Capital Group of
Midas Spółka Akcyjna

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013
TOGETHER WITH THE INDEPENDENT AUDITOR'S OPINION

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SELECTED FINANCIAL DATA

	12-month period ended 31 December 2013	**12-month period ended 31 December 2012**	**12-month period ended 31 December 2013 in EUR '000**	**12-month period ended 31 December 2012 in EUR '000**
Revenues from sales	229,992	89,810	54,617	21,519
Profit / (loss) on operating activities	(210,206)	(186,055)	(49,918)	(44,579)
Profit/ (loss) before tax	(225,211)	(183,809)	(53,482)	(44,041)
Net profit (loss) on continuing operations attributable to the shareholders of the Issuer	(206,550)	(175,620)	(49,050)	(42,079)
Net cash flow from operating activities	(214,929)	32,449	(51,040)	7,775
Net cash flow from investing activities	(84,407)	(11,175)	(20,044)	(2,678)
Net cash flow from financing activities	233,694	106,992	55,496	25,635
Average weighted number of shares	1,479,665,366	1,127,129,125	1,479,665,366	1,127,129,125
Basic loss from continued activities per ordinary share (in PLN)	(0.14)	(0.16)	(0.03)	(0.04)

	As at 31 December 2013	**As at 31 December 2012**	**As at 31 December 2013 in EUR '000**	**As at 31 December 2012 in EUR '000**
Total assets	1,482,769	1,420,309	357,535	347,417
Total liabilities	719,643	450,637	173,525	110,229
Non-current liabilities	482,565	169,067	116,359	41,355
Current liabilities	237,078	281,570	57,166	68,874
Equity attributable to the shareholders of the Issuer	763,126	969,672	184,010	237,188
Share capital	147,967	147,967	35,679	36,194

Selected items from the statement of financial position presented in the report in EUR were converted using the average EUR exchange rate announced by the National Bank of Poland on 31 December 2013: PLN/EUR 4.1472, and on 31 December 2012: PLN/EUR 4.0882.

Selected items from the statement of comprehensive income and the statement of cash flow were converted to EUR according to the exchange rate announced by the National Bank of Poland, constituting the arithmetic average of the EUR exchange rates in effect on the last day of a completed month in financial year 2013 and financial year 2012 (PLN/EUR 4.2110 and PLN/EUR 4.1736, respectively).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	Note	Year ended 31 December 2013	Year ended 31 December 2012 *(restated)*
Continuing operations			
Revenue from the sale of goods and services	12.1	229,992	89,810
Depreciation and amortisation		(111,774)	(104,474)
Wages and salaries		(7,120)	(6,510)
Costs related to telecommunications network		(269,316)	(105,804)
Taxes and charges		(28,379)	(37,906)
Other costs by type		(23,169)	(20,211)
Other operating income	12.2	6,045	3,801
Other operating expenses	12.3	(6,485)	(4,761)
Loss on operating activities		**(210,206)**	**(186,055)**
Financial income	12.4	5,825	10,976
Financial costs	12.5	(20,830)	(8,730)
Profit/ (loss) on financial activities		**(15,005)**	**2,246**
Loss before taxation		**(225,211)**	**(183,809)**
Current income tax		-	-
Deferred tax	13.1	18,661	8,189
Total income tax		**18,661**	**8,189**
Net loss on continuing operations		**(206,550)**	**(175,620)**
Net profit/ (loss) from discontinued operations		**-**	**-**
Net loss		**(206,550)**	**(175,620)**
Other comprehensive income		**-**	**-**
COMPREHENSIVE LOSS		**(206,550)**	**(175,620)**
Attributable to			
shares of shareholders of the parent		(206,550)	(175,620)
non-controlling interests		-	-
Average weighted number of ordinary shares		1,479,665,366	1,127,129,125
Net loss on continuing activities per 1 share attributable to shareholders of the parent (in PLN)	14	(0.14)	(0.16)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

	Note	31 December 2013	31 December 2012 *(restated)*
ASSETS			
Non-current assets			
Property, plant and equipment	15	403,440	309,518
Intangible assets	16	779,239	856,334
goodwill of subsidiaries		41,231	41,231
value of frequency reservations		734,554	809,015
other intangible assets		3,454	6,088
Other financial assets	18.1	61,860	14,020
Non-current receivables	20	26,262	-
Other non-financial assets	18.2	2,872	8,885
Deferred income tax assets	13.2	11,050	-
Total non-current assets		**1,284,723**	**1,188,757**
Current assets			
Inventories	19	187	190
Trade and other receivables	20	95,797	64,493
Other assets	21	1,040	-
Cash and cash equivalents	22	100,247	165,889
Current settlements	18.2	775	980
Total current assets		**198,046**	**231,552**
Total assets	-	**1,482,769**	**1,420,309**

	Note	31 December 2013	31 December 2012 *(restated)*
EQUITY AND LIABILITIES			
Equity			
attributable to shareholders of the Company, of which:			
Share capital	23.1	147,967	147,967
Supplementary capital	23.2	1,140,765	1,140,911
Own shares	24	-	(150)
Uncovered losses		(525,606)	(319,056)
Accumulated losses		(319,056)	(143,436)
Net loss for the current period		(206,550)	(175,620)
Total equity		**763,126**	**969,672**
Non-current liabilities			
Loans and borrowings	25	89,181	33,352
Liabilities from issue of bonds	25	267,543	-
Deferred income	26	39,011	41,537
Provisions	27	3,612	3,350
Deferred tax liability	13.2	83,218	90,828
Total non-current liabilities		**482,565**	**169,067**
Current liabilities			
Trade and other liabilities	28	132,496	44,333
Deferred income	26	104,451	220,117
Loans and borrowings	25	68	16,249
Provisions for other liabilities	27	63	871
Total current liabilities		**237,078**	**281,570**
Total equity and liabilities		**1,482,769**	**1,420,309**

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

CONSOLIDATED STATEMENT OF CASH FLOW
for the year ended 31 December 2013

	Note	Year ended 31 December 2013	Year ended 31 December 2012
Gross loss		**(225,211)**	**(183,809)**
Adjustments of items:			
Depreciation and amortisation of fixed and intangible assets		111,774	104,474
Interest and commission expenses and income		18,865	5,524
Exchange rate differences		(5)	
(Profit)/ loss from investing activities		5,502	3,732
Change in the balance of assets and liabilities related to operating activities:			
- Trade and other receivables	29.1	(57,561)	(34,923)
- Inventories		3	68
- Trade and other liabilities	29.2	49,148	9,585
- Deferred income		(118,192)	126,115
- Provisions		(546)	617
- Other prepayments/ accruals	29.3	592	451
Other adjustments		702	615
Net cash flow from operating activities		**(214,929)**	**32,449**
Proceeds from sale of property, plant and equipment and intangible assets		487	9
Purchase of property, plant and equipment and intangible assets		(84,894)	(37,986)
Acquisition of a subsidiary, net of cash acquired	29.4	-	(1,136)
Purchase/ sale of other assets - deposit		-	4,000
Interest received		-	320
Repayment of loans granted		-	23,618
Net cash flow from investing activities		**(84,407)**	**(11,175)**
Proceeds from share issuance		-	281,750
Share issuance costs		-	(3,964)
Acquisition of non-controlling interests	29.4	-	(20,425)
Proceeds from sale of treasury shares		4	-
Issue of commercial papers		-	20,000
Issue of bonds		200,099	-
Repayment of commercial papers		-	(71,500)
Repayment of financial lease liabilities (related to fixed assets used)		-	(79,897)
Proceeds from loans drawn down		46,000	-
Repayment of loans		(6,000)	(12,406)
Commission and interest paid in connection with bank loan		(6,409)	(6,259)
Other		-	(307)
Net cash flow from financing activities		**233,694**	**106,992**
Net increase/ (decrease) in cash and cash equivalents		(65,643)	128,266
Cash at beginning of period		**165,889**	**37,623**
Cash at end of period	22	**100,247**	**165,889**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

		Equity attributable to shareholders of the parent						
	Note	**Share capital**	**Supplementary capital**	**Own shares**	**Uncovered losses**	**Total**	**Non-controlling interests**	**Total equity**
As at 1 January 2013		**147,967**	**1,140,911**	**(150)**	**(319,056)**	**969,672**	**-**	**969,672**
Proceeds from sale of treasury shares	24	-	(146)	150	-	4	**-**	4
Net loss for the financial year		-	-	-	*(206,550)*	*(206,550)*		*(206,550)*
Total comprehensive loss for the financial year		-	-	-	(206,550)	(206,550)	-	(206,550)
As at 31 December 2013		**147,967**	**1,140,765**	**-**	**(525,606)**	**763,126**	**-**	**763,126**

	Note	**Share capital**	**Supplementary capital**	**Own shares**	**Uncovered losses**	**Total**	**Non-controlling interests**	**Total equity**
State as at 1 January 2012		**29,593**	**435,560**	**(150)**	**(143,436)**	**321,567**	**19,974**	**341,541**
Issue of shares		118,374	710,240	-	-	828,614	**-**	828,614
Share issuance costs		-	(4,889)	-	-	(4,889)	**-**	(4,889)
Acquisition of non-controlling interests	23.4						(19,974)	(19,974)
Net loss for the financial year		-	-	-	*(175,620)*	*(175,620)*	**-**	*(175,620)*
Total comprehensive loss for the financial year		-	-	-	(175,620)	(175,620)	-	(175,620)
As at 31 December 2012		**147,967**	**1,140,911**	**(150)**	**(319,056)**	**969,672**	**-**	**969,672**

Krzysztof Adaszewski /President of the Management Board/

Maciej Kotlicki /Vice-President of the Management Board/

Teresa Rogala /on behalf of SFERIA Spółka Akcyjna/

ACCOUNTING POLICIES AND ADDITIONAL EXPLANATORY NOTES

1. General Information

The Midas S.A. Capital Group (the “Group”) consists of Midas S.A. (the “parent”, the “Company”, “Midas”) and its subsidiaries. The consolidated financial statements of the Group cover the year ended 31 December 2013 and contain comparative data for the year ended 31 December 2012.

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

The parent company was granted statistical number REGON 010974600.

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

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

The immediate parent of the company Midas S.A. is the company Litenite Limited with its registered office in Nicosia, Cyprus - an entity controlled by Zygmunt Solorz-Żak. As at 31 December 2013, the shareholders of Litenite Ltd. were: Ortholuck Ltd. and LTE Holdings SPV.

2. Composition of the Group

The Group comprises Midas S.A. and the following subsidiaries (the table below shows entities directly and indirectly dependent):

Entity	Registered office	Scope of activity	Percentage share of the Group in capital	
			31 December 2013	31 December 2012
CenterNet S.A. (“CenterNet”)	Warsaw, Poland	telecommunications	100%	100%
Mobyland Sp. z o.o. (“Mobyland”)	Warsaw, Poland	telecommunications	100%	100%
Conpidon Ltd. (“Conpidon”)	Nicosia, Cyprus	holding	100%	100%
Aero2 Sp. z o.o. (“Aero2”)	Warsaw, Poland	telecommunications	100%	100%
Nova Capital Sp. z o.o. (“Nova Capital”)	Warsaw, Poland	holding	-	85.2%

The only indirect subsidiary among those listed above is Aero2 (through Conpidon).

