ASSECO BUSINESS SOLUTIONS SA

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

31 December 2013 (in PLN thousand)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	*Year ended 31 December 2013*	*Year ended 31 December 2012*
Revenue on sales		145 987	139 300
Own cost of sales	11.5	(100 104)	(93 995)
Gross profit on sales		**45 883**	**45 305**
Cost of sale	11.5	(2 865)	(3 210)
General and administrative expenses	11.5	(11 060)	(11 793)
Net profit on sales		**31 958**	**30 302**
Other operating income	11.1	843	795
Other operating expenses	11.2	(979)	(415)
Profit on operating activities		**31 822**	**30 682**
Financial income	11.3	1 707	2 646
Financial expenses	11.4	(15)	(268)
Gross profit		**33 514**	**33 060**
Income tax	12.1	(6 686)	(6 528)
Net profit from continuing operations		**26 828**	**26 532**
Discontinued operations			
Net profit for the financial year		**26 828**	**26 532**
Other total income		–	–
- Other total net income subject to reclassification to profit/loss in subsequent reporting periods		–	–
- Other total net income not subject to reclassification to profit/loss in subsequent reporting periods		–	–
Other total net income		–	–
Total income for the period		**26 828**	**26 532**
Earnings per share:	**14**		
- basic/diluted profit for the period period		0.80	0.79
- basic/diluted from profit on continued operations in the reporting period		0.80	0.79

Financial statements for the year ended 31 December 2013 (in PLN thousand)

BALANCE SHEET
as at 31 December 2013

ASSETS	Note	31 December 2013	31 December 2012
Non-current assets		**194 515**	**196 223**
Property, plant and equipment	16	9 822	10 737
Intangible assets	18	11 907	12 766
Goodwill	18; 19	170 938	170 938
Non-current receivables	21.1	601	604
Deferred tax assets	12.3	1 218	1 069
Long-term prepayments and accrued income	21.2	29	109
Current assets		**96 881**	**80 374**
Inventories	23	2 646	1 646
Prepayments and accrued income	21.2	637	527
Trade receivables	24	36 596	26 387
Income tax receivables		–	1 297
Other receivables	24	2 275	1 979
Financial assets valued at fair value through profit or loss	20	–	39
Cash and short-term deposits	25	54 727	48 499
Non-current assets classified as held for sale		–	–
TOTAL ASSETS		**291 396**	**276 597**

EQUITY AND LIABILITIES	Note	31 December 2013	31 December 2012
The surplus from the sale of shares above their nominal value		62 423	62 423
Retained gains		29 522	29 094
Total equity		**259 036**	**258 608**
Non-current liabilities		**394**	**320**
Provisions	28	368	282
Long-term accruals and deferred income	29.3	26	38
Current liabilities		**31 966**	**17 669**
Trade liabilities	29.1	13 915	4 688
Other liabilities	29.1 29.2	7 908	5 337
Income tax liabilities	29.2	1 045	–
Provisions	28	373	256
Accruals and deferred income	29.3	8 725	7 388
Total liabilities		**32 360**	**17 989**
TOTAL EQUITY AND LIABILITIES		**291 396**	**276 597**

Financial statements for the year ended 31 December 2013 (in PLN thousand)

CASH FLOWS STATEMENT
for the year ended 31 December 2013

	Note	*Year ended 31 December 2013*	*Year ended 31 December 2012*
Cash flows from operating activities			
Gross profit		33 514	33 060
Adjustments:		**7 161**	**(3 724)**
Amortisation/depreciation	11.6	11 583	10 235
Change in inventories		(1 000)	(703)
Change in receivables		(10 502)	1 563
Change in liabilities, excluding credits and loans		11 797	(466)
Change in accruals and prepayments		1 295	(1 398)
Changes in provisions		203	58
Income from bank interest		(1 621)	(2 238)
Investment gain/(loss)		(102)	(762)
Income tax paid		(4 492)	(10 013)
Net cash from operating activities		**40 675**	**29 336**
Cash flows from investing activities			
Proceeds from the sale of non-financial tangible assets		263	1 669
Acquisition of property, plant and equipment		(3 280)	(3 042)
Acquisition of intangible assets		(6 681)	(6 519)
Acquisition/settlement of financial assets at fair value through profit or loss		29	79
Established bank deposits		–	(40 066)
Cash returned from bank deposits		–	79 766
Received interest		1 824	2 285
Net cash from investing activities		**(7 845)**	**34 172**
Cash flows from financing activities			
Dividends paid		(26 400)	(32 081)
Repayment of interest		–	(4)
Repayment of liabilities under lease agreements		–	(191)
Net cash from financing activities		**(26 400)**	**(32 276)**
Increase/(Decrease) in net cash and cash equivalents		6 430	31 232
Net difference in exchange rates		–	–
Opening cash	**25**	**48 200**	**16 968**
Closing cash	**25**	**54 630**	**48 200**

Financial statements for the year ended 31 December 2013 (in PLN thousand)

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

	Share capital	Surplus from the sale of shares above their nominal value	Retained profit/(loss) and current period	Equity total
As at 1 January 2013	**167 091**	**62 423**	**29 094**	**258 608**
Total income for period	–	–	26 828	**26 828**
Payment of the dividend	–	–	(26 400)	**(26 400)**
As at 31 December 2013	**167 091**	**62 423**	**29 522**	**259 036**
	12 months ended 31 December 2012			
As at 1 January 2012	**167 091**	**62 423**	**34 643**	**264 157**
Total income for period			26 532	**26 532**
Payment of the dividend	–	–	(32 081)	**(32 081)**
As at 31 December 2012	**167 091**	**62 423**	**29 094**	**258 608**

31 December 2013 (in PLN thousand)

ACCOUNTING RULES (POLICIES) AND ADDITIONAL NOTES

1. General Information

The financial statements of Asseco Business Solutions SA covers the year ended 31 December 2013 and includes comparative information for the year ended 31 December 2012.

Asseco Business Solutions SA ("the Company"; "unit") was established under a Notarial Deed dated 18 May 2001. The Company headquarters is located in Lublin, ul. Konrada Wallenroda 4c, 20-607.

The Company is registered in the Companies' Register of the National Court Register maintained by the District Court in Lublin, VI Economic Department of the National Court Register, under KRS: 0000028257 The Company has a business statistical number REGON 017293003.

The Company was established for an indefinite period of time.

