Midas Spółka Akcyjna

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012
TOGETHER WITH THE INDEPENDENT AUDITOR'S OPINION

SELECTED FINANCIAL DATA

	12-month period ended 31 December 2012 in PLN '000	12-month period ended 31 December 2011 in PLN '000	12-month period ended 31 December 2012 in EUR '000	12-month period ended 31 December 2011 in EUR '000
Revenue from sales	-	12	-	3
Profit (loss) on operating activities	(2,824)	(175)	(677)	(42)
Profit (loss) before tax	6,987	(5,669)	1,674	(1,369)
Net profit (loss) for the period on continued operations attributable to shareholders of the Issuer	6,987	(5,669)	1,674	(1,369)
Net cash flow from operating activities	5,101	(1,677)	1,222	(405)
Net cash flow from investing activities	(91,035)	(218,729)	(21,812)	(52,832)
Net cash flow from financing activities	216,726	223,510	51,928	53,987
Average weighted number of shares	1,127,129,125	178,527,942	1,127,129,125	178,527,942
Basic profit (loss) on continuing operations per ordinary share	0.006	(0.032)	0.001	(0.008)

	As at 31 December 2012 in PLN '000	As at 31 December 2011 in PLN '000	As at 31 December 2012 in EUR '000	As at 31 December 2011 in EUR '000
Total assets	1,238,270	1,012,865	302,889	229,321
Total liabilities	26,339	631,646	6,443	143,010
Non-current liabilities	-	24,021	-	5,439
Current liabilities	26,339	607,625	6,443	137,571
Equity attributable to the shareholders of the Issuer	1,211,931	381,219	296,446	86,311
Share capital	147,967	29,593	36,194	6,700

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 2012: 4.0882 PLN/EUR, and on 31 December 2011: 4.4168 PLN/EUR.

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 which were in effect on the last day of a completed month in financial year 2012 and financial year 2011 (4.1736 PLN/EUR and 4.1401 PLN/EUR respectively).

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

(in PLN '000)

	Note	Year ended 31 December 2012 *(audited)*	Year ended 31 December 2011 *(audited)*
Continuing operations			
Revenue from the sale of goods and services		-	12
Depreciation and amortisation		(9)	(24)
Wages and salaries	12.4	(1,269)	(489)
Other costs by type	12.3	(1,452)	(1,505)
Other operating income	12.1	23	1,842
Investment revenue		-	-
Other operating expenses	12.2	(117)	(10)
Profit/ (loss) on operating activities		**(2,824)**	**(175)**
Finance income	12.5	13,661	1,843
Other finance costs	12.6	(3,850)	(7,337)
Profit/ (loss) on financial activities		**9,811**	**(5,494)**
Profit/ (loss) before tax		**6,987**	**(5,669)**
Current income tax		-	-
Deferred tax		-	-
Total income tax	13	-	-
Net profit/ (loss) on continuing operations		**6,987**	**(5,669)**
Profit/ (loss) on discontinued operations		**-**	**-**
Net profit/ (loss)		**6,987**	**(5,669)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**6,987**	**(5,669)**
Attributable to			
ownership interests of shareholders of the parent		6,987	(5,669)
non-controlling interests		-	-
Average weighted number of ordinary shares		1,127,129,125	178,527,942
Net profit/ (loss) on continuing operations per share attributable to shareholders of the parent company (in PLN)	14	0.006	(0.032)

STATEMENT OF FINANCIAL POSITION
as at 31 December 2012

(in PLN '000)	Note	31 December 2012	31 December 2011
		(audited)	*(audited)*
ASSETS			
Non-current assets			
Property, plant and equipment	15	21	22
Other financial assets (non-current)	17	966,203	966,203
Total non-current assets		**966,224**	**966,225**
Current assets			
Trade and other receivables	18.1	138,004	42,197
Cash and cash equivalents	19	134,036	3,244
Other prepayments	18.2	6	1,199
Total current assets		**272,046**	**46,640**
Total assets		**1,238,270**	**1,012,865**

		31 December 2012 in PLN '000	31 December 2011 in PLN '000
		(audited)	*(audited)*
LIABILITIES	**Note**		
Equity			
attributable to shareholders of the Company, of which:			
Share capital	20.1	147,967	29,593
Share premium	20.2	1,141,006	435,655
Own shares		(150)	(150)
Retained earnings/ Accumulated losses		(76,892)	(83,879)
Retained profit (loss)		(83,879)	(78,210)
Net profit/ (loss) for the current period		6,987	(5,669)
Total equity		**1,211,931**	**381,219**
Non-current liabilities			
Other liabilities	21	-	24,021
Total non-current liabilities		**-**	**24,021**
Current liabilities			
Trade and other liabilities	22.1	346	548,713
Deferred income	22.2	-	54
Loans and borrowings		-	7,411
Other financial liabilities	21, 22.1	25,897	51,379
Accruals	22.2	96	68
Total current liabilities		**26,339**	**607,625**
Total equity and liabilities		**1,238,270**	**1,012,865**

STATEMENT OF CASH FLOW
for the year ended 31 December 2012

(in PLN '000)

	Note	Year ended 31 December 2012 *(audited)*	Year ended 31 December 2011 *(audited)*
Profit/ (loss) before taxation		**6,987**	**(5,669)**
Depreciation and amortisation		9	24
Interest expense		3,458	7,337
Gain/ (loss) on investing activities		-	6
Exchange rate differences		8	(84)
Change in assets and liabilities related to operating activities:			
- trade and other receivables	19.2	809	(719)
- Inventories		-	(1)
- trade and other liabilities	19.1	117	(1,157)
- accruals	19.3	(32)	(24)
Interest income		(6,870)	(1,760)
Commission on the issuance of commercial papers		392	-
Other adjustments		223	370
Net cash flow from operating activities		**5,101**	**(1,677)**
Acquisition of subsidiary	19.4	-	(179,213)
Acquisition of subsidiary - deferred payment	19.4	(1,136)	-
Purchase of property, plant and equipment and intangible assets		(8)	(33)
Proceeds from sale of property, plant and equipment and intangible assets		9	-
Loans granted		(90,315)	(40,500)
Interest obtained		320	327
Other		95	690
Net cash flow from investing activities		**(91,035)**	**(218,729)**
Loans obtained		-	5,125
Loans repaid		(7,010)	(6,720)
Interest paid on loans		(523)	(302)
Proceeds from issue of debt securities		20,000	51,500
Repayment of debt securities		(71,500)	(111,968)
Interest paid on debt securities		(1,730)	(4,916)
Expenditures related to share capital increase		(3,964)	(1,483)
Proceeds from share issuance		281,750	293,566
Other		(297)	(1,292)
Net cash flow from financing activities		**216,726**	**223,510**
Net increase/ (decrease) in cash and cash equivalents		**130,792**	**3,104**
Cash and cash equivalents at the beginning of the year		**3,244**	**140**
Cash and cash equivalents at the end of the year	19	**134,036**	**3,244**

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012

(in PLN '000)

	Share capital (Note 20.1)	Share premium (Note 20.2)	Own shares	Retained earnings/accumulated losses (Note 20.3)	Total equity
As at 1 January 2012 after adjustment	**29,593**	**435,655**	**(150)**	**(83,879)**	**381,219**
Issue of shares	118,374	710,240	-	-	828,614
Share issuance costs	-	(4,889)	-	-	(4,889)
Net profit for the financial year	-	-	-	*6,987*	*6,987*
Total comprehensive income for the financial year	-	-	-	6,987	6,987
As at 31 December 2012 (audited)	**147,967**	**1,141,006**	**(150)**	**(76,892)**	**1,211,931**

	Share capital	Share premium	Own shares	Retained earnings/accumulated losses	Total equity
As at 1 January 2011	**5,919**	**166,998**	**(150)**	**(78,210)**	**94,557**
Issue of shares	23,674	269,891	-	-	293,565
Share issuance costs	-	(1,234)	-	-	(1,234)
Net loss for the period	-	-	-	*(5,669)*	*(5,669)*
Total comprehensive loss for the financial year	-	-	-	(5,669)	(5,669)
As at 31 December 2011 (audited)	**29,593**	**435,655**	**(150)**	**(83,879)**	**381,219**