As at 31 December 2013 and as at 31 December 2012, the share in the total number of votes held by the Group in subsidiaries is equal to the share of the Group in the capital of those entities. An exception is Nova Capital, in which the Group held 85.2 per cent of the share capital and 100 per cent of the votes as at 31 December 2012.

Information on the merger between Conpidon and Midas, which was registered in 2014, is set forth in Notes 17 and 38 hereto.

Information on the merger between Nova Capital and Aero2, which was registered in 2013, is set forth in Note 17 hereto.

3. Composition of the Management Board of the parent

As at 31 December 2013 the composition of the Company’s Management Board was as follows:

1. Krzysztof Adaszewski – President of the Management Board,
2. Maciej Kotlicki – Vice-President of the Management Board.

On 17 December 2013, the Supervisory Board of the Company, acting in accordance with Article 12 par. 12.3 of the Statute of the Company, recalled Mr. Dariusz Łukasiewicz from the Management Board of the Company.

Mr. Dariusz Łukasiewicz was Vice-President of the Management Board of the Company from 16 December 2012, and the recall was made without any reason being given.

4. Approval of the financial statements

These consolidated financial statements were approved by the Management Board for publication on 21 March 2014.

5. Significant values based on professional judgement and estimates

5.1. Professional judgement

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

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

1. An evaluation of the occurrence of conditions for the impairment of assets,
2. An evaluation of the period of economic usefulness of property, plant and equipment,
3. An evaluation of the feasibility of asset components from deferred tax,
4. An evaluation of lease agreements,
5. Treating all companies in the Group as one operating segment and one unit generating cash flows,
6. An assessment of the period of use of base station for the needs of provisions and dismantling,
7. An assessment of the possibility of settling pending court proceedings,
8. An assessment of separating early repayment options as a separate instrument for valuation and disclosure.

5.2. Uncertainty of estimates

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

Impairment of assets

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

The Group conducted an impairment test of goodwill and of the cash-generating unit attributed to it. This required estimating the recoverable value of the cash-generating unit to which those fixed assets belong. The estimate of the recoverable value was made by determining the fair value of the cash-generating unit reduced by sales costs. The fair value as at 31 December 2013 is the market capitalization of the Group. The surplus market capitalization above the book value of the cash-generating unit is sufficient to cover potential sales costs.

Depreciation rates

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

Deferred income tax asset component

The Group acknowledges an asset component from deferred tax based on the assumption that, in the future, a tax profit will be earned allowing it to be used. A worsening of the tax results obtained in the future may result in that assumption proving to be unjustified.

Classification of lease agreements

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

Provision for dismantling

For the needs of calculating the value of current provisions for dismantling, the Management Board of the Company assumed a 22-year period of use for base stations. Some agreements concerning the lease of areas for base station concluded by the Company with the Group provide a period shorter than 22 years. The Management Board expects that it will be able to extend those agreements under conditions beneficial for the Group.

6. Basis for preparing the consolidated financial statements

These consolidated financial statements were prepared in accordance with the historical cost principle.

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

These consolidated financial statements were prepared on the assumption that the business activities of the companies of the Group will continue in the foreseeable future.

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

As discussed in more detail in Note 34.5, the available cash and sources of financing together with the surplus cover the requirements resulting from the operational, investment and financial activities of the Group.

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

6.1. Declaration on compliance

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (the “IFRS”) and the IFRS approved by the European Union (the “EU IFRS”). As at the date of approval of these statements for publication, taking into account the EU process of implementing the IFRS standards and the business conducted by the Group, in the context of the accounting principles applied by the Group, the IFRS accounting principles differ from EU IFRS. The Company has made use of the opportunity arising when applying the International Financial Reporting Standards adopted by the EU, of applying IFRS 10, IFRS 11 and IFRS 12, the amended IAS 27 and IAS 28, only from annual periods beginning from 1 January 2014.

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

6.2. Functional currency and currency of the financial statements

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

7. Changes in the accounting principles applied

The accounting policies applied in preparing these consolidated financial statements are consistent with those applied in preparing the annual consolidated financial statements of the Group for the year ended 31 December 2012, except for the following new or amended standards and interpretations in force for annual periods beginning on or after 1 January 2013:

- IAS 19 *Employee Benefits* (amended 2011) – which apply to annual periods beginning on or after 1 January 2013

The application of such amendments had no impact on the financial position or comprehensive income of the Group.

- Amendments to IAS 1 *Presentation of financial statements: presentation of items of other comprehensive income* – which apply to annual periods beginning on or after 1 July 2013

Amendments concerning the grouping of other items from comprehensive income. Other items of comprehensive income subject to reclassification in the future to profit or loss are presented separately from items which will not be reclassified to profit or loss.

The application of these changes had no effect on the financial position or the value of the comprehensive income of the Group, or on the scope of information presented in the Group's financial statements.

- IAS 1 *Clarification of requirements of comparative* data (amendment)

The amendments clarify differences between voluntarily presented supplementary comparative data and the minimum comparative data required. The Group must show comparative data in supplementary explanatory notes, since it voluntarily discloses comparative data for an additional comparative period in relation to the required minimum of one comparative period. The amendments specify that the consolidated statement of financial position at the beginning of a comparative period (1 January 2012 in the case of the Group), presented because of a retrospective change or re-classification of an item in the consolidated statement of financial position, need not accompany the comparative data in the supplementary explanatory notes. Those changes only concern presentation, and have no effect on the financial position or operating results of the Group.

- Amendments of IAS 12 *Income taxes: Tax Realisation of Assets* – which apply for annual periods beginning on or after 1 January 2012 – in the EU, applicable at the latest to annual periods beginning on or after 1 January 2013

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

- IFRS 13 *Fair Value Measurement* – which applies to annual periods beginning on or after 1 January 2013

IFRS 13 introduces one set of rules concerning the way in which the fair value of financial and non-financial assets and liabilities is established, where such valuation is required or allowed by the IFRS. IFRS 13 does not affect when the Company is obliged to make an valuation according to fair value. The regulations of IFRS 13 apply to both initial valuations and valuations made after initial disclosure.

IFRS 13 requires new disclosure in the area of techniques (methods) of valuation and initial information/data to determine fair value, as well as the impact of certain initial information on valuation at fair value.

IFRS 13 defines fair value as initial price. As a result of the guidelines in IFRS 13, the Company again evaluated its policy on measuring fair value, in particular concerning initial data such as the risk of not discharging its obligations when assessing fair value. The application of IFRS 13 has no significant effect on the result of the Company's measurements of fair value. Supplementary disclosures, where required, are contained in individual notes referring to assets and liabilities whose fair value have been defined. The hierarchy of fair value is as follows:

- ✓ Level 1: financial instruments valuated directly by listing on the active market,
- ✓ Level 2: financial instruments valuated by observing ongoing market transactions concerning similar financial instruments,
- ✓ Level 3: financial instruments valuated using defined valuation techniques due to the absence of an active market.

- Amendments of IFRS 7 *Financial Instruments: Disclosures: Compensation of Financial Assets and Financial Liabilities* - which apply to annual periods beginning on or after 1 January 2013.

The amendments introduce additional quantitative and qualitative disclosures concerning transfers/assignments of financial assets, if:

- ✓ the financial assets are totally removed from the balance sheet but the entity remains involved in those assets (e.g. through options or guarantees concerning the assets transferred)
- ✓ the financial assets are not entirely removed from the balance sheet.

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

- Amendments resulting from an IFRS review (issued in May 2012) – which apply for annual periods beginning on or after 1 January 2013 concerning IAS 16 and IAS 32 - the application of those amendments had no effect on the financial position or operating results of the Company, or on the scope of information presented in the Group's 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* – which apply to annual periods beginning on or after 1 July 2012 – in the EU, applicable at the latest to annual periods beginning on or after 1 January 2013 and Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* - applicable at the latest to annual periods beginning on or after 1 January 2013.

The amendments to IFRS 1 did not concern the Group.

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* – which apply for annual periods beginning on or after 1 January 2013.

The interpretation does not apply to the Group.

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

The Company decided against early adoption of any standard, interpretation or amendment already issued but not yet effective, except for:

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

Those amendments removed the unintended consequences of IFRS 13 concerning disclosures required under IAS 36. Moreover, those changes require disclosure of recoverable value or cash-generating units (CGUs) for which impairment was recognised or reversed in a given period. Those changes apply to annual periods beginning on or after 1 January 2014, and can be applied earlier provided that IFRS 13 has been applied. The Company has applied those amendments to IAS 36 in these financial statements in reference to disclosures of impairment of non-financial assets, in Note 16.

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

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

- The first phase of standard IFRS 19 *Financial Instruments: Classification and Valuation* as amended - its entry into force was rejected by the Board for IFRS without a deadline for approval being given,
- IFRS 10 *Consolidated Financial Statements* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014. The Group decided to apply IFRS for financial years beginning on or after 1 January 2014,
- IFRS 11 *Joint Arrangements* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014. The Group decided to apply IFRS for financial years beginning on or after 1 January 2014,
- IFRS 12 *Disclosure of Interests in Other Entities* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014. The Group decided to apply IFRS for financial years beginning on or after 1 January 2014,

- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014,
- IAS 27 *Separate Financial Statements* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014. The Group decided to apply IFRS for financial years beginning on or after 1 January 2014,
- IAS 28 *Investments in Associates and Joint Ventures* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014. The Group decided to apply the amendments of IFRS for financial years beginning on or after 1 January 2014,
- Amendments of IAS 32 *Financial Instruments: Presentation: Compensation of Financial Assets and Financial Liabilities* - which apply to annual periods beginning on or after 1 January 2014,
- Amendments to IFRS 10, IFRS 12 and IAS 27*Investment Entities* - (published on 31 October 2012) - which applies for annual periods beginning on 1 January 2014,
- IFRIC 21 *Consolidated Financial Statements* - which applies for annual periods beginning on or after 1 January 2014 - not approved by the EU by the date of approval of these financial statements,
- Amendments to IAS 39 *Renewal of derivatives and continuation of accounting of collateral* (published on 27 June 2013) – which apply to financial years beginning on or after 1 January 2014,
- Amendments of IAS 19 *Employee Benefits* (published on 21 November 2013) - which apply for annual periods beginning on or after 1 July 2014 - not approved by the EU by the date of approval of these financial statements,
- *Amendments resulting from an IFRS review 2010-2012* - some of the amendments apply for financial years beginning on or after 1 July 2014, and some for transactions taking place on or after 1 July 2014 - not approved by the EU before the date of approval of these financial statements,

  Amendments resulting from an IFRS review 2011-2013 - which apply for financial years beginning on or after 1 July 2014 - not approved by the EU before the date of approval of these financial statements,
- IFRS 14 *Regulatory deferral accounts* - which applies for annual periods beginning on or after 1 January 2016 - not approved by the EU by the date of approval of these financial statements.