Within the Asseco Capital Group, the Company comprises a Competence Centre for ERP systems in Poland, software for small and medium-sized enterprises and mobile management suppor systems. This comprehensive offer includes the provision, adaptation and configuration of business applications for enterprises, design and construction of infrastructure at the client's location or in the outsourcing model, the supply of equipment and system software of renowned partners, training for client's personnel, servicing and remote support for users. Asseco Business Solutions owns a Data Centre whose capacity parameters meet the highest standards of security, reliability and effectiveness of systems operation.

Direct parent entity of Asseco Business Solutions SA is Asseco Poland SA, which holds 46.47% of the Company's shares and, in accordance with the Company Articles of Association, is able to exercise its right to appoint three of the five members of the Supervisory Board as long as it remains a Company's shareholder holding at least 20% of the Company's share capital.

2. Composition of the Management Board

On 31 December 2013, the Management Board of the Company consisted of:

Wojciech Barczentewicz	President of the Management Board
Piotr Masłowski	Vice-President of the Management Board
Mariusz Lizon	Member of the Management Board

On 31 December 2013, the Supervisory Board of the Company consisted of:

Romuald Rutkowski	Chairman of the Supervisory Board
Adam Góral	Vice-Chairman of the Supervisory Board
Zbigniew Pomianek	Member of the Supervisory Board
Adam Pawłowicz	Member of the Supervisory Board
Grzegorz Ogonowski	Member of the Supervisory Board

The Supervisory Board does not operate through separate committees, the committees' duties are performed by the Supervisory Board.

3. Approval of the financial statements

These financial statements were approved for publication by the Management Board on 5 March 2014.

4. Significant values based on estimates and professional judgement

4.1. Professional judgement

In the process of applying accountancy rules (policies) to the issues listed below, of utmost importance, in addition to accounting estimates, was professional judgement of the management.

Classification of lease agreements

The Company classifies leases as operating or finance based on an assessment of the extent to which risks and benefits of ownership of the leased item fall in the share of the lessor and the lessee, respectively. This assessment is based on the economic substance of each transaction.

4.2. Estimation uncertainty

Below, the main assumptions have been made about the future and other key sources of uncertainty occurring on the balance sheet date which carry a significant risk of substantial adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment of assets

The Company tests goodwill for impairment. This requires an estimation of the value in use of the cash-generating unit, to which goodwill has been allocated that has emerged through the acquisition of a subsidiary and mergers. Estimating the value in use consists in determining future cash flows generated by the cash-generating unit and requires the discount rate to use in order to calculate the present value of those cash flows. Discount factor is the weighted average cost of capital (WACC). Assumptions adopted to that end are set out in Note 19.

Valuation of provisions for employee benefits

Provisions for employee benefits were estimated using actuarial methods. Assumptions adopted to that end are set out in Note 22. A change in financial indicators underlying the estimation, i.e. an increase in the discount rate by 1% and a decline in wage rate by 1% would cause a decrease in the provisions by around PLN 81 thousand.

Deferred tax asset

The Company recognizes a deferred tax asset based on the assumption that the future tax profits will be achieved allowing for its use. Deterioration of the tax results in the future could make the assumption unjustified.

The fair value of financial instruments

The fair value of financial instruments, for which there is no active market, is determined by appropriate valuation techniques. When selecting appropriate methods and assumptions, the Company is guided by professional judgement.

Revenue recognition

The Company realizes a number of contracts for the development and implementation of information systems. The valuation of IT contracts requires the establishment of future operating cash flows in order to determine the fair value of revenues and expenses and to measure the degree of progress of the project work. The Company uses the method of percentage of work progress in accounting for long-term contracts. The use of this method requires the Company to estimate of the proportion of the work done so far to the total services to be provided.

Amortization rates

The amount of amortization rates is determined on the basis of the expected economic lifetime of tangible fixed assets and intangible assets. The Company will review annually the adopted periods of economic useful life based on current estimates.

5. Basis for the preparation of these financial statements

These financial statements have been prepared in accordance with the historical cost accounting model, except for derivative financial instruments measured at their fair value.

These financial statements are presented in Polish zloty ("PLN") and all values, unless specified otherwise, are given in thousands of PLN.

While preparing these financial statements, it was assumed that the Company would continue its business activity in the foreseeable future. At the date of approval of these financial statements, no fact or circumstances were identified that might pose a threat to the Company in continuing its business.

5.1. Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and IFRS adopted by the EU. On the day of approval of these financial statements for publication, taking into consideration the EU's ongoing process of introducing the IFRS and activities conducted by the Company, there is no difference in the accounting rules applied by the Company between the IFRS which entered into force and those adopted by the EU.

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

5.2. Functional currency and reporting currency

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

6. Changes in accounting rules used

The accounting rules (policies) used to prepare these financial statements are consistent with those applied in preparing the Company's financial statements for the year ended 31 December 2012, with the exception of the application of the following changes to the standards and new interpretations applicable to annual periods beginning with 1 January 2013:

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

IFRS 13 introduces a uniform set of rules on determining the fair value of financial and non-financial assets and liabilities whereby such measurement is required or permitted by the IFRS. IFRS 13 does not indicate when the Company is required to perform the measurement at fair value. IFRS 13 applies to both initial measurement and the measurement after the initial recognition.

It requires new disclosures in the techniques (methods) of measurement and input information/data to determine the fair value and the impact of certain input information on the measurement at fair value.

The application of IFRS 13 had no impact on the Company's financial position or performance, nor on the extent of information disclosed in the Company's financial statements.

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

The interpretation does not apply to the Company.

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

The amendments introduce additional qualitative and quantitative disclosures regarding transferred financial assets if:

- the financial assets are completely removed from the balance sheet but the unit continues its involvement in these assets (e.g. options or guarantees regarding transferred assets)
- the financial assets are not entirely removed from the balance sheet

The application of these amendments had no impact on the Company's financial position or performance.

- Amendments to IAS 19 *Employee Benefits* – applicable to annual periods beginning on or after 1 January 2013,

Amendments to IAS 19 regarding benefit plans cover the following: removal of the "corridor" method, introduction of the requirement of immediate recognition of changes in assets/liabilities of the plan and the immediate recognition of past employment costs, recognition of actuarial gains/losses in other comprehensive income and the extension of the scope of disclosures.

