of compliance

These financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRS") and the IFRS approved by the European Union. As at the date of approving these statements, taking account of the process ongoing in the European Union of introducing IFRS and of the activity conducted by the Company, with respect to the accounting principles applied by the Company there are no differences between standards contained in IFRS which have come into force and IFRS approved by the European Union.

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

7.2. Functional currency and presentation currency of the financial statements

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

8. Changes to the accounting principles applied

The accounting policies adopted in preparing the financial statements are consistent with those adopted in preparing the financial statements of the Company for the year ended on 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 *Related party disclosures* (as amended in November 2009) - applicable to annual periods beginning on or after 1 January 2011. The purpose of those amendments is to simplify and clarify the definition of related party. The amendment removed the requirement to disclose information about transactions with related parties in relation to the government which exercises control or joint control over the reporting unit or has a significant influence thereon and in relation to another entity which is related party because the same government exercises control or joint control over the reporting entity and such another entity or has a significant influence thereon. The application of these changes had no impact on the financial position or operating results of the Company or the scope of information presented in the financial statements of the Company.
- Amendments to IFRIC 14 IAS 19 - *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: Prepayments of a Minimum Funding Requirement* - applicable to 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 Company.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – applicable to annual periods beginning on or after 1 July 2010. IFRIC 19 clarifies the accounting principles applicable when after the entity renegotiates terms of its indebtedness respective obligations are settled by the debtor by issuing equity instruments for the benefit of the creditor. The application of such interpretation had no impact on the financial position or operating results of the Company.
- Amendments to IAS 32 *Financial Instruments: Presentation: Classification of Rights Issues.* The amendment clarifies how to account for certain rights when issued financial instruments are denominated in a currency other than the functional currency of the issuer. The application of these changes had no impact on the financial position or operating results of the Company.
- Improvements to IFRS (issued in May 2010) - some amendments are effective for annual periods beginning on or after 1 July 2010, and others for annual periods beginning on or after 1 January 2011. The application of of these changes had no impact on the financial position or operating results of the Company.
- Amendments to IFRS 1 *First adoption of International Financial Reporting Standards: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters* – applicable to annual periods beginning on or after 1 July 2010. The application of these changes had no impact on the financial position or operating results of the Company.

The Company has not early adopted any standard, interpretation or amendment that was issued but is not effective.

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

The following standards and interpretations were already issued by the International Accounting Standards Board or by the International Financial Reporting 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 subsequent phases, the IASB will address hedge accounting and impairment. The application of the first phase of IFRS 9 will have an impact on classification and measurement of the financial assets of the Company/Group. The Company/Group will quantify the effect in conjunction with the other phases, when issued, to present a consistent picture,
- Amendments to IFRS 7 *Financial Instruments: Disclosures*: *Transfers of Financial Assets* – effective for annual periods beginning on or after 1 July 2011,
- Amendments to IAS 12 *Income tax: Deferred Tax: Recovery of Underlying Assets* – effective for financial years beginning on or after 1 January 2012 - not approved by the EU up to the date of approval of these financial statements,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – effective for financial years beginning on or after 1 July 2011 - not endorsed by the EU up to the date of approval of these financial statements,
- IFRS 10 *Consolidated Financial Statements* – effective for financial years beginning on or after 1 January 2013 - not approved by the EU up to the date of approval of these financial statements,
- IFRS 11 *Joint Arrangements* – effective for financial years beginning on or after 1 January 2013 – not approved by the EU till the date of approval of these financial statements,
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for financial years beginning on or after 1 January 2013 – not approved by the EU up to the date of approval of these financial statements,
- IFRS 13 *Fair Value Measurement* – effective for financial years beginning on or after 1 January 2013 – not approved by the EU up to the date of approval of these financial statements,
- Amendments to IAS 19 *Employee Benefits* - effective for financial years beginning on or after 1 January 2013 – not approved by the EU up to the date of approval of these financial statements,
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of items of other comprehensive income* - effective for financial years beginning on or after 1 July 2012 – not approved by the EU up to the date of approval of these financial statements,
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for financial years beginning on or after 1 January 2013 – not approved by the EU up to the date of approval of these financial statements,
- Amendments to IFRS 7 *Financial Instruments: Disclosures*:*Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1 January 2013 - not approved by the EU up to the date of approval of these financial statements,
- Amendments to IAS 32 *Financial Instruments: Presentation: Offsetting Financial Assets and Financial Liabilities* - effective for financial years beginning on or after 1 January 2014 - not approved by the EU up to the date of approval of these financial statements,
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Government Loans* – effective for financial years beginning on or after 1 January 2013 - not approved by the EU up to the date of approval of these financial statements.

According to the Management Board the introduction of the above standards and interpretations will not have any significant effects on the accounting policies applied by the Company.

10. Adjustment of an error

As at 31 December 2010 adjustments were made in the presentation of liabilities by setting off liabilities on interest accrued on papers against assets (originally disclosed as trade and other receivables) from a reduction in such interest in the amount of PLN 1,577,000 .

The adjustment did not affect the Company's financial results or its treasury shares.

11. Significant accounting principles

11.1. Translations of items expressed in a foreign currency

Transactions in foreign currencies other than the Polish zloty are converted into Polish zlotys based on the rate applicable on the transaction date.

As of the balance sheet date cash assets and liabilities expressed in currencies other than Polish zloty are translated into Polish zlotys using an appropriate average exchange rate of a given currency published by the National Bank of Poland as of the end of the reporting period. Any translation exchange differences are disclosed as financial revenues (expenses) or under circumstances referred to in accounting policies are capitalized in the balance of assets. Non-monetary assets and liabilities recognised according to their historical cost in a foreign currency are shown at the historical exchange rate on the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are based on the rate applicable on the date of fair value measurement.

The following exchange rates were accepted for balance sheet valuation purposes:

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

11.2. Property, plant and equipment

Property, plant and equipment are presented at their purchase price/manufacturing cost less accumulated depreciation and impairment losses. The initial value of tangible assets includes their purchase price plus all expenses directly associated with purchase, adaptation and commissioning of such assets. Costs include also expenses for replacement of machinery's and devices' components immediately after they are incurred, if their recognition criteria are satisfied. Expenses made after the date of commissioning tangible assets such as maintenance and repair costs, are charged into profit or loss when incurred.

When purchased, tangible assets are divided into components being valuable items to which separate economic lives might be attributed. A separate item are costs of general overhauls.

Depreciation rates applicable to such tangible assets are as follows:

Type	**Depreciation rates**
Machinery and equipment	6 - 30 %
Vehicles	14 - 20 %
Computers	6 - 30 %

Residual values, economic lives and methods for depreciation of assets are reviewed every year. A given tangible asset might be removed from the balance sheet after its disposal or in the event when no economic benefits from further use of such asset are expected. Any profits or losses resulting from removal of such asset from the balance sheet (calculated as the difference between net proceeds from sales, if any, and balance sheet value of such item) are disclosed in profit or loss in the period when such asset is removed.

Investments in progress include tangible assets under construction or assembly and are recognised at purchase price or manufacturing cost less impairment write-downs, if any. Tangible assets under construction are not depreciated until their construction is completed and they are commissioned.

11.3. Intangible assets

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

The Company decides whether the economic life of intangible assets is limited or unlimited. Intangible assets with a limited economic life are amortised during such economic life and tested against impairment whenever there are indications for their impairment. Periods and methods for amortisation of intangible assets with a limited economic life are verified at least as at the end of each financial year. Changes in an expected economic life or expected scheme of economic benefits originating from a given asset are presented by modifying as appropriate its amortisation period or method, and are recognized as changes of estimates. Amortisation write-downs against intangible assets with a defined economic life are disclosed as a profit or loss under such category which corresponds with the function of given intangible assets.