OWNERSHIP INTERESTS IN SUBSIDIARIES AND SUMMARY OF INVESTMENT PORTFOLIO

CHANGE IN THE CARRYING AMOUNT OF INVESTMENT PORTFOLIO COMPONENTS

	Shares and ownership interests in subsidiaries	Shares in associates	Shares in other domestic entities	Total
Carrying amount as at 1 January 2012	**966,203**	**-**	**-**	**966,203**
Total increases	-	-	-	-
- purchase	-	-	-	-
- share capital increase	-	-	-	-
Total decreases	-	-	-	-
- sales	-	-	-	-
- share of result	-	-	-	-
Carrying amount as at 31 December 2012	**966,203**	**-**	**-**	**966,203**

ALIENABILITY OF INVESTMENT PORTFOLIO COMPONENTS

		Stock exchange-listed (with unrestricted alienability)	With restricted alienability
Shares and ownership interests in subsidiaries	carrying amount	-	966,203
	value at cost	-	966,203
	fair value	-	N/A
	market value	-	N/A
Shares and ownership interests in associated entities	carrying amount	-	-
	value at cost	-	-
	fair value	-	-
	market value	-	-
Shares and ownership interests in other domestic entities	carrying amount	-	-
	value at cost	-	-
	fair value	-	-
	market value	-	-
TOTAL	carrying amount	-	966,203
	value at cost	-	966,203
	fair value	-	N/A
	market value	-	N/A

For the purpose of classifying investment portfolio components according to alienability, the following rules were accepted:

- **with restricted alienability** - ownership interests and securities not admitted to public trading,
- **with unrestricted alienability** - securities admitted to public trading and listed in public trading by virtue of an administrative decision (shares, debentures) or by virtue of law (treasury bills and treasury bonds), as well as commercial debt securities whose liquidity is guaranteed by the organiser of the issue.

SHARES AND OWNERSHIP INTERESTS IN SUBSIDIARIES as at 31 December 2012

Name of entity and legal form	Registered office	Business activity	Nature of capital tie	Number of shares (ownership interests)	Book value of shares (ownership interests)	Market value (for listed companies)	Percentage of share capital held	Share in the total number of votes at the General Meeting of Shareholders
CenterNet S.A.	Warsaw	Telecommunications services	Subsidiary	4,264,860	238,989	N/A	100.00%	100.00%
Mobyland Sp. z o.o.	Warsaw	Telecommunications services	Subsidiary	204,200	178,770	N/A	100.00%	100.00%
Conpidon Ltd	Nicosia	No operating activities	Subsidiary	221,000	548,444	N/A	100.00%	100.00%
Aero2 Sp. z .o.o.	Warsaw	Telecommunications services	Indirect subsidiary through Conpidon Ltd	221,000	N/A	N/A	100.00%	100.00%
Nova Capital Sp. z o.o.	Warsaw	No operating activities	Indirect subsidiary through Aero2 Sp. z o.o.	124,350	N/A	N/A	85.20%	100.00%
Total					**966,203**	**N/A**		

ACCOUNTING POLICIES AND NOTES

1. General information

The financial statements of MIDAS S.A. cover the year ended on 31 December 2012 and include comparative data for the year ended on 31 December 2011. As at 31 December 2012, the company was operating under the name Narodowy Fundusz Inwestycyjny Midas S.A.; on 18 February 2013, the company received a decision of 12 February 2013 to register, among other things, a name change from the then-current name to Midas S.A.

Midas S.A. ("Midas", the "Company") was established pursuant to a Notarial Deed of 15 December 1994. The Company's registered office is located in Warsaw, at ul. Lwowska 19. Until 31 December 2012, the Company operated in accordance with the provisions of the Act on National Investment Funds and their Privatisation of 30 April 1993. As of 1 January 2013, in connection with the entry into force of the Act of 30 March 2012 Repealing the Act on National Investment Funds and their Privatisation and Amending Certain Acts, the Company operated pursuant to the Commercial Companies Code and other legislation.

The Company is entered in the Commercial Register of the National Court Register kept by the District Court in Warsaw, Division XII Commercial of the National Court Register under KRS 0000025704. The Company was granted statistical number REGON 010974600.

The Company has an unlimited period of operation.

The main area of the Company's business activities includes:

- financial holdings' activities (64.20.Z)
- other credit granting (64.92.Z)
- other financial services activities, not classified elsewhere, except for insurance and pension funds (64.99.Z)
- other activities auxiliary to financial services, except for insurance and pension funds (66.19.Z)
- purchase and sale of real estate on its own account (68.10.Z).

Midas is the parent company of the Midas S.A. Capital Group.

The immediate parent company of Midas (first-degree parent) is Litenite Ltd ("Litenite") with its registered office in Nicosia, Cyprus. As at 31 December 2012, the shareholders of Litenite Ltd are: Ortholuck Ltd and LTE Holdings SPV.

2. Identification of the consolidated financial statements

The Company prepared the consolidated financial statements for the year ended on 31 December 2012, approved for publication on 21 March 2013.

3. Composition of the Management Board of the Company

As at 31 December 2012 and as at the date of approving these statements, 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,
3. Dariusz Łukasiewicz - Vice-President of the Management Board.

In connection with the term of office of the Management Board of the Company ending on 15 December 2012, the Supervisory Board of the Company, acting in accordance with the Statute of the Company, on 14 December 2012 appointed the following Members of the Management Board for a new, two-year term of office beginning on 16 December 2012:

a) Mr. Krzysztof Adaszewski, entrusting him with the role of President of the Management Board,

b) Mr. Maciej Kotlicki, entrusting him with the role of Vice-President of the Management Board,
c) Mr. Dariusz Łukasiewicz, entrusting him with the role of Vice-President of the Management Board.

During the period from 1 January 2012 to 15 December 2012, the Company's Management Board was composed of:

a) Wojciech Pytel - President of the Management Board,
b) Maciej Kotlicki - Member of the Management Board,
c) Krzysztof Adaszewski - Member of the Management Board.

4. Approval of the financial statements

On 21 March 2013, these financial statements were approved for publication by the Management Board.

5. Investments of the Company

The Company holds investments in the following subsidiaries:

Entity	Registered office	Scope of activity	The Company's % share in equity	
			31 December 2012	31 December 2011
CenterNet S.A.	Warsaw	telecommunications	100%	100%
Mobyland Sp. z o.o.	Warsaw	telecommunications	100%	100%
Conpidon Ltd (in liquidation)	Nicosia	no operating activities	100%	100%
Aero2 Sp. z o.o.	Warsaw	telecommunications	100%	100%
Daycon Trading Ltd	Nicosia	no operating activities	-	100%
Nova Capital Sp. z o.o.	Warsaw	no operating activities	85.2%	42.63%

As at 31 December 2012 and 31 December 2011, the share in the total number of votes held by the Company in subsidiaries is equal to the Company's share in the equity of those entities. An exception is Nova Capital Sp. z o.o. ("Nova"), in which the Company holds 85.2 per cent of the share capital and 100 per cent of the votes (as at 31 December 2011, the share in the capital was 42.63 per cent and 50.03 per cent of the votes).

On 27 November 2012, 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 Sp. z o.o. as the acquiring company with Daycon Trading Ltd as the target company, by way of transferring all of the assets of the target to the acquiring company.

On 27 December 2012, Aero2 acquired 8,529 shares in Nova from Sensor Overseas Ltd, which represented 5.84 per cent of the shares in Nova.

On 28 December 2012, Aero2 acquired 53,614 shares in Nova from MAT Fundusz Inwestycyjny Zamknięty, which represented 36.73 per cent of the shares in Nova. Thus, as at 31 December 2012, Aero2 held 85.2 per cent of the shares in Nova.

6. Significant values based on professional judgement and estimates

6.1. Professional judgement

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

6.2. Uncertainty of estimates

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

Impairment of assets

The Company's Management Board did not identify any grounds to declare impairment of the value of shares in subsidiaries, and thus did not carry out an asset impairment test (Note 17).

Asset from deferred income tax

The Company does not recognise the deferred income tax asset due to uncertainty as to its exercisability.

7. Basis for preparation of the financial statements

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

These financial statements have been presented in Polish zlotys ("PLN") and all values are rounded to the nearest thousand (PLN '000) except when otherwise indicated.