The amendments also introduce changes with regard to the division into short and long-term employee benefits. These amendments had no material impact on the Company's financial position or performance, nor on the extent of information presented in the Company's financial statements.

- IAS 1 *Presentation of Financial Statements: Presentation of Other Comprehensive Income* **-** applicable to annual periods beginning on or after 1 July 2012,

The amendments concern the division of items in other comprehensive income. The items in other comprehensive income, formerly subject to reclassification to profit or loss, are presented separately from items that will not be reclassified to profit or loss. The application of these amendments had no impact on the Company's financial position or comprehensive income.

- Amendments to IAS 1 *First-time Adoption of International Financial Reporting Standards: Government Grants* **-** applicable to annual periods beginning on or after 1 January 2013,

Amendments to IFRS 1 did not affect the Company.

- Amendments resulting from the review of IFRS (published in May 2012) – applicable to annual periods beginning on or after 1 January 2013,

IAS 1 – The amendment clarifies the difference between voluntarily submitted additional comparative data and the comparative data required as a minimum,

IAS 16 – The amendment clarifies that the main spare parts and service equipment that meet the definition of tangible fixed assets are not inventories,

IAS 32 – The amendment removes the existing requirements of recognizing the tax from IAS 32 and requires the application of IAS 12 with regard to income taxes from the distribution to the owners of financial instruments,

IAS 34 – The amendment clarifies the requirements of IAS 34 relating to the information on the total value of assets and liabilities in each reportable segment in order to improve consistency with the requirements of IFRS 8 Operating Segments. The change requires that the total value of the assets and liabilities in a given reporting segment must be disclosed only if: the values are regularly reported to the superior operating decision-maker of the unit and there has been a significant change in the total value of assets and liabilities disclosed in the preceding annual financial statements for that segment.

The application of these amendments had no impact on the Company's financial position or performance, nor on the extent of information presented in the Company's financial statements.

The Company has not opted for early application of any other standard, interpretation or amendment that has been published but has not yet entered into force.

7. Changes in presentation

In the reporting period, the rules of presentation were modified for "Revenue on sales" and "Other operating income". Revenues from the rental of office space up to 31 December 2012 were included in the total amount of revenue on sales, and in the year ended

Financial statements for the year ended 31 December 2013 (in PLN thousand)

31 December 2013 they were presented in other operating income. What follows, the compared data were restated in order to standardize the rules of data presentation for the year ended 31 December 2013 and in comparative periods.

	12 months to 31 December 2012		
	Year ended 31 December 2012	change of presentation	balance after change of presentation
Revenue on sales	139 558	(258)	139 300
Other operating income	537	258	795

In parallel, the presentation of costs associated with the rental of office space were modified: until 31 December 2012, they had been presented under general and administrative expenses and in 2013 in other operating expenses:

	12 months to 31 December 2012		
	Year ended 31 December 2012	change of presentation	balance after change of presentation
General and administrative expenses	(16 865)	121	(16 744)
Other operating expenses	(294)	(121)	(415)

In the reporting period, the rules of presentation were also modified for the following items of operating expenses:

	12 months to 31 December 2012		
	Year ended 31 December 2012	change of presentation	balance after change of presentation
Own cost of sales	(89 044)	(4 951)	(93 995)
General and administrative expenses	(16 744)	4 951	(11 793)

8. New standards and interpretations that have been published and not yet in force

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee and are not yet in force:

- IFRS 10 *Consolidated Financial Statements* – applicable to annual periods beginning on or after 1 January 2013 – applicable in the EU for annual periods beginning on or after 1 January 2014 at the latest. The Company has decided to apply IFRS for annual periods beginning on or after 1 January 2014,
- IFRS 11 *Joint Ventures* – applicable for annual periods beginning on or after 1 January 2013 – applicable in the EU for annual periods beginning on or after 1 January 2014 at the latest. The Company has decided to apply IFRS for annual periods beginning on or after 1 January 2014,
- IFRS 12 *Disclosure of Interest in Other Entities* – applicable to annual periods beginning on or after 1 January 2013 – applicable in the EU for annual periods beginning on or after 1 January 2014 at the latest. The Company has decided to apply IFRS for annual periods beginning on 1 January 2014,

- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* – applicable to annual periods beginning on or after 1 January 2013 – applicable in the EU for annual periods beginning on or after 1 January 2014 at the latest.
- IFRS 13 *Fair Value Measurement* – applicable to annual periods beginning on or after 1 January 2014,
- IAS 27 *Separate Financial Statements* – applicable to annual periods beginning on or after 1 January 2013 – applicable in the EU for annual periods beginning on or after 1 January 2014 at the latest. The Company has decided to apply IFRS for annual periods beginning on or after 1 January 2014,
- IAS 28 *Investment in Associates and Joint Ventures* – applicable to annual periods beginning on or after 1 January 2013 – applicable in the EU for annual periods beginning on or after 1 January 2014 at the latest. The Company has decided to apply IFRS for annual periods beginning on or after 1 January 2014,
- Amendments to IAS 32 *Financial Instruments: Presentation: Compensation of Financial Assets and Liabilities* – applicable to annual periods beginning on or after 1 January 2014,
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* (published on 29 May 2013) – applicable to annual periods beginning on or after 1 January 2014,
- Amendments to IAS 39 *Novation of Derivatives and Continuation of hedge Accounting* (published on 27 June 2013) – applicable to annual periods beginning on or after 1 January 2014,
- First phase of IFRS 9 *Financial Instruments. Classification and Measurement* – entry into force has been postponed by the IFRS Advisory Council without any indication of the planned date of approval,
- Amendments to IFRS 10, IFRS 12 and IFRS 27 *Investment Entities* (published on 31 October 2013) – applicable to annual periods beginning on or after 1 January 2014,
- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) – applicable to annual periods beginning on or after 1 January 2016; not approved by the EU until the date of approval of these financial statements.
- Amendments to IAS 19 *Employee Benefits* (published on 21 November 2013) – applicable to annual periods beginning on or after 1 July 2014; not approved by the EU until the date of approval of these financial statements.
- IFRIC 21 *Levies* (published on 20 May 2013) – applicable to annual periods beginning on or after 1 January 2014; not approved by the EU until the date of approval of these financial statements.
- Amendments resulting from the review of IFRS 2010-2012 (published on 12 December 2012) – applicable to annual periods beginning on or after 1 July 2014; not approved by the EU until the date of approval of these financial statements.
- Amendments resulting from the review of IFRS 2011-2013 (published on 12 December 2013) – applicable to annual periods beginning on or after 1 July 2014; not approved by the EU until the date of approval of these financial statements.