Intangible assets with an unspecified economic life and those that are not in use, are verified annually for possible impairment, with respect to specific assets or the cash-generating unit.

Economic lives are reviewed annually and adjusted, if necessary. Any profits or losses resulting from removal of intangible assets from the balance sheet are calculated as a difference between net proceeds from sales and the balance sheet value of a given asset and are disclosed as a profit or loss when such assets are removed.

11.4. Lease

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

Tangible assets used under financial leases are depreciated over the shorter of the two periods: the estimated useful life of the asset or the lease term.

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

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

11.5. Shares in subsidiaries, associates and joint ventures

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

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

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

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

11.6. Financial assets

Financial assets are classified under the following categories:

- Financial assets held to maturity,
- Financial assets assessed at their fair value through the financial result,
- Loans and receivables,
- Available-for-sale financial assets

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

- designated at their initial recognition as measured at fair value through profit or loss,
- designated as available for sale,
- satisfying criteria of the definition of loans and receivables.

Held-to-maturity financial assets are recognised at their cost depreciated in accordance with the effective interest rate. Held-to-maturity financial assets are qualified as non-current assets if their maturity exceeds 12 months from the balance sheet date.

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

a) it is classified as held for trading. Financial assets qualify as held for trading if they are:
    - acquired mainly for the purpose of their further sale in the short term,
    - a part of a portfolio of identified financial instruments managed jointly for which it is likely to obtain profit in the short term,
    - derivatives excluding derivatives which are part of hedge accounting and financial guarantee contracts,

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

Financial assets recognised at fair value through the financial result are disclosed at their fair value taking into account their market value as of the balance sheet date without considering any selling expenses. Changes in the value of such financial instruments are recognised in the statement of comprehensive income as finance income or expenses. If a contract incorporates one or more embedded derivatives, the entire contract can be classified under the category of financial assets measured at fair value through profit or loss. This does not apply to cases where the embedded derivative does not significantly affect cash flows under the contract or where it is obvious without or just after a brief analysis that if a similar hybrid instrument was first considered, then a separation of the embedded derivative would be prohibited. At their initial recognition, financial assets may be classified as measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or significantly reduces the inconsistency in the recognition or measurement (accounting mismatch); or (ii) the assets are a part of a group of financial assets which are managed and evaluated on a fair value basis in accordance with a documented risk management strategy; or (iii) financial assets incorporate embedded derivatives that should be separately accounted for. As at 31 December 2011 and 31 December 2010 no financial assets were classified as measured at fair value through profit or loss.

Loans and receivables include financial assets not classified as derivatives, with determined or determinable payments, not listed on any active market. They are presented under current assets provided that their maturity does not exceed 12 months from the balance sheet date. Loans and receivables with a maturity date exceeding 12 months from the balance sheet date are classified as non-current assets.

Available-for-sale financial assets are non-derivative financial assets that are classified as available-for-sale or not belonging to any of the previously mentioned three categories of assets. Available-for-sale financial assets are recognised at fair value plus transaction costs that can be directly attributed to the acquisition or issue of the financial asset. In the event when they are not listed on any active stock exchange market and it is not possible to reliably determine their fair value based on alternative methods, financial assets available for sale are stated at their purchase price adjusted by impairment write-down, if any. Positive and negative differences between a fair value of assets available for sale (if there is a market price determined on an active regulated market or whose fair value may be reliably determined) and their purchase price, less any deferred taxes, are presented under the comprehensive income. Any impairment-related decrease in the value of assets available for sale is reported as financial expenses.

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

Financial assets are removed from the balance sheet in the event when the Company loses control over contractual rights making up a given financial instrument; it usually takes place after such instrument is sold or when all cash flows attributable to such instrument pass to an independent third party.

11.7. Impairment of financial assets

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

11.7.1 Assets recognized at capitalised cost

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

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

In the event when in a subsequent period an impairment write-down decreases and such decrease might be objectively associated with an event taking place after recognising such impairment write-down, then the write-down previously disclosed is reversed. A later reversal of the impairment write-down is presented in profit or loss to the extent to which as of its reversal date the carrying amount of a respective asset is not higher than its capitalised cost.

11.7.2 Financial assets recognised at cost

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

11.7.3 Financial assets available for sale

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

11.8. Trade and other receivables

Trade receivables are presented and stated at originally invoiced amounts, taking into consideration write-downs against doubtful receivables, if any. Write-downs against receivables are estimated only in the event when recovery of their full amount is no longer probable.

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

Other receivables include in particular advances provided for future purchases of property, plant and equipment, intangible assets and inventories.

Advances are presented according to the nature of the assets to which they relate as non-current or current assets as appropriate. As non-monetary assets, advances are not subject to discounting.

Budget receivables are presented under other non-financial assets, with the exception of corporate income tax receivables which constitute a separate balance sheet item.

11.9. Cash and cash equivalents

Cash and short-term deposits presented in the balance sheet include cash at banks and cash in hand as well as short-term deposits with original maturities not exceeding three months.

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

11.10. Interest-bearing loans and debt securities

At their initial recognition, all bank credits, loans and debt securities are stated at their fair value, less any expenses associated with obtaining such credit or loan.

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

Revenues and expenses are recognised in profit or loss upon the removal of liabilities from the balance sheet, and also as a result of the settlement using the effective interest rate method.

11.11. Trade and other liabilities

Short-term trade liabilities are disclosed in amounts to be paid.

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities originally classified under the category measured at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for purposes of their further sale in the near future. Derivatives, including separated embedded instruments, are also classified as held for trading unless they are considered as effective hedges. At their initial recognition, financial liabilities may be classified as measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or significantly reduces the inconsistency if loss or profit measurement and recognition are subject to different rules; or (ii) the liabilities are a part of a group of financial liabilities which are managed and evaluated on a fair value basis in accordance with a documented risk management strategy; or (iii) financial liabilities incorporate embedded derivatives that should be separately accounted for. As at 31 December 2011 no financial liabilities were classified as measured at fair value through profit or loss (as at 31 December 2010: 0).

Financial liabilities recognised at fair value through profit or loss are disclosed at their fair value taking into account their market value as of the balance sheet date without considering any selling expenses. Changes in the fair value of these instruments are recognised in profit or loss as financial expenses or income.

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

The Company removes a financial liability from its balance sheet only when it is extinguished — i.e. when the obligation specified in the contract is discharged or cancelled or expires. A replacement of the hitherto existing debt instrument by an instrument with essentially different terms and conditions made between the same parties is recognised by the Company as the expiry of the original financial liability and a recognition of a new financial liability. Similarly, significant modifications to the terms and conditions of the contract regulating the existing financial liability are recognised by the Company as the expiry of the original and a recognition of a new financial liability. Any differences in respective carrying amounts arising on such replacements are reported in profit or loss.

Other non-financial liabilities include, in particular, valued added tax liabilities to tax authorities and liabilities on advances received which will be settled by the delivery of goods, services or tangible assets. Other non-financial liabilities are recognised in amounts to be paid.

11.12. Provisions

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

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

11.13. Revenue

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

11.13.1 Sales of goods and products

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

11.13.2 Rendering of services

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

11.13.3 Interest

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

11.13.4 Dividends

Dividends are recognised at the very moment when shareholders' rights to receive dividends are determined.

