Midas Spółka Akcyjna

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

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SELECTED FINANCIAL DATA

	12-month period ended 31 December 2013	12-month period ended 31 December 2012	12-month period ended 31 December 2013 in EUR '000	12-month period ended 31 December 2012 in EUR '000
Revenues from core operating activities	22,154	6,467	5,261	1,550
Profit / (loss) on operating activities	(4,365)	(215)	(1,037)	(52)
Profit/ (loss) before tax	85	6,987	20	1,674
Net profit (loss) on continuing operations attributable to shareholders of the Company	85	6,987	20	1,674
Net cash flow from operating activities	(238,702)	(84,799)	(56,685)	(20,318)
Net cash flow from investing activities	(142)	(1,135)	(34)	(272)
Net cash flow from financing activities	170,351	216,726	40,454	51,928
Average weighted number of shares	1,479,665,366	1,127,129,125	1,479,665,366	1,127,129,125
Basic profit (loss) from continuing activities per ordinary share (in PLN)	0.0001	0.0062	0.00001	0.0015

	As at 31 December 2013	As at 31 December 2012	As at 31 December 2013 in EUR '000	As at 31 December 2012 in EUR '000
Total assets	1,525,742	1,238,270	367,897	302,889
Total liabilities	313,722	26,339	75,647	6,443
Non-current liabilities	313,123	-	75,502	-
Current liabilities	599	26,339	144	6,443
Equity attributable to the shareholders of the Issuer	1,212,020	1,211,931	292,250	296,446
Share capital	147,967	147,967	35,679	36,194

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

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Note	Year ended 31 December 2013	Year ended 31 December 2012

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

			(restated)
Continued activities			
Revenues from core operating activities	13.1	22,154	6,467
Own costs from core operating activities	13.2	(22,657)	(3,858)
Depreciation and amortisation		(30)	(9)
Wages and salaries	13.3	(1,796)	(1,269)
Other costs by type	13.4	(2,043)	(1,452)
Other operating income		7	23
Other operating expenses		-	(117)
Loss on operating activities		**(4,365)**	**(215)**
Financial income	13.5	4,450	7,202
Profit on financial activities		**4,450**	**7,202**
Profit before taxation		**85**	**6,987**
Current income tax		-	-
Deferred tax		-	-
Total income tax	14	-	-
Net profit on continuing operations		**85**	**6,987**
Net profit/ (loss) from discontinued operations		-	-
Net profit		**85**	**6,987**
Other comprehensive income		-	-
COMPREHENSIVE INCOME		**85**	**6,987**
Average weighted number of ordinary shares		1,479,665,366	1,127,129,125
Net profit/ (loss) on continuing operations per share attributable to shareholders of the parent company (in PLN)	15	0.0001	0.0062

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2013

	Note	31 December 2013	31 December 2012

			(restated)
ASSETS			
Non-current assets			
Property, plant and equipment	16	132	21
Non-current financial assets	18	1,272,981	966,203
Total non-current assets		**1,273,113**	**966,224**
Current assets			
Loans granted	19.1	186,021	137,995
Other assets	19.2	1,040	-
Cash and cash equivalents	20	65,543	134,036
Other prepayments		25	6
Trade and other receivables		-	9
Total current assets		**252,629**	**272,046**
Total assets		**1,525,742**	**1,238,270**

	Note	**31 December 2013**	**31 December 2012** *(restated)*
LIABILITIES			
Equity			
attributable to shareholders of the Company, of which:			
Share capital	21.1	147,967	147,967
Supplementary capital	21.2	1,140,860	1,141,006
Own shares	21.3	-	(150)
Uncovered losses		(76,807)	(76,892)
Accumulated losses		(76,892)	(83,879)
Net profit for the current period		85	6,987
Total equity		**1,212,020**	**1,211,931**
Non-current liabilities			
Loans and borrowings	22	45,580	-
Liabilities from issue of bonds	22	267,543	-
Total non-current liabilities		**313,123**	**-**
Current liabilities			
Trade and other liabilities	23	415	346
Loans and borrowings	22, 23	69	-
Liabilities from issue of commercial papers	22, 23	-	25,897
Accruals		115	96
Total current liabilities		**599**	**26,339**
Total equity and liabilities		**1,525,742**	**1,238,270**

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

STATEMENT OF CASH FLOW
for the year ended 31 December 2013

	Note	**Year ended**	**Year ended**

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

		31 December 2013	31 December 2012 *(restated)*
Gross profit		**85**	**6,987**
Depreciation and amortisation of fixed and intangible assets		30	9
Interest and commission costs		21,958	3,850
Exchange rate differences		(5)	8
Change in the balance of assets and liabilities related to operating activities:			
– Trade and other receivables	20.2	9	809
– Trade and other liabilities	20.1	112	117
– Accruals	20.3	19	(32)
Interest income		(22,149)	(6,870)
Other		699	223
Adjustments of total gross profit		**758**	**5,101**
Other cash flows on operating activities			
Loans granted		(245,000)	(90,315)
Repayment of loans granted		5,000	-
Interest received		540	320
Other		-	95
Other cash flows on operating activities		**(239,460)**	**(89,900)**
Net cash flow from operating activities		**(238,702)**	**(84,799)**
Acquisition of subsidiary – deferred payment	20.4	-	(1,136)
Purchase of property, plant and equipment and intangible assets		(142)	(8)
Proceeds from sale of property, plant and equipment and intangible assets		-	9
Net cash flow from investing activities		**(142)**	**(1,135)**
Proceeds from sale of treasury shares		4	-
Issue of bonds		200,099	-
Expenses related to issuing bonds		(483)	-
Repayment of loans obtained		-	(7,010)
Interest paid on loans obtained		-	(523)
Issue of commercial papers		-	20,000
Repayment of commercial papers issued		(22,250)	(71,500)
Interest paid on commercial papers issued		(3,984)	(1,730)
Expenditures related to issuing commercial papers		-	(297)
Commission and interest paid in connection with bank borrowings		(3,035)	-
Expenditures related to share capital increase		-	(3,964)
Proceeds from share issuance		-	281,750
Net cash flow from financing activities		**170,351**	**216,726**
Net (decrease) increase in cash and cash equivalents		**(68,493)**	**130,792**
Cash and cash equivalents at the beginning of the year		**134,036**	**3,244**
Cash and cash equivalents at the end of the year	20	**65,543**	**134,036**

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

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

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Note	Share capital	Supplementary capital	Own shares	Uncovered losses	Total equity
As at 1 January 2013		**147,967**	**1,141,006**	**(150)**	**(76,892)**	**1,211,931**
Proceeds from sale of treasury shares	21.3	-	(146)	150	-	4
Net profit for the financial year		-	-	-	*85*	*85*
Total comprehensive income for the period		-	-	-	85	85
As at 31 December 2013		**147,967**	**1,140,860**	**-**	**(76,807)**	**1,212,020**

	Note	Share capital	Supplementary capital	Own shares	Uncovered losses	Total equity
State as at 1 January 2012		**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 period		-	-	-	6,987	6,987
As at 31 December 2012		**147,967**	**1,141,006**	**(150)**	**(76,892)**	**1,211,931**

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

ACCOUNTING PRINCIPLES (POLICIES) AND ADDITIONAL EXPLANATORY NOTES

1. General information

The financial statements of MIDAS S.A. ("Midas", the "Company") cover the year ended on 31 December 2013 and include comparative data for the year ended on 31 December 2012.