The Management Board does not anticipate that the introduction of these standards and interpretations may have a significant impact on the Company's applicable accounting rules (policies).

9. Significant accounting policies

9.1. Conversion of items denominated in foreign currency

Transactions denominated in currencies other than the Polish zloty are translated into Polish zlotys at the rate applicable on the date of transaction.

31 December 2013 (in PLN thousand)

On the balance sheet date, the monetary assets and liabilities denominated in currencies other than the Polish zloty are converted into the Polish zloty using the average rate fixed at the end of the reporting period for a given currency by the National Bank of Poland. The resulting foreign exchange differences arising on translation are recognised as financial income (expense) or, in the cases referred to in the accounting rules (policies), capitalized as assets values. Non-monetary assets and liabilities recognised at historical cost expressed in foreign currency are restated at the rate on the initial transaction date. Non-monetary assets and liabilities recognised at fair value denominated in foreign currency are restated at the rate of valuation to fair value.

For the purpose of valuation, the following exchange rates were adopted:

	31 December 2013	*31 December 2012*
USD	3.0120	3.0996
EUR	4.1472	4.0882

9.2. Property, plant and equipment

Property, plant and equipment, other than land, are stated at acquisition or production cost, less accumulated depreciation and impairment losses. Initial cost of property, plant and equipment comprises the acquisition cost plus all costs directly related to their acquisition and adaptation for use. This cost also includes the cost of replacing component parts of machinery and equipment when incurred, if relevant recognition criteria are met. Costs incurred after the date of commissioning of the asset to be used, such as maintenance and repair costs, are charged to profit or loss when incurred.

The purchase price of property, plant and equipment provided by the customer is measured at fair value at the date of taking over the control.

Property, plant and equipment at the time of purchase are divided into components which are items of significant value to which a specific period of economic useful life may be assigned. Components are also the cost of overhauls.

Depreciation is calculated on straight line basis over the estimated useful life of the asset, amounting to:

Type	**Period**	
Buildings and structures	10	years
Machinery and equipment	2-5	years
Office equipment	2-7	years
Motor vehicles	5	years
Computers	2-5	years

Residual value, useful life and amortization method of assets are verified annually and, if necessary – adjusted with effect from the beginning of the just-completed financial year.

The item of property, plant and equipment may be derecognised from the balance sheet if sold, or if there are no expected economic benefits resulting from its further use. Any gain or loss resulting from the derecognition of the asset from the balance sheet (calculated as the difference between the net sales proceeds and the carrying value of the asset) are recognized in profit or loss for the period in which such derecognition was made.

Investment in progress concern the tangible assets in the course of construction or assembly and are disclosed at purchase price or production cost, less any impairment losses. Tangible assets under construction are not subject to depreciation until the end of the construction and transfer of the asset to use.

9.3. Intangible assets

Intangible assets acquired in separate transactions, or produced (if they meet the recognition criteria for the development costs) are valued at initial recognition, respectively in the purchase price or production cost. The purchase price of intangible assets acquired in a business combination is equal to their fair value at the date of the combination. After initial recognition, intangible assets are valued at acquisition or production cost less accumulated amortization and impairment losses. Expenditures incurred on intangible assets produced in-house, with the exception of capitalized expenditures on development work, are not capitalised and are included in the cost of the period in which they are incurred.

The Company determines whether the useful life of intangible assets is determined or undetermined. Intangible assets with determined useful lives are amortised over the useful life and tested for impairment whenever there are indications of loss of their value. The period and the amortization method for intangible assets with limited useful lives are reviewed at least at the end of each financial year. Changes in the expected useful life, or expected pattern of consumption of economic benefits from the asset are accounted for by a change of the period or amortization method, and treated as changes in accounting estimates. Amortization charge for intangible asset with determined use is recognized in profit or loss in the category which corresponds to the function of the intangible asset.

Intangible assets with undetermined useful lives and those which are not occupied, are tested annually for possible impairment in respect of individual asset or at the level of cash-generating unit.

Periods of use are subject to annual review and, if necessary, adjusted with effect from the beginning of the just-completed financial year.

Costs of research and development

Research costs are recognised in profit or loss when incurred. Expenditure on development activities carried out within a project are carried forward to a further period if it can be concluded that they will be recovered in the future. After initial recognition of expenditure on development, the historical cost model is applied which requires that the assets were recorded at purchase price less any accumulated amortization and accumulated impairment losses. Capitalized expenditure is amortized over the projected period of obtaining revenues from the sale of a given project.

Goodwill

Goodwill on acquisition of a business entity is initially recognized at cost constituting the surplus of the amount: i) of the payment transferred, ii) of the amount of all non-controlling shares in the acquired entity, and iii) in the case of combining entities executed at fair value as at the day of acquiring share in the capital of the acquired entity, formerly owned by the acquirer, over the net amount determined as at the day of acquiring values of the identifiable acquired assets and assumed liabilities.

After initial recognition, goodwill is recorded at acquisition cost less any accumulated impairment losses. Impairment test is carried out annually or more frequently if there are grounds for doing so. Goodwill is not amortized.

At the date of acquisition, goodwill acquired is allocated to each cash-generating units that can benefit from the merger synergy. Each unit or group of units to which goodwill has been allocated:

- corresponds to the lowest level in the Company, at which goodwill is monitored for internal management and
- is not greater than one operating segment determined in accordance with IFRS 8 *Operating Segments*.

An impairment loss is determined by estimating the recoverable amount of cash-generating unit to which a given goodwill is allocated. Where the recoverable value of the cash-generating unit is less than carrying value, impairment loss is recognised. Where goodwill forms part of the cash-generating unit and part of the activities within the unit is sold, in determining profit or loss from sales of such an activity, goodwill associated with the sold activity is included in its carrying amount. In such circumstances, the sold goodwill is determined on the basis of the relative value of sold activity and the value of what remains of the cash-generating unit.