11.14. Taxes

11.14.1 Current tax

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

11.14.2 Deferred tax

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

A provision against deferred tax is presented in relation to all positive temporary differences

- except situations when a provision against deferred tax results from the initial recognition of goodwill or the initial recognition of an asset or liability following a non-merger transaction which at the very moment of its execution does not affect either the gross financial result or the taxable income or tax loss and
- in the case of positive temporary differences resulting from investments in subsidiaries or associates and joint-ventures, except situations when temporary difference reversal dates are controlled by a respective investor and when it is probable that in the foreseeable future temporary differences are not going to be reversed.

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

- except situations when deferred tax assets on negative temporary differences result from the initial recognition of an asset or liability following a non-merger transaction which at the very moment of its execution do not affect either the gross financial result or the taxable income or tax loss and
- in the case of negative temporary differences on investments in subsidiaries or associates and joint-ventures, a deferred tax asset is disclosed in the balance sheet only in such amount at which it is probable that in the foreseeable future the aforementioned temporary differences are going to be reversed and a taxable income allowing for deduction of negative temporary differences is going to be produced.

The carrying amount of every deferred tax asset is verified as at each balance sheet date and is gradually reduced to the extent in which it is no longer probable that a taxable profit sufficient to partly or entirely use such deferred income tax asset is going to be produced. A not recognised deferred income tax asset is tested again as at each balance sheet date and is disclosed in the amount reflecting the probability that a taxable income allowing to use such asset is going to be produced in the future.

Deferred income tax assets and provisions against deferred tax are stated using tax rates which are expected to be in force when a given asset is going to be used or a given provision is going to be released, accepting as a basis tax rates (and tax regulations) effective as at the balance sheet date or the ones whose effective force in the future is certain as at the balance sheet date.

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

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

11.14.3 Valued Added Tax

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

- when the value added tax paid when purchasing assets or services is not recoverable from tax authorities; then it is recognised accordingly as a part of a purchase price of pertinent assets or as a part of a pertinent expense item and
- receivables and liabilities which are disclosed including value added tax amounts.

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

11.15. Net loss per share

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 outstanding in the reporting period.

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

12. Operating segments

The activities conducted by the Company are treated by the Management Board as a single coherent operating segment including supervisory activities in relation to subsidiaries operating in the telecommunications industry.

None of the Company's operating segments is not combined with another segment in order to create the above reporting operating segment.

13. Revenues and expenses

13.1. Other operating income

(in PLN '000)	Year ended on 31 December 2011	Year ended on 31 December 2010
Release of provisions	1	5,339
Received compensations and similar benefits	1,791	-
Proceeds from the sale of non-financial tangible assets	7	-
Other	43	13
Total	**1,842**	**5,352**

13.2. Other costs by type

(in PLN '000)	Year ended on 31 December 2011	Year ended on 31 December 2010
Materials and energy used	4	15
Third party services	1,335	3,297
Taxes and charges	6	137
Advertising	-	9
Social security and other benefits	63	47
Other expenses	97	130
Total	**1,505**	**3,635**

13.3. Finance income

(in PLN '000)	Year ended on 31 December 2011	Year ended on 31 December 2010
Bank interest revenues	328	2
Interest income on loans granted	776	888
Positive exchange rate differences	83	-
Other*	656	-
Total	**1,843**	**890**

*** Cheque obtained following the liquidation of the subsidiary, ACC Ltd, over which the Fund lost control, in the amount of PLN 506,000 and commissions on loans granted to related parties in the amount of PLN 149,000 .**

13.4. Finance costs

(in PLN '000)	Year ended on 31 December 2011	Year ended on 31 December 2010
Interest on loans and commercial papers received	6,118	7,797
Other finance costs	1,219	-
Total	**7,337**	**7,797**

14. Income tax

14.1. Reconciliation of the effective tax rate

(in PLN '000)	**Year ended on 31 December 2011**	**Year ended on 31 December 2010**
Loss before taxation	(5,669)	(5,870)
Tax based on the applicable tax rate - 19%	1,077	1,115
Unrecognised tax losses and other unrecognised temporary differences	(1,077)	(1,115)
Income tax for the financial year	**-**	**-**
Income tax in the statement of comprehensive income	-	-

14.2. Deferred income tax

The deferred income tax arises from the following items (in PLN '000):

	31.12.2011	31.12.2010
Negative temporary differences:		
Interest on liabilities, accrued but not yet paid	2,441	435
Negative exchange rate differences on the balance sheet valuation	1	8
Balance sheet depreciation and amortisation different than the tax approach	-	2
provisions against other expenses	68	140
Others	-	4
	2,511	589
Tax losses to be carried forward:		
Tax loss from previous years (total)	10,907	3,913
Settled portion of tax loss	-	-
Tax loss to be settled	10,907	3,913
Current year tax loss	4,227	6,994
Total tax losses to be carried forward	15,134	10,907
Gross balance of deferred income tax assets		
	3,352	2,184
Revaluation write-down	(3,032)	(2,184)
Net balance of deferred income tax assets	**320**	-
Positive temporary differences:		
Interest on receivables, accrued but not yet received	776	-
Positive exchange rate differences on the balance sheet valuation	77	-
Provision against revenues	832	-
	1,684	-

	31.12.2011	31.12.2010
Balance of the provision against deferred income tax	**320**	-
Revaluation write-down	-	-
Deferred income tax assets disclosed in the balance sheet	-	-
Provision against deferred income tax disclosed in the balance sheet	-	-
Net balance sheet change of deferred tax assets/provision against deferred tax	-	-
Balance of deferred tax recognised under equity in the period	-	-
Change in deferred tax recognised in the profit and loss account	-	-

15. Loss per share

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

Please find below information on the loss and shares used to calculated basic loss per share:

(in PLN '000)	Year ended on 31 December 2011	Year ended on 31 December 2010
Net loss from continued activities	5,669	5,870
Loss on discontinued operations	-	-
Net loss	**5,669**	**5,870**

(in PLN '000)	**Year ended on 31 December 2011**	**Year ended on 31 December 2010**
Weighted average number of ordinary shares outstanding used to calculated basic loss per share	**178,527,942**	**59,105,341**

In the period between the balance sheet date and the date of these financial statements there were no other transactions in ordinary shares or potential ordinary shares.

16. Property, plant and equipment

Year ended on 31 December 2011

(in PLN '000)	**Technical equipment and machinery - other**	**Technical equipment and machinery - infrastructure**	**Vehicles**	**Investments in progress**	**Total**
Gross balance of tangible assets as at 1 January 2011	***51***	***27***	***109***	***19***	***206***
Additions from purchases of assets	8	-	-	-	**8**
Disposal/liquidation	(5)	-	(109)	-	**(114)**
Reclassifications from tangible assets under construction	19	-	-	(19)	**-**
Gross balance of tangible assets as at 31 December 2011	73	**27**	**-**	**-**	**100**
Accumulated depreciation as at 1 January 2011	***(50)***	***(23)***	***(100)***	***-***	***(173)***
Depreciation and amortisation	(7)	(3)	(8)	-	***(18)***
Disposal/liquidation	5		108	-	***113***
Accumulated depreciation as at 31 December 2011	(52)	(26)	-	-	**(78)**
		-			
Net balance of tangible assets as at 1 January 2011	**1**	**4**	**9**	**19**	**33**
Net balance of tangible assets as at 31 December 2011	**21**	**1**	**-**	**-**	**22**