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

7.1. Declaration on compliance

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

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

7.2. Functional currency and presentation currency of the financial statements

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

8. Changes in accounting principles applied

The accounting principles (policy) adopted in preparing the financial statements are consistent with those adopted in preparing the financial statements of the Company for the year ended on 31 December 2011, except for the following new or amended standards and interpretations in force for annual periods beginning on or after 1 January 2012:

- Amendments to IFRS 7 *Financial instruments: disclosure of information: transfer of financial assets* - which apply to annual periods beginning on or after 1 July 2011.
- Amendments of IAS 12 *Income taxes: Tax Realisation of Assets* - which apply for annual periods beginning on or after 1 January 2012 - 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 result of the Company, or on the scope of information presented in the Company's financial statements.

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

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

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

- Phase one of IFRS 9 *Financial Instruments: Classification and Measurement* - which applies to annual periods beginning on or after 1 January 2015 - not approved by the EU before the date of approval of these financial statements. In further phases, the International Accounting Standards Board deals with hedge accounting and impairment. The application of the first phase of IFRS 9 will affect the classification and measurement of financial assets of the Company. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- Amendments to IAS 19 *Employee Benefits* - applicable to financial years beginning on or after 1 January 2013.
- 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 2012.
- 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 2011 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2013,
- 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,
- 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,
- 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,
- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* - effective for financial years beginning on or after 1 January 2013 - not approved by the EU before the date of approval of these financial statements,
- IFRS 13 *Fair Value Measurement* - which applies to annual periods beginning on or after 1 January 2013,
- 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,
- 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,
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine - effective for financial years beginning on or after 1 January 2013,
- 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,
- 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 of IFRS 1 *First-time Adoption of International Financial Reporting Standards: Government loans* - which apply to annual periods beginning on or after 1 January 2013,
- Amendments resulting from an IFRS review (issued in May 2012) - effective for financial years beginning on or after 1 January 2013 - not approved by the EU before the date of approval of these financial statements,
- Amendments to IFRS 10, IFRS 12 and IAS 27*Investment Entities* - effective for annual periods beginning on 1 January 2014 - not approved by the EU before 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 Company.

10. Significant accounting principles

10.1. Translations of items expressed in a foreign currency

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

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

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

	31 December 2012	31 December 2011
GBP	5.0119	5.2691
EUR	4.0882	4.4168

10.2. Property, plant and equipment

Property, plant and equipment are presented at their purchase price/manufacturing cost less accumulated depreciation and impairment losses. The initial value of fixed assets includes their purchase price plus all expenses directly associated with purchase, adaptation and commissioning of such assets. 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.

When purchased, fixed assets are divided into components being valuable items to which separate economic lives might be attributed. Costs of general renovations are also component parts.

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

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 tangible asset might be removed from the balance sheet after its disposal or when no economic benefits from the further use of such asset are expected. Any profits or losses resulting from the removal of such asset from the balance sheet (calculated as the difference between net proceeds from sales, if any, and the carrying amount of such item) are disclosed in profit or loss in the period when such asset is removed.

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

10.3. Intangible assets

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

The Company decides whether the economic life of intangible assets is limited or unlimited. Intangible assets with a limited economic life are amortised during such economic life and tested against impairment whenever there are indications of their impairment. Periods and methods for amortisation of intangible assets with a limited economic life are verified at least as at the end of each financial year. Changes in the expected economic life or expected scheme of economic benefits originating from a given asset are presented by modifying as appropriate its amortisation period or method, and are recognised as changes of estimates.

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

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

10.4. Leasing

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

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

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

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

During the year ended on 31 December 2012 and 31 December 2011 the Company was not a party to lease agreements.

10.5. Shares in subsidiaries, associates and joint ventures

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

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

Carrying out an impairment test involves determining the value-in-use of the cash-generating unit, and requires determining the discount rate to be applied in order to calculate the current value of cash flows.

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

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

10.6. Financial assets

Financial assets are divided into the following categories:

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

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

- designated at their initial recognition as measured at fair value through profit or loss,
- 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 long-term 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 qualified for this category in accordance with IAS 39 at its initial recognition.

Financial assets recognised at fair value through the financial result are disclosed at their fair value taking into account their market value as of the balance sheet date without considering any selling expenses. Changes in the value of such financial instruments are recognised in the statement of comprehensive income as finance income or expenses. If a contract incorporates one or more embedded derivatives, the entire contract can be classified under the category of financial assets measured at fair value through profit or loss. This does not apply to cases where the embedded derivative does not significantly affect cash flows under the contract or where it is obvious without or just after a brief analysis that if a similar hybrid instrument was first considered, then a separation of the embedded derivative would be prohibited. At their initial recognition, financial assets may be classified as measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or significantly reduces the inconsistency in the recognition or measurement (accounting mismatch); or (ii) the assets are a part of a group of financial assets which are managed and evaluated on a fair value basis in accordance with a documented risk management strategy; or (iii) financial assets incorporate embedded derivatives that should be separately accounted for. As at 31 December 2012 and at 31 December 2011, financial assets with a value of PLN 134,036,000 (as at 31 December 2011: PLN 3,244,000) were classified in categories measured at fair value by profit or loss.

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 are presented under current assets provided that their maturity does not exceed 12 months from the balance sheet date. Loans and receivables with a maturity date exceeding 12 months from the balance sheet date are classified as non-current assets.

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

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

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

10.7. Impairment of financial assets

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

10.7.1 Assets recognised at amortised cost

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

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

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

10.7.2 Financial assets recognised at cost

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

10.7.3 Financial assets available for sale

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

10.8. Trade and other receivables

Trade receivables are disclosed and shown according to the amount initially invoiced, taking account of any write-downs for doubtful receivables. Write-downs against receivables are estimated only in the event that recovery of their full amount is no longer probable.

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

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

10.9. Cash and cash equivalents

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

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

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

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

10.11. 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. Derivatives, including separated embedded instruments, are also classified as held for trading unless they are considered effective hedges. At their initial recognition, financial liabilities may be classified as measured at fair value through profit or loss if the following criteria are met: (i) such classification eliminates or significantly reduces the inconsistency if loss or profit measurement and recognition are subject to different rules; or (ii) the liabilities are a part of a group of financial liabilities which are managed and evaluated on a fair value basis in accordance with a documented risk management strategy; or (iii) financial liabilities incorporate embedded derivatives that should be separately accounted for. As at 31 December 2012 no financial liabilities were classified as measured at fair value through profit or loss (as at 31 December 2011: zero).

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 these instruments are recognised in profit or loss as financial expenses or income.

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

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

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

10.12. Provisions

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

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

10.13. Revenue

Revenues are recorded in the extent to which it is likely that the Company will obtain economic benefits associated with the transaction and the amount of revenue can be measured reliably. Revenues are recognised at 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.

10.13.1 Sales of goods and products

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

10.13.2 Rendering of services

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

10.13.3 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.

10.13.4 Dividends

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

10.14. Taxes

10.14.1 Current tax

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

10.14.2 Deferred tax

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

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

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

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

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

The carrying amount of every deferred tax asset is verified as at each balance sheet date and is gradually reduced to the extent in which it is no longer probable that a taxable profit sufficient to partly or entirely use such deferred income tax asset is going to be produced. An undisclosed deferred tax asset is subject to revaluation at each balance sheet date and is disclosed in the amount reflecting the likelihood of achieving taxable income in the future which will make it possible to recover that asset.

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

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

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

10.14.3 Value added tax

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

- 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.

10.15. Net earnings (loss) per share

The net earnings (loss) per share for each period are calculated by dividing the net earnings (loss) for a given period by the weighted average number of shares in a given reporting period.

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

11. Business segments

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

The Management treats the entire capital group as a single operating segment and evaluates the financial position and results of the Group based on the consolidated financial statements.

12. Revenues and costs

12.1. Other operating revenues

(in PLN '000)	**Year ended 31 December 2012**	**Year ended 31 December 2011**
Release of provisions	-	1
Received compensation and similar benefits	-	1,791
Proceeds from the sale of non-financial tangible assets	-	7
Other	23	43

Total	**23**	**1,842**

12.2. Other operating costs

(in PLN '000)	Year ended 31 December 2012	Year ended 31 December 2011
Release of unused provisions for revenues	37	-
Write-off of bad debts	69	-
Other	11	10
Total	**117**	**10**

12.3. Other costs by type

(in PLN '000)	Year ended 31 December 2012	Year ended 31 December 2011
Materials and energy used	2	4
External services	1,270	1,335
Taxes and charges	2	6
Social insurance and other benefits	92	63
Other costs	86	97
Total	**1,452**	**1,505**

12.4. Wages and salaries

(in PLN '000)	Year ended 31 December 2012	Year ended 31 December 2011
Managing Staff	1,077*	391
Supervisory Board	14	19
Others	178	79
Total	**1,269**	**489**

* the amount does not include the premium paid out to the Company's Management Board, settled as a decrease of the value of the "Share premium"

12.5. Finance income

(in PLN '000)	Year ended 31 December 2012	Year ended 31 December 2011
Income from bank interest	6,738	328
Income from interest on loans granted	6,413	776
Positive exchange rate differences	-	83
Other interest income	456	-
Other	54	656*
Total	**13,661**	**1,843**

* Cheque obtained following liquidation of the subsidiary, ACC Ltd, over which the Company lost control, in the amount of PLN 506,000 and other revenue of PLN 149,000.