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 forms (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)
- buying and selling of own real estate (68.10.Z).

Midas is the parent company of the Midas S.A. Capital Group (the "Group").

The immediate parent company of Midas (first-degree parent) is Litenite Ltd. ("Litenite") with its registered office in Nicosia, Cyprus - an entity controlled by Mr. Zygmunt Solorz-Żak. As at 31 December 2013, the shareholders of Litenite Ltd. were: 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 2013, which were approved for publication on 21 March 2014.

3. Composition of the Management Board of the Company

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

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

On 17 December 2013, the Supervisory Board of the Company, acting in accordance with Article 12 par. 12.3 of the Statute of the Company, recalled Mr. Dariusz Łukasiewicz from the Management Board of the Company. Mr. Dariusz Łukasiewicz was Vice-President of the Management Board of the Company from 16 December 2012, and the recall was made without any reason being given.

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

4. Approval of the financial statements

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

5. Investments of the Company

The Company holds investments in the following subsidiaries (the table below shows direct and indirect subsidiaries):

Entity	Registered office	Scope of activity	The Company's % share in equity	
			31 December 2013	31 December 2012
CenterNet S.A. ("CenterNet")	Warsaw, Poland	telecommunications	100%	100%
Mobyland Sp. z o.o. ("Mobyland")	Warsaw, Poland	telecommunications	100%	100%
Conpidon Ltd. ("Conpidon")	Nicosia, Cyprus	holding	100%	100%
Aero2 Sp. z o.o. ("Aero2")	Warsaw, Poland	telecommunications	100%	100%
Nova Capital Sp. z o.o. ("Nova Capital")	Warsaw, Poland	holding	-	85.2%

The only indirect subsidiary among those listed above is Aero2 (through Conpidon).
As at 31 December 2013 and as at 31 December 2012, the share in the total number of votes held by the Group in subsidiaries is equal to the share of the Group in the capital of those entities. An exception was Nova Capital Sp. z o.o., in which the Group held 85.2 per cent of the share capital and 100 per cent of the votes as at 31 December 2012.
Information on the merger between Conpidon and Midas, which was registered in 2014, is set forth in Notes 32 and 33 hereto.
Information on the merger between Nova Capital and Aero2, which was registered in 2013, is set forth in Note 32 hereto.

6. Significant values based on professional judgement and estimates

6.1. Professional judgement

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

1. An evaluation of the occurrence of conditions for the impairment of shares in subsidiaries,
2. An evaluation of the feasibility of asset components from deferred tax,
3. Treating all companies in the Group as one operating segment and one unit generating cash flows,
4. An assessment of the possibility of settling pending court proceedings,
5. An assessment of separating the option of early repayment as a separate instrument for valuation and disclosure.

6.2. Uncertainty of estimates and assumptions

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. The Company accepted assumptions and estimates about the future on the basis of the knowledge it possessed when preparing the financial statements. Those assumptions and estimates may be subject to change as a result of future events resulting from market changes or changes beyond the control of the Company. Such changes are reflected in estimates or assumptions when they occur.

Impairment of assets

The Management Board of the Company did not identify any grounds for declaring impairment of the value of shares in subsidiaries, and therefore did not carry out an asset impairment test (Note 18).

Deferred income tax asset component

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

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

7.2. Functional currency and 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 the 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 2012, except for the following new or amended standards and interpretations in force for annual periods beginning on or after 1 January 2013:

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

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

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

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

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

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

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

- 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.

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

IFRS 13 introduces one set of rules concerning the way in which the fair value of financial and non-financial assets and liabilities is established, where such valuation is required or allowed by the IFRS. IFRS 13 does not affect when the Company is obliged to make an valuation according to fair value. The regulations of IFRS 13 apply to both initial valuations and valuations made after initial disclosure.
IFRS 13 requires new disclosure in the area of techniques (methods) of valuation and initial information/data to determine fair value, as well as the impact of certain initial information on valuation at fair value.
IFRS 13 defines fair value as initial price. As a result of the guidelines in IFRS 13, the Company again evaluated its policy on measuring fair value, in particular concerning initial data such as the risk of not discharging its obligations when assessing fair value. The application of IFRS 13 has no significant effect on the result of the Company's measurements of fair value. Supplementary disclosures, where required, are contained in individual notes referring to assets and liabilities whose fair value have been defined. The hierarchy of fair value is as follows:

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

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

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

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

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

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

Amendments to IFRS 1 did not concern the Company.

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

The interpretation does not apply to the Company.
The Company decided against early adoption of any other standard, interpretation or amendment already issued but not yet effective, except for:

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

Those amendments removed the unintended consequences of IFRS 13 concerning disclosures required under IAS 36. Moreover, those changes require disclosure of recoverable value or cash-generating units (CGUs) for which impairment was recognised or reversed in a given period. Those changes apply to annual periods beginning on or after 1 January 2014, and can be applied earlier provided that IFRS 13 has been applied. The Company has applied those amendments to IAS 36 in these financial statements in reference to disclosures of impairment of non-financial assets, in Note 18.

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:

- The first phase of standard IFRS 19 *Financial Instruments: Classification and Valuation* as amended - its entry into force was rejected by the Board for IFRS without a deadline for approval being given,
- IFRS 10 *Consolidated Financial Statements* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014. The Company decided to apply IFRS for financial years beginning on or after 1 January 2014,
- IFRS 11 *Joint Arrangements* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014. The Company decided to apply IFRS for financial years beginning on or after 1 January 2014,
- IFRS 12 *Disclosure of Interests in Other Entities* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014. The Company decided to apply IFRS for financial years beginning on or after 1 January 2014.
- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014,
- IAS 27 *Separate Financial Statements* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014. The Company decided to apply IFRS for financial years beginning on or after 1 January 2014,
- IAS 28 *Investments in Associates and Joint Ventures* - which apply to annual periods beginning on or after 1 January 2013 - in the EU, applicable at the latest to annual periods beginning on or after 1 January 2014. The Company decided to apply the amendments of IFRS for financial years beginning on or after 1 January 2014.
- Amendments of IAS 32 *Financial Instruments: Presentation: Compensation of Financial Assets and Financial Liabilities* - which apply to annual periods beginning on or after 1 January 2014.
- Amendments to IFRS 10, IFRS 12 and IAS 27*Investment Entities* - (published on 31 October 2012) - which applies for annual periods beginning on 1 January 2014.
- IFRIC 21 *Levies* - which applies for annual periods beginning on or after 1 January 2014 - not approved by the EU by the date of approval of these financial statements.
- Amendments to IAS 39 *Renewal of derivatives and continuation of accounting of collateral* (published on 27 June 2013) – which apply to financial years beginning on or after 1 January 2014.
- Amendments of IAS 19 *Employee Benefits* (published on 21 November 2013) - which apply for annual periods beginning on or after 1 July 2014 - not approved by the EU by the date of approval of these financial statements.
- *Amendments resulting from an IFRS review 2010-2012* - some of the amendments apply for financial years beginning on or after 1 July 2014, and some for transactions taking place on or after 1 July 2014 - not approved by the EU before the date of approval of these financial statements.

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

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

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. Change in presentation and conversion of comparative data

In connection with the fact that the fundamental type of activity conducted by the Company is holding activity, the Company decided to amend the presentation of income and costs in the statement of comprehensive income and in the statement of cash flow for the year ended 31 December 2013, and converted the comparative data presented in the financial statements for the year ended 31 December 2012. The conversion involved changing the existing presentation of income and financial costs (in that part concerning obtaining financing for subsidiaries) as operating income and operating costs, respectively. Those changes concern the statement of comprehensive income and the statement of cash flow. A summary of these is presented below.