Year ended on 31 December 2010

(in PLN '000)	**Technical equipment and machinery - other**	**Technical equipment and machinery - infrastructure**	**Vehicles**	**Investments in progress**	**Total**
Gross balance of tangible assets as at 1 January 2010	***50***	35	109	**-**	**194**
Additions from purchases of assets	1	-	-	19	**20**
Disposal/liquidation	**-**	(8)	-	-	**(8)**
Gross balance of tangible assets as at 31 December 2010	51	27	109	19	**206**
Accumulated depreciation as at 1 January 2010	(48)	(25)	(64)	-	**(137)**
Depreciation and amortisation	(2)	(4)	(36)	-	**(42)**
Disposal/liquidation	-	6	-	-	**6**
Accumulated depreciation as at 31 December 2010	(50)	(23)	(100)	-	**(173)**
Net balance of tangible assets as at 1 January 2010	**2**	**10**	**45**	**-**	**57**
Net balance of tangible assets as at 31 December 2010	**1**	**4**	**9**	**19**	**33**

17. Intangible assets

Year ended on 31 December 2011

(in PLN '000)	Computer software and licenses	Other	Total
Gross balance of intangible assets as at 1 January 2011	***18***	***15***	***33***
Additions from purchases of assets	-	5	***5***
Gross balance of intangible assets as at 31 December 2011	**18**	**20**	**38**
Accumulated depreciation as at 1 January 2011	***(18)***	***(15)***	***(33)***
Depreciation and amortisation	-	(5)	***(5)***
Accumulated depreciation as at 31 December 2011	(18)	(20)	(38)
Net balance of intangible assets as at 1 January 2011	-	-	-
Net balance of intangible assets as at 31 December 2011	-	-	-

Year ended on 31 December 2010

(in PLN '000)	Computer software and licenses	Other	Total
Gross balance of intangible assets as at 1 January 2010	***18***	***15***	***33***
Additions from purchases of assets	-	-	-
Decrease:	-	-	-
Gross balance of intangible assets as at 31 December 2010	**18**	**15**	**33**
Accumulated depreciation as at 1 January 2010	***(18)***	***(15)***	***(33)***
Depreciation and amortisation	-	-	-
Accumulated depreciation as at 31 December 2010	(18)	(15)	(33)
Net balance of intangible assets as at 1 January 2010	-	-	-
Net balance of intangible assets as at 31 December 2010	-	-	-

18. Other non-current financial assets

The table below presents shares in subsidiaries held by the Company:

(in PLN '000)	31 December 2011	31 December 2010
Shares, including:		
CenterNet S.A.	238,989	238,989
Mobyland Sp. z o.o.	178,770	-
Conpidon LTD	548,443	-
	966,202	**238,989**

A change in the balance of non-current financial assets is presented in the table below (in PLN '000):

As at 31 December 2010	**238,989**
increases	727,213
decreases	-
As at 31 December 2011	**966,202**

Changes in the balance of non-current financial assets result from the acquisition of shares in Mobyland Sp. z o.o. and in Conpidon Ltd. They are described in more detail in Note 5 to these financial statements.

The Management Board of the Company tested the shares in subsidiaries CenterNet S.A., Mobyland Sp. z o.o. and Conpidon (Aero 2 Sp. z o.o.) against impairment due to net losses generated by these entities in 2011. Activities of the entities are focused on telecommunications and wholesale data transfer based on LTE and HSPA+ technologies. The wholesale data transfer constitutes for the Company new operating activities for which there is no historical financial information. As a result of the tests no impairment write-downs were recognised. Prior to the acquisition of Conpidon Group, the Management Board contracted the so called "fairness opinion" from an external entity which confirmed that the purchase price was at the market price level.

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

Key assumptions accepted in order to determine the value in use of each of the shares in subsidiaries were based by the Management Board of the Company on its expectations as to:

- the value of the data transfer market in Poland,
- the share of the subsidiaries in the high-speed data transmission market,
- growth in demand for high-speed data transfer in Poland.

Values assigned to each of those parameters reflect the best estimates of the Management Board of the Company as to current and future needs of clients for data transfer services. The calculations were made considering any expected developments and changes in the period covered by the business plan, however they may be affected by unpredictable technology, political, economic or legal developments. As a result there is uncertainty as at the date of these financial statements regarding actual implementation of the adopted assumptions.

The accepted marginal growth rate amounts to 0.5% after the forecast period, while a pre-tax discount rate equals 13.6% (after-tax WACC is 10.9%). The forecast period includes the years 2011-2020.

The Management Board of the Company expects that the average revenue growth rate of entities from outside the Group during the forecast period, i.e. 2011-2020 will be ca. 45% per year and that the greatest growth rate will appear in the first three years of the analysed period, due to a very low base of revenue in 2011. In turn, prices for wholesale customers will fall significantly over the next 5 years.

Subsidiaries will primarily incur operating expenses related to the maintenance and use of telecommunications networks (Aero2), to fees for dispatching frequencies (Aero2, Mobyland Sp. z o.o., Centernet S.A.) and to fees for radiolines (Aero2, Mobyland Sp. z o.o., CenterNet S.A.)

The Management Board of the Company also prepared a sensitivity analysis which indicated that if the cash flows were discounted at an after-tax rate (WACC) of approximately 12.3%, then the book value of shares would equal their recoverable amount. The Management Board is of the opinion that there are no other reasonably possible changes in any of the other key assumptions which could result in the carrying value of shares being materially higher than their recoverable amount.

19. Other assets

19.1. Trade and other receivables

(in PLN '000)	31 December 2011	31 December 2010
Loans granted	41,276	-
Receivables from the sale of fixed assets	9	-
Other receivables from third parties	103	97
Other receivables from related parties	809	1
Total	42,197	98
short-term	42,197	98
long-term	-	-

As at 31 December 2011 the carrying value of loans granted to subsidiaries with maturities shorter than one year amounted to PLN 41,276,000.

The Fund granted loans to the following entities:

- CenterNet S.A.

The carrying amount of the loan is PLN 22,260,000 (PLN 21,500,000 + PLN 760,000 of accrued interest). The loan bears interest at a floating interest rate: WIBOR 1M + 3%, in addition in the loan agreement Centernet agreed to pay commission to the Company in the amount of PLN 107,500.

- AERO2 Sp. z o.o.

The carrying amount of the loan is PLN 19,016,000 (PLN 19,000,000 + PLN 16,000 of accrued interest). The loan bears interest at a floating interest rate: WIBOR 1M + 3%, in addition in the loan agreement AERO2 agreed to pay commission to the Company in the amount of PLN 95,000.

Terms and conditions of transactions with related parties are presented in Note 26.2.

Trade receivables do not bear interest and are usually due in 14 days.

19.2. Other non-financial assets

(in PLN '000)	31 December 2011	31 December 2010
Costs of a future issuance of shares (as described in Note 5 and 32)	1,199	129
Expenses on commissions for the issue of papers	-	44
Others	-	1
Total	1,199	174
short-term	1,199	174
long-term	-	-

20. Cash and cash equivalents

Cash at banks generates interest based on variable interest rates whose amount depends on interest rates for one-day bank deposits. Short-term deposits are made for periods ranging from one day to one month, depending on the Company's current needs for cash and earn interest at their respective fixed interest rates. The fair value of cash and cash equivalents as at 31 December 2011 amounts to PLN 3,244,000 (31 December 2010: PLN 140,000).