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

9. Change in presentation

In order to increase the transparency of its financial reporting, the Group has made changes in the presentation of selected costs by type in the statement of comprehensive income, and changes in the names of selected items presented in the financial statements and the statement of changes in equity. A summary of these is presented below.

Statement of comprehensive income

	Year ended 31 December 2012 *(approved)*	**Change in presentation**	**Year ended 31 December 2012** *(restated)*
Continuing operations			
Revenue from the sale of goods and services	89,810	-	89,810
Depreciation and amortisation	(104,474)	-	(104,474)
Wages and salaries	(6,510)	-	(6,510)
Costs related to telecommunications network	-	(105,804)	(105,804)
Taxes and charges	-	(37,906)	(37,906)
Other costs by type	(163,921)	143,710	(20,211)
Other operating income	3,801	-	3,801
Other operating expenses	(4,761)	-	(4,761)
Loss on operating activities	**(186,055)**	**-**	**(186,055)**
Financial income	10,976	-	10,976

Financial costs	(8,730)	-	(8,730)
Profit on financial activities	**2,246**	**-**	**2,246**
Loss before taxation	**(183,809)**	**-**	**(183,809)**
Current income tax	-	-	-
Deferred tax	8,189	-	8,189
Total income tax	**8,189**	**-**	**8,189**
			-
Net loss on continuing operations	**(175,620)**	**-**	**(175,620)**
			-
Net loss on discontinued operations	**-**	**-**	**-**
			-
Net loss	**(175,620)**	**-**	**(175,620)**
Other comprehensive income	**-**	**-**	**-**
COMPREHENSIVE LOSS	**(175,620)**	**-**	**(175,620)**

Statement of financial position

Was:	**Is:**
Assets	**Assets**
Other prepayments	Current settlements
Liabilities	**Liabilities**
Share premium	Supplementary capital
Loans and borrowings and other financial liabilities	Loans and borrowings

Summary of changes in equity

Was:	**Is:**
Share premium	Supplementary capital

The changes in presentation described above did not affect the result of the Group as presented in the financial statements for the year ended 31 December 2012.

10. Significant accounting principles

10.1. Principles of consolidation

These consolidated financial statements comprise the financial statements of Midas S.A. and the financial statements of its subsidiaries, prepared in each case for the year ended 31 December 2013. The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent, using consistent accounting principles based on uniform accounting principles applied for commercial transactions and events having a similar nature. In order to eliminate any inconsistencies in the accounting principles applied, adjustments are made.

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

The subsidiaries are subject to consolidation as from the day the Group takes control over them, and they cease being subject to consolidation on the day that control ends. Control by the parent is held when it directly or indirectly, through a subsidiary, holds more than half of the votes in a given company, unless it can be demonstrated that that amount does not constitute having control. Control is also held when the Company is able to direct the financial and operational policy of a given entity.

Changes in the shareholding of the parent which do not lead to a loss of control over a subsidiary are disclosed as capital transactions. In such cases, in order to reflect the changes in the relative shareholding in a subsidiary, the Group adjusts the carrying amount of the controlling shares and the non-controlling interests. All differences

between the amount of an adjustment of non-controlling interests and the fair value of the amount paid or obtained affect equity, and are attributed to the owner of the parent.

10.2. Conversion of items denominated in a foreign currency

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

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

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

	31 December 2013	31 December 2012
GBP	4.9828	5.0119
EUR	4.1472	4.0882

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

10.3. Property, plant and equipment

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

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

Depreciation is calculated using the linear method through the estimated useful life of a given asset.

The depreciation rates applied to tangible assets are as follows:

Type	Depreciation rates
Buildings and structures	4.5%-10%
Technical machinery and equipment	6%-30%
Office equipment	20%-25%
Vehicles	14%-20%
Computer systems	6%-30%
Investments in external tangible assets	20%

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

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

10.4. Intangible assets

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

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

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

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

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

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

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

10.4.1. Goodwill

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

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

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

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

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

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

10.5. Leases

The Group as a lessee

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

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

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

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

10.6. Impairment of non-financial fixed assets

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

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

As at each balance sheet date, the Group assesses whether there are indications that an impairment recognised in previous periods for a given asset is unnecessary or should be reduced. If such indications exist, the Group estimates the recoverable value of the asset. A previously disclosed impairment write-down is subject to reversal when and only when, since the time the last write-down was disclosed, there has been a change in the estimated values applied in determining the recoverable value of a given asset. In such a case, the carrying amount of the

asset is increased to the amount of its recoverable value. The increased amount cannot exceed the carrying amount of the asset which would be determined (after amortisation) if in previous years no impairment write-down had been made for that asset. Reversal of an asset impairment write-down is immediately disclosed as revenue. After the reversal of a write-down, in subsequent periods the write-down concerning a given asset is adjusted so as to make it possible, during the rest of the asset's useful life, to systematically write down its verified carrying amount reduced by its final value.

10.7. External finance costs

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

10.8. Financial assets

Financial assets are divided into the following categories:

- Financial assets held to maturity,
- Financial assets measured at fair value by the financial result,
- Loans and receivables,
- Financial assets available for sale.

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

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

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

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

a) it is classified as designated for trading. Financial assets qualify as designated for trading if they are:
    - acquired mainly in order to be sold in a short period of time,
    - part of a portfolio of specific financial instruments managed together and for which there exists a likelihood of a profit being seen in a short period of time,
    - derivative instruments, except for derivative instruments which are an element of hedge accounting and financial guarantee agreements,
b) was designated for this category in accordance with IAS 39 at its initial recognition.

Financial assets measured at fair value by the financial result are measured at fair value taking account of their market value as at the balance sheet date, regardless of the costs of the sale transaction. Changes in the value of such financial instruments are recognised in the statement of comprehensive income as financial income (positive net changes in fair value) or expenses (negative net changes in fair value). If a contract incorporates one or more embedded derivatives, the entire contract can be classified under the category of financial assets measured at fair value through profit or loss. This does not apply to cases where the embedded derivative does not significantly affect cash flows under the contract or where it is obvious without analysis or after brief analysis that if a similar hybrid instrument was first considered, then a separation of the embedded derivative would be prohibited. At their initial recognition, financial assets may be designated as measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or significantly reduces the inconsistency in the recognition or measurement (accounting mismatch); or (ii) the assets are a part of a group of financial assets which are managed and evaluated on a fair value basis in accordance with a

documented risk management strategy; or (iii) financial assets incorporate embedded derivatives that should be separately accounted for.

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

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

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

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

10.9. Impairment of financial assets

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

10.9.1. Assets recognised at amortised cost

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

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

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

10.9.2. Financial assets recognised at cost

If there are objective indications of impairment of a non-listed equity instrument which is not shown at fair value because its fair value cannot be reliably measured, or of a derivative instrument which is related and must be

settled through the provision of such a non-listed equity instrument, then the amount of the impairment write-down is determined as the difference between the carrying amount of the financial asset and the current value of estimated future cash flows discounted by applying the current market rate of return for similar financial assets.

10.9.3. Financial assets available for sale

If there are objective indications that a financial asset available for sale might be impaired, the amount constituting the difference between 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. If, in any subsequent period, the fair value of a debt instrument available for sale increases, and such growth might be objectively associated with an event taking place after recognition of a respective impairment write-down in profit or loss, the amount of such reversed write-down is disclosed in profit or loss.

10.10. Embedded derivatives

Embedded derivatives are divided from agreements and treated as derivatives if all of the following conditions are met:

- the economic nature and risk of the embedded instrument are not strictly related to the economic nature and risk of the agreement in which a given instrument is embedded;
- an autonomous instrument with identical conditions of implementation as the embedded instrument would meet the definition of a derivative;
- a hybrid (complex) instrument is not shown at fair value, but changes in its fair value are not recognized in profit or loss.

Embedded derivatives are shown in a similar manner as autonomous derivatives, which are not recognized as instruments of security.

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

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

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

10.11. Inventories

Inventories are measured at the lower of: the purchase price and net sale price possible to obtain.

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

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

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

10.12. Trade and other receivables

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

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

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

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

10.13. Cash and cash equivalents

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

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

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

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

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

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

10.15. Trade and other liabilities

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

Financial liabilities measured at fair value by the financial result comprise financial liabilities designated for trading and financial liabilities initially classified to categories measured at fair value by the financial result. Financial liabilities are classified as designated for trading if they were acquired to be sold in the near future. Derivative instruments, including separated embedded instruments, are also classified as designated for trading, unless they are recognised as effective hedging instruments. Financial liabilities may be classified after initial disclosure to categories measured at fair value by the financial result if the following criteria are met: (i) such classification eliminates or considerably reduces inconsistencies of treatment when both the measurement and the principles of recognising losses or profits are subject to other regulations, or (ii) the liabilities are part of a group of financial liabilities which are managed and measured at fair value in accordance with a documented risk management strategy, or (iii) the financial liabilities contain embedded derivative instruments which should be disclosed separately. As at 31 December 2013 and at 31 December 2012, no financial liabilities were classified in categories measured at fair value by the financial result.

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

Other financial liabilities which are not financial instruments measured at fair value by the financial result are measured according to amortised costs, using the effective interest rate method.

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

an existing financial liability as the expiry of the initial liability and occurrence of a new financial liability. A difference arising from a replacement regarding carrying amounts is shown in profit or loss.

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

10.16. Provisions

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

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

10.17. Revenue

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

10.17.1. Revenues from sales of goods and services

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

10.17.2. Provision of services

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

10.17.3. Interest

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

10.17.4. Dividends

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

10.17.5. Revenues from rentals (operating lease)

Revenues from rental are disclosed by the linear method over the term of the lease in relation to open agreements.

10.17.6. Subsidies

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

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

10.18. Taxes

10.18.1. Current tax

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

10.18.2. Deferred tax

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

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

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

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

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

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

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

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

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

10.18.3. Value added tax

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

- when the VAT paid upon a purchase of assets or services cannot be recovered from the tax authorities; then it is disclosed as appropriate as part of the purchase price of the asset or as part of the cost item, and
- receivables and liabilities which are disclosed including value added tax amounts.