Summary of the rules applicable to the Company's intangible assets is as follows:

	Patents and licences	*Development costs*	*Software*
Periods of use	Unspecified. For patents and licences used under an agreement for a specified period of time, this period will be adopted having regard to the additional period for which the use may be extended.	2 – 5 years	2 – 5 years
Used method of amortisation	Values with indefinite useful lives are not amortized nor revalued. Amortized over the term of the agreement (2 - years) - straight-line method.	2 – 5 years straight-line	2 – 5 years straight-line
Generated internally or acquired	Acquired	Internally generated	Acquired
Impairment test	An indefinite useful life – annual and if there is evidence of impairment. For other – annual assessment of whether there had been indications of impairment.	Annual (for the assets yet to use) and if there is evidence of impairment.	Annual assessment of whether there had been indications of impairment.

Gains or losses resulting from the removal of intangible assets from the balance sheet are valued according to the difference between net sales proceeds and the carrying amount of the asset, and are recognized in profit or loss during derecognition.

9.4. Lease

The Company as a lessee

Finance leases, which, substantially, transfer to the Company all the risks and rewards of ownership of the leased asset, are recognised in the balance sheet at the inception of the lease at the lower of the following two values: the fair value of an asset being the subject of lease or current value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the outstanding lease liability so as to obtain a constant periodic rate of interest on the remaining balance of the liability. Financial expenses are recognised in profit or loss, unless the requirements of capitalization are met.

Property, plant and equipment used under finance lease agreements are subject to depreciation over the estimated useful life or the lease period, whichever is shorter.

Lease agreements, whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset, shall be treated as operating lease. Lease payments under an operating lease shall be recognised as operating expenses in profit or loss on a straight-line basis over the lease period.

Conditional lease payments are recognized as an expense in the period in which they fall due.

9.5. Impairment of non-financial assets

At every balance sheet date, the Company carries out valuation of its non-financial assets concerning any possible impairment. If any such indication exists, or if it is necessary to perform an annual impairment test, the Company shall estimate the recoverable amount of an asset or cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is fair value less costs of selling the asset or, where appropriate cash-generating unit, its value in use, depending on whichever is higher. The recoverable amount is determined for individual assets, unless the asset does not generate cash inflows independently, most of which are independent from those that are generated by other assets or groups of assets. If the carrying value of an asset exceeds its recoverable value, impairment charges are made reducing the carrying value to the level of recoverable value. When estimating the value in use, projected cash flows are discounted to their present value using a discount rate before the effects of taxation, which reflects the current market estimate of time value of money and the risks specific to the asset. Impairment losses for assets used in continuing operations are recognised in these categories of costs that correspond to the functions of the asset for which impairment was found.

At each balance sheet date, the Company assesses whether there is any indication that an impairment loss, which was included in previous periods for an asset, is redundant, or whether it should be reduced. If any such indication exists, the Company estimates the recoverable amount of the asset. Previously recognised impairment loss is reversed if and only if since the last impairment loss recognised, there has been a change in the estimates used to determine the recoverable amount of the asset. In this case, the carrying value of an asset is increased to its recoverable amount. The increased value cannot exceed the asset's carrying value that would have been determined (after allowing for depreciation), if in previous years no impairment loss had been recognised in respect of that asset. Reversal of impairment loss for an asset is recognized immediately as income. After the reversal of an impairment, amortization/depreciation charge for the asset in subsequent periods is adjusted in a way that allows systematic write-down of its revised carrying value less its residual value throughout the remaining useful life.

9.6. Cost of external borrowing

Borrowing costs are capitalized as part of the manufacturing cost of fixed assets and intangible assets. Borrowing costs consist of interest calculated using the effective interest method, the financial burden of financial lease contracts and foreign exchange differences incurred in connection with external borrowing to the amount corresponding to the adjustment of interest expense.

9.7. Shares in subsidiaries, associates and joint ventures

Shares in subsidiaries, associates and joint ventures are stated at historical cost, including impairment losses.

9.8. Financial assets

Financial instruments are divided into the following categories:

- Financial assets held to maturity,
- Financial instruments valued at fair value through profit or loss,
- Loans granted and receivables
- Financial assets available for sale.

Financial assets held to maturity are non-derivative financial assets quoted in an active market of definite or definable payments and fixed maturity that the Company intends and is able to hold to that time, other than:

- designated upon initial recognition as at fair value through profit or loss,
- designated as available for sale,
- meeting the definition of loans and receivables.

Financial assets held to maturity are valued at amortized cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if their maturity exceeds 12 months from the balance sheet date.

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

a) is classified as held for trading. Financial assets are classified as held for trading if they are:
   - acquired principally for the purpose of sale in the short term,
   - part of a portfolio of identified financial instruments that are managed together and for which there is a likelihood of obtaining a profit in the short term,
   - derivative instruments, excluding derivatives, which are part of hedge accounting and financial guarantee contracts,

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

Financial assets measured at fair value through profit or loss are measured at fair value taking into account their market value on the balance sheet date without taking into account the costs of sale. Changes in the value of these financial instruments are recognized in the statement of comprehensive income as income (favourable net changes in fair value) or financing costs (unfavourable net changes in fair value). If a contract contains one or more embedded derivatives, the entire contract may be classified into categories 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 the cash flows under the contract or it is clear without any, or after a cursory examination, that if a similar hybrid instrument were to be the first taken into account, then the separation of the embedded derivative would be prohibited. Financial assets may originally be designated as measured at fair value through profit or loss if the following criteria are met: (i) such designation eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch), or (ii) assets are part of a group of financial assets that are managed and evaluated at fair value, according to a documented risk management strategy, or (iii) financial assets contain embedded derivatives that should be recognised separately.

Loans and receivables are financial assets not included under derivatives and having fixed or determinable payments not quoted in the active market. They are classified as current assets if the maturity date does not exceed 12 months from the balance sheet date. Loans and receivables with the maturity date exceeding 12 months from the balance sheet date are classified as fixed assets.

Financial assets available for sale are non-derivative financial assets, which have been classified as available for sale or belonging to any of the aforementioned three categories of assets. Financial assets available for sale are recognized at fair value plus transaction costs that may be directly attributable to the acquisition or issue of a financial asset. In the absence of stock quotes in the active market and the inability to reliably determine their fair value alternatively, financial assets available for sale are valued at cost adjusted for impairment loss of value. A positive and negative difference between the fair value of assets available for sale (if there is a fixed market price in the active regulated market or whose fair value can be reliably determined in any other way) and their purchase price, net of deferred tax, is recognized in other comprehensive income. Decline in the value of assets available for sale due to loss of value is recognised as financial expense.