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

(in PLN '000)	31 December 2011	31 December 2010
Cash at bank and on hand	19	10
Short-term bank deposits	2,641	130
others	584	-
Cash and cash equivalents	**3,244**	**140**

Notes 20.1 - 20.4 refer to the statement of cash flows

20.1. Change in the balance of short-term liabilities

(in PLN '000)	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Change in the balance of short-term liabilities	462,718	20,531
Change in the balance of credits and loans	1,304	(8,715)
Change arising from the issue of debt securities	83,232	(10,794)
Change in the balance of other financial liabilities	(548,411)	-
	(1,157)	**1,022**

20.2. Change in the balance of short-term receivables

(in PLN '000)	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Change in the balance of short-term receivables	(42,099)	(34,445)
Change in the balance of receivables from loans and borrowings	41,276	34,285
Change in the balance of other financial receivables	95	160
Change in the balance of receivables on disposal of property, plant and equipment	9	-
	(719)	**-**

20.3. Change in the balance of prepayments/accruals

(in PLN '000)	01.01.2011 - 31.12.2011	01.01.2010 - 31.12.2010
Change in the balance of prepayments/accruals	(995)	(6,130)
Change in the balance of accruals on the future issuance of shares	1,025	-
Deferred income (financing activities)	(54)	-
	(24)	**(6,130)**

20.4. Acquisition of subsidiaries

Cash flows presented in the statement of cash flows for the period 01.01.2011 to 31.12.2011 relating to the acquisition of subsidiaries are summarised in the table below:

(in PLN '000)	01.01.2011 - 31.12.2011
Mobyland Sp. z o.o. including:	**178,770**
purchase price	177,000
Tax on civil law transactions	1,770
Conpidon LTD including:	**443**
purchase price	-
costs of valuation and other acquisition costs	443
Total:	**179,213**

21. Share capital and supplementary capitals/reserves

21.1. Share capital

As at 31 December 2011 and as at the date of this report, the share capital of the Fund is PLN 29,593,335.00 (in words: twenty nine million five hundred ninety three thousand three hundred thirty five zlotys) and is divided into 295,933,350 (in words: two hundred ninety five million nine hundred thirty three thousand three hundred and fifty) ordinary bearer shares, including:
- 11,837,334 A class shares,
- 47,349,336 B class shares,
- 236,746,680 C class shares.

The following table presents the history of transactions on the shares issued by the Fund:

Class / issue	Type of shares	Number of shares	Nominal value of the class / issue (in thousands PLN)	Manner of covering capital	Date of registration
A Class	Bearer	1,000,000	100	cash	31.03.1995
A Class	Bearer	32,000,000	3,200	Contribution in-kind	08.09.1995
A Class	Bearer	1,000,000	100	Contribution in-kind	03.02.1996
A Class	Bearer	500,000	50	Contribution in-kind	06.05.1996
A Class	Bearer	400,000	40	Contribution in-kind	03.06.1996
A Class	Bearer	100,000	10	Contribution in-kind	05.06.1996
Cancellation 1996	-	(3,973,815)	-397	-	19.12.1996
Cancellation 1997	-	(255,106)	-26	-	17.11.1997
Cancellation 1998	-	(313,038)	-31	-	24.11.1998
Cancellation 1999	-	(401,917)	-40	-	18.11.1999
Cancellation 2003	-	(7,512,989)	-752	-	18.12.2003
Cancellation 2005	-	(10,705,801)	(1,070)	-	10.11.2005
B Class	Bearer	47,349,336	4,734	issue of share capital	17.07.2006
C Class	Bearer	236,746,680	23,674	issue of share capital	30.06.2011
	Total	295,933,350			

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

21.1.1 Nominal value of shares

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

21.1.2 Shareholder rights

Each ordinary share gives right to one vote at the General Meeting of Shareholders. Shares of all classes have equal preferences as to dividends and return of capital.

21.1.3 Shareholders with significant stakes

	31 December 2011		**31 December 2010**
Zygmunt Solorz - Żak* **		Nova Capital Sp. z o.o.	
share in the capital	65.9975%	share in the capital	60.3073%
share in voting rights	65.9986%	share in voting rights	60.3125%
Other shareholders		Other shareholders	
share in the capital	34.0008%	share in the capital	39.6842%
share in voting rights	34.0014%	share in voting rights	39.6875%
NFI MIDAS		NFI MIDAS	
share in the capital	0.0017%	share in the capital	0.0085%
share in voting rights	-	share in voting rights	-

*Mr. Zygmunt Solorz - Żak holds the a/m shares through the following entities: Karswell Limited with its registered office in Nicosia, Cyprus, Ortholuck Limited with its registered office in Nicosia, Cyprus (subsidiary of Karswell Limited), Litenite Limited with its registered office in Nicosia, Cyprus (subsidiary of Ortholuck Limited) and for 5,000 shares through NFI MIDAS S.A. (subsidiary of Litenite).

** The share in voting rights does not take into account 5,000 treasury shares of the Fund held indirectly by Litenite Limited, where, in accordance with Art. 364 of the Code of Commercial Companies, NFI Midas S.A. does not exercise voting rights from its own treasury shares.

21.2. Supplementary capital

The capital was created from the share premium in the amount of PLN 269,891,000 less share issue expenses recognised as a reduction to the supplementary capital for PLN 1,234,000 . In addition, the supplementary capital originated from statutory write-offs from profits generated in previous financial years in the amount of PLN 112,415,000 as well as from profit distribution surpluses over statutory write-downs in the amount of PLN 54,583,000 .

21.3. Retained earnings and dividend restrictions

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

22. Interest-bearing bank credits and loans

(in PLN '000)	**Effective interest rate %**	**Repayment date**	**31 December 2011**
Short-term			
Loan received from Nova Capital Sp. z o.o. in the amount of PLN 2,470, interest rate - WIBOR 1M + 2%	6.77%	31.12.2012	2,282
Loan received from Nova Capital Sp. z o.o. in the amount of PLN 1,000, fixed interest rate - 5%	5.00%	31.12.2012	1,040
Loan received from Nova Capital Sp. z o.o. in the amount of PLN 950, fixed interest rate - 5%	5.00%	31.12.2012	992
Loan received from Nova Capital Sp. z o.o. in the amount of PLN 3,000, fixed interest rate - 5%	5.00%	31.12.2012	3,097
Issuance of series MID0612.1 papers with a nominal value of PLN 21,500, interest rate - WIBOR 1M + 2.5%*	7.25%	30.06.2012	21,468
Issuance of series MID0612.2 papers with a nominal value of PLN 30,000, interest rate - WIBOR 1M + 2.5%*	7.27%	30.06.2012	29,911
Total			**58,790**
Long-term			
Issuance of series MID0611B papers with a nominal value of PLN 20,000, interest rate - WIBOR 1M + 4%**	8.61%	31.12.2013	21,005
Issuance of series MID0611C papers with a nominal value of PLN 8,750, interest rate - WIBOR 1M + 2%***	6.61%	31.12.2013	3,016
Total			**24,021**

* Alior Bank

** Mobyland Sp. z o.o. (subsidiary)

*** CenterNet S.A. (subsidiary)

Interest liabilities on loans received are accounted for together with the repayment of loans. Interest liabilities on papers issued are accounted for;
- series MID0611B and MID0611C at maturity (31.12.2013),
- series MID0612.1 and MID0612.2 on a monthly basis.

In the 12-month period ended on 31 December 2011 NFI Midas repurchased commercial papers:
- Alior Bank in the amount of PLN 104,639,000 (principal plus interest in the amount of PLN 215,000).
- Centernet S.A. in the amount of PLN 6,500,000 .

In addition in the a/m period the Company repaid interest on issued commercial papers (without repayment of the principal):
- Alior Bank S.A. in the amount of PLN 572,000 .
- Mobyland Sp. z o.o. in the amount of PLN 652,000 .
- BaterPol in the amount of PLN 73,000 .
- NFI Krezus S.A. in the amount of PLN 780,000 and discount in the amount of PLN 239,000 .
- Alchemia S.A. in the amount of PLN 2,624,000 and discount in the amount of PLN 805,000 .