Statement of comprehensive income

	Year ended 31 December 2012 ***(approved)***	**Change in presentation**	**Year ended 31 December 2012** ***(restated)***
Continued activities			
Revenues from core operating activities	-	6,467	6,467
Own costs from core operating activities	-	(3,858)	(3,858)
Depreciation and amortisation	(9)	-	(9)
Wages and salaries	(1,269)	-	(1,269)
Other costs by type	(1,452)	-	(1,452)
Other operating income	23	-	23
Other operating expenses	(117)	-	(117)
Profit/ (loss) on operating activities	**(2,824)**	**2,609**	**(215)**
Financial income	13,661	(6,459)	7,202
Financial costs	(3,850)	3,850	-
Profit/ (loss) on financial activities	**9,811**	**(2,609)**	**7,202**
Profit before taxation	**6,987**	**-**	**6,987**
Current income tax	-	-	-
Deferred tax	-	-	-
Total income tax	**-**	**-**	**-**
Net profit on continuing operations	**6,987**	**-**	**6,987**
Net profit	**6,987**	**-**	**6,987**
COMPREHENSIVE INCOME	**6,987**	**-**	**6,987**

Statement of cash flow

	Year ended 31 December 2012 ***(approved)***	**Change in presentation**	**Year ended 31 December 2012** ***(restated)***
Gross profit	**6,987**	**-**	**6,987**
Depreciation and amortisation of fixed and intangible assets	9	-	9
Interest and commission costs	3,458	392	3,850
Exchange rate differences	8	-	8
Change in the balance of assets and liabilities related to operating activities:			
– Trade and other receivables	809	-	809
– Trade and other liabilities	117	-	117
– Accruals	(32)	-	(32)
Interest income	(6,870)	-	(6,870)
Commission on the issuance of commercial papers	392	(392)	-
Other adjustments	223	-	223
Adjustments of total gross profit	**5,101**	**-**	**5,101**

Other cash flows on operating activities

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

Loans granted	-	(90,315)	(90,315)
Interest received	-	320	320
Other	-	95	95
Other cash flows on operating activities	**-**	**(89,900)**	**(89,900)**
Net cash flow from operating activities	**5,101**	**(89,900)**	**(84,799)**
Acquisition of subsidiary – deferred payment	(1,136)	-	(1,136)
Purchase of property, plant and equipment and intangible assets	(8)	-	(8)
Proceeds from sale of property, plant and equipment and intangible assets	9	-	9
Loans granted	(90,315)	90,315	-
Interest received	320	(320)	-
Other	95	(95)	-
Net cash flow from investing activities	**(91,035)**	**89,900**	**(1,135)**
Loans repaid	(7,010)	-	(7,010)
Interest paid on loans obtained	(523)	-	(523)
Issue of commercial papers	20,000	-	20,000
Repayment of commercial papers issued	(71,500)	-	(71,500)
Interest paid on commercial papers issued	(1,730)	-	(1,730)
Expenditures related to share capital increase	(3,964)	-	(3,964)
Proceeds from share issuance	281,750	-	281,750
Other	(297)	-	(297)
Net cash flow from financing activities	**216,726**	**-**	**216,726**
Net increase in cash and cash equivalents	**130,792**	**-**	**130,792**
Cash and cash equivalents at the beginning of the year	**3,244**	**-**	**3,244**
Cash and cash equivalents at the end of the year	**134,036**	**-**	**134,036**

Apart from the above changes, the Company made changes in the names of selected items presented in the financial statements and the statement of changes in equity:

Statement of financial position

Was:	Is:
Assets	**Assets**
Other financial assets (non-current)	Non-current financial assets
Trade and other receivables (PLN 138,004,000)	Loans granted (PLN 137,995,000)
	Trade and other receivables (PLN 9,000)
Liabilities	**Liabilities**
Share premium	Supplementary capital
Other financial liabilities	Liabilities from issue of commercial papers

Statement of changes in equity

Was:	Is:
Share premium	Supplementary capital

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

In connection with the division of the item "Trade and other receivables" into the positions "Loans granted" and "Trade and other receivables", changes were also made to the comparative data as at 31 December 2012. The effect of those changes on the balance sheet as at 1 January 2012 was as follows:

Approved statements as at 31 December 2011		**Restate data:**	
Trade and other receivables	42,197	Loans granted	41,276
		Trade and other receivables	921

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

11. Significant accounting principles

11.1. 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 (depending on their nature) under financial income (costs) or income/costs of operating activities 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 purpose of balance sheet measurements:

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

11.2. Property, plant and equipment

Property, plant and equipment are presented at their purchase price/manufacturing cost less accumulated depreciation and impairment losses. The initial value of 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.

The depreciation rates applied to tangible assets are as follows:

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

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

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

11.3. Intangible assets

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

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

11.4. Leases

Financiał 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 years ended on 31 December 2013 and 31 December 2012, the Company was not a party to lease agreements.

11.5. Shares in subsidiaries, associates and joint ventures

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

At each balance sheet date, the Company assesses whether there are any indications 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.

11.6. 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 non-current assets if their maturity occurs more than 12 months after the balance sheet date.

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

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

b) was 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 financial income (positive net changes in fair value) or expenses (negative net changes in fair value). If a contract incorporates one or more embedded derivatives, the entire contract can be classified under the category of financial assets measured at fair value through profit or loss. This does not apply to cases where the embedded derivative does not significantly affect cash flows under the contract or where it is obvious without 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.

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.

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

11.7. Impairment of financial assets

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

11.7.1 Assets 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.

11.7.2 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.

11.7.3 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 amortisation / depreciation) and its current fair value, less any impairment write-down against such asset recognised in profit or loss, is derecognised from equity and transferred to profit or loss. A reversal of impairment write-downs recognised against equity instruments classified as available for sale is not to be carried out in profit or loss. If, in any subsequent period, the fair value of a debt instrument available for sale increases, and such growth might be objectively associated with an event taking place after recognition of a respective impairment write-down in profit or loss, the amount of such reversed write-down is disclosed in profit or loss.

11.8. Embedded derivatives

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

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

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

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

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

11.9. 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 financial income.

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

11.10. Cash and cash equivalents

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

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

11.11. 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.

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

11.12. 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 2013 no financial liabilities were classified as measured at fair value through financial result (as at 31 December 2012: 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 excludes financial liabilities from its statement of financial position when a liability has expired - that is, when an obligation set out in an agreement has been discharged, cancelled or has expired. 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.

11.13. 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.

11.14. 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.

11.14.1 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.

11.14.2 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.

11.14.3 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.

11.14.4 Dividends

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

11.15. Taxes

11.15.1 Current tax

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

11.15.2 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 shares in joint ventures - except for a situation where the deadlines for reversing temporary differences are subject to investor control and where it is likely that, in the foreseeable future, temporary differences will not be reversed.

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 shares in joint ventures, a deferred tax asset is disclosed in the statement of financial position only in the amount in which it is likely in the foreseeable future that the above temporary differences will be reversed and that taxable income will be achieved, which will make it possible to offset the negative temporary differences.

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

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.

11.15.3 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.

11.16. 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.

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

12. Business segments

The activities conducted by the Company are treated as a single operating segment (holding activity).