During the 12-month period ended 31 December 2012, finance income increased by PLN 11,818,000 in comparison with the corresponding period of the previous year. This change results from an increase in the amount of interest receivable on short-term loans granted (described in Note 18.1) as well as interest receivable on cash invested in interest-bearing bank deposits, derived from the issue of series D shares.

12.6. Finance costs

(in PLN '000)	**Year ended 31 December 2012**	**Year ended 31 December 2011**
Interest on loans and commercial papers received	3,458	6,118
Negative exchange rate differences	1	-
Other finance costs	391	1,219
Total	**3,850**	**7,337**

13. Income tax

13.1. Arrangement on the effective tax rate

(in PLN '000)	**Year ended 31 December 2012**	**Year ended 31 December 2011**
Profit (loss) before tax	6,987	(5,669)
Tax based on the applicable tax rate - 19%	(1,328)	1,077
Undisclosed tax loss and other undisclosed temporary differences	1,328	(1,077)
Income tax for the financial year	-	-
Income tax in the statement of comprehensive income	-	-

13.2. Deferred income tax

Deferred income tax results from the following items:

(in PLN '000)	**31 Dec 2012**	**31 Dec 2011**
Negative temporary differences:		
Interest on liabilities accrued but not paid	3,647	2,441
Negative exchange rate differences from the balance sheet measurement	-	1
provisions against other expenses	96	68
	3,743	2,511
Accumulated tax losses to be settled	15,134	10,907
Tax loss (profit) from current year	(2,480)	4,227
Settled portion of tax loss	(2,480)	-
Total deferred tax losses	12,654	15,134

Gross value of assets from deferred income tax	3,115	3,352
The value of items for which deferred tax was not disclosed given the anticipated impossibility of realising the assets in deferred tax from future tax results of the Company	(1,684)	(3,032)
Net balance of deferred income tax assets	1,431	320
Positive temporary differences:		
Interest on receivables, accrued but not yet received	7,533	776
Positive exchange rate differences on the balance sheet valuation	-	77
Provisions for revenues	-	832
	7,533	1,684

	31 Dec 2012	**31 Dec 2011**
Balance of deferred tax liability	1,431	320
Assets from deferred income tax shown in the statement of financial position	-	-
Provision for deferred income tax shown in the statement of financial position	-	-
Value of deferred tax disclosed in capital in the reporting period	-	-
Changes in deferred income tax shown in the statement of comprehensive income	-	-

14. Earnings (loss) per share

Basic earnings (loss) per share is calculated by dividing the net earnings (loss) for a given period attributable to holders of ordinary shares of the Company by the weighted average number of ordinary shares outstanding in that period.

Presented below are data on the earnings (loss) and shares used in calculating the basic earnings (loss) per share:

(in PLN '000)	**Year ended 31 December 2012**	**Year ended 31 December 2011**
Net profit (loss) on continuing operations	6,987	(5,669)
Profit (loss) on discontinued operations	-	-
Net profit (loss)	**6,987**	**(5,669)**
Weighted average number of ordinary shares issued used in calculating the basic earnings (loss) per share	1,127,129,125	178,527,942

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 2012

(in PLN '000)	Technical equipment and machinery - other	Technical equipment and machinery - infrastructure	Vehicles	Investments in progress	Total
Gross value of fixed assets as at 1 January 2012	**73**	**27**	**-**	**-**	**100**
Increases resulting from purchase of assets	8	-	-	-	**8**
Gross value of fixed assets as at 31 December 2012	**81**	**27**	**-**	**-**	**108**
Cancellation as at 1 January 2012	**(52)**	**(26)**	-	-	**(78)**
Depreciation and amortisation	(8)	(1)	-	-	**(9)**
Cancellation as at 31 December 2012	**(60)**	**(27)**	-	-	**(87)**
Net value of fixed assets as at 1 January 2012	**21**	**1**	-	-	**22**
Net balance of fixed assets as at 31 December 2012	**21**	**-**	-	-	**21**

Year ended on 31 December 2011

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

16. Intangible assets

Year ended on 31 December 2012

(in PLN '000)	Computer software and licences	Other	Total

Gross balance of intangible assets as at 1 January 2012	**18**	**20**	**38**
Increases resulting from purchase of assets	-	-	-
Gross balance of intangible assets as at 31 December 2012	**18**	**20**	**38**
Cancellation as at 1 January 2012	**(18)**	**(20)**	**(38)**
Depreciation and amortisation	-	-	-
Cancellation as at 31 December 2012	**(18)**	**(20)**	**(38)**
Net balance of intangible assets as at 1 January 2012	-	-	-
Net balance of intangible assets as at 31 December 2012	-	-	-

Year ended on 31 December 2011

(in PLN '000)	**Computer software and licences**	**Other**	**Total**
Gross balance of intangible assets as at 1 January 2011	**18**	**15**	**33**
Increases resulting from purchase of assets	-	5	***5***
Gross balance of intangible assets as at 31 December 2011	**18**	**20**	**38**
Cancellation as at 1 January 2011	**(18)**	**(15)**	**(33)**
Depreciation and amortisation	-	(5)	***(5)***
Cancellation as at 31 December 2011	**(18)**	**(20)**	**(38)**
Net balance of intangible assets as at 1 January 2011	-	-	-
Net balance of intangible assets as at 31 December 2011	-	-	-

17. Other non-current financial assets

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

(in PLN '000)	**31 December 2012**	**31 December 2011**
Shares, including:		
CenterNet S.A.	238,989	238,989
Mobyland Sp. z o.o.	178,770	178,770
Conpidon Ltd	548,444	548,444
	966,203	**966,203**

The Company's Management Board did not identify, in the year in question, any grounds to declare impairment of the value of shares in subsidiaries. The Management Board relied on the business plans implemented to date by the subsidiaries and on the results of the tender carried out in January 2013 by the Office of Electronic Communications for the 1800 MHz frequency.

Presented below are proceedings with regard to reserving frequencies held by the subsidiaries of Midas S.A.

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

In the proceedings pending before the Voivodship Administrative Court in Warsaw (the "WSAW") on the basis of the complaint of Polkomtel against the decisions of the President of the UKE of 30 November 2007, under which the President of the UKE made the 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 26 July 2012 the Supreme Administrative Court (the "NSA") issued a judgement under which it repealed entirely the judgement of the WSAW of 11 February 2011 and referred the matter for further review by the WSAW (Current Report No. 37/2012). The judgement of the NSA was issued as a result of reviewing the cassation appeals filed by the President of the UKE, the Polish Economic Chamber for Electronics and Telecommunications, CenterNet and Mobyland. In its justification of that judgement, the NSA shared the opinion presented in the above-mentioned appeals that evidence in the case allowed reliable determination that Mobyland is actually, from a legal point of view, the same company that previously operated under the name Tolpis Sp. z o.o. ("Tolpis"), because Mobyland was established as a result of a relevant change of the name of Tolpis. In such circumstances, in the opinion of the NSA, there were no reasonably justified premises for the WSAW to doubt the capacity of Mobyland to exercise the rights, in the reservation proceedings, which had been previously acquired during the tender as a result of an offer in the tender being submitted by Tolpis, still operating at the time under its original name. The NSA also stated that, contrary to the position of the WSAW, there were no doubts concerning the possibility of effective representation, in the reservation proceedings, of the company operating under the name Tolpis Sp. z o.o. and subsequently using a new name, Mobyland, by the member of its management board, who was appointed to this position after the adoption of the resolution concerning the change of the name of the company, but before the registration of that change in the National Court Register. The NSA also stated that, in the present conditions, there were no circumstances revealed that would actually prove a lack of capacity of this company to meet the obligations connected with using the granted frequencies at the moment the President of the UKE reconsidered the case for granting a frequency reservation to CenterNet and Mobyland and which could therefore justify the need of the WSAW to reverse the decision of the President of the UKE in order to ascertain whether there were any premises justifying a refusal to grant the above-mentioned reservations.