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

10.19. Net loss per share

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

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

11. Business segments

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

12. Revenues and costs

12.1. Revenue from the sale of goods and services

	Year ended 31 December 2013	**Year ended 31 December 2012**
Sales of telecommunications services	225,578	85,914
Other sales	4,414	3,896
Total	**229,992**	**89,810**

During the 12-month period ended 31 December 2013, income increased by PLN 140,182,000 in comparison with the corresponding period of the previous year. This was mainly due to the increasing amount of data transmission services ordered by wholesale customers of the Group resulting from such factors as the growing popularity of LTE technology, and to the consistently expanding coverage of the telecommunications network utilised by the Group. The Management Board of the Company emphasises that revenue in the fourth quarter of 2013 increased by approximately 43.6 per cent compared to the revenue achieved in the third quarter of 2013.

In the year ended 31 December 2013, more than 90 per cent of Group revenue was achieved on the basis of long-term agreements (revenue from data transfers) signed with affiliates (Polkomtel Sp. z o.o. and Cyfrowy Polsat S.A.).

12.2. Other operating revenues

	Year ended 31 December 2013	**Year ended 31 December 2012**
Release of provisions	122	43
Received compensation and similar benefits	14	363
Dissolution of write-downs of receivables and inventories	124	147
Liabilities written off	1,153	-
Subsidies	2,427	1,911
Postal charges	1,828	646
Profit on the sale of non-financial fixed assets	-	23
Refund of value-added tax on providing goods for promotional purposes	-	250

Other	377	418
Total	**6,045**	**3,801**

12.3. Other operating costs

	Year ended 31 December 2013	Year ended 31 December 2012
Release of unused provisions for revenues	-	37
Donations	28	180
Cost of abandoned investments	-	64
Loss from disposal/ liquidation of non-financial fixed assets	16	26
Revaluation write-down of the value of fixed assets	5,501	3,281
Revaluation write-down of the value of inventories	-	87
Revaluation write-down of receivables	128	157
Write-off of bad debts	402	69
Other	410	860
Total	**6,485**	**4,761**

The revaluation write-down of fixed and intangible assets concerns the telecommunications infrastructure of CenterNet. The Group estimated the value-in-use of the fixed assets and made a write-down of their value as at 31 December 2013 and 31 December 2012.

12.4. Financial income

	Year ended 31 December 2013	Year ended 31 December 2012
Income from bank interest	5,215	7,785
Income from interest on loans granted	608	2,074
Other interest income	2	770
Positive exchange rate differences	-	347
Total	**5,825**	**10,976**

During the 12-month period ended 31 December 2013, there was a decrease in the value of financial income of PLN 5,151,000 in comparison to the corresponding period of the previous year. That change resulted mainly from the lower value of funds in deposits and changes in bank deposit interest rates.

12.5. Financial costs

	Year ended 31 December 2013	Year ended 31 December 2012
Interest on issued commercial papers	-	1,460
Update of the value of embedded derivatives	647	-
Interest on issued commercial papers	17,625	-
Interest on bank loans and commercial papers received	718	2,301
Commission on bank loans and commercial papers received	1,129	-
Interest on bank guarantees	-	30
Late-payment interest	392	156
Interest on financial lease agreements	-	4,161
Negative exchange rate differences	11	-
Other financial costs	308	622
Total	**20,830**	**8,730**

During the 12-month period ended 31 December 2013, financial costs increased by PLN 12,100,000 in comparison with the corresponding period of the previous year. That change results mainly from discount costs from the series A bonds issued.

13. Income tax

13.1. Arrangement on the effective tax rate

The arrangement on income tax on the gross profit (loss) before tax according to the statutory tax rate, with income tax charged at the effective tax rate of the Group for the years ending on 31 December 2013 and 31 December 2012, is as follows:

	Year ended 31 December 2013	**Year ended 31 December 2012**
Gross loss before tax	(225,211)	(183,809)
Tax at the statutory tax rate in effect in Poland - 19%	42,790	34,924
Tax effect of non-taxable revenue and costs not constituting costs of earning revenues	(8,719)	(4,867)
Undisclosed tax loss and other undisclosed temporary differences	(15,410)	(21,868)
Tax at the effective tax rate of 8.3% (2012: 4.45%)	**18,661**	**8,189**
Income tax shown in the consolidated loss	**18,661**	**8,189**

13.2. Deferred income tax

Deferred income tax results from the following items:

	Statement of financial position		*Statement of comprehensive income for the year ended*	
	31 December 2013	*31 December 2012*	*31 December 2013*	*31 December 2012*
Deferred income tax provision				
Valuation of frequency reservations	82,638	90,828	8,190	8,189
Interest accrued but not yet received	5,502	2,452	(3,050)	(1,410)
Other	580	-	(580)	260
Value of items compensated for by deferred income tax assets and provision	(5,502)	(2,452)	3,051	1,150
Deferred income tax provision	83,218	90,828	7,611	8,189
Deferred income tax assets				
Interest accrued but not paid	8,943	2,212	6,731	(12)
Negative exchange rate differences from balance sheet measurement	2	-	2	-
Balance sheet depreciation and amortisation different from tax amortisation	15,788	9,112	6,676	4,975
Revaluation write-downs of receivables	178	170	8	29
Revaluation write-downs of inventories	8	22	(14)	(28)
Revaluation write-downs of property, plant and equipment	2,189	1,144	1,045	623
Provisions for other costs	2,000	1,321	679	518
Unregulated liabilities	3,595	-	3,595	-
Loss which can be deducted from future taxable income	103,898	96,160	7,738	15,763
Deferred income tax assets	136,601	110,141	26,460	21,868
The value of tax losses and temporary differences for which deferred tax was not disclosed due to the anticipated impossibility of realising the assets in deferred tax from future tax results of the Group	(125,551)	(110,141)	(15,410)	(21,868)
Deferred tax liabilities			18,661	8,189
Net provision for deferred income tax, of which:	(72,168)	(90,828)		
Deferred income tax assets - continuing operations	11,050	-		
Provision for deferred income tax - continuing operations	(83,218)	(90,828)		

14. Loss per share

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

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

	Year ended 31 December 2013	**Year ended 31 December 2012**
Net profit / (loss) on continuing operations	(206,550)	(175,620)
Net profit / (loss)	**(206,550)**	**(175,620)**
Weighted average number of ordinary shares issued used in calculating the basic earnings per share	1,479,665,366	1,127,129,125
Net loss on continuing activities per 1 share attributable to shareholders of the parent (in PLN)	(0.14)	(0.16)

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

15. Property, plant and equipment

Year ended on 31 December 2013

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

Year ended on 31 December 2012

	Civil engineering buildings, premises and facilities	Other technical equipment and machinery	Technical equipment and machinery - infrastructure	Vehicles	Investments in external fixed assets	Other fixed assets	Investments in progress	Total
Gross value of fixed assets as at 1 January 2012	**88,668**	**1,238**	**188,646**	**65**	**-**	**435**	**29,895**	**308,947**
Increases resulting from purchase of assets	-	25	-	140	-	-	62,695	62,860
Other increases	317	-	-	-	-	-	1,770	2,087
Transfers	432	-	(1,260)	-	-	-	685	(143)
Disposal/liquidation	**-**	(1)	-	(65)	-	-	(39)	(105)
Other decreases - infrastructure purchase discount	(11,903)		(10,868)	-	-	-	-	(22,771)
Reclassification from fixed assets under construction	12,790	-	35,443	-	-	1	(48,234)	-
Gross value of fixed assets as at 31 December 2012	**90,304**	**1,262**	**211,961**	**140**	**-**	**436**	**46,772**	**350,876**
Cancellation as at 1 January 2012	**-**	**(299)**	**(7,413)**	**(56)**	**-**	**(25)**	**(2,742)**	**(10,535)**
Depreciation and amortisation	(3,663)	(302)	(23,634)	(29)	-	(123)	-	(27,751)
Impairment write-down	-	-	-	-	-	-	(3,281)	(3,281)
Disposal/liquidation	-	1	-	-	-	-	-	1
Transfers	-	-	143	65	-	-	-	208
Cancellation as at 31 December 2012	**(3,663)**	**(600)**	**(30,904)**	**(20)**	**-**	**(148)**	**(6,023)**	**(41,358)**
Net value of fixed assets as at 1 January 2012	88,668	66	182,106	9	-	410	27,153	298,412
Net balance of fixed assets as at 31 December 2012	86,641	662	181,057	120	-	288	40,749	309,518

16. Intangible assets

Year ended on 31 December 2013

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

Year ended on 31 December 2012

	Goodwill	Frequency reservation	Computer software and licences	Other	Value of intangible infrastructure	Total
Gross value of intangible assets as at 1 January 2012	**41,231**	**922,392**	**3,252**	**756**	**6,784**	**974,415**
Increases resulting from purchase of assets	-	-	-	-	55	55
Gross value of intangible assets as at 31 December 2012	**41,231**	**922,392**	**3,252**	**756**	**6,839**	**974,470**
Cancellation as at 1 January 2012	**-**	**(38,922)**	**(54)**	**(15)**	**(2,422)**	**(41,413)**
Depreciation and amortisation	-	(74,455)	(961)	(306)	(1,001)	(76,723)
Cancellation as at 31 December 2012	**-**	**(113,377)**	**(1,015)**	**(321)**	**(3,423)**	**(118,136)**
Net value of intangible assets as at 1 January 2012	41,231	883,470	3,198	742	4,362	933,003
Net value of intangible assets as at 31 December 2012	41,231	809,015	2,237	435	3,416	856,334

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

When 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.

On the basis of its best estimates and assumptions, the Management Board of the parent considers at each balance sheet date whether there are indications of a potential impairment of assets. In accordance with the requirements of IAS 36 *Impairment of assets*, the Management Board of the parent conducted impairment tests of goodwill and fixed assets and intangible assets as at 31 December 2013. As a result of those tests, no additional impairment write-downs from the impairment of assets were recognised.

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

The Group conducted an impairment test of goodwill and of the cash-generating unit attributed to it. This required estimating the recoverable value of the cash-generating unit to which those fixed assets belong. The estimate of the recoverable value was made by determining the fair value of the cash-generating unit reduced by sales costs. The fair value as at 31 December 2013 is the market capitalization of the Group. The surplus market capitalization above the book value of the cash-generating unit is sufficient to cover potential sales costs.

17. Business combinations

On 24 April 2013, the Management Board of the Company resolved to carry out a cross-border merger (the "Merger") of the Company and Conpidon Limited, in which the Company has 100 per cent of the shares in the share capital. The decision on the Merger of the Company and Conpidon reflected the belief of the Management Board of the Company that the Merger was the fastest and most effective way to streamline the structure of the Midas Group. The long-term goal of the Merger was for the Company to directly hold 100 per cent of the shares in the share capital of Aero2, which was in line with the strategy of the Midas Group. The Merger of the Company with Conpidon was effected by way of: (i) transferring to the Company, as the sole shareholder of Conpidon, all of the assets of Conpidon via universal succession, and (ii) dissolving Conpidon without liquidating it, in accordance with the provisions of the Commercial Companies Code (the "CCC"), the Companies Law of Cyprus, and the provisions of Directive 2005/56/EC of the European Parliament and of the Council. Following the Merger, as of the date of the merger, the Company entered into any and all rights, obligations, assets and liabilities of Conpidon. Pursuant to the CCC, due to the fact that the Company held all of the shares in Conpidon, the Merger occurred without increasing the Company's share capital, and the merger plan was not evaluated by an expert. Detailed information about the Merger was published in Current Reports No. 14/2013 and 15/2013. On 17 May 2013, the Management Board of the Company prepared and published (Current Report No. 20/2013) a Report of the Management Board justifying the Merger. On 21 June 2013, the OGM passed resolution No. 21/2013, pursuant to which it approved the Merger and authorised the Management Board of the Company to execute all actions required to perform the merger procedure.