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

13. Revenues and costs

13.1. Revenues from core operating activities

	Year ended 31 December 2013	**Year ended 31 December 2012 *(restated)***
Income from interest on loans granted to related entities	22,149	6,413
Positive exchange rate differences	5	-
Other	-	54
Total	**22,154**	**6,467**

During the 12-month period ended 31 December 2013, revenues from core operating activities increased by PLN 15,687,000 in comparison with the corresponding period of the previous year. This change results from an increase in the value of loans granted to related entities. Details on loans granted are presented in Note 19.1.

13.2. Own costs from core operating activities

	Year ended 31 December 2013	**Year ended 31 December 2012 *(restated)***
Interest on bonds	19,978	-
Interest on loans received from related entities	-	122
Interest on commercial papers issued to related entities	337	1,876
Interest on commercial papers issued to other entities	-	1,460
Interest on bank credit received	746	-
Commission on bank credit received	897	-
Update of the value of embedded derivative	647	-
Negative exchange rate differences	-	8
Other costs	52	392
Total	**22,657**	**3,858**

During the 12-month period ended 31 December 2013, costs of core operating activities increased by PLN 18,799,000 in comparison with the corresponding period of the previous year. This change results from an increase in the value of costs related to the issuance of debt securities. Details on the issuance of debt securities is presented in Note 22.

13.3. Wages and salaries

	Year ended 31 December 2013	**Year ended 31 December 2012**
Management Board	1,261	1,077
Supervisory Board	89	14
Others	446	178
Total	**1,796**	**1,269**

The amount of PLN 1,077,000 (year ended 31 December 2012) does not include the premium paid out to the Company's Management Board, settled as a decrease in the value of supplementary capital.

13.4. Other costs by type

	Year ended 31 December 2013	**Year ended 31 December 2012**

Materials and energy used	4	2
External services	1,831	1,270
Taxes and charges	41	2
Social insurance and other benefits	108	92
Other costs	59	86
Total	**2,043**	**1,452**

The item "External services" (year ended 31 December 2013) contains the costs of securing debt (investment credit) by Inwestycje Polskie Sp. z o.o., in the amount of PLN 668,000 (details in Note 26.2).

13.5. Financial income

	Year ended 31 December 2013	**Year ended 31 December 2012** ***(restated)***
Income from bank interest	4,450	6,738
Income from loans granted to non-related entities	-	456
Positive exchange rate differences	-	8
Total	**4,450**	**7,202**

During the 12-month period ended 31 December 2013, financial income decreased by PLN 2,752,000 in comparison with the corresponding period of the previous year. That change resulted from the lower value of funds in deposits and changes in bank deposit interest rates.

14. Income tax

14.1. Arrangement on the effective tax rate

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

	Year ended 31 December 2013	**Year ended 31 December 2012**
Profit (loss) before tax	85	6,987
Tax based on the applicable tax rate - 19%	(16)	(1,328)
Costs not constituting costs of obtaining income	(3)	(20)
Undisclosed tax loss and other undisclosed temporary differences	19	1,348
Income tax for the financial year	-	-
Income tax in the statement of comprehensive income	-	-

14.2. Deferred income tax

Deferred income tax results from the following items:

	Statement of financial position		*Statement of comprehensive income for the year ended*	
	31 December 2013	***31 December 2012***	***31 December 2013***	***31 December 2012***
Deferred income tax provision				
Interest accrued but not received on loans granted	5,472	1,366	(4,106)	(1,219)
Interest accrued but not received on bank deposits	31	65	34	(65)
Positive exchange rate differences	-	-	-	15
Other	-	-	-	158
Deferred income tax provision	5,503	1,431	(4,072)	(1,111)
Deferred income tax assets				
Unused holiday leave provision	15	9	6	3
Interest on liabilities accrued but not paid	3,796	693	3,103	229
Loss which can be deducted from future taxable income	3,214	2,404	810	(471)
Other	143	9	134	2
Deferred income tax assets	7,168	3,115	4,053	(237)
The value of tax losses and temporary differences for which deferred tax was not disclosed due to the anticipated	(1,665)	(1,684)	19	1,348

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

impossibility of realising the assets in deferred tax from future tax results of the Company				
Deferred tax liabilities			-	-
Net assets/provision for deferred income tax, of which:	-	-		
Deferred income tax assets - continuing operations	-	-		
Provision for deferred income tax - continuing operations	-	-		

15. Earnings per share

Basic earnings per share is calculated by dividing the net earnings 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 and shares used in calculating the basic earnings per share:

	Year ended 31 December 2013	**Year ended 31 December 2012**
Net profit (loss) on continuing operations	85	6,987
Net profit (loss)	**85**	**6,987**
Weighted average number of ordinary shares issued used in calculating the basic earnings (loss) per share	1,479,665,366	1,127,129,125
Net profit (loss) on continuing operations per share	0.0001	0.0062

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.

16. Property, plant and equipment

Year ended on 31 December 2013

	Other technical equipment and machinery	**Technical equipment and machinery - infrastructure**	**Vehicles**	**Investments in progress**	**Total**
Gross value of fixed assets as at 1 January 2013	**81**	**27**	**-**	**-**	**108**
Increases resulting from purchase of assets	9	-	131	-	140
Gross value of fixed assets as at 31 December 2013	**90**	**27**	**131**	**-**	**248**
Cancellation as at 1 January 2013	**(60)**	**(27)**	**-**	**-**	**(87)**
Depreciation and amortisation	(13)	-	(16)	-	(29)
Cancellation as at 31 December 2013	**(73)**	**(27)**	**(16)**	**-**	**(116)**
Net value of fixed assets as at 1 January 2013	**21**	**-**	**-**	**-**	**21**
Net value of fixed assets as at 31 December 2013	**17**	**-**	**115**	**-**	**132**

Year ended on 31 December 2012

	Other technical equipment and machinery	**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**

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

17. Intangible assets

Year ended on 31 December 2013

	Computer software and licences	Other	Total
Gross balance of intangible assets as at 1 January 2013	**18**	**20**	**38**
Increases resulting from purchase of assets	1	-	1
Gross value of intangible assets as at 31 December 2013	**19**	**20**	**39**
Cancellation as at 1 January 2013	**(18)**	**(20)**	**(38)**
Depreciation and amortisation	(1)	-	(1)
Cancellation as at 31 December 2013	**(19)**	**(20)**	**(39)**
Net value of intangible assets as at 1 January 2013	-	-	-
Net value of intangible assets as at 31 December 2013	-	-	-

Year ended on 31 December 2012

	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 value 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 value of intangible assets as at 1 January 2012	-	-	-
Net value of intangible assets as at 31 December 2012	-	-	-

18. Non-current financial assets

	31 December 2013	31 December 2012
Shares, of which:		
- CenterNet S.A.	238,989	238,989
- Mobyland Sp. z o.o.	178,770	178,770
- Conpidon Ltd.	548,444	548,444
Loans granted (including interest)	259,546	-
Embedded derivatives - option of early repurchase of bonds	47,232	-
Total	**1,272,981**	**966,203**

Loans granted

Details concerning long-term loans granted in 2013 are described in Note 19 hereto.

Embedded derivative

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

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

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

Shares

For the needs of perparing the annual financial statements, the Company conducted an impairment test of shares in subsidiaries by estimating the recoverable value of those interests and shares.

The recoverable amount of the shares in subsidiaries was estimated as the fair value less any expenses of making sales.