Purchase and sale of financial assets are recognised at the date of the transaction. On initial recognition, a financial asset is measured at fair value plus, in the case of an asset unqualified as measured at fair value through profit or loss, transaction costs, which can be directly attributable to the acquisition.

A financial asset is removed from the balance sheet when the Company loses control over contractual rights that make up a financial instrument; it usually occurs when an instrument is sold, or if all the cash flows attributable to that instrument are transferred to an independent third party.

9.9. Impairment of financial assets

At each balance sheet date, the Company determines if there are any objective indications of impairment of a financial asset or group of financial assets.

9.9.1 Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans or receivables valued at amortized cost has been incurred, the amount of the impairment write-down is measured as the difference between the asset's book value and the present value of estimated future cash flows (excluding future bad debt losses that have not been incurred yet) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying value of such assets shall be reduced either directly or by establishing provision. The amount of the loss shall be recognized in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of a group of assets for impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss shall be reversed. Such reversal of the impairment write-down shall be recognized in profit or loss to the extent that the carrying amount of the financial asset does not exceed its amortized cost at the date the impairment is reversed.

9.9.2 Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative instrument that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of impairment loss is measured as the difference between the carrying value of the financial asset involved and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

9.9.3 Financial assets available for sale

When there is objective evidence that a financial asset available for sale is impaired, then the amount of difference between the purchase cost of such asset (net of any principal repayments and amortization) and its current value decreased by any impairment charges on that financial asset as previously recognised in profit or loss, shall be removed from equity and recognised in profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, then the amount of such a reversed impairment loss shall be recognised in profit or loss.

9.10. Embedded derivatives

Embedded financial derivatives shall be separated from host contracts and treated as financial derivatives, if the following conditions are jointly met:

- the economic characteristics and risks of the embedded instrument are not closely related to economic characteristics and risks of the host contract;

- on a standalone basis, the embedded instrument meets the definition of a derivative financial instrument;
- a hybrid (combined) instrument containing the embedded financial derivative is not measured at fair value and the adjustments of its fair value are not recognised in profit or loss.

Embedded financial derivatives shall be recognised in the accounting books similarly to other financial derivatives which are not classified as hedging instruments.

The extent to which, in accordance with IAS 39, the economic characteristics and risks specific to the embedded derivative in a foreign currency are closely related to the economic characteristics and risks applicable to the main contract (host contract) also covers situations where the currency of the main contract is the customary currency for acquisition or sales contracts for non-financial items in the market for a given transaction.

The assessment whether an embedded derivative shall be subject to separation is made by the Company at the time of initial recognition.

9.11. Derivative financial instruments and security

Derivatives used by the Company to hedge against the risks associated with changes in interest rates and exchange rates are primarily foreign exchange forward contracts. This type of derivative financial instruments are measured at fair value. Derivatives are presented as assets when their value is positive, and as liabilities when their value is negative.

Gains and losses arising from changes in fair value of derivatives, which do not meet the hedge accounting rules, are taken directly to the net profit and loss in the financial year.

The fair value of foreign exchange forward contracts is determined by reference to current forward rates occurring in contracts of a similar maturity.

The Company does not apply hedge accounting.

9.12. Inventories

Inventories are valued at the lower of the following two values: purchase price/production cost or net realizable value.

The purchase price or production cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, both in the current and previous year, and are determined as follows:

Materials	> in acquisition price defined by the FIFO method;
Finished products and products in progress	> cost of direct material and labour and an appropriate mark-up of indirect production overheads determined given the normal capacity utilization, excluding borrowing costs;
Goods	> in acquisition price defined by the FIFO method.

The selling net realizable price is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

9.13. Trade and other receivables

Trade receivables are recognized and carried at original invoiced amounts, including an allowance for doubtful debts. Allowance for receivables is evaluated when the recovery of the full amount is no longer probable.

Where the effect of the value of money in time is material, the amount of receivables is be determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the value of money in time. Where discounting method is used, the increase in receivables due to the passage of time is recognized as financial income.

Other receivables include, in particular, advances provided for future purchases of inventory and services, budget receivables, receivables on accrued income, other commercial settlements for the security and the security deposit. Advances are presented in accordance with the nature of the assets to which they relate - to as fixed assets or current assets. As non-monetary assets, advances are not discounted.

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

9.14. Cash and short-term deposits

Cash and short-term deposits presented in the balance sheet consist of cash at bank and in hand and short-term cash deposits. The balance of cash and cash equivalents presented in the statement of cash flows consists of cash at bank and in hand and bank deposits with the original maturity not exceeding three months. Short-term deposits with the original maturity over three months are considered for the sake of the statement of cash flows as part of investing activity.

9.15. Interest-bearing bank credits, loans and debt securities

All the bank credits, loans and debt securities are initially recognized at fair value less the costs related to obtaining a credit or loan.

Subsequently to such initial recognition, bank credits, loans and debt securities are measured at amortized purchase price using the effective interest rate.

Determination of the amortized purchase price shall take into account the costs related to obtaining a credit or loan, as well as the discounts or bonuses obtained on the repayment of liability.

Gains and losses shall be recognized in the profit and loss account after the liability has been removed from the balance sheet and as a result of the settlement by the effective interest rate method.

9.16. Trade and other liabilities

Current trade liabilities are recognised in an amount requiring payment.

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities initially qualified for the category measured at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near future. Derivatives, including separated embedded instruments, are also classified as held for trading unless they are recognised as effective hedging instruments. Financial liabilities may originally be recognised as measured at fair value through profit or loss if the following criteria are met: (i) such designation eliminates or significantly reduces recognition inconsistency, when both the measurement and recognition of gains or losses are subject to other regulations; or (ii) assets are part of a group of financial assets that are managed and evaluated at fair value, according to a documented risk management strategy, or (iii) financial assets contain embedded derivatives that should be recognised separately.

Financial assets measured at fair value through profit or loss are measured at fair value taking into account their market value on the balance sheet date without taking into account the costs of sale. Changes in the fair value of these instruments are recognised in profit or loss as an expense or income accounts.

Financial liabilities other than financial instruments measured at fair value through profit or loss are measured at amortized cost using the effective interest method.

The Company excludes financial liabilities from its balance sheet when a liability expires, i.e. when the obligation specified in the contract is fulfilled, cancelled or has expired. Replacement of the existing debt instrument by instrument of substantially different conditions made between the same parties the Company recognises as the expiry of the original financial liability and the recognition of a new financial liability. Similarly, significant modifications to a contract for the existing financial liability are recognised by the Company as termination of the initial and recognition of a new financial liability. Any differences arising through the change and related to the carrying value are recognised in profit or loss.