On 25 April 2013, a plan was agreed and signed for a merger by takeover between the companies Aero2 (as the acquiring company) and Nova Capital (as the target company), in which Aero2 held a 100-per cent share in the

share capital. The decision to merge the two companies resulted from the desire to optimise and streamline the ownership structure of the Group. It was decided that the merger of Aero2 and Nova Capital would be made on the basis of the provisions of the CCC, in consequence of which: (i) Nova Capital was wound up without liquidation, (ii) all of the assets and liabilities of Nova Capital were transferred to or taken over by Aero2 under universal succession, and (iii) Aero2 entered into all the rights and obligations of Nova Capital. On 4 June 2013, the Extraordinary General Meeting of Shareholders of Aero2 and the Extraordinary General Meeting of Shareholders of Nova Capital adopted resolutions on the merger of those companies as set out in the above merger plan. On 31 July 2013, the District Court for the City of Warsaw, Division XII Commercial of the National Court Register, handed down a decision to register the merger of Aero2 as the acquiring company with Nova – the target company, by way of transferring all of the assets of the target to the acquiring company.

18. Other assets

18.1. Financial assets

	31 December 2013	31 December 2012
Loans granted	14,628	14,020
Embedded derivatives - option of early repurchase of bonds	47,232	-
Total	**61,860**	**14,020**

Embedded derivative

At the moment of initial recognition of a liability from bonds, the Company estimated whether the instrument recognised contains components meeting the definition of an embedded derivative.

During the analysis, an embedded derivative was identified (an option of early repurchase of bonds) - the Company evaluated the parameters of that option and of the degree of connection of the embedded instrument with the principal agreement. In accordance with the estimate, the embedded derivative identified meets the requirements of IAS 39 for being separate from the principal agreement, and therefore was recognised in the statement of financial position as a separate derivative instrument under long-term financial assets.

The value of that instrument, recognised at the moment of initial disclosure, was determined as PLN 47,879,000. As at 31 December 2013, the value of the option was valuated at PLN 47,232,000 (the difference in valuation of PLN 647,000 was recognised in financial costs).

Loans granted

The value of loans granted as at 31 December 2013, consists of loans in the amount of PLN 14,628,000 granted to the company Sferia S.A. ("Sferia"). The capital of the loans is due to the companies:

- Aero2 in the amount of PLN 4,283,000
- Mobyland in the amount of PLN 10,345,000

Interest accrues quarterly. The loans bear interest at the rate WIBOR 1R + a margin. The loans are to be repaid as a lump sum by 31 January 2015. Part or all of the loans may become payable immediately if important asset components of Sferia are sold without the prior written consent of the entities granting the loans. The loans are secured by a blank promissory note up to the amount of the loans plus interest, and by a declaration of voluntary submission to enforcement under the procedure of Article 777 par. 1 pt. 5 of the Code of Administrative Procedure.

18.2. Other non-financial assets and accruals

	31 December 2013	31 December 2012
Non-current		
Advance payments for fixed assets under construction	176	5,821
Pre-paid costs of joint use of the telecommunications network of another operator	2,447	2,946
Other	249	118

Total	**2,872**	**8,885**
Current		
Prepaid expenses	266	385
Pre-paid costs of joint use of the telecommunications network of another operator	490	491
Advances paid	19	104
Total	**775**	**980**

19. Inventories

	31 December 2013	31 December 2012
Materials	35	35
Goods	195	271
Revaluation write-down	(43)	(116)
Total	**187**	**190**

20. Trade and other receivables

	31 December 2013	31 December 2012
Trade receivables	66,645	53,260
Receivables from VAT	51,768	10,828
Receivables from the sale of fixed assets	-	-
Other receivables	3,646	405
Total net receivables	**122,059**	**64,493**
Revaluation write-down of receivables	938	897
Gross receivables	**122,997**	**65,390**
- current	95,797	64,493
- non-current	26,262	-

The increase in receivables stems primarily from an increase in receivable from VAT and an increase up to PLN 26,262,000 of receivables not settled by Sferia S.A. towards Aero2 in respect of, among other things, the agreement for joint use of the telecommunications network (as at 31 December 2012: PLN 16,102,000). In connection with the receipt of a declaration by the management board of Sferia concerning the planned repayment periods, the above receivables were re-classified as non-current assets.

The terms of transactions with related parties are presented in Note 32.

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

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

As at 31 December 2013, trade receivables of PLN 938,000 (as at 31 December 2012: PLN 897,000) were deemed uncollectible and written down.

The write-downs of receivables were as follows:

	2013	2012
Revaluation write-down as at 1 January	897	739
Increase	128	158
Use	(87)	-
Revaluation write-down as at 31 December	**938**	**897**

Presented below is an analysis of trade and other receivables which were overdue as at 31 December 2013 but which were not deemed uncollectible and were not written down.

		Overdue but collectible				
Total	Not overdue	< 30 days	30 – 60 days	60 – 90 days	90 – 120 days	>120 days
70,291	40,991	1,169	958	970	963	25,240

Receivables overdue for more than 120 days comprise primarily receivables from Sferia S.A.

21. Other current assets

	31 December 2013	31 December 2012
Commission paid on bank loans received	1,040	-
Total	**1,040**	**-**

22. Cash and cash equivalents

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

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

	31 December 2013	31 December 2012
Cash at bank and on hand	35,083	13,271
Short-term bank deposits	65,002	152,274
Interest accrued on bank deposits	162	344
Cash and cash equivalents	**100,247**	**165,889**

23. Share capital and supplementary/reserve capital

23.1. Share capital

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

11,837,334 series A shares,

47,349,336 series B shares,

236,746,680 series C shares,

1,183,733,400 series D shares.

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

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

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

Series/issue	Type of shares	Number of shares	Value of series/issue at nominal value	Method of covering capital	Date of registration
Series A	Bearer	1,000,000	100	cash	31 Mar 1995
Series A	Bearer	32,000,000	3,200	In-kind	8 Sep 1995
Series A	Bearer	1,000,000	100	In-kind	3 Feb 1996
Series A	Bearer	500,000	50	In-kind	6 May 1996
Series A	Bearer	400,000	40	In-kind	3 Jun 1996
Series A	Bearer	100,000	10	In-kind	5 Jun 1996
Cancellation 1996	-	(3,973,815)	(397)	-	19 Dec 1996
Cancellation 1997	-	(255,106)	(26)	-	17 Nov 1997
Cancellation 1998	-	(313,038)	(31)	-	24 Nov 1998
Cancellation 1999	-	(401,917)	(40)	-	18 Nov 1999
Cancellation 2003	-	(7,512,989)	(752)	-	18 Dec 2003
Cancellation 2005	-	(10,705,801)	(1,070)	-	10 Nov 2005
Series B	Bearer	47,349,336	4,734	issue of shares	17 Jul 2006
Series C	Bearer	236,746,680	23,674	issue of shares	30 Jun 2011
Series D	Bearer	1,183,733,400	118,374	issue of shares	18 Apr 2012
	Total	**1,479,666,750**			

23.1.1. Nominal value of shares

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

23.1.2. Shareholders' rights

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

23.1.3. Shareholders having a significant holding

	31 December 2013	31 December 2012
Zygmunt Solorz-Żak		
share in capital	65.9975%	65.9978%
share in votes	65.9975%	65.9977%
ING OFE		
share in capital	5.4066%	5.0273%
share in votes	5.4066%	5.0273%
Other shareholders		
share in capital	28.5959%	28.9749%
share in votes	28.5959%	28.9760%

The percentage share for 2012 was calculated taking account of 5,000 own shares of the Company held indirectly by Litenite Limited, where, in accordance with Article 364 of the Commercial Companies Code, Midas did not exercise voting rights from its own shares. On 8 April 2013, the above 5,000 own shares of the Company were disposed of by the Company.

23.2. Supplementary capital

In the 12 month period ended on 31 December 2013, there was a decline in the value of supplementary capital, by PLN 146,000. On 8 April 2013, the Company sold, in an ordinary session transaction on the regulated market of Giełda Papierów Wartościowych S.A. in Warsaw, 5,000 of its own shares, and the loss on the sale of own shares encumbered the supplementary capital.

23.3. Retained earnings and dividend restrictions

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

23.4. Non-controlling interests

	2013	2012
As at 1 January	-	19,974
Acquisition of shares in Nova Capital	-	(19,974)
As at 31 December	-	-

24. Own shares

On 8 April 2013, Midas S.A. sold 5,000 own shares in an ordinary session transaction on the regulated market of Giełda Papierów Wartościowych S.A. in Warsaw. Information about the above transaction was published in Current Report No. 9/2013.

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

	Effective interest rate %	Repayment date	31 December 2013	31 December 2012
Current				
Bank loans obtained in the amount of PLN 38,166,000, bearing interest at the rate of WIBOR 3M + margin	6.98%	31 December 2012	-	9,529
Bank loans obtained in the amount of PLN 26,330,000, bearing interest at the rate of WIBOR 3M + margin	7.16%	31 December 2012	-	6,720
Commission charged (investment credit)			68	-
Total			**68**	**16,249**
Non-current				
Bank loans obtained in the amount of PLN 38,166,000, bearing interest at the rate of WIBOR 3M + margin	7.00%	26 Sep 2015	29,431	19,902
Bank loans obtained in the amount of PLN 26,330,000, bearing interest at the rate of WIBOR 3M + margin	6.73%	30 Sep 2015	14,170	13,450
Issues of series A bonds of a nominal value of PLN 583,772,000, discount rate of 14.31%	14.34%	16 April 2021	267,543	
Investment credit with a nominal value of PLN 150,000,000, bearing interest at the rate of WIBOR 1M + margin	7.30%	31 March 2018	45,580	-
Total			**356,724**	**33,352**

Capitalisation of borrowing costs

In 2013, the Group capitalised borrowing costs in the amount of PLN 5,040,000, at a capitalisation rate of 10.18% (in 2012: PLN 1,770,000).

Collateral for the Invest Bank loan

As at 31 December 2013 and 31 December 2012, the Group held the following collateral under loan agreements with Plus Bank S.A. (formerly Invest-Bank S.A.):

- transfer of ownership of assets for a total amount of at least 150 per cent of the current value of debt;
- a blank promissory note issued by the Borrower together with a promissory note declaration;
- the borrower's declaration of submission to enforcement up to PLN 76,433,000;
- authorisation to manage the borrower's bank accounts.