As a result of the tests, no impairment write-downs of shares were recognised for subsidiaries. The surplus of recoverable amount over the carrying amount is sufficient to cover any expenses of making sales.

Given the type of activity conducted and the fact that there is one coherent operating segment, in the opinion of the Management Board of the Company investments in subsidiaries constitute a single main cash-generating unit (in the meaning of IAS 36 Impairment of assets) focused on telecommunications activities and wholesale data transfers based on the LTE and HSPA+ technologies, which are a relatively new solution in Poland and worldwide. As a result of the above, the impairment test of shares in subsidiaries was conducted on the basis of forecast cash flows to be generated jointly by all subsidiaries, constituting a single cash-generating unit. When developing and approving business plans, the Management Board takes into account changes taking place on the telecommunications market in Poland as well as its own market research and agreements signed or negotiated with telecommunications operators.

The Management Board of the Company based the main assumptions made in order to determine the usable value of the cash-generating unit on expectations with regard to:

- the market value of data transfers,
- the share of subsidiaries of Midas S.A. in the high-speed data transmission market,
- the rate of growth in demand for rapid data transfers in Poland.

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

The end growth rate accepted is 0 per cent after the period of the forecast, whereas the pre-tax discount rate is 11.7 per cent (the after-tax WACC is 10 per cent). The period covered by the forecast is 2014-2021.

The Management Board of the Company anticipates that the average growth rate in use of data transfers in the period of the forecast, i.e. 2014-2021, will be approx. 28 per cent yearly, with the highest growth in the coming year. Prices for wholesale consumers, however, will drop significantly over the next 5 years. The Company will mainly incur operating costs relating to maintaining and using its telecommunications network, and to charges for holding frequencies and radio bands.

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

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

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

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

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

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

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

In the matter concerning a repeal of the decision of the President of the OEC of 13 June 2011 No. DZC-WAP-5174-9/07(321) and of 23 August 2011 No. DZC-WAP-5174-9/07(352) invalidating - in the scope concerning the evaluation of PTC's bid - the tender concerning two reservations of frequencies in the range 1710-1730 MHz and 1805-1825 MHz, issued in the tender concerning reservation of the frequencies granted to CenterNet and Mobyland (Current Report No. 33/2012), the companies in October 2012 received a written justification to the judgement of the PACW of 6 July 2012. In a written justification of the judgement, the PACW sustained the theses presented in the oral justification and stated that the President of the OEC was bound by the stance expressed by the Supreme Administrative Court in its ruling of 3 February 2011, file ref. II GSK 88/10, under which the President of the OEC should have invalidated the tender in its entirety. Furthermore, in the opinion of the PACW, the functional interpretation applied by the President of the OEC with respect to the scope of invalidation of the tender is not a decisive interpretation in shaping administrative decisions concerning the Tender, and a literal interpretation compliant with the provisions of the Telecommunication Law of 16 July 2004 should be applied first. Further, the PACW stated that, while resolving the above issue, it did not analyse the motivations and correctness of actions of the President of the OEC when issuing the First and Second Decision of the President of the OEC. On 8 November 2012, Mobyland and CenterNet filed cassation appeals against the judgement of the PACW of 6 July 2012. Currently, CenterNet and Mobyland are awaiting processing of the cassation appeal by the SAC. The date of reviewing the cassation appeals is unknown.

In connection with the above decisions of 13 June 2011 and 23 August 2011, the President of the OEC conducted another tender in the scope covering assessment of the bid placed by PTC and determined the revised result of the tender in the form of a new list assessing each bid. The bids placed by CenterNet were placed on the list under items 1 and 2. On 27 October 2011, CenterNet filed a motion to obtain frequency reservations on the basis of the offer featured as item 2 on the evaluation list. Upon announcing the new results of the tender, Polska Telefonia Komórkowa Centertel sp. z o.o. and Polska Telefonia Cyfrowa S.A. filed motions to invalidate the tender. In its decision of 28 November 2012, the President of the OEC refused to invalidate the tender. The above decision was upheld by the decision of the President of the OEC of 8 November 2013. Subsidiaries of the Issuer did not file complaints against the decision of the President of the OEC of 8 November 2013. The Issuer is not aware of whether those complaints were submitted by other participants in the proceedings.
In view of the above circumstances, the Management Board is not able to predict the final resolutions, but currently feels that none of the above proceedings should have a detrimental effect on the financial position or the results of Midas S.A.

19. Other assets

19.1. Loans granted

	31 December 2013	31 December 2012 *(restated)*
Loans granted (together with interest computed)	445,567	137,995
Total	**445,567**	**137,995**
current	186,021	137,995
Non-current (presented in the statement of financial position under other non-current financial assets (non-current))	259,546	-

During the 12-month period ended 31 December 2013, the Company granted loans with a total value of PLN 291,000,000, of which:

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

- to Aero2 Sp. z o.o., short-term loans in the amount of PLN 45,000,000 and long-term loans in the amount of PLN 124,000,000,
- to Mobyland Sp. z o.o., long-term loans in the amount of PLN 122,000,000.

Details on loans granted are presented are shown in the table below:

Company	Amount of loan	Date loan granted	Date loan repaid	Interest rate and other conditions of the loan
Mobyland	40,000	22 April 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	25,000	7 May 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	23,000	25 September 2013	30 March 2018	cost of servicing the Alior loan plus margin
Mobyland	20,000	26 September 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	18,000	19 September 2013	30 March 2018	cost of servicing the Alior loan plus margin
Mobyland	17,000	22 August 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	16,000	22 July 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Mobyland	16,000	9 September 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	15,000	27 May 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	15,000	19 June 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Mobyland	15,000	29 October 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	14,000	27 March 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days
Mobyland	14,000	5 December 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	12,000	26 June 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days
Aero2	10,000	23 April 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days
Aero2	9,000	22 August 2013	31 December 2014	WIBOR 1M plus margin, interest accrued in arrears - WIBOR 1M from the second business day preceding the beginning of the interest period assuming that one year is 365 days
Aero2	5,000	5 December 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013
Aero2	5,000	23 December 2013	30 March 2018	cost of servicing the Alior loan plus margin
Aero2	2,000	22 August 2013	to April 2021 (in accordance with bond repayment date)	margin plus cost of servicing the debt from zero coupon bonds issued by MIDAS S.A. on 16 April 2013

All of the above loans are secured by an own in blanco promissory note.
The loans were granted for the purpose of financing the expansion and maintenance of the telecommunications network of the Midas Group, conducted as part of the normal operations of the Midas Group.

On 23 January 2013, CenterNet made an early repayment of part of the loan granted by the Company on 18 July 2011 – it repaid principal in the amount of PLN 5,000,000 together with accrued interest due in the amount of PLN 540,000.

In October 2013, Conpidon made an early repayment of part of the loan granted by the Company on 2 April 2012 – it repaid principal in the amount of EUR 10,233.

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

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

19.2. Other assets

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

20. Cash and cash equivalents

Cash at banks generates interest based on variable interest rates whose amount depends on interest rates for one-day bank deposits. Short-term deposits are made for periods ranging from one day to one month, depending on the Company's current needs for cash and earn interest at their respective fixed interest rates.