In the 12-month period ended on 31 December 2011 the Group entered into loan agreements with:
- Nova Capital Sp. z o.o. on 8 February 2011 for PLN 950,000 ,
- Nova Capital Sp. z o.o. on 17 March 2011 for PLN 1,000,000 ,
- Nova Capital Sp. z o.o. on 9 May 2011 for PLN 3,000,000 ,
- Aero 2 Sp. z o.o. on 19 January 2011 for PLN 175,000 .

Maturity dates of those loans were fixed at 31 December 2012; interest rate on the loans is 5% per annum on a 365-day year basis.
In the 12-month period ended on 31 December 2011 NFI Midas repaid the following loans together with interest:
- Nova Capital Sp. z o.o. in the amount of PLN 404,000 .
- AERO2 Sp. z o.o. in the amount of PLN 4,641,000 .
- CenterNet S.A. in the amount of PLN 2,006,000 .

<u>Papers held by Alior Bank S.A.</u>
On 18 May 2011 the Fund entered with Alior Bank S.A. ("Bank") into 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 signed three annexes to the a/m Agreement. Detailed information about the Agreement (and annexes thereto) is included under section 2.4.1 in the Management Report on the operations of NFI Midas S.A. in 2011.

On 10 June 2011 the Fund made an early redemption of papers referenced as MID0611.1, MID0611.2, MID0611.3 ("Papers") issued on 21 April 2010. As at the date of early redemption Alior Bank was the holder of the Papers. 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 provide a right 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 December 2011 the Fund issued 30,000 series MID0612.2 debt papers with a nominal value of PLN 1,000 each, with a total nominal value of PLN 30,000,000. 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 provide a right 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.

Papers held by Mobyland Sp. z o.o.

On 30 June 2011 the Fund signed with Mobyland an agreement ("Agreement") amending terms and conditions for the issue of series MID0611B registered papers ("Papers") held by Mobyland. The Agreement incorporated amendments of terms and conditions for the issue of the Papers in relation to (i) the date of redemption of the Papers by the Fund and (ii) interest periods applicable to the Papers. Under the agreement the Fund and Mobyland amended terms and conditions for the issue of the Papers so that the redemption date for the Papers fall on 31 December 2013. In addition the Agreement modified interest calculation and payment methods. Instead of monthly interest payments, interest will be paid on the redemption date, i.e. on 31 December 2013. All the other terms and conditions for the issue of the Papers remained unchanged.

Papers held by Centernet S.A.

On 30 June 2011 the Fund signed with CenterNet an agreement ("Agreement 2") amending terms and conditions for the issue of series MID0611C registered papers ("Papers 2") held by CenterNet. The Agreement incorporated amendments of terms and conditions for the issue of the Papers 2 in relation to (i) the date of redemption of the Papers 2 by the Fund and (ii) interest periods applicable to the Papers 2. Under the agreement the Fund and CenterNet amended terms and conditions for the issue of the Papers 2 so that the redemption date for the Papers 2 fall on 31 December 2013. In addition the Agreement 2 modified interest calculation and payment methods. Instead of monthly interest payments, interest will be paid on the redemption date, i.e. on 31 December 2013. All the other terms and conditions for the issue of the Papers 2 remained unchanged. On 13 December 2011 the Fund made a partial redemption of the papers issued by the Fund and held by CenterNet for the amount of PLN 6,500,000 .

23. Trade liabilities, other liabilities and accruals

23.1. Trade and other financial liabilities (short-term)

(in PLN '000)	31 December 2011	31 December 2010
Trade liabilities		
Liabilities to other entities	597	881
Liabilities to related parties	47	477
	644	**1,358**
Other liabilities		
Purchase of shares (Conpidon) – Note 5	548,000	-

Liabilities to employees - salaries	-	16
Liabilities to related parties	52	52
Other liabilities	17	33
	548,069	**101**
Financial liabilities		
Interest liabilities	671	1,547
Loans received (Note 22)	7,010	8,605
Proceeds from issue of debt securities (Note 22)	51,109	133,174
Other financial liabilities	-	-
	58,790	**143,326**
Total	**607,503**	**144,785**

Terms and conditions of payment of the foregoing financial liabilities:

Terms and conditions of transactions with related parties are presented in Note 26.2.

Trade liabilities do not bear interest and are usually settled in 14 days.

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

Interest liabilities are usually settled along with the repayment of loans or at the end of the interest period (in the case of commercial papers).

23.2. Accruals

(in PLN '000)	31 December 2011	31 December 2010
Accruals on:		
Holiday accrual	31	15
Other	37	77
Deferred income		
Other	54	-
Total	**122**	**92**
short-term	122	92
long-term	-	-

24. Capex liabilities

At 31 December 2011 and 31 December 2010 the Company did not undertake to incur any expenditures on property, plant and equipment.

25. Contingent liabilities

As at 31 December 2011 NFI Midas had no contingent assets or liabilities.

As at 31 December 2010 the Fund's contingent and indirect debts amounted to PLN 5,541,000, including:
- blank promissory note for PLN 5,000,000 issued by CenterNet and endorsed by the Fund for the benefit of Lux Veritatis Foundation, as a security for claims of Lux Veritatis Foundation under the agreement entered into on 12

October 2010 (following the repayment on 11 January 2011 of all the Fund's liabilities due to Lux Veritatis Foundation, the promissory note securing Lux Veritatis Foundation was returned),
- blank promissory note for PLN 541,000 issued by CenterNet and endorsed by the Fund for the benefit of Bonum, as a security for claims of Bonum for returned starters and top-up scratch cards. The liability was agreed by the parties at PLN 420,000 and was paid by CenterNet on 11 February 2011; the promissory note was then returned.

25.1. Litigation

In the current reporting period there were no proceedings pending in relation to the Fund. Proceedings pending in relation to the Fund's subsidiaries were described in Note 28.1 to the consolidated financial statements.

25.2. Tax settlements

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

Tax settlements might be controlled for the period of five years, starting from the end of the year when respective taxes are actually paid. Following controls the hitherto existing tax settlements of the Company might be increased by additional tax liabilities.

26. Information on related entities

The following table shows totals of transactions with related parties for the current and previous financial years (in PLN '000):

Subsidiaries:		**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**
CenterNet	*2011*	818	4	760	54	593	514	44	35
	2010	841	–	841	–	414	251	23	140
Mobyland	*2011*	4	4	–	–	1,657	1,657	–	–
	2010	–	–	–	–	1,022	1,022	–	–
Aero2	*2011*	815	4	16	795	417	–	208	209
	2010	–	–	–	–	130	50	28	52

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*	–	–	–	–	83	–	–	83
	2010	–	–	–	–	–	–	–	–
Inwestycje Polskie	*2011*	–	–	–	–	337	–	–	337
	2010	–	–	–	–	–	–	–	–
Polkomtel	*2011*	–	–	–	–	9	–	–	9
	2010	–	–	–	–	–	–	–	–
Nova Capital	*2011*	–	–	–	–	341	–	341	–

	2010	–	–	–	–	60	–	60	–

Subsidiaries:		**Receivables from related parties, including:**	**trade receivables**	**loans**	**other**	**Liabilities to related parties, including:**	**trade liabilities**	**loans**	**commercial papers**
CenterNet	*2011*	22,265	5	22,260	–	3,035	19		3,016
	2010	1	1	–	–	11,441	477	1,963	9,001
Mobyland	*2011*	5	5	–	–	21,005	–	–	21,005
	2010	–	–	–	–	20,000	–	–	20,000
Aero2	*2011*	19,816	5	19,016	795	16	16	–	–
	2010	–	–	–	–	4,280	52	4,228	–

Other related parties:		**Receivables from related parties, including:**	**trade receivables**	**loans**	**other**	**Liabilities to related parties, including:**	**trade receivables**	**loans**	**others**
Sferia	*2011*	–	–	–	–	12	12	–	–
	2010	–	–	–	–	–	–	–	–
Litenite	*2011*	–	–	–	–	548,000	–	–	548,000
	2010	–	–	–	–	–	–	–	–
Nova Capital	*2011*	–	–	–	–	7,411	–	7,411	`
	2010	–	–	–	–	2,525	–	2,525	–

26.1. Entity with a significant influence over the Company

As at 31 December 2011 Litenite Limited held 66% of ordinary shares of NFI Midas (31 December 2010: 0%).