Other non-financial liabilities comprise in particular liabilities to the Inland Revenue for value added tax, social insurance liabilities, wage liabilities, liabilities for the valuation of long-term IT contracts and liabilities arising from received advances, which will be settled by delivery of goods, services or fixed assets. Other non-financial liabilities are recognised in an amount requiring payment.

9.17. Provisions

A provision should be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects that the expenditure required to settle a provision is to be reimbursed, e.g. under an insurance contract, this reimbursement should be recognized as a separate asset when, and only when, it is virtually certain that such reimbursement will be received. The expense relating to such provision shall be presented in the statement of comprehensive income, net of the amount of any reimbursements.

Where the effect of the value of money in time is material, the amount of provision is determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the value of money in time and the risks related to the liability. Where discounting method is used, the increase in a provision due to the passage of time is recognized as borrowing costs.

9.18. Retirement benefits

According to the Company's remuneration system, the Company's employees are entitled to retirement benefits. Retirement benefits are paid only once, at the time of retirement. The amount of retirement benefits depend on length of service and average salary of the employee. The Company creates a provision for future liabilities for retirement benefits in order to assign costs to the periods to which they relate. According to IAS 19, retirement benefits are defined as post-employment benefit programmes. The current value of these liabilities for each balance sheet date is calculated by an independent actuary. Accrued liabilities are equal to the discounted payments, which will be made in the future, taking into account the rotation of employment, and concern the period to the balance sheet date. Demographic information and information about job rotation are based on historical data. Gains and losses on actuarial calculations are recognized in profit or loss. In connection with the amendments to IAS 19, applicable to annual periods beginning on or after 1 January 2013, the Company has modified the recognition of actuarial gain or loss in the statement of comprehensive income relative to employee benefits after the employment period. For annual periods beginning on or after 1 January 2013, actuarial gains or losses are recognized in other comprehensive income and not in the result from operations. The Company did not correct comparative data in this regard because the policy changes have no impact on the presentation of *Retained earnings* in the balance sheet and in the statement of changes in equity; the estimated effect on the statement of comprehensive income is irrelevant.

9.19. Revenues

Revenues are recognized in the amount reflecting probable economic benefits associated with a given transaction to be obtained by the Company and when the amount of revenue can be measured reliably. Revenues are recognized at fair value of the consideration received or receivable, net of value added tax (VAT) and discounts. While recognizing sales revenues, the following criteria are also taken into account.

9.19.1 Sale of products and goods

Revenues are recognized if the significant risks and benefits resulting from ownership of products have been transferred to the buyer and when the amount of revenue can be measured reliably.

9.19.2 Services

Revenues from services are recognised based on the percentage of their completion. The percentage of completion is determined as the ratio of working hours and the estimated number of working hours required to complete the service, or as a ratio of costs incurred to the estimated costs necessary to complete the work.

Should it be impossible to estimate reliably the result of the contract, the revenues shall only be recognized in the amount of costs incurred which the Company expects to recover.

9.19.3 Interest

Interest income is recognized as it accrues (taking into account the effective interest rate which accurately discounts future cash flows during the estimated period of use of a financial instrument) to the net carrying value a financial asset.

9.19.4 Dividends

Dividends are recognized when the shareholders' right to receive payment is vested.

9.19.5 Revenue from rent (operating lease)

Revenues from rental of investment property are recognised on a straight-line basis over the rental period for open contracts.

9.19.6 Government subsidies

If there is a reasonable certainty that the subsidy is received and all the relevant conditions are met, the government subsidies are recognized at their fair value.

When the subsidy relates to an item of cost, then it is recognized as income in a manner commensurate with the costs that this grant is intended to compensate. If a subsidy corresponds to a specific asset, then its fair value is first recognized in the deferred income account to be afterwards gradually written off, by way of equal annual write-offs, and recognised as income in profit or loss over the estimated useful life of the related asset.

9.20. Taxes

9.20.1 Current tax

Current tax liabilities and receivables for current and previous periods are measured at the amounts expected to be paid to the tax authorities (which are recoverable from tax authorities), using the tax rates and tax laws, which were legally in force at the balance sheet date.

9.20.2 Deferred tax

For the purpose of financial reporting, deferred tax is calculated applying the balance sheet liability method to all temporary differences that exist, at the balance sheet date, between the tax base of an asset or liability and its carrying value in the balance sheet.

Deferred income tax provisions are established in relation to all positive temporary differences

- except for situations when a deferred tax provision arises from initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than combination of companies, which at the time of its conclusion has no influence on gross profit or loss and taxable income or tax loss, and
- in relation to positive temporary differences arising from investments in subsidiary or associated companies or from participation in joint ventures – except for situations when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized in relation to all negative temporary differences, as well as unutilized deferred tax assets or unutilized tax losses carried forward to subsequent years, in such amount that it is probable that future taxable income will be sufficient to allow the above-mentioned temporary differences, assets or losses to be utilized:

- except when deferred tax assets related to negative temporary differences arise from initial recognition of an asset or liability on a transaction other than combination of companies, which at the time of its conclusion has no influence on gross profit or loss and taxable income or tax loss, and
- Furthermore, in case of negative temporary differences arising from investments in subsidiary or associated companies or from participation in joint ventures, deferred tax assets are recognized in the balance sheet in such amount only that it is probable that the above-mentioned temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences.

The carrying value of an individual deferred tax asset is verified at every balance sheet date and is adequately decreased or increased in order to reflect any changes in the estimates of achieving taxable profit sufficient to utilize such deferred tax asset partially or entirely. An asset not included in deferred tax will be reassessed at each balance sheet and is recognised to the extent that reflects the likelihood of achieving future taxable income conducive to the recovering of the asset.

Deferred tax assets and deferred tax provisions are valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax provision is reversed, the basis for which will be the tax rates (and tax regulations) legally or factually in force at the balance sheet date.

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss: in other comprehensive income relating to items recognised in other comprehensive income or directly in equity relating to items recognised directly in equity.

The Company offsets deferred tax assets against deferred tax provisions if and only if it has a legally enforceable right to offset receivables against liabilities for current tax, and deferred tax is linked to the same taxpayer and same tax authority.