On 28 February 2013, the Company concluded with Alior Bank Spółka Akcyjna a loan agreement for investment credit of PLN 150 million to finance the expansion of a network of relay stations by companies belonging to the Midas Group. Under the Agreement, the Company can use the Credit after meeting specific conditions of use of the Credit, specified in the Agreement, but no later than by 31 March 2015. The Credit will be repaid in 12 quarterly capital instalments in the following amounts: PLN 1.5 million for the first three instalments; PLN 16.2 million for the next 8 instalments, and PLN 15.9 million for the last instalment. Capital instalments will be paid on the day on which each quarter ends, beginning with 30 June 2015 until 31 March 2018. The interest, calculated on the basis of the 1M WIBOR rate increased by the Bank's margin, will be repaid in monthly periods. The security for the Credit is: a power of attorney to the account of the Company in the Bank, a contractual mortgage up to PLN 225 million on the real property of Inwestycje Polskie Sp. z o.o. (an affiliate of the Group) situated in Warsaw at ul. Ostrobramska 77 together with an assignment of rights from the all-risks insurance policy on the real property in an amount of not less than PLN 150 million, a suretyship under civil law by Inwestycje Polskie Sp. z o.o. granted for a period of one year from the date of a legally binding establishment of the mortgage together with a declaration on submission to enforcement under the suretyship granted up to the amount of the mortgage, a confirmed cession of rights resulting from lease agreements for the premises on the real property concluded by Inwestycje Polskie Sp. z o.o. with tenants up to the amount not greater than PLN 15 million, a suretyship under civil law by the guarantor together with the above-mentioned declarations on submission to enforcement from the suretyship granted up to the amount of PLN 300 million, together with the above declaration of the Company on submission to enforcement under the above procedure up

to the amount of PLN 300 million. The Management Board of the Company reported on the conclusion of the Agreement, including on the conditions for the use and security of the Credit, in Current Report No. 4/2013. The Management Board of the Company reported on the fulfilment of specific conditions precedent in Current Reports No. 23/2013, 26/2013, 31/2013 and 33/2013. On 1 August 2013, the companies Aero2, CenterNet and Mobyland (the "Guarantors") concluded with Alior Bank an guarantee agreement for the joint security of the Company's liabilities from an Investment Credit Agreement in the amount of PLN 150 million, for the duration of the Credit as set forth in the Credit Agreement, i.e., until 31 March 2018. The amount of each of the above joint guarantors was set at PLN 300 million. The Company points out that each of the Guarantors is an entity which is a 100-per cent subsidiary of the Company, whereas no ties exist between the Guarantors and Alior Bank or between the Company and Alior Bank. The Company published information on this event in Current Report No. 31/2013. Up to 31 December 2013, the Company drew down part of the credit in the amount of PLN 46 million. The funds from the credit were sent directly to the bank account of the Company's subsidiary Aero2, in accordance with the loan agreement concluded between Midas and Aero2 on 13 September 2013. In the statement of financial position, the value of liabilities from the credit is presented after reduction by the costs of the credit incurred settled over time.

Establishment of collateral (the "Pledge Agreement") on shares in subsidiaries

On 6 March 2013, in connection with the adoption of a resolution of the Management Board of the Company on the same day on a series A bonds issue (the "Bonds"), the Company, Conpidon Limited ("Conpidon", and together with the Company the "Pledgors") and BondTrust Polskie Towarzystwo Powiernicze S.A. ("BondTrust PTP", the "Pledge Administrator", the "Security Administrator" - with regard to other security than a registered pledge) concluded an agreement to establish a registered pledge on shares and to establish other forms of security over the Bonds (the "Pledge Agreement"). The Pledge Agreement provides for: (i) the establishment of security in the form of an in blanco promissory note issued by the Company together with a promissory note declaration in favour of the Security Administrator, a declaration by the Company on submission to enforcement, and a pledge within the meaning of Article 306 of the Civil Code (the "Civil Pledge") on the Subject of the Pledge defined below, in favour of the Security Administrator, securing payment of the promissory note amount under the aforementioned in blanco promissory note, as a future receivable, and (ii) appointing BondTrust PTP as the administrator of the Registered Pledge, within the meaning of Article 4 par. 3 and 4 of the Act on Registered Pledges and the Pledge Register, and (iii) establishing a registered pledge on the Subject of the Pledge (the "Registered Pledge").

In performance of the Agreement, the Company established security for the Bonds in the form of its own in blanco promissory note issued and submitted to BondTrust PTP, together with a promissory note declaration authorising BondTrust PTP to fill in the promissory note to an amount equivalent to 120 per cent of the total maximum nominal value of the Bonds, i.e. PLN 720,000,000, and in the form of the aforementioned declaration on submission to enforcement up to the aforementioned amount. Both these forms of security are independent in character with respect to the Registered Pledge and bind the Issuer until the satisfaction of all receivables secured arising from the Bonds issue or the adoption by the Bondholders Meeting of a resolution on abolishing that security.

To secure the future receivable for payment of the promissory note amount, the Pledgors established, by virtue of the Agreement, pledges in favour of BondTrust PTP shares in subsidiaries of Midas. A detailed account of the pledges is set out in pt. 2.4.1 of the Management Report on the operations of Midas S.A. in 2013.

Detailed information about the terms and conditions of the Pledge Agreement was published in Current Report No. 6/2013.

The issue of series A bonds

On 16 April 2013, the Management Board of the Company assigned a total of 583,772 zero-coupon secured series A bearer bonds issued by the Company, with a nominal value of PLN 1,000 per bond (the "Bonds"). The Bonds were subscribed by the following entities:

1) Sferia - 583,481 Bonds.

2) Powszechna Kasa Oszczędności Bank Polski Spółka Akcyjna, Oddział - Dom Maklerski PKO Banku Polskiego in Warsaw – 291 Bonds.

The total issue price of the Bonds assigned was PLN 200,099,528.44. The discount rate was set at 14.31 per cent. The Bonds maturity date is 16 April 2021. As at 31 December 2013, in the statement of comprehensive income the Company disclosed financial costs related to the issue of bonds (i.e. the discount, update of the value of the embedded derivative and other costs) in the amount of PLN 17,677,000. Outlays related to the bonds issue were PLN 483,000. Information about the issue of bonds was provided in Current Reports No. 5/2013, 6/2013, 8/2013, 11/2013, 12/2013, 13/2013 and 16/2013.

The data presented below provides information on the level of selected financial indicators as at 31 December 2013 (calculated in accordance with the conditions of the Bond issue):

consolidated financial debt: PLN 356,792,000, leverage ratio: 0.319.

26. Deferred income

	31 December 2013	31 December 2012
Non-current	**39,011**	**41,537**
- subsidies for fixed assets*	24,025	23,588
- joint use of network**	14,986	17,949
Current	**104,451**	**220,117**
- subsidies for fixed assets*	2,672	2,374
- joint use of network**	2,997	3,004
- data transmission***	97,997	214,340
- telecommunications services (prepaid)****	785	399
Total	**143,462**	**261,654**

** On the basis of an agreement of 30 December 2009, the company Aero2 obtained a subsidy in 2011 and 2012 from the Polish Business Development Agency to develop a telecommunications network in Podkarpackie Province.*

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

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

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

27. Provisions

	31 December 2013	31 December 2012
Provision for liabilities from terminating an agreement on the provision of services	57	865
Provision for dismantling base stations	3,612	3,350
Other provisions	6	6
Total	**3,675**	**4,221**
Current	63	871
Non-current	3,612	3,350

27.1. Changes in provisions

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

	Dismantling of base stations	Other provisions	Total
As at 1 January 2012	2,840	764	3,604
Created during the financial year	510	107	617
Used	-	-	-
Dissolved	-	-	-
As at 31 December 2012	**3,350**	**871**	**4,221**
Current as at 31 December 2012	-	871	871
Non-current as at 31 December 2012	3,350	-	3,350

27.2. Provision for dismantling base stations

The Group recognises non-current provisions for the cost of anticipated dismantling of base stations forming part of the telecommunications infrastructure. Stations may be erected on land (proprietary tower stations), on roofs/chimneys of existing facilities (proprietary non-tower stations) or on existing towers of other operators (third-party tower stations). To this end, the Group concludes tenancy and lease agreements with property owners, which stipulate the obligation to restore the property to its original condition after the agreement is terminated. The Group estimated the cost of dismantling base stations erected on land to be PLN 75,000 (PLN 62,000 as at 31 December 2012) for stations erected on roofs/chimneys of buildings, and PLN 25,500 (PLN 27,500 as at 31 December 2012) for stations erected on the property of other operators, and PLN 19,500 (PLN 18,500 as at 31 December 2012) for stations belonging to another operator. The consolidated financial statements disclosed provisions for the cost of dismantling stations in the present value, assuming a 22-year useful life of the stations and a discount rate stemming from the bank loan interest rate.

28. Trade and other current liabilities

28.1. Trade liabilities

	31 December 2013	31 December 2012
Trade liabilities:		
towards related parties	73,960	12,340
towards other entities	54,213	28,180
Total	**128,173**	**40,520**

Terms and conditions of payment of the above financial liabilities:

The conditions of transactions with related parties are presented in Note 32 of the supplementary information and explanations.

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

28.2. Other liabilities

	31 December 2013	31 December 2012
VAT	3,985	3,282
Personal income tax	170	228
Liabilities from social insurance	163	89
Other non-financial liabilities	5	214
Total	**4,323**	**3,813**
- current	4,323	3,813
- non-current	-	-

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

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

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

29.1. Change in the balance of receivables

	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Change in the balance of short-term trade and other receivables	(57,566)	(34,777)
Exchange rate differences	5	-
Change in the balance of other financial receivables	-	(137)

Change in the balance of receivables on disposal of property, plant and equipment	-	(9)
	(57,561)	**(34,923)**

29.2. Change in the balance of liabilities

	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Change in the balance of short-term liabilities	88,162	(543,777)
Change in the balance of liabilities arising from the issue of debt securities	-	(74)
Change in the balance of other financial liabilities	-	(5,939)
Change in the balance of liabilities arising from the acquisition of property, plant and equipment and investments	(39,014)	651
Change in the balance of liabilities from the acquisition of Conpidon	-	(548,000)
	49,148	**9,585**

29.3. Change in the balance of prepayments/accruals

	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Change in the balance of prepayments/accruals	205	1,198
Change in the balance of accruals on future issuance of shares	-	(1,199)
Change in the balance of non-current prepayments/accruals	387	452
	592	**451**

29.4. Acquisition of subsidiaries and non-controlling interests

	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Nova Capital Sp. z o.o., of which:	**-**	**20,425**
purchase price	-	20,223
Tax on civil law transactions	-	202
Price of acquiring Conpidon Ltd.	-	1,136
	-	**21,561**

30. Capex liabilities

During the 12-month period ended 31 December 2013, the Company did not incur any capex liabilities that are not disclosed in these financial statements.