Upon reconsidering the matter, on 19 November 2012, the WSAW issued a judgement under which it dismissed for substantive reasons the complaint filed by PTC and discontinued the proceedings instituted on the basis of Polkomtel's complaint (due to this complaint being withdrawn under a pleading filed before the hearing).

In the grounds of the ruling dismissing PTC's complaint, the WSAW 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 UKE at the stage of earlier, separate tender proceedings, and thus there is no need to re-establish them in the reservation proceedings. The WSAW 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 UKE (Current Report No. 53/2012).

In the Issuer's opinion, the WSAW judgement in practice perpetuates the situation, reinstated earlier upon issuance of the above NSA judgement of 26 July 2012, of legally effective provision to CenterNet and Mobyland of the ability to use the frequency in the range of 1800 MHz. Therefore, the subsidiaries may fully operate the frequencies granted to them under the decision of the President of the UKE and thus continue to carry out the strategy of the Group. The aforementioned judgement of the WSAW is not final. Both the President of the UKE and the participants of the proceeding could file a cassation appeal against the WSAW's judgement with the Supreme Administrative Court (NSA) within 30 days after receiving the WSAW'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 NSA.

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

In the matter concerning a repeal of the decision of the President of the UKE 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 WSAW of 6 July 2012. In a written justification of the judgement, the WSAW sustained the theses presented in the oral justification and stated that the President of the UKE 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 UKE should have invalidated the tender in its entirety. Furthermore, in the opinion of the WSAW, the functional interpretation applied by the President of the UKE with respect to the scope of invalidation of the tender is not a decisive interpretation, and shaping administrative decisions concerning the Tender and the literal interpretation compliant with the provisions of the Telecommunication Law of 16 July 2004 should be applied first. Further, the WSAW stated that, while resolving the above issue, it did not analyse the motivations and correctness of actions of the President of the UKE when issuing the First and Second Decision of the President of the UKE. On 8 November 2012, Mobyland and CenterNet filed cassation appeals against the judgement of the WSAW of 6 July 2012. Currently, CenterNet and Mobyland are awaiting processing of the cassation appeal by the NSA. The date of reviewing the cassation appeals is unknown.

In connection with the above decisions of 13 June 2011 and 23 June 2011, the President of the UKE 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 for invalidation of the tender. In its decision of 28 November 2012, the President of the UKE refused to invalidate the tender. The parties are entitled to file motions seeking further review of the matter.
In view of the above circumstances, the Management Board currently feels that none of the above proceedings should affect the financial position or the results of Midas S.A.

18. Other assets

18.1. Trade and other receivables

(in PLN '000)	**31 December 2012**	**31 December 2011**
Loans granted (together with interest computed)	137,995	41,276
Receivables from the sale of fixed assets	-	9
Other receivables from third parties	-	103
Other receivables from related parties	9	809
Total	**138,004**	**42,197**
current	138,004	42,197
non-current	-	-

As at 31 December 2012, the carrying value of loans granted (together with interest accrued) to subsidiaries with a maturity of less than one year was PLN 137,995,000.

Midas granted loans to the following entities:

- CenterNet S.A.

The carrying amount of the loan is PLN 23,672,000 (PLN 21,500,000 + PLN 2,262,000 in accrued interest). The loan bears interest at a floating interest rate: WIBOR 1M + margin, in addition, CenterNet paid commission to the Company in the amount of PLN 107,500.

- Aero2 Sp. z o.o.

The carrying amount of the loans is PLN 113,918,000 (PLN 109,000,000 + PLN 4,918,000 in accrued interest). The loan bears interest at a floating interest rate: WIBOR 1M + margin, in addition, Aero2 paid commission to the Company in the amount of PLN 95,000.

- Conpidon Ltd

The carrying amount of the loan is PLN 315,000, loan granted in EUR (EUR 75,000 + EUR 2,000 of accrued interest, respectively PLN 307,000 + PLN 8,000). Loan with a fixed interest rate of 3.5 per cent.

Terms and conditions of transactions with related parties are presented in Note 25.2.

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

18.2. Other prepayments

(in PLN '000)	31 December 2012	31 December 2011
Cost of share capital increase	-	1,199
Other	6	-
Total	**6**	**1,199**
current	6	1,199
non-current	-	-

19. Cash and cash equivalents

Cash at banks generates interest based on variable interest rates whose amount depends on interest rates for one-day bank deposits. Short-term deposits are made for periods ranging from one day to one month, depending on the Company's current needs for cash and earn interest at their respective fixed interest rates. The fair value of cash and cash equivalents as at 31 December 2012 is PLN 134,036,000 (as at 31 December 2011: PLN 3,244,000).

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

(in PLN '000)	31 December 2012	31 December 2011
Cash at bank and on hand	420	19
Short-term bank deposits	133,272	2,641
Interest accrued on bank deposits	344	-
Other	-	584
Cash and cash equivalents	**134,036**	**3,244**

Notes 19.1 - 19.4 refer to the statement of cash flow

19.1. Change in the balance of short-term liabilities

(in PLN '000)	1 Jan 2012 - 31 Dec 2012	1 Jan 2011 - 31 Dec 2011
Change in the balance of short-term liabilities	(581,260)	462,718
Change in the balance of borrowings	7,411	1,304
Change arising from the issue of debt securities	25,555	83,232
Change in the balance of other financial liabilities	548,411	(548,411)
	117	**(1,157)**

19.2. Change in the balance of short-term receivables

(in PLN '000)	1 Jan 2012 - 31 Dec 2012	1 Jan 2011 - 31 Dec 2011
Change in the balance of short-term receivables	(95,807)	(42,099)

Change in the balance of receivables from borrowings	96,720	41,276
Change in the balance of other financial receivables	(95)	95
Change in the balance of receivables on disposal of property, plant and equipment	(9)	9
	809	**(719)**

19.3. Change in the balance of prepayments/accruals

(in PLN '000)	**1 Jan 2012 - 31 Dec 2012**	**1 Jan 2011 - 31 Dec 2011**
Change in the balance of prepayments/accruals	1,167	(995)
Change in the balance of accruals on the future issuance of shares	(1,199)	1,025
Deferred income (financing activities)	-	(54)
	(32)	**(24)**

19.4. Purchase of subsidiaries

Cash flows presented in the statement of cash flow for the period from 1 January 2012 to 31 December 2012 and from 1 January 2011 to 31 December 2011, relating to the acquisition of subsidiaries, are summarised in the table below:

(in PLN '000)	**1 Jan 2012 - 31 Dec 2012**	**1 Jan 2011 - 31 Dec 2011**
Mobyland Sp. z o.o. of which:	**-**	**178,770**
purchase price	-	177,000
Tax on civil law transactions	-	1,770
Conpidon Ltd including:	**1,136**	**443**
purchase price*	1,136	-
measurement costs	-	443
Total	**1,136**	**179,213**

* On 28 February 2012 the Company concluded an agreement for a mutual offset of receivables (the "Agreement").

In accordance with the Agreement, on 28 February 2012, the Company and Litenite made a contractual set-off of a receivable of PLN 546,864,000 that was due to the Company from Litenite under its obligation to pay for 781,234,152 of the Company's series D shares, covered by the basic subscription submitted by Litenite on 28 February 2012 at an issue price of PLN 0.70 per share under the public offering of series D shares (closed subscription), against a receivable of PLN 548,000,000 due from the Company to Litenite in respect of payment of the price to the Company for 100% of shares in Conpidon Limited under an agreement for the sale of shares in Conpidon Limited with its registered office in Nicosia, Cyprus. As a result of the contractual set off, the above-mentioned receivable due to the Company was written off in full, i.e. in the amount of PLN 546,864,000, and the above-mentioned receivable due to Litenite was written off in part, i.e. up to the amount of PLN 1,136,000. On 26 April 2012, the Company paid the remaining balance of PLN 1,136,000.