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

	31 December 2013	31 December 2012
Cash at bank and on hand	379	420
Short-term bank deposits	65,002	133,272
Interest accrued on bank deposits	162	344
Cash and cash equivalents	**65,543**	**134,036**

Notes 20.1 - 20.2 refer to the statement of cash flow

20.1. Change in the balance of short-term liabilities

	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Change in the balance of short-term liabilities	(25,740)	(581,260)
Change in the balance of loans and borrowings	(69)	7,411
Change arising from the issue of debt securities	25,897	25,555
Change in the balance of other financial liabilities	24	548,411
Total	**112**	**117**

20.2. Change in the balance of short-term receivables

	1 Jan 2013 - 31 Dec 2013	1 Jan 2012 - 31 Dec 2012
Change in the balance of short-term receivables	(48,017)	(95,807)
Change in the balance of receivables from loans and borrowings	48,026	96,720
Change in the balance of other financial receivables	-	(95)
Change in the balance of receivables on disposal of property, plant and equipment	-	(9)
Total	**9**	**809**

21. Share capital and supplementary/reserve capital

21.1. Share capital

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

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

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

21.1.1 Nominal value of shares

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

21.1.2 Shareholders' rights

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

21.1.3 Shareholders having a significant holding

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

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

21.2. Supplementary capital

In the 12 month period ended on 31 December 2013, there was a decline in the value of supplementary capital, by PLN 146,000. In 2013, the Company sold 5,000 of its own shares, and the loss on the sale of own shares encumbered the supplementary capital.

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

21.3. Own shares

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

21.4. Retained earnings and dividend restrictions

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

22. Interest-bearing bank loans, borrowings and issued papers and bonds

	Effective interest rate %	Repayment date	31 December 2013	31 December 2012
Current				
Issue of series MID 0611B commercial papers with a nominal value of PLN 20,000,000, bearing interest at the rate of WIBOR 1M + margin	8.61%	31 Dec 2013	-	22,732
Issue of series MID 0611C commercial papers with a nominal value of PLN 8,750,000, bearing interest at the rate of WIBOR 1M + margin	6.61%	31 Dec 2013	-	3,165
Commission charged (investment credit)			69	-
Total			**69**	**25,897**
Non-current				
Issues of series A bonds of a nominal value of PLN 583,772,000, discount rate of 14.31%	14.34%	16 April 2021	267,543	-
Investment credit with a nominal value of PLN 150,000,000, bearing interest at the rate of WIBOR 1M + margin	7.30%	31 March 2018	45,580	-
Total			**313,123**	**-**

On 28 February 2013, the Company concluded with Alior Bank Spółka Akcyjna ("Alior Bank") a loan agreement for investment credit of PLN 150 million to finance the expansion of a network of relay stations by companies belonging to the Midas Group. Repayment of the interest, calculated on the basis of the 1M WIBOR rate increased by the bank's margin, will be made in monthly periods. Up to 31 December 2013, the Company drew down part of the credit in the amount of PLN 46 million. The funds from the credit were sent directly to the bank account of the Company's subsidiary Aero2, in accordance with the loan agreement concluded between Midas and Aero2 on 13 September 2013. In the statement of financial position, the value shown of liabilities from the credit is based on the effective interest rate, taking account of costs incurred in connection with obtaining the financing. Details on the above agreement are provided in Note 26.2.

On 16 April 2013, the Management Board of the Company assigned a total of 583,772 zero-coupon secured series A bearer bonds issued by the Company, with a nominal value of PLN 1,000 per bond (the "Bonds"). The total issue price of the Bonds assigned was PLN 200,099,528.44. The discount rate was set at 14.31 per cent. The Bonds maturity date is 16 April 2021. As at 31 December 2013, in the statement of comprehensive income the Company disclosed financial costs related to the issue of bonds (i.e. the discount, update of the value of the embedded derivative and other costs) in the amount of PLN 20,677,000. Outlays related to the bonds issue were PLN 483,000. Details on the issue of the bonds is provided in Note 26.2.

In the 12-month period ended 31 December 2013, the Company made an early redemption of debt papers, of which:

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

- on 17 January 2013, the Company redeemed early debt papers of series MID0611C, held by CenterNet, for a total value of PLN 3,172,000, including interest for a total of PLN 922,000.
- 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.

The subsidiaries will apply the proceeds from the early redemption of the debt papers towards expanding the telecommunications network of the Midas Group.

23. Trade and other payables

	31 December 2013	31 December 2012
Trade liabilities		
Liabilities to other entities	69	92
Liabilities to related parties	240	44
	309	**136**
Other liabilities		
Liabilities to related parties	-	52
Other liabilities	106	158
	106	**210**
Financial liabilities		
Interest and commission liabilities	69	3,647
Proceeds from issue of debt securities (Note 22)	-	22,250
	69	**25,897**
Total	**484**	**26,243**

Terms and conditions of payment of the above financial liabilities:

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 normally settled in monthly periods.

24. Investing liabilities

As at 31 December 2013 and as at 31 December 2012, the Company did not incur any capex liabilities that have not been disclosed in these financial statements.

25. Contingent liabilities

As at 31 December 2013 and at 31 December 2012, Midas had no contingent assets or liabilities.

25.1. Litigation

In the current reporting period, there were no proceedings pending in relation to Midas. Proceedings pending in relation to Midas's subsidiaries are described in Note 31.1 to the consolidated financial statements.

25.2. Tax settlements

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

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

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 2013, there was no need to establish provisions for tax risk.

26. Information on related parties

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

		Receivables from related parties, of which:	**trade**	**loans**	**other**
Subsidiaries	*2013*	445,567	-	445,567	-
	2012	138,004	8	137,996	-

		Liabilities towards related parties, of which:	**trade**	**loans**	**issue of commercial papers**
Subsidiaries	*2013*	7	7	-	-
	2012	25,921	24	-	25,897
Entities controlled by a person (or members of their family) who controls, jointly controls or has significant influence over Midas S.A.	*2013*	233	233	-	-
	2012	20	20	-	-

		Revenues from mutual transactions, of which:	**other operating revenues**	**interest on loans**	**other**
Subsidiaries	*2013*	22,154	-	22,149	5
	2012	6,479	12	6,413	54
Entities controlled by a person (or members of their family) who controls, jointly controls or has significant influence over Midas S.A.	*2013*	1,422	-	-	1,422
	2012	1,576	-	-	1,576

		Costs of mutual transactions, of which:	**interest on commercial papers**	**interest on loans**	**other**
Subsidiaries	*2013*	478	337	-	141
	2012	2,167	1,876	122	169
Entities controlled by a person (or members of their family) who controls, jointly controls or has significant influence over Midas S.A.	*2013*	1,005	-	-	1,005
	2012	377	-	-	377

26.1. Entity with a significant influence over the Company

As at 31 December 2013, Litenite Limited held 66 per cent of the ordinary shares of Midas (31 December 2012: 66 per cent).