31. Contingent liabilities

The note below contains a description of contingent liabilities other than those described in Note 25 (security of bank loans and pledges on shares in subsidiaries related to the bonds issue).

	31 December 2013	31 December 2012
Liabilities from bank guarantees granted mainly as security for the performance of trade agreements	461	512
Total contingent liabilities	**461**	**512**

As at 31 December 2013, the conditional debt of the Group was PLN 461,000, of which:

- a bank guarantee of PLN 282,000 of which the beneficiary is Lanya Investments Sp. z o.o., granted by mBank S.A. (formerly BRE Bank S.A., hereinafter "mBank") at the instruction of Aero2 in connection with securing a rental agreement of 11 February 2010 for office premises and parking spaces in the Norway House building located at ul. Lwowska 19 in Warsaw.

- a bank guarantee of PLN 32,000 of which the beneficiary is Orange Polska Sp. z o.o. (formerly PTK Centertel Sp. z o.o.), granted by mBank at the instruction of Aero2 in connection with securing the Decision of the President of the OEC No. DHRT-WWM-6080-1/10(34) of 9 December 2010.
- a bank guarantee of PLN 147,000 of which the beneficiary is T-Mobile Polska S.A. (formerly Polska Telefonia Cyfrowa Sp. z o.o.), granted by mBank at the instruction of Aero2 in connection with securing the Decision of the President of the OEC No. DHRT-WWM-6080-171/09(40) of 9 December 2010.

In the assessment of the Management Board concerning proceedings relating to frequency reservations pending in relation to subsidiaries of Midas (described below in Note 31.1), there has been no change in comparison with the assessment presented in Note 32.1 of the consolidated financial statements for the year ended 31 December 2012. The carrying amount of the above concessions granted to CenterNet and Mobyland, disclosed in the consolidated statement of financial position, as at 31 December 2013 was PLN 208,994,000.

31.1. Litigation

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

Proceedings concerning frequency reservations for CenterNet and Mobyland

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

In the grounds of the ruling dismissing PTC's complaint, the PACW emphasised in particular that the primary argument of that complaint concerning a breach of substantive law due to a failure to examine in the reservation proceedings the prerequisites referred to in Article 114 par. 3 of the Telecommunications Law is unjustified, as the prerequisites set forth in the above regulation are subject to examination by the President of the OEC at the stage of earlier, separate tender proceedings, and thus there is no need to re-establish them in the reservation proceedings. The PACW found the other points of the above complaint, referring to procedural irregularities, to be groundless or irrelevant to the direction of the resolution adopted by the President of the OEC (Current Report No. 53/2012).

In the Issuer's opinion, the PACW judgement in practice perpetuates the situation of the legally effective provision to CenterNet and Mobyland of the ability to use the frequency in the range of 1800 MHz. Therefore, those companies may fully operate the frequencies granted to them under the decision of the President of the OEC, and thus continue to carry out the strategy of the Group. The aforementioned judgement of the PACW is not final. Both the President of the OEC and the participants of the proceedings could file a cassation appeal against the PACW's judgement with the Supreme Administrative Court (SAC) within 30 days after receiving the PACW's judgement including a written justification. The Issuer's subsidiaries did not file such a cassation appeal. However, PTC did file a cassation appeal and is currently awaiting its examination by the SAC.

Proceedings related to the tender concerning frequencies subject to reservation for CenterNet and Mobyland

In the matter concerning a repeal of the decision of the President of the OEC of 13 June 2011 No. DZC-WAP-5174-9/07(321) and of 23 August 2011 No. DZC-WAP-5174-9/07(352) invalidating - in the scope concerning the evaluation of PTC's bid - the tender concerning two reservations of frequencies in the range 1710-1730 MHz and 1805-1825 MHz, issued in the tender concerning reservation of the frequencies granted to CenterNet and Mobyland (Current Report No. 33/2012), the companies in October 2012 received a written justification to the judgement of the PACW of 6 July 2012. In a written justification of the judgement, the PACW sustained the

theses presented in the oral justification and stated that the President of the OEC was bound by the stance expressed by the Supreme Administrative Court in its ruling of 3 February 2011, file ref. II GSK 88/10, under which the President of the OEC should have invalidated the tender in its entirety. Furthermore, in the opinion of the PACW, the functional interpretation applied by the President of the OEC with respect to the scope of invalidation of the tender is not a decisive interpretation in shaping administrative decisions concerning the Tender, and a literal interpretation compliant with the provisions of the Telecommunication Law of 16 July 2004 should be applied first. Further, the PACW stated that, while resolving the above issue, it did not analyse the motivations and correctness of actions of the President of the OEC when issuing the First and Second Decision of the President of the OEC. On 8 November 2012, Mobyland and CenterNet filed cassation appeals against the judgement of the PACW of 6 July 2012. Currently, CenterNet and Mobyland are awaiting processing of the cassation appeal by the SAC. The date of reviewing the cassation appeals is unknown.

In connection with the above decisions of 13 June 2011 and 23 August 2011, the President of the OEC conducted another tender in the scope covering assessment of the bid placed by PTC and determined the revised result of the tender in the form of a new list assessing each bid. The bids placed by CenterNet were placed on the list under items 1 and 2. On 27 October 2011, CenterNet filed a motion to obtain frequency reservations on the basis of the offer featured as item 2 on the evaluation list. Upon announcing the new results of the tender, Polska Telefonia Komórkowa Centertel sp. z o.o. and Polska Telefonia Cyfrowa S.A. filed motions to invalidate the tender. In its decision of 28 November 2012, the President of the OEC refused to invalidate the tender. The above decision was upheld by the decision of the President of the OEC of 8 November 2013. Subsidiaries of the Issuer did not file complaints against the decision of the President of the OEC of 8 November 2013. The Issuer is not aware of whether those complaints were submitted by other participants in the proceedings.

The carrying amount of the above concessions granted to CenterNet and Mobyland, disclosed in the consolidated statement of financial position, as at 31 December 2013 was PLN 208,994,000.

Proceedings for the reservation of frequencies for Aero2

By the decision of 9 December 2008 the President of the OEC granted frequency reservations in the 885.1-890.1 MHz and 930.1-935.1 MHz ranges to Aero2. After PTC, PTK Centertel and Polkomtel filed the motion for re-examination of the case the above decision was upheld by the decision of the President of the OEC of 22 July 2010. PTC, PTK Centertel and Polkomtel filed complaints against the decision to the PACW. By the judgement of 24 June 2011, the PACW dismissed all complaints as unfounded. After PTC and PTK Centertel filed cassation appeals against the above judgement, in a ruling of 9 April 2013 (case file No. II GSK 99/12) the Supreme Administrative Court dismissed both cassation appeals. With the judgement by the SAC, the proceedings in the case were concluded in a legally binding manner.

After the announcement of the results of the tender for the reservation of frequencies from the 885.1-890.1 MHz and 930.1-935.1 MHz ranges (the "Tender"), PTC, PTK Centertel, Polkomtel, CenterNet and Arbit Sp. z o.o. filed motions for invalidation of the tender. In a decision of 4 March 2010, the President of the OEC refused to invalidate the Tender. The above decision was upheld by the decision of the President of the OEC of 29 October 2010. PTC, Polkomtel and PTK Centertel filed complaints against this decision to the PACW. By a judgement of 26 September 2011 the PACW dismissed the above complaints. The foregoing judgement was appealed against to the Supreme Administrative Court through cassation appeals filed by PTK Centertel and PTC. In a ruling of 13 August 2013 (case file No. II GSK 654/12) the Supreme Administrative Court dismissed both cassation appeals. With the judgement by the SAC, the proceedings in the case were concluded in a legally binding manner.

On 21 May 2009, the President of the OEC announced a tender for a frequency reservation in the 2570-2620 MHz range, for the entire area of Poland, designated for the provision of telecommunications services in broadband wireless mobile networks, up to 31 December 2024 ("Tender 2.6"). In response to the tender announcement, Milmex Systemy Komputerowe sp. z o.o. ("Milmex") and Aero2 submitted bids. Because of a number of formal deficiencies, the offer submitted by Milmex was not admitted to the material evaluation stage. In effect, the offer submitted by Aero2 was judged as the best. After the announcement of the results, Milmex filed a motion for invalidation of the Tender 2.6. In its decision of 28 December 2010, No. DZC-WAP-5176-9/09(112), the President of the OEC refused to invalidate the Tender 2.6. The above decision was upheld by a decision of the President of the OEC of 20 November 2012, No DZC-WAP-5176-9/09(237). Milmex filed a

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

Other proceedings

In the decisions on Significant Market Position ("SMP") issued by the President of the OEC on 14 December 2012, Aero2, CenterNet and Mobyland were obligated to apply fees for call termination in public mobile telecommunications networks (respectively) of Aero2, CenterNet and Mobyland, in the amount of: (i) in the period from 1 January to 30 June 2013: PLN 0.0826/min (ii) after 30 June 2013: PLN 0.0429/min, i.e. in a lower amount for these periods and earlier aligned to (symmetrical with) the rates of other providers than is indicated in earlier decisions of the President of the OEC. On 31 December 2012, all of the above companies filed appeals to the Regional Court in Warsaw (Division XVII Competition and Consumer Protection) against the above SMP decision together with motions to suspend their immediate enforceability. Until the date of submission of this report, no hearings have been scheduled in the matters brought as a result of the above appeals.

In view of the above circumstances, the Management Board is not able to predict the final resolutions, but currently feels that none of the above proceedings should affect the financial position or the results of the Midas Group.

31.2. Tax settlements

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

Tax settlements are subject to inspection for 5 years beginning from the end of the year in which a tax payment was made. As a result of inspections, the tax settlements made by the Group to date may be increased by additional tax liabilities. In the opinion of the Group, as at 31 December 2013, there is no need to create a provision for recognised and calculated tax risk.

32. Information on related parties

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

		Revenue from mutual transactions, of which:	**from sales**	**interest on loans**	**other**
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	2013	232,009	225,185	608	6,216
	2012	86,771	81,987	2,074	2,710

		Costs of mutual transactions, of which:	**interest on commercial papers**	**interest on loans**	**other**
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	2013	221,730	-	2,891	218,839
	2012	52,135	-	2,297	49,838

		Receivables from	**trade**	**loans**	**other**

		related parties, of which:			
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	2013	79,926	62,362	14,628	2,936
	2012	65,099	47,588	14,020	3,491

		Liabilities towards related parties, of which:	**trade**	**loans**	**other**
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	2013	233,541	73,960	43,601	115,980*
	2012	297,234	12,340	49,601	235,293*

**Amounts recognised as deferred income*

32.1. Ultimate parent of the whole Group

As at 31 December 2013, Litenite Limited was the owner of 66 per cent of the ordinary shares in the parent (31 December 2012: 66 per cent).