20. Share capital and supplementary/reserve capital

20.1. Share capital

As at 31 December 2012, 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.
All shares issued were paid in full and registered with the National Court Register.
The table below shows the history of operations on shares issued by the Company:

Series/issue	Type of shares	Number of shares	Value of series/issue at nominal value (in PLN '000)	Method of covering capital	Date of registration
Series A	Bearer	1,000,000	100	Cash	31 Mar 1995
Series A	Bearer	32,000,000	3,200	In-kind	08 Sep 1995
Series A	Bearer	1,000,000	100	In-kind	03 Feb 1996
Series A	Bearer	500,000	50	In-kind	06 May 1996
Series A	Bearer	400,000	40	In-kind	03 Jun 1996
Series A	Bearer	100,000	10	In-kind	05 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**			

During the financial year, the share capital was increased by PLN 118,374,000 through the issue of 1,183,733,400 new ordinary shares with a value of PLN 0.10 each. The share issuance was conducted in observance of the pre-emptive right of existing shareholders. Each existing share provided 1 pre-emptive right to take up 4 new shares in the issue. The issue price established by the Management Board, with the consent of the Supervisory Board, amounted to PLN 0.70.
On 18 April 2012, the District Court for the City of Warsaw in Warsaw, Division XII Commercial of the National Court Register, registered the increase of the Company's share capital. The Company's share capital was increased from PLN 29,593,335 to PLN 147,966,675. After registration of the above-mentioned change, the Company's share capital amounts to PLN 147,966,675 and is divided into 1,479,666,750 ordinary bearer shares with a nominal value of PLN 0.10 each.

Following the issue of series D shares, the Company obtained PLN 828,614,000 in capital, with the cost of the issue being PLN 4,889,000. The Company received cash in the amount of PLN 281,750,000, while the remaining PLN 546,864,000 was set off against the Company's liability to Litenite. The method of settlement has been described in Note 19.4 and Note 25.3.

20.1.1 Nominal value of shares

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

20.1.2 Shareholders' rights

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

20.1.3 Shareholders having a significant holding

	31 December 2012		**31 December 2011**
Zygmunt Solorz - Żak **		*Zygmunt Solorz - Żak* **	
share in capital	65.9978%	share in capital	65.9975%
share in votes	65.9977%	share in votes	65.9986%
ING OFE			
share in capital	5.0273%		
share in votes	5.0273%		
Other shareholders		*Other shareholders*	34.0008%
share in capital	28.9749%	share in capital	34.0014%
share in votes	28.9750%	share in votes	

(*) Mr Zygmunt Solorz-Żak controls the Company through: (i) Karswell Limited with its registered office in Nicosia, Cyprus, (ii) Ortholuck Limited with its registered office in Nicosia, Cyprus, and (iii) Litenite Limited with its registered office in Nicosia, Cyprus, within the scope of 976,542,690 shares in the Company held by Litenite, as well as through (iv) the Fund, within the scope of 5,000 shares in Midas S.A. held by the Company.

*** The number of shares and votes takes account of 5,000 treasury shares of the Company held indirectly by Litenite Limited, where, in accordance with Article 364 of the Code of Commercial Companies, Midas S.A. does not exercise voting rights from its own treasury shares.*

20.2. Supplementary capital

In the 12-month period ended 31 December 2012, the supplementary capital increased by PLN 705,351,000. The supplementary capital was established from a share premium of PLN 710,240,000 (series D share issue), which was decreased by the costs of the share issuance entered as a reduction in the supplementary capital of PLN 4,889,000.

20.3. Retained earnings and dividend restrictions

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

21. Interest-bearing bank credit and loans

(in PLN '000)	**Effective interest rate %**	**Repayment date**	**31 December 2012**	**31 December 2011**
Current				

Loan received from Nova Capital Sp. z o.o. in the amount of PLN 2,470, interest rate - WIBOR 1M + margin	6.77%	31 Dec 2012	-	2,282
Loan received from Nova Capital Sp. z o.o. in the amount of PLN 1,000, fixed interest rate - 5%	5.00%	31 Dec 2012	-	1,040
Loan received from Nova Capital Sp. z o.o. in the amount of PLN 950, fixed interest rate - 5%	5.00%	31 Dec 2012	-	992
Loan received from Nova Capital Sp. z o.o. in the amount of PLN 3,000, fixed interest rate - 5%	5.00%	31 Dec 2012	-	3,097
Issuance of series MID0612.1 commercial papers with a nominal value of PLN 21,500, interest rate - WIBOR 1M + margin*	7.25%	30 Jun 2012	-	21,468
Issuance of series MID0612.2 commercial papers with a nominal value of PLN 30,000, interest rate - WIBOR 1M + margin*	7.27%	30 Jun 2012	-	29,911
Issuance of series MID0612.3 commercial papers with a nominal value of PLN 20,000, interest rate - WIBOR 1M + margin*	7.22%	30 Jun 2012	-	-
Issuance of series MID0611B commercial papers with a nominal value of PLN 20,000, interest rate - WIBOR 1M + margin**	8.61%	31 Dec 2013	22,732	-
Issuance of series MID0611C commercial papers with a nominal value of PLN 8,750, interest rate - WIBOR 1M + margin***	6.61%	31 Dec 2013	3,165	-
Total			**25,897**	**58,790**
Non-current				
Issuance of series MID0611B commercial papers with a nominal value of PLN 20,000, interest rate - WIBOR 1M + margin**	8.61%	31 Dec 2013	-	21,005
Issuance of series MID0611C commercial papers with a nominal value of PLN 8,750, interest rate - WIBOR 1M + margin***	6.61%	31 Dec 2013	-	3,016
Total				**24,021**

* Alior Bank
** Mobyland Sp. z o.o. (subsidiary)
*** CenterNet S.A. (subsidiary)

Interest liabilities on loans received are accounted for together with the repayment of loans. Interest liabilities on commercial papers issued are accounted for;
- series MID0611B and MID0611C at maturity (31 Dec 2013),
- Series MID0612.1, MID0612.2, MID0612.3 on a monthly basis.

<u>Papers held by Alior Bank S.A.</u>

On 17 February 2012, the Company issued 20,000 debt papers (series MID0612.3) with a nominal value of PLN 1,000 each and a total nominal value of PLN 20,000,000, at an issue price equal to the nominal value. The commercial papers were taken up in their entirety by Alior Bank S.A. with its registered office in Warsaw. The commercial papers were secured and subject to repayment in full on 30 June 2012. The loan bore interest at WIBOR 1M + margin.

On 26 April 2012, the Company made an early redemption of debt papers series MID0612.1, MID0612.2, MID0612.3, having a total value of PLN 71,854,000, including interest due for the period from 1 April 2012 to 26 April 2012 for a total value of PLN 354,000 (the total value of interest paid on the above commercial papers for 2012 was PLN 1,730,000).
In the 12-month period ended on 31 December 2012, Midas repaid the following loans together with interest:
- Nova Capital Sp. z o.o. in the amount of PLN 7,533,000 (of which PLN 7,010,000 is the value of the principal).

22. Trade and other liabilities and accruals

22.1. Trade and other financial liabilities (current)

(in PLN '000)	**31 December 2012**	**31 December 2011**

Trade liabilities		
Liabilities to other entities	92	597
Liabilities to related parties	44	47
	136	**644**
Other liabilities		
Purchase of shares (Conpidon)	-	548,000
Liabilities to related parties	52	52
Other liabilities	158	17
	210	**548,069**
Financial liabilities		
Interest liabilities	3,647	671
Loans obtained	-	7,010
Proceeds from issue of debt securities (Note 21)	22,250	51,109
Other financial liabilities	-	-
	25,897	**58,790**
Total	**26,243**	**607,503**

Rules and conditions of payment of the above financial liabilities:

Terms and conditions of transactions with related parties are presented in Note 25.2.

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

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

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

22.2. Accruals

(in PLN '000)	31 December 2012	31 December 2011
Accruals on:		
Holiday accrual	47	31
Other	49	37
Deferred income from:		
Other	-	54
Total	**96**	**122**
current	96	122
non-current	-	-

23. Investing liabilities

As at 31 December 2012 and as at 31 December 2011, the Company did not incur any capex liabilities that have not been disclosed in these financial statements.

24. Contingent liabilities

As at 31 December 2012, Midas had no contingent assets or liabilities.

24.1. Litigation

In the current reporting period, there were no proceedings pending in relation to Midas S.A. Proceedings pending in relation to Midas S.A.'s subsidiaries were described in Note 32.1 to the consolidated financial statements.

24.2. 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, who are authorised to impose high penalties and sanctions. The lack of reference to established legal frameworks in Poland leads to ambiguities and inconsistencies in the currently effective legislation. Frequent differences of opinions as to legal interpretation of tax regulations among state authorities as well as between state authorities and corporations, result in large areas of uncertainty and conflict. Therefore, the tax risk in Poland is significantly higher than is usually the case in countries with more developed tax systems.