26.2. Significant agreements entered into by Midas

Investment credit from Alior Bank

On 28 February 2013, the Company concluded with Alior Bank Spółka Akcyjna ("Alior Bank") a loan agreement for investment credit of PLN 150 million to finance the expansion of a network of relay stations by companies belonging to the Midas Group. Under the Agreement, the Company can use the Credit after meeting

specific conditions of use of the Credit, specified in the Agreement, but no later than by 31 March 2015. The Credit will be repaid in 12 quarterly capital instalments in the following amounts: PLN 1.5 million for the first three instalments; PLN 16.2 million for the next 8 instalments, and PLN 15.9 million for the last instalment. Capital instalments will be paid on the day on which each quarter ends, beginning with 30 June 2015 until 31 March 2018. The interest, calculated on the basis of the 1M WIBOR rate increased by the Bank's margin, will be repaid
in monthly periods. The security for the Credit is: a power of attorney to the account of the Company in the Bank, a contractual mortgage up to PLN 225 million on the real property of Inwestycje Polskie Sp. z o.o. situated in Warsaw at ul. Ostrobramska 77 together with an assignment of rights from the all-risks insurance policy on the real property in an amount of not less than PLN 150 million, a suretyship under civil law by Inwestycje Polskie Sp. z o.o. granted for a period of one year from the date of a legally binding establishment of the mortgage together with a declaration on submission to enforcement under the suretyship granted up to the amount of the mortgage, a confirmed cession of rights resulting from lease agreements for the premises on the real property concluded by Inwestycje Polskie Sp. z o.o. with tenants up to the amount not greater than PLN 15 million, a suretyship under civil law by the guarantors together with the above-mentioned declarations on submission to enforcement from the suretyship granted up to the amount of PLN 300 million, together with the above declaration of the Company on submission to enforcement under the above procedure up to the amount of PLN 300 million. The Management Board of the Company reported on the conclusion of the Agreement, including on the conditions for the use and security of the Credit, in Current Report No. 4/2013. The Management Board of the Company reported on the fulfilment of specific conditions precedent in Current Reports No. 23/2013, 26/2013, 31/2013 and 33/2013. On 1 August 2013, the companies Aero2, CenterNet and Mobyland (the "Guarantors") concluded with Alior Bank a guarantee agreement for the joint security of the Company's liabilities from the Investment Credit Agreement in the amount of PLN 150 million, for the duration of the Credit as set forth in the Credit Agreement, i.e., until 31 March 2018. The amount of each of the above joint guarantors was set at PLN 300 million. The Company points out that each of the Guarantors is an entity which is a 100-per cent subsidiary of the Company, whereas no ties exist between the Guarantors and Alior Bank or between the Company and Alior Bank. The Company published information on this event in Current Report No. 31/2013. Up to 31 December 2013, the Company drew down part of the credit in the amount of PLN 46 million. The funds from the credit were sent directly to the bank account of the Company's subsidiary Aero2, in accordance with the loan agreement concluded between Midas and Aero2 on 13 September 2013. In the statement of financial position, the value of liabilities from the credit is presented after reduction by the costs of the credit incurred settled over time.

<u>Establishment of collateral (the "Pledge Agreement") on shares in subsidiaries</u>

On 7 March 2013, in connection with the adoption of a resolution of the Management Board of the Company on the same day on a series A bonds issue (the "Bonds"), the Company, Conpidon Limited ("Conpidon", and together with the Company the "Pledgors") and BondTrust Polskie Towarzystwo Powiernicze S.A. ("BondTrust PTP", the "Pledge Administrator", the "Security Administrator" - with regard to other security than a registered pledge) concluded an agreement to establish a registered pledge on shares and interests and to establish other forms of security over the Bonds (the "Pledge Agreement"). The Pledge Agreement provides for: (i) the establishment of security in the form of an in blanco promissory note issued by the Company together with a promissory note declaration in favour of the Security Administrator, a declaration by the Company on submission to enforcement, and a pledge within the meaning of Article 306 of the Civil Code (the "Civil Pledge") on the Subject of the Pledge defined below, in favour of the Security Administrator, securing payment of the promissory note amount under the aforementioned in blanco promissory note, as a future receivable, and (ii) appointing BondTrust PTP as the administrator of the Registered Pledge, within the meaning of Article 4 par. 3 and 4 of the Act on Registered Pledges and the Pledge Register, and (iii) establishing a registered pledge on the Subject of the Pledge (the "Registered Pledge").

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

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

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

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

The issue of series A bonds

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

1) Sferia S.A., with its registered office in Warsaw – 583,481 Bonds,

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

The total issue price of the Bonds assigned was PLN 200,099,528.44. The discount rate was set at 14.31 per cent. The Bonds maturity date is 16 April 2021. As at 31 December 2013, in the statement of comprehensive income the Company disclosed financial costs related to the issue of bonds (i.e. the discount and the costs of the issue) in the amount of PLN 20,030,000. Outlays related to the bonds issue were PLN 483,000. Information about the issue of bonds was provided in Current Reports No. 5/2013, 6/2013, 8/2013, 11/2013, 12/2013, 13/2013 and 16/2013.

Loans granted to Aero2

In 2013, as a result of loan agreements (the "Agreements") concluded with Aero 2 Sp. z o.o., the Company granted Aero2 loans in a total amount of PLN 169,000,000 of which PLN 124,000,000 constitute long-term loans, and PLN 45,000,000 short-term loans.

The conditions of the agreements concluded are presented below:

- for the short-term loans: the annual interest rate is equal to the WIBOR 1M + margin, the loans are secured, and the repayment date falls on 31 December 2014;
- for long-term loans of a total value of PLN 78,000,000 interest is calculated on the basis of the cost of Midas obtaining the capital (i.e. on the basis of the discount rate on the bonds issued on 16 April 2013 by Midas), increased by a margin. The loans are secured, and the repayment date is subject to the maturity date of the bonds (the above series A bonds);
- for long-term loans of a total value of PLN 46,000,000 the interest is calculated on the basis of the cost of Midas obtaining the capital increased by a margin, the loan is secured and subject to repayment in full together with accrued interest on 30 March 2018 (the loan repayment schedule corresponds to the repayment schedule presented above - investment credit from Alior Bank).

The loans were granted for the purpose of financing the investments carried out by the Midas Group.

Loans granted to Mobyland

In 2013, as a result of loan agreements concluded with Mobyland (the "Agreements"), the Company granted Mobyland loans of a total value of PLN 122,000,000. Under the Agreements, interest is calculated on the basis of the cost of Midas obtaining the capital (i.e. on the basis of the discount rate on the bonds issued on 16 April 2013 by Midas), increased by a margin. The repayment date of the loans is subject to the maturity date of the bonds (the above series A bonds); The loans were granted for the purpose of financing the investments carried out by the Midas Group.

26.3. Remuneration of the Company's management staff

	Year ended 31 December 2013	**Year ended 31 December 2012**
Management Board		

Current employee benefits or similar (wages and salaries and bonuses)	1,261	1,445
Supervisory Board		
Current employee benefits or similar (wages and salaries and bonuses)	89	14
Total	**1,350**	**1,459**

27. 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 2013 and 31 December 2012 by type of service:

Type of service	**Year ended 31 December 2013**	**Year ended 31 December 2012**
Mandatory audit of financial statements*	40	40
Other services	35	115
Total	**75**	**155**

Refers to Ernst & Young Audyt Polska Sp. z o.o. Sp. k. (formerly Ernst & Young Audit Sp. z o.o.)

28. Financial risk management

Key financial instruments used by the Company include loans, bonds, cash and short-term deposits. 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 during the course of its 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.

28.1. Interest rate risk

Changes in market interest rates may affect Midas's revenues, costs, and operating cash flows. The Company invests its free funds in instruments considered safe or instruments with short maturities.

Interest rate risk - sensitivity to changes

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

	Increase/ decrease in percentage points	*Impact on gross financial result*
Year ended 31 December 2013		
PLN	+1%	1,705
PLN	-1%	(1,705)
Year ended 31 December 2012		
PLN	+1%	1,380
PLN	-1%	(1,380)

28.2. Currency risk

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

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

28.3. 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 assets measured at fair value through financial result both in 2013 and in 2012 was cash.

28.4. Credit risk

The maximum credit risk at Midas is reflected in the value of loans granted and cash.