In the year ended on 31 December 2013, there were no transactions between the Group and Litenite Ltd.

32.2. Entity having a significant influence on the Group

As at 31 December 2013, no entity other than as set forth in Note 32.1 had significant influence over the Group.

32.3. Remuneration of the senior management staff of the Group

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

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

	Year ended 31 December 2013	**Year ended 31 December 2012**
Management Board of the parent		
Current employee benefits or similar (wages and salaries and bonuses)	1,261	1,445
Supervisory Board of the parent		
Current employee benefits or similar (wages and salaries and bonuses)	89	14
Total	**1,350**	**1,459**

32.3.2. Remuneration paid out or due to other members of senior management

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

	Year ended 31 December 2013	**Year ended 31 December 2012**
Management Board of the parent		
Current employee benefits (wages and salaries and bonuses)	383	331
Supervisory Board of the parent		
Current employee benefits (wages and salaries and bonuses)	12	362
Total	**395**	**693**

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

The table below shows the remuneration of the entity authorised to audit the financial statements paid or due for the year ending on 31 December 2013 and 31 December 2012, broken down into type of service:

	Year ended 31 December 2013	**Year ended 31 December 2012**
Compulsory audit of the consolidated financial statements	177	225
Other services	35	163
Total	**212**	**388**

34. Financial risk management objectives and policies

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

The Group does not conclude transactions using derivative instruments.

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

The main types of risk resulting for the Group from financial instruments are interest rate risk, liquidity risk, exchange rate risk and credit risk. The Management Board verifies and agrees the rules for managing each of those risk types - those rules are described briefly below. The Group also monitors the market price risk relating to all of the financial instruments it possesses. The degree of that risk was presented in Note 34.3.

34.1. Interest rate risk

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

Interest rate risk - sensitivity to changes

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

	Increase/ decrease in percentage points	*Impact on gross financial result in PLN '000*
Year ended 31 December 2013		
PLN	+1%	745
PLN	-1%	745
Year ended 31 December 2012		
PLN	+1%	(356)
PLN	-1%	356

34.2. Currency risk

The Group incurs expenses also in foreign currencies, but their share in the Group's overall expenses for the period from 1 January to 31 December 2013 was not significant. However, a rising share of expenses expressed in foreign currencies in the total expenses incurred by the Group could be expected in subsequent periods because expenses associated with the further development of the Group's telecommunications infrastructure may be denominated in EUR or possibly in another foreign currency. In the case of supplies and services provided by Ericsson and Nokia Solutions & Networks (formerly Nokia Siemens Networks) under the provisions of the applicable contracts, their prices are denominated in EUR or USD and will be converted to PLN at the exchange rate effective on the date or for the period set forth in those agreements.

Therefore, the Group is exposed to an exchange rate risk which may generate increases in expenses for purchases of external services and goods, caused by adverse changes in foreign currency exchange rates. Such circumstances may have a significant negative impact on the operations and financial results of the Group.

34.3. Price risk

Price risk is associated with changes in the current value of items measured at fair value. If a given balance sheet item is based on market prices, the balance sheet total is subject to change and must be shown in profit, loss or change in the amount of capital. As at 31 December 2013 and 31 December 2012, in the Midas S.A. Capital Group there were no items measured at fair value other than cash.

34.4. Credit risk

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

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

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

There are no concentrations of credit risk within the Group.

34.5. Liquidity risk

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

The net current assets of the Group, adjusted by deferred income, as at 31 December 2013 were positive, and amounted to PLN 65,420,000.

As at 31 December 2013, the Group had cash resources in the amount of PLN 100,247,000.

The Group possesses a line of credit available in Alior Bank in the amount of PLN 104,000,000 as at 31 December 2013. Moreover, none of the sources of financing drawn down by the Group becomes payable in 2014.

As a result of the analysis conducted, the Management Board ascertained that the available cash and sources of financing cover, with a surplus, the cash requirements resulting from the operational, investment and financial activities of the Group in the foreseeable future.

The table below shows the financial liabilities of the Group as at 31 December 2013 and at 31 December 2012 according to the date of maturity, on the basis of undiscounted contractual payments.

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

31 December 2012	*On demand*	*Under 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	-	4,860	14,165	35,612	-	54,637
Issued commercial papers	-	-	-	-	-	-
Trade and other liabilities	3,704	40,629	-	-	-	44,333
Financial lease	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-

3,704	**45,489**	**14,165**	**35,612**	**-**	**98,970**

35. Financial instruments

35.1. Fair value of particular classes of financial instruments

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

	Category in accordance with IAS 39	**Carrying amount**		**Fair value**	
		31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
Financial assets					
Loans granted	LAR	14,628	14,020	14,628	14,020
Embedded derivative	FAFVFR	47,232	-	47,232	-
Trade and other receivables	LAR	67,229	64,493	67,229	64,493
Cash and cash equivalents	FAFVFR	100,247	165,889	100,247	165,889
		229,336	**244,402**	**229,336**	**244,402**
Financial liabilities					
Interest-bearing bank credits, of which:	OFLAC	89,249	49,601	89,249	49,601
- non-current, bearing interest at a floating interest rate	OFLAC	89,181	33,352	89,181	33,352
- other - current	OFLAC	68	16,249	68	16,249
Liabilities from issue of bonds	OFLAC	267,543	-	254,737	-
Trade and other financial liabilities	OFLAC	128,173	44,333	128,173	44,333
		484,965	**93,934**	**472,159**	**93,934**

Abbreviations used:

UdtW – *Financial assets held to maturity,*

FAFVFR - *Financial Assets Measured at Fair Value by the Financial Result,*

LAR - *Loans and receivables,*

FAAS - *Financial assets available for sale,*

OFLAC - *Other financial liabilities measured at amortized cost*

Hierarchy of fair value as at 31 December 2013

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

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

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

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

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

Year ended 31 December 2013

	Category in accordance with IAS 39	*Interest income /(costs)*	*Profit /(loss) from exchange rate differences*	*Releasing/(recognising) revaluation write-downs*	*Profit/(loss) from valuation*	*Profit/(loss) from the sale of financial instruments*	*Other*	*Total*
Financial assets								
Other financial assets (non-current)		608	-	-	-	-	-	608
Embedded derivative	FAFVFR	(647)	-	-	-	-	-	(647)
Cash and cash equivalents	FAFVFR	5,217	-	-	-	-	-	5,217
Financial liabilities								
Interest-bearing bank loans (short-term and long-term)	OFLAC	(718)	-	-	-	-	(1,130)	(1,848)
Trade and other financial liabilities	OFLAC	(394)	(11)	-	-	-	(253)	(658)
Issued bonds	OFLAC	(17,625)	-	-	-	-	(52)	(17,677)
Total		**(13,559)**	**(11)**	**-**	**-**	**-**	**(1,435)**	**(15,005)**

Year ended 31 December 2012

	Category in accordance with IAS 39	*Interest income /(costs)*	*Profit /(loss) from exchange rate differences*	*Releasing/(recognising) revaluation write-downs*	*Profit/(loss) from valuation*	*Profit/(loss) from the sale of financial instruments*	*Other*	*Total*
Financial assets								
Other financial assets (non-current)		2,074	-	-	-	-	-	2,074
Other financial assets (current)		313	-	-	-	-	-	313
Cash and cash equivalents	FAFVFR	8,242	-	-	-	-	-	8,242
Financial liabilities								
Interest-bearing bank loans (short-term and long-term)	OFLAC	(2,301)	-	-	-	-	-	(2,301)
- Liabilities from financial lease and tenancy agreements with the option to buy		(4,161)	-	-	-	-	-	(4,161)
Trade and other financial liabilities	OFLAC	(156)	347	-	-	-	(231)	(40)
Discount commercial papers issued		(1,460)	-	-	-	-	(391)	(1,851)
Collateral		-	-	-	-	-	-	-
Bank guarantees		(30)	-	-	-	-	-	(30)
Total		**2,521**	**347**	**-**	**-**	**-**	**(622)**	**2,246**

35.3. Interest rate risk

The table below shows the carrying amount of the Group's financial instruments exposed to interest rate risk, divided into age categories.

Fixed interest rate	**<1 year**	**1–2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Issued bonds	-	-	-	-	-	267,543	267,543
Short-term bank deposits	65,164	-	-	-	-	-	65,164
	65,164	**-**	**-**	**-**	**-**	**267,543**	**332,707**

Variable interest rate	**<1 year**	**1–2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Financial assets	-	14,628	-	-	-	-	14,628
Bank credit	-	47,757	41,424	-	-	-	89,181
Total	**-**	**62,385**	**41,424**	**-**	**-**	**-**	**103,809**

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

36. Capital management

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

The Group manages its shareholding structure and changes it as economic conditions change. In the year ended on
31 December 2013 and 31 December 2012, there were no changes to the objectives, principles and processes applicable in this area.

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

	31 December 2013	**31 December 2012**
Interest-bearing loans and issued bonds	356,792	49,601
Minus cash and cash equivalents and other financial assets	114,875	179,909
Net debt	**241,917**	**(130,308)**
Equity belonging to the shareholders of the parent	763,126	969,672
Total capital	**763,126**	**969,672**
Net capital and debt	**1,005,043**	**839,364**
Leverage ratio	0.241	(0.155)

37. Employment structure

The average headcount (equivalent of full-time positions) in the Group during the year ended on 31 December 2013
and 31 December 2012 was as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Management Board of the Company	3.00	2.38
Others	41.49	31.70
Total	**44.49**	**34.08**

38. Post-balance sheet date events

On 8 January 2014, a further tranche of the loan from Alior was started up, in the amount of PLN 20 million, transferred to Aero2. This loan is secured and subject to repayment in full together with accrued interest on 30 March 2018 (the loan repayment schedule corresponds to the repayment schedule presented in Note 26.2). The loan bears variable interest, calculated on the basis of the cost of capital for Midas increased by a margin.

On 21 February 2014, the District Court for the City of Warsaw in Warsaw, Division XII Commercial of the National Court Register, registered the merger of Midas with its registered office in Warsaw (as the Acquiring Company) with the subsidiary Conpidon with its registered office in Nicosia, Cyprus (as the Target Company). As a result of the merger, Midas entered into all the rights and obligations, assets and liabilities of Conpidon, which was dissolved without being liquidated. In view of the fact that all of the shares in the Target Company were held by the Acquiring Company, the Merger was effected without increasing the share capital of the Acquiring Company. Upon completion of the Merger, Midas is a company formed as a result of a cross-border merger, and did not change its legal form, business name or registered office.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Krzysztof Adaszewski	Maciej Kotlicki
/President of the Management Board/	/Vice-President of the Management Board/

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

Teresa Rogala
/on behalf of SFERIA Spółka Akcyjna/

Warsaw, 21 March 2014