Tax settlements might be audited for a period of five years, starting from the end of the year when respective taxes are actually paid. Following such audits, the Company's previous tax settlements might be increased by additional tax liabilities.

In the opinion of the Company, as at 31 December 2012, there was no need to establish provisions for tax risk.

25. Information on related parties

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

		Receivables from related parties, of which:	**trade receivables**	**loans**	**other**
Subsidiaries	*2012*	138,004	8	137,996	-
	2011	42,086	15	41,276	795
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	*2012*	-	-	-	-
	2011	-	-	-	-

		Liabilities to related parties, of which:	**trade receivables**	**loans**	**issue of commercial papers**	**others**
Subsidiaries	*2012*	25,921	24	-	25,897	-
	2011	31,467	35	7,411	24,021	-
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	*2012*	20	20	-	-	-
	2011	548,012	12	-	-	548,000

		Revenues from mutual transactions, of which:	other operating revenues	interest on loans	other
Subsidiaries	*2012*	6,479	12	6,413	54
	2011	1,637	12	776	849
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	*2012*	1,576	-	-	1,576
	2011	-	-	-	-

		Costs of mutual transactions, of which:	interest on commercial papers	interest on loans	other
Subsidiaries	*2012*	2,167	1,876	122	169
	2011	3,008	2,171	593	244
Entities controlled by a person (or members of their immediate family) controlling, jointly controlling or having significant influence over Midas S.A.	*2012*	377	-	-	377
	2011	429	-	-	429

25.1. Entity with a significant influence over the Company

As at 31 December 2012, Litenite Limited held 66% of ordinary shares of Midas (31 December 2011: 66%).

25.2. Conditions of transactions with related parties

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

25.3. Significant agreements entered into by Midas S.A.

Issue of series MID0612.3 debt papers

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

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

On 26 April 2012, the Company exercised its right to early redemption of the Papers.

Loans granted to Aero2 Sp. z o.o.

In 2012, as a result of three loan agreements (the "Agreements") granted to Aero 2 Sp. z o.o. ("Aero 2"), the Company granted Aero 2 loans for a total of PLN 90,000,000. As stipulated in the Agreements, the loans bear interest at WIBOR 1M + margin per annum, and mature on 31 December 2013. The loans were granted for the purpose of financing the investments carried out by the Midas Group.

Agreement on a mutual offset of receivables with Litenite Limited

On 28 February 2012, the Company concluded an agreement for a mutual offset of receivables (the "Agreement").

In accordance with the Agreement, on 28 February 2012, the Company and Litenite made a contractual set-off of a receivable of PLN 546,864,000 that was due to the Company from Litenite under its obligation to pay for 781,234,152 of the Company's series D shares, covered by the basic subscription submitted by Litenite on 28 February 2012 at an issue price of PLN 0.70 per share under the public offering of series D shares (closed subscription), against a receivable of PLN 548,000,000 due from the Company to Litenite in respect of payment of the price for 100% of shares in Conpidon Limited under an agreement for the sale of shares in Conpidon. As a result of the contractual set-off, the above receivable due to the Company was written off in full, i.e. in the amount of PLN 546,864,000, and the above receivable due to Litenite was written off in part, i.e. to the amount of PLN 1,136,000.

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

The Agreement was signed in order to pursue the first objective of the issue of series D shares, i.e. payment of the price for the acquisition of Aero2 Sp. z o.o. with its registered office in Warsaw. Considering the above-mentioned set-off, the amount of PLN 1,136,000 constitutes the receivable of Litenite remaining to be paid by the Company within the framework of performing this target of the issue. However, the Company notes the option to withdraw from the Agreement, as described above. In the case of such a withdrawal, in accordance with Article 395 par. 2 sentence 1 of the Civil Code, the Agreement shall be deemed not concluded, and the Company shall be bound to pay the amount of PLN 548,000,000 to Litenite as the price for the sale of 100% of the shares in Conpidon.

On 26 April 2012, the Company paid PLN 1,136,000 to Litenite as the total outstanding balance of Litenite receivables in performance of the agreement on the mutual set-off of receivables between the Company and Litenite. Payment of the above amount represented the final settlement of the above agreement for the sale of shares in Conpidon Limited of 9 December 2011.

Basic credit conditions for obtaining financing for the development of the telecommunications network

On 5 November 2012, the Company signed the Preliminary Offer of the basic terms and conditions of credit offered to the Company by Bank Zachodni WBK S.A. and Banco Santander S.A. ("Term Sheet 1"), and also signed the Conditions of Financing for Investment Credit with Alior Bank S.A. ("Term Sheet 2"). The above documents (the "Term Sheets") constitute the basis for further negotiations and for drawing up credit agreements and other agreements.

Term Sheet 1 and Term Sheet 2 in no way constitute a binding agreement, but set out the basic conditions on which Bank 1 and Bank 2 have agreed to make financing available to the Company for the development of the telecommunications network. On the basis of those conditions, the Company, Bank 1 and Bank 2 will negotiate the detailed provisions of credit agreements and other legal documents, including agreements concerning security for the repayment of Credit 1 and Credit 2. Under Term Sheet 2, on 28 February 2013 (after the balance sheet date), the Company signed an investment loan agreement. This event was described in Clause 31 of these statements. A detailed account of the provisions of Term Sheet 1 is set out in Clause 2.4.1 of the Report of the Management Board on the operations of Midas S.A. in 2012.

Framework agreement with Sferia S.A.

On 21 December 2012, the Company concluded a framework agreement with Sferia S.A. with its registered office in Warsaw ("Sferia" or, jointly with the Company, the "Parties") (the "Framework Agreement"). The Framework Agreement concluded is the result of the Management Board of the Company implementing a procedure for an issue of zero-coupon bonds having a maximum eight-year maturity period (the "Bonds") and of Sferia expressing initial interest in acquiring the Bonds. At the same time, the Management Board of the Company points outs that, in reference to the content of Report 50/2012, Sferia is not the entity indicated by Mr Zygmunt Solorz-Żak.

The subject of the Framework Agreement is to establish the rules under which:

a) the Company will issue and Sferia will take up one or more series of Bonds for a total issue price not exceeding PLN 200,000,000;

b) the Parties will conclude a separate agreement on the Company supplying Sferia with a telecommunications network through which Sferia will be able to provide telecommunications services (the "Supply Agreement");

c) the Parties will conclude a wholesale agreement on the basis of which Sferia will wholesale services created in the telecommunications network to the Midas Group, and the Company will have the right to further resell those services (the "Wholesale Agreement");

d) the Parties will make settlements for the Bonds issued by the Company and taken up by Sferia.

A detailed account of the provisions of the Framework Agreement is set out in Clause 2.4.1 of the Report of the Management Board on the operations of Midas S.A. in 2012.

25.4. Remuneration of the Company's management staff

(in PLN '000)	Year ended 31 December 2012	Year ended 31 December 2011
Management Board		
Current employee benefits (wages and salaries and bonuses)	1,445	238
Supervisory Board		
Current employee benefits (wages and salaries and bonuses)	14	19
Total	**1,459**	**257**

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

The following table shows the fees of the entity authorised to audit financial statements paid or payable for the year ended on 31 December 2012 and 31 December 2011 by type of service:

Type of service (in PLN '000)	Year ended 31 December 2012	Year ended 31 December 2011
Mandatory audit of financial statements	65	80
Other evidencing services	-	160

Other services	90	30
Total	**155**	**270**

27. Financial risk management

Key financial instruments used by the Company include loans, papers, cash and short-term deposits. Furthermore, the Company intends to issue bonds in 2013 (more information in Clause 2.3 of the Report of the Management Board on the operations of Midas S.A. in 2012). The above financial instruments are aimed at sourcing funding for the Company's operations. The Company also has other financial instruments, such as trade receivables and liabilities, which arise directly in the course of its business activities.

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

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

27.1. Interest rate risk

Changes in market interest rates do not significantly affect Midas S.A.'s revenues and operating cash flows. The Company invests its free funds in instruments considered safe or instruments with short maturities.

27.2. Currency risk

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

27.3. Price risk

The price risk in Midas is associated with changes to the current value of items measured at fair value. If a given balance sheet item is based on market prices, the balance sheet total is subject to change and must be shown in profit, loss or change in the amount of capital. The only financial asset measured at fair value through profit or loss both in 2012 and in 2011 was cash.