With reference to financial assets of the Company such as cash and cash equivalents, the Company's credit risk appears when a counter-party 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 subsidiaries which have a high balance of receivables from entities in good financial condition. In the opinion of the Management Board, the risk of loans not being repaid is negligible.

28.5. 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 2013 and 31 December 2012 by maturity date in contractual non-discounted figures.

31 December 2013

	On demand	*Under 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	-	740	2,287	50,212	-	53,239
Other financial liabilities	-	-	-	-	583,772	583,772
Trade and other liabilities	-	415	-	-	-	415
Total	**-**	**1,155**	**2,287**	**50,212**	**583,772**	**637,426**

31 December 2012

	On demand	*Under 3 months*	*From 3 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Interest-bearing loans and borrowings	-	-	-	-	-	-
Other financial liabilities	-	-	27,834	-	-	27,834
Trade and other liabilities	-	346	-	-	-	346
Total	**-**	**346**	**27,834**	**-**	**-**	**28,180**

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

29. Financial instruments

29.1. 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.

	Category as per IAS 39	Carrying amount		Fair value	
Financial assets		31 December 2013	31 December 2012	31 December 2013	31 December 2012
Other non-current financial assets, of which:	LAR	306,778	-	29,509	-
- loans	LAR	259,546	-	247,277	-
- embedded derivative	FAFVFR	47,232	-	47,232	-
Other financial assets (current), of which:	LAR	186,021	137,995	186,021	137,995
- loans	LAR	186,021	137,995	186,021	137,995
Other receivables	LAR	-	9	-	9
Cash and cash equivalents	FAFVFR	65,543	134,036	65,543	134,036
Financial liabilities					
Other liabilities (non-current), of which:	OFLAC	313,123	-	300,317	-
+ bank credit	OFLAC	45,580	-	45,580	-
- bonds	OFLAC	267,543	-	254,737	-
Other liabilities (current), of which:	OFLAC	378	25,897	378	25,897
- commercial papers	OFLAC	-	25,897	-	25,897
+ bank credit	OFLAC	69	-	69	-
- trade liabilities	OFLAC	309	-	309	-

Abbreviations used:

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

Hierarchy of fair value as at 31 December 2013

	Level 1	Level 2	Level 3	Total
Financial assets				
Loans granted, of which:	-	-	433,298	433,298
- non-current, bearing interest at a floating interest rate	-	-	247,277	247,277
- current	-	-	186,021	186,021
Embedded derivative	-	-	47,232	47,232
Trade and other receivables	-	-	-	-
Cash and cash equivalents	65,543	-	-	65,543
Financial liabilities				
Interest-bearing bank loan, of which:	-	-	45,649	45,649
- non-current, bearing interest at a floating interest rate	-	-	45,580	45,580
- other - current	-	-	69	69
Liabilities from issue of bonds	-	-	254,737	254,737
Trade liabilities	-	309	-	309

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

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

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

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

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

Year ended 31 December 2013

Financial assets	*Category as per IAS 39*	*Revenues/(costs) of operating activities*	*Financial revenues/(costs)*	*Profit/(loss) on exchange rate differences*	*Total*
Other financial assets (non-current)	LAR	13,545	-	5	13,550
Other financial assets (current)	LAR	8,604	-	-	8,604
Embedded derivative	FAFVFR	(647)			(647)
Cash and cash equivalents	FAFVFR	-	4,450	-	4,450
Financial liabilities					
Interest-bearing bank credit, of which:	OFLAC	(1,643)	-	-	(1,643)
- non-current, bearing interest at a floating interest rate	OFLAC	(746)	-	-	(746)
- short-term, with a fixed interest rate	OFLAC	(897)	-	-	(897)
Other liabilities (non-current)	OFLAC	(20,030)	-	-	(20,030)
Other liabilities (current)	OFLAC	(337)	-	-	(337)

Year ended 31 December 2012 *(restated)*

Financial assets	*Category as per IAS 39*	*Revenues/(costs) of operating activities*	*Financial revenues/(costs)*	*Profit/(loss) on exchange rate differences*	*Total*
Other financial assets (current)	LAR	6,467	-	-	6,467
Cash and cash equivalents	FAFVFR	-	7,194	8	7,202
Financial liabilities					
Interest-bearing loans and papers, of which:	OFLAC	(3,850)		(8)	(3,858)
- current	OFLAC	(3,850)		(8)	(3,858)

29.3. Interest rate risk

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

31 December 2013

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 PLN 200,000,000	-	-	-	-	-	212,742	212,742
Loans granted in the amount of EUR 75,000	287	-	-	-	-	-	287
Short-term bank deposits	65,164	-	-	-	-	-	65,164
Bonds of a nominal value of PLN 583,772,000	-	-	-	-	-	267,543	267,543
Variable 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	185,734	-	46,804	-	-	-	232,538

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

PLN 216.500,000 Bank credit	-	4,156	41,424	-	-	-	45,580

31 December 2012

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 granted 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.

30. 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 the years ended on 31 December 2013 and 31 December 2012, there were no changes to the objectives, principles and processes applicable in this area.

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

	31 December 2013	**31 December 2012**
Interest-bearing borrowings and issued papers and bonds	313,192	25,897
Minus cash and cash equivalents and other financial assets	65,543	134,036
Net debt	**247,649**	**(108,139)**
Equity belonging to the shareholders of the parent	1,212,020	1,211,931
Total capital	**1,212,020**	**1,211,931**
Net capital and debt	**1,459,669**	**1,103,792**
Leverage ratio	0.170	(0.098)

31. Employment structure

The average headcount by position in the Company during the years ended on 31 December 2013 and 31 December 2012 was as follows:

	Year ended 31 December 2013	**Year ended 31 December 2012**
Management Board of the Company	1.17	0.55
Others	2.61	2.65
Total	**3.78**	**3.20**

32. Business combinations

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

On 25 April 2013, a plan was agreed and signed for a merger by takeover between the companies Aero2 (as the acquiring company) and Nova Capital (as the target company), in which Aero2 held a 100-per cent interest in the share capital. The decision to merge the two companies resulted from the desire to optimise and streamline the ownership structure of the Group. It was decided that the merger of Aero2 and Nova Capital would be made on the basis of the provisions of the CCC, in consequence of which: (i) Nova Capital was wound up without liquidation, (ii) all of the assets and liabilities of Nova Capital were transferred to or taken over by Aero2 under universal succession, and (iii) Aero2 entered into all the rights and obligations of Nova Capital. On 4 June 2013, the Extraordinary General Meeting of Shareholders of Aero2 and the Extraordinary General Meeting of Shareholders of Nova Capital adopted resolutions on the merger of those companies as set out in the above merger plan. On 31 July 2013, the District Court for the City of Warsaw, Division XII Commercial of the National Court Register, handed down a decision to register the merger of Aero2 as the acquiring company with Nova Capital as the target company, by way of transferring all of the assets of the target to the acquiring company.

33. Post-balance sheet date events

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

On 15 January 2014, Midas granted a loan to Mobyland in the amount of PLN 30,000,000. The loan is secured. Interest on the loan is variable, calculated on the basis of the WIBOR 1M rate increased by a margin. The repayment date of the loan is 31 December 2014.

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

SIGNATURES OF MEMBERS OF THE MANAGEMENT BOARD:

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

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

Teresa Rogala
/on behalf of SFERIA
Spółka Akcyjna/

Warsaw, 21 March 2014