26.2. Terms and conditions of transactions with related parties

Transactions with related parties were not made on an arm's length basis.

26.3. Significant agreements entered into by NFI Midas

<u>Contracts and agreement with Inwestycje Polskie</u>

On 20 May 2011 the Fund entered with Inwestycje Polskie Sp. z o.o. ("IP") into the Security Agreement ("Agreement"). Under the Agreement the Fund ordered IP to establish security collaterals on IP assets which would cover claims of Alior Bank ("Alior") against the Fund from registered commercial papers issued by the Fund and referenced as respectively MID0611.1, MID0611.2, MID0611.3 ("Papers"), and IP agreed to establish such security collaterals. The Agreement was effective from the date of its conclusion until the expiration of Security Collaterals and settlement by the Client of all the liabilities under the Papers and the Agreement, i.e. until 30 June 2011.

On 15 July 2011 the Fund entered into another security agreement with IP ("Agreement 2"), as subsequently amended by Annex of 8 December 2011. Under the Agreement 2 the Issuer ordered IP to establish security collaterals on IP assets which would cover claims of Alior Bank S.A. ("Alior") against the Fund from registered commercial papers issued by the Fund, under a single transaction or in tranches, for a total nominal value not exceeding PLN 104,424,000, with a maturity falling on 30 June 2012 at the latest and bearing interest not lower than the sum of WIBOR 1M and a 2.5 pp margin per annum ("Papers"), and IP agreed to establish such security collaterals.

On 8 December 2011 the Fund entered with IP into the agreement for a regular and registered pledge on shares of a 100% subsidiary - CenterNet ("Pledge Agreement"). Under the Pledge Agreement the Fund established a

pledge in favour of IP on 4,264,860 CenterNet shares with a nominal value of PLN 17.30 each and PLN 73,782,078 in aggregate, representing 100% of the share capital and voting rights in that entity ("CenterNet Shares"), disclosed in the books of account of the Fund at PLN 238,989,000 and constituting a long-term capital investment of the Fund. The pledge established under the Pledge Agreement secures, pursuant to the a/m Agreement 2, IP claims in consideration of IP performances for the benefit of Alior Bank for the establishment of security collaterals in accordance with the Agreement 2 and any losses potentially incurred by IP when Alior Bank decides to draw from the security collateral established under the Agreement 2 subject to the maximum amount of the security collateral equal to PLN 156,636,284.67.
Detailed information about the Agreements and the Pledge Agreement is included under section 2.4.1 in the Management Report on the operations of NFI Midas S.A. in 2011.

Letter of Intent with Huawei
On 26 October 2011 the Fund signed with Huawei Polska Sp. z o.o. with its registered office in Warsaw ("Huawei") a letter of intent (English "Memorandum of Understanding", hereinafter referred to as the "Letter of Intent") for the construction of a nationwide telecommunications network based on HSPA+ (900 MHz frequency), LTE FDD (1800 MHz frequency) and LTE TDD (2600 MHz frequency) technologies and for searching for financing ("Project").
In the Letter of Intent the Fund and Huawei undertook to negotiate in good faith agreements which would contain specific terms and conditions of cooperation between the Fund, as the buyer, and Huawei, as the exclusive - to the extent to which it would participate in the Project - supplier of hardware and software and services for purposes the Project. The Letter of Intent does not exclude the participation of the Group entities in the Project. In addition, as the Fund is interested in obtaining financing in the form of a trade credit (the so called "vendor financing") to build a nationwide telecommunications network based on HSPA+/LTE technologies Huawei agreed to help in arranging such financing. The parties to the Letter of Intent initially estimated the value of the Project for EUR 235-300 m, and the duration of their cooperation for implementation of the Project for three years but because of an early stage of talks the Fund notes that these parameters may change. The parties to the Letter of Intent initially estimated that the vendor financing could cover approximately 85% of the value of the Project.
The Letter of Intent will be effective from the date of its signing until the date of signing the agreements referred to above.

26.4. Remuneration of the Company's management staff

26.4.1 Remuneration paid or payable to members of the Management Board and members of the Supervisory Board of the Company

(in PLN '000)	Year ended on 31 December 2011	Year ended on 31 December 2010
Management Board		
Short-term employee benefits (salaries and surcharges)	238	361
Supervisory Board		
Short-term employee benefits (salaries and surcharges)	19	176
Total	**257**	**537**

27. Information on fees of the auditor or of the entity authorised to audit financial statements

The following table shows the fees of the entity authorised to audit financial statements paid or payable for the year ended on 31 December 2011 and 31 December 2010 by type of services:

Type of service	Year ended on 31 December 2011*	Year ended on 31 December 2010**
(in PLN '000)		
Statutory audit	80	32
Other attestation services	160	-
Tax consultancy services	-	-
Other services	30	-
Total	**270**	**32**

* refers to Ernst & Young Audit Sp. z o.o.

** refers to BAKER TILLY Smoczyński & Partners Sp. z o.o.

28. Financial risk management

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

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

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

28.1. Interest rate risk

Changes in market interest rates do not significantly affect NFI Midas revenues and cash flows from operating activities. The Fund invests its free funds in instruments considered safe or instruments with short maturities.

28.2. Currency risk

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

28.3. Price risk

The price risk in NFI Midas is associated with changes to the current value of items measured at fair value. If a certain balance sheet item is measured based on market prices, then the balance sheet total is subject to change which requires the recognition of profits, losses or changes in capitals. For the Fund that applies in particular to financial assets measured at fair value through profit or loss.

A certain degree of risk is also connected with prices of shares held.

28.4. Credit risk

The credit risk at NFI Midas is reflected in the value of trade

receivables, loans received and papers issued. As the Fund has
a small number of clients, the credit risk on trade receivables is limited.

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

No significant concentration of credit risk exists in the Company.

28.5. Liquidity risk

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

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

The table below shows the Company's financial liabilities as at 31 December 2011 and 31 December 2010 by maturity date in contractual non-discounted figures.