27.4. Credit risk

The credit risk at Midas is reflected in the value of trade receivables, loans granted and cash. Given the fact that the Company has a small number of customers, the credit risk connected with trade receivables is limited.

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

The Company invests its cash resources only in reputable companies. Loans are granted to affiliates controlled by the Company.

No significant concentration of credit risk exists in the Company.

27.5. Liquidity risk

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

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

The table below shows the Company's liabilities as at 31 December 2012 and 31 December 2011 by maturity date in contractual non-discounted figures.

31 December 2012 (in PLN '000)

	On demand	*Under 3 months*	*From 3 to 12 months*	*From 1-5 years*	*Over 5 years*	*Total*
Interest-bearing borrowings	-	-	-	-	-	-
Other financial liabilities	-	-	27,834	-	-	27,834
Trade and other liabilities	-	346	-	-	-	346
Total	**-**	**346**	**27,834**	**-**	**-**	**607,503**

31 December 2011 (in PLN '000)

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

28. Financial instruments

28.1. Fair value of particular classes of financial instruments

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

(in PLN '000)	*Category as per IAS 39*	*Carrying amount*		*Fair value*	
Financial assets		*31 December 2012*	*31 December 2011*	*31 December 2012*	*31 December 2011*
Loans (short-term)	*LAR*	137,995	41,276	137,995	41,276
Other receivables	*LAR*	9	921	9	921
Cash and cash equivalents	FAFVFR	134,036	3,244	134,036	3,244
Financial liabilities					
Interest-bearing loans, including:	OFLAC	-	7,411	-	7,411
- other - current	OFLAC	-	7,411	-	7,411
Other liabilities (non-current), of which:	OFLAC	-	24,021	-	24,021

- papers	OFLAC	-	24,021	-	24,021
Other liabilities (current), including:	OFLAC	25,897	51,378	25,897	51,378
- papers	OFLAC	25,897	51,378	25,897	51,378

Abbreviations used:

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

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

(in PLN '000)

Financial assets	***Category as per IAS 39***	***Interest revenue/(expenses)***	***Gains/(losses) on exchange rate differences***	***Total***
Other financial assets (current)		6,413	(8)	6,405
Cash and cash equivalents	FAFVFR	7,194	7	7,201
Financial liabilities				
Interest-bearing loans and papers, including:	OFLAC	3,458	-	3,458
- current	OFLAC	3,458	-	3,458

28.3. Interest rate risk

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

(in PLN '000)

Fixed interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Loans granted in the amount of EUR 75,000	315	-	-	-	-	-	315
Short-term bank deposits	133,616	-	-	-	-	-	133,616

Variable interest rate	*<1 year*	*1–2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Loans received for the amount of PLN 130,500,000	137,680	-	-	-	-	-	137,680
Commercial papers with a nominal value of PLN 28,750,000.	25,897	-	-	-	-	-	25,897

Interest rates for floating rate financial instruments are updated at least once a year. Interest on financial instruments with fixed interest rates is fixed for the entire period until the maturity/due date of these instruments.

Other financial instruments of the Company which are not included in the above tables do not bear interest and are therefore not subject to the interest rate risk.

29. Management of capital

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

The Company manages its capital structure and, following changes in economic conditions, introduces corresponding changes to that structure. In order to keep or adjust the capital structure, the Company may change dividend payments to shareholders, return capital to shareholders or issue new shares. In the year ended on 31 December 2012 and 31 December 2011, there were no changes to the objectives, principles and processes applicable in this area.

30. Employment structure

The average headcount by position in the Company during the year ended on 31 December 2012 and 31 December 2011 was as follows:

	Year ended 31 December 2012	**Year ended 31 December 2011**
Management Board of the Company	0.55	0.19
Others	2.65	2.27
Total	**3.20**	**2.46**

31. Events occurring after the balance sheet date

On 17 January 2013, the Company repaid early debt papers series MID0612.1, MID0612.2 and MID0612.3, with a total value of PLN 3,171,000, including interest for a total of PLN 921,000.

On 23 January 2013, CenterNet made an early repayment of part of the loan, i.e. PLN 5,000,000, together with accrued interest of PLN 540,000.

On 31 January 2013, Mobyland and Cyfrowy Polsat signed an understanding concerning the agreement of 15 December 2010, which expanded the range of the Data Transfer Services in the Mobyland network to include the range of the Polkomtel network.

On 31 January 2013, Aero2 and Invest Bank signed annexes to the loan agreements amending the form of repayment of the principal. The balance of the principal will be paid off as a lump sum by 26 September 2015 in the amount of PLN 29,431,000 and by 30 September 2015 in the amount of PLN 20,170,000, respectively.

On 18 February 2013, the Company received a copy of a decision of the District Court for the City of Warsaw in Warsaw, Division XII Commercial of the National Court Register (the “Decision”), of 12 February 2013 concerning the entry made on 12 February 2013 in the commercial register of the National Court Register of an amendment to the Statute of the Company, approved by Resolution No. 19/2012 of the Ordinary General Meeting of Shareholders of the Company of 31 October 2012 (the “Resolution”), including an amendment of the business name of the Company from the previous “Narodowy Fundusz Inwestycyjny MIDAS Spółka Akcyjna” to the present wording of “Midas Spółka Akcyjna”. The Company provided information about the adoption of the Resolution and about drawing up, in connection with the considerable extent of the amendments made, a new consolidated text of the Statute, in Current Report No. 47/2012 of 31 October 2012.

On 28 February 2013, the Company concluded with Alior Bank Spółka Akcyjna (the “Bank”) a loan agreement (the “Agreement”) for investment credit (the “Credit”) in the amount of PLN 150 million to finance the expansion of a network of relay stations (the “Investment”) by companies forming the Midas Capital Group (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 (the “Conditions of Use”), but not 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 WIBOR 1M rate increased by the Bank’s margin, will be repaid in monthly periods. The conclusion of the Agreement, as well as the terms and conditions of utilising and securing the Credit, were notified by the Company’s Management Board in Current Report No. 4/2013.

On 6 March 2013, the Company’s Management Board adopted a resolution on issuing series A bonds (the “Resolution”). In accordance with the content of the Resolution, the Management Board decided that the Company should issue not more than 600,000 zero-coupon secured series A bearer bonds with a nominal value of PLN 1,000 per bond (the “Bonds”). The Bonds will not be in the form of a document, and they will be registered in the depository of securities in accordance with the Act on Trading in Financial Instruments. The Bonds will be the subject of an application for introduction to the alternative system of organised trading by Giełda Papierów Wartościowych w Warszawie S.A. (Catalyst market). The issue price of one Bond has been specified on the basis of the nominal value of one Bond reduced by the unit discount value (set in accordance with clauses of the BIT) and is PLN 342.77 per Bond. Detailed information about the terms and conditions of the Bond issuance was published in Current Report No. 5/2013.

On 7 March 2013, the Issuer, the Issuer’s subsidiary Conpidon Limited (“Conpidon”, and, together with the Issuer, the “Pledgors”) and BondTrust Polskie Towarzystwo Powiernicze S.A. (“BondTrust PTP”, the “Pledge Administrator”) concluded an agreement to establish a registered pledge on shares and interests and to establish other forms of security of the Bonds (the “Pledge Agreement”). In performance of the Agreement, the Issuer 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 a declaration on submission to enforcement up to the aforementioned amount. Furthermore, to secure the future receivable for payment of the promissory note amount, the Pledgors established, by virtue of the Agreement, a civil pledge in favour of BondTrust PTP on each of the Subjects of the Pledge, namely: a) 204,200 shares in Mobyland Sp. z o.o. (“Mobyland”) with a nominal value of PLN 500 each, owned by the Issuer, b) 221,000 shares in Aero 2 Sp. z o.o. with a nominal value of PLN 50 each, owned by Conpidon, c) 4,264,860 shares of Centernet S.A. with a nominal value of PLN 17.30 each, owned by the Issuer. Terms and conditions of the Agreement were described in detail in Current Report No. 6/2013.

On 11 March 2013, the Company redeemed early debt papers series MID0611B, held by Mobyland, for a total value of PLN 23,062,000, including interest for a total of PLN 3,062,000.
In connection with the above transactions, as at the date of publishing these statements, the Company has no liabilities under the debt papers.

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

Krzysztof Adaszewski	Maciej Kotlicki	Dariusz Łukasiewicz
/President of the Management Board/	/Vice-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 2013