31 December 2011 (in PLN '000)

	On demand	Below 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Interest-bearing credits and loans	-	-	7,798	-	-	7,798
Other liabilities	-	-	53,626	27,834	-	81,460
Trade and other liabilities	-	-	548,713	-	-	548,713
Total:	**-**	**-**	**610,137**	**27,834**	**-**	**637,971**

31 December 2010 (in PLN ‘000)

	On demand	Below 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
Interest-bearing credits and loans	-	-	9,167	-	-	9,167
Other liabilities	-	-	139,166	-	-	139,166
Trade and other liabilities	-	-	1,459	-	-	1,459
Total:	**-**	**-**	**149,792**	**-**	**-**	**149,792**

29. Financial instruments

29.1. Fair values of different classes of financial instruments

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

(in PLN '000)	*Category as per IAS 39*	*Carrying amount*		*Fair value*	
Financial assets		*31 December 2011*	*31 December 2010*	*31 December 2011*	*31 December 2010*

Loans (short-term)	PiN	41,276	–	41,276	–
Other receivables	PiN	921	98	921	98
Cash and cash equivalents	WwWGpWF	3,244	140	3,244	140
Financial liabilities					
Interest-bearing loans, including:	PZFwgZK	7,411	8,715	7,411	8,715
- other - short-term	PZFwgZK	7,411	8,715	7,411	8,715
Other liabilities (non-current), including:	PZFwgZK	24,021	–	24,021	–
- papers	PZFwgZK	24,021	–	24,021	–
Other liabilities (current), including:	PZFwgZK	51,378	134,611	51,378	134,611
- papers	PZFwgZK	51,378	134,611	51,378	134,611

Abbreviations:

UdtW – Financial assets held to maturity,
WwWGpWF – Financial assets/ liabilities measured at fair value through profit or loss,
PiN – Loans and receivables,
DDS – Financial assets available for sale,
PZFwgZK – Other financial liabilities measured at capitalised cost

29.2. Items of revenue, expenses, profits and losses recognised in the profit and loss account by category of financial instruments

(in PLN '000)

Financial assets	***Category as per IAS 39***	***Interest revenue/(expenses)***	***Gains/(losses) on exchange rate differences***	***Total***
Other financial assets (short-term)		1,283	6	1,289
Cash and cash equivalents	WwWGpWF	328	77	405
Financial liabilities				
Interest-bearing loans and papers, including:	PZFwgZK	6,112	0	6,112
- long-term bearing interest at a floating interest rate*	PZFwgZK	2,172	0	2,172
- other - short-term	PZFwgZK	3,940	0	3,940

29.3. Interest rate risk

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

(in PLN '000)

Fixed interest rate	***<1 year***	***1-2 years***	***2-3 years***	***3-4 years***	***4-5 years***	***>5 years***	***Total***
Loans received for the amount of PLN 4,950,000.	5,129	–	–	–	–	–	5,129

Variable interest rate	***<1 year***	***1-2 years***	***2-3 years***	***3-4 years***	***4-5 years***	***>5 years***	***Total***

Loans received for the amount of PLN 2,470,000 .	2,282	–	–	–	–	–	2,282
Loans received for the amount of PLN 40,500,000 .	41,276	–	–	–	–	–	41,276
Commercial papers with a nominal value of PLN 80,250,000 .	51,378	24,021	–	–	–	–	75,399

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

30. Capital management

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

The Company manages its capital structure and following changes in economic conditions introduces corresponding changes to such structure. In order to keep or adjust the capital structure, the Company may change dividend payments to shareholders, return capital to shareholders or issue new shares. In the year ended on 31 December 2011 and 31 December 2010 there were no changes to the objectives, principles and processes applicable in this area.

31. Employment structure

The average headcount in the Company during the year ended on 31 December 2011 and 31 December 2010 was as follows:

	Year ended on 31 December 2011	**Year ended on 31 December 2010**
Management Board of the Company	0.19	0.67
Others	2.27	2.17
Total	**2.46**	**2.84**

32. Subsequent events

Determination of the issue price for D class 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.

Determinations which in the future may result in changes in the way control is exercised over the Company.

On 6 December 2011 under the agreement entered into by and between Ortholuck Limited with its registered office in Nicosia, Cyprus ("Ortholuck"), holding 100% of shares in Litenite, and LTE Holdings, a subsidiary of Polkomtel S.A. with its registered office in Warsaw ("Polkomtel"), LTE Holdings acquired from Ortholuck 49% of shares in Litenite. The remaining 51% stake in Litenite still held by Ortholuck was encumbered by a pledge in favour of Polkomtel and that the laws of Cyprus govern and apply to such pledge ("Polkomtel Pledge"). In addition, LTE Holdings was contractually reserved an option to purchase from Ortholuck, at the market price, the remaining 51% stake in Litenite ("Call Option"). Moreover Ortholuck was contractually reserved a return option to purchase from LTE Holdings the 49% stake in Litenite, previously sold by Ortholuck ("Return Option").

A detailed description of possible future events related to the above agreement was presented in section 4.4.5 of the Management Report on the operations of NFI Midas S.A. in 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 on 17 February 2012, 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 provide a right 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. The Papers bear interest at WIBOR 1M from the second working day preceding the beginning of the interest period, increased by 2.5 percentage points, per annum.

Proceeds from the issue of the Papers will be used as a bridge financing for investments carried out by Midas Group. The Company's use of such bridge financing is expected until the end of the public offering for D class 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 about the issue of the Papers (including on security collaterals established in connection therewith) is included in section 5.2 in the Management Report on the operations of NFI Midas S.A. in 2011.

Granting a loan to Aero 2 Sp. z o.o.

On 17 February 2012 the Company under the loan agreement ("Agreement") entered into with Aero 2 Sp. z o.o. ("Aero 2") granted a loan of PLN 20,000,000 to Aero 2. As stipulated in provisions of the Agreement, the loan bears interest at WIBOR 1M + 3 percentage points per annum, and matures on 29 June 2012. The loan was granted for purposes of bridge financing for investments carried out by Midas Group until the end of the public offering of D class shares of the Company.

Agreement on a mutual offset of receivables with Litenite Limited

On 28 February 2012 the Fund concluded an agreement with Litenite Limited with its registered office in Nicosia, Cyprus (“Litenite”) for a mutual offset of receivables ("Agreement").

In accordance with the Agreement, on 28 February 2012, the Company and Litenite made a contractual set off of a receivable of PLN 546,863,906.40 that was due to the Company from Litenite under its obligation to pay for 781,234,152 D class shares of the Company, covered by the basic subscription submitted by Litenite on 28 February 2012 at an issue price of PLN 0.70 per share under the public offering for D class shares (closed subscription), against a receivable of PLN 548,000,000 due from the Company to Litenite in respect of payment of the price for 100% of shares in Conpidon Limited under the agreement for sale of shares in Conpidon Limited with its registered office in Nicosia, Cyprus. As a result of the contractual offset, 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 written off in part, i.e. to the amount of PLN 1,136,093.60.

Under the Agreement the Company and Litenite agreed also that the Company would be entitled to withdraw from the Agreement if a decision, if any, of the registry court having jurisdiction over the Company: (i) on refusal to register the Company's share capital increase following the issue of D class shares or (ii) on rejection of the application in that respect, becomes final. Such right is vested in the Company for the period of one month from when the a/m decision of the court becomes final.

The Agreement was signed in order to pursue the first objective of the issue of D class shares, i.e. payment of the price for the acquisition of Aero2 Sp. z o.o. with its registered office in Warsaw. Considering the foregoing offset, PLN 1,136,093.60 constitutes the remaining claim of Litenite against the Company as a part of pursuing such objective. However the Company notes the option to withdraw from the Agreement, as described above. In the case of such withdrawal the Agreement will be considered, pursuant to Art. 395 § 2 sentence 1 of the Civil Code as not entered into, and the Company will be liable to pay to Litenite PLN 548,000,000 as payment of the price for a 100% stake in Conpidon Limited sold to the Company.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

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

SIGNATURE OF THE PERSON KEEPING THE BOOKS OF ACCOUNT

Teresa Rogala
/on behalf of SFERIA
Spółka Akcyjna/

Warsaw, 20 March 2012