9.20.3 Value added tax

Revenues, expenses and assets are recognised in the amounts excluding value added tax unless:

- value added tax paid at the purchase of merchandise or services is not recoverable from tax authorities; in such event the value added tax paid shall be recognised as a part of the purchase price of an asset or as an expense, and
- receivables and liabilities are presented including value added tax.

Net amount of value added tax which is recoverable from or payable to tax authorities shall be included in the balance sheet as a part of receivables or liabilities.

9.21. Net profit per share

Net profit per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares in the reporting period.

10. Operating segments

For the management purposes, the Company was divided into segments reflecting its manufactured products and rendered services. Based on that, the Management Board have identified the ERP systems segment which accounts for more than 90% of total Company's revenues. Other activities do not meet the quantitative thresholds of IFRS 8 and are not separated. Changes in the size and significance of developed products and provided services may result in a change of composition of operating segments.

The ERP systems segment is made up of Oracle and Microsoft-based ERP solutions that support business management and original SFA and FFA solutions intended for businesses operating through the teams of sales representatives.

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These applications support business processes and information flow processes, covering most areas of the business, including: finance and accounting, personnel management, HR and payroll, logistics and WMS, mobile and retail sales in chains of stores, production and Internet applications. The systems provide a number of management tools: advanced reporting instruments and Business Intelligence solutions. The technological capacity of the systems enable their deployment in various network architectures (including WAN) and combination with specialized software and hardware.

As unallocated revenue presented is the sale not attributable to any of the main Company's segments.

The segment results do not include the unallocated part of administrative costs, the value of resold goods, materials and external services (COGS) related to unallocated sales and operating expenses of the organizational unit generating unallocated sales.

The Management Board monitors the operating results in separate segments in order to make decisions about allocating resources, assessing the impact of this allocation, and performance. The basis for the assessment of performance is profit or loss on operating activities, which to some extent, as explained in the table below, are measured differently than the profit or loss from operations in the financial statements. The financing of the Company (including costs and financial income) and income tax are monitored at the levels of the Company and they are not allocated to the segments.

Transaction prices used in transactions between operating segments are determined on the arm's length basis as in transactions with unrelated parties.

Year ended 31 December 2013	**ERP systems**	**Unallocated**	**Activity total**
Sales to external customers	131 933	14 054	145 987
Sales between segments			–
Total segment revenue	**131 933**	**14 054**	**145 987**
Segment profit/(loss)	**30 737**	**1 221**	**31 958**
Other net operating income/(expenses)		(136)	(136)
Net financial income/(expenses)		1 692	1 692
Income tax		(6 686)	(6 686)
Profit for period	**30 737**	**(3 909)**	**26 828**
Segment assets	233 281	58 115	**291 396**
Other information			**0**
Capital expenditure	9 214	783	**9 997**
Amortization/depreciation	(11 507)	(76)	**(11 583)**

1. Segment operating profit does not include financial income (PLN 1,707 thousand) and financial expenses (PLN 15 thousand), other operating income (PLN 843 thousand) and other operating expenses (PLN 979 thousand) and the result of unallocated activities (PLN 1,221 thousand).
2. Segment assets do not include deferred tax (PLN 1,218 thousand), financial assets and short-term deposits (PLN 54,727 thousand), non-current liabilities (PLN 601 thousand) and other unallocated assets (PLN 1 569 thousand) because these assets are managed at the level of the Company.

Year ended 31 December 2012	**ERP systems**	**Unallocated**	**Activity total**
Sales to external customers	129 501	9 799	139 300
Sales between segments			–
Total segment revenue	**129 501**	**9 799**	**139 300**

31 December 2013 (in PLN thousand)

Segment profit	**29 029**	**1 273**	**30 302**
Other net operating income/(expenses)		380	380
Net financial income/(expenses)		2 378	2 378
Income tax		(6 528)	(6 528)
Profit for period	**29 029**	**(2 497)**	**26 532**
Segment assets	223 755	52 842	**276 597**
Other information			
Capital expenditure	8 214	1 385	**9 599**
Amortization/depreciation	(9 878)	(357)	**(10 235)**

1. Segment operating profit does not include financial income (PLN 2,646 thousand) and financial expenses (PLN 268 thousand), other operating income (PLN 795 thousand) and other operating expenses (PLN 415 thousand) and the result of unallocated activities (PLN 1,273 thousand).
2. Segment assets do not include deferred tax (PLN 1,069 thousand), cash and short-time deposits (PLN 48,499 thousand), non-current receivables (PLN 604 thousand), income tax receivables (PLN 1,297 thousand), financial assets measured at fair value through profit or loss (PLN 39 thousand) and other unallocated assets (PLN 1,334 thousand) because these assets are managed at the level of the Company.

Geographic information

Revenues from external customers:

	Year ended 31 December 2013	Year ended 31 December 2012
Poland	139 336	132 853
Abroad, including:	6 651	6 447
- The Netherlands	1 695	1 661
- France	1 561	1 508
- Spain	784	901
- Portugal	417	502
- Turkey	404	–
- Germany	332	81
- the Baltics (Lithuania, Latvia, Estonia) and Russia	367	336
- Czech Rep.	293	–
- other	798	1 458
	145 987	**139 300**

This information on revenue is based on data from customers' headquarters.

Non-current assets:

	31 December 2013	31 December 2012
Poland	21 729	23 503
	21 729	**23 503**

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These non-current assets consist of tangible and intangible assets.

11. Income and expense

11.1. Other operating income

Other operating income	Year ended 31 December 2013	Year ended 31 December 2012
Profit from the sale of non-financial fixed assets	142	419
Proceeds from the rental of office space	283	258
Termination of provisions	250	–
Received compensation	70	–
Other	98	118
	843	**795**

11.2. Other operating expenses

Other operating expenses	Year ended 31 December 2013	Year ended 31 December 2012
Donations to unrelated parties	(93)	(25)
Establishment of provisions	(373)	–
Accident repair costs	(91)	(2)
Penalties and damages	(41)	(70)
Liquidation of fixed assets	(30)	(17)
Other operating expenses	(351)	(301)
	(979)	**(415)**

11.3. Financial income

Financial income	Year ended 31 December 2013	Year ended 31 December 2012
Income from bank interest	1 621	2 241
Other interest income	41	45
Positive exchange rates	45	–
Gains from changes in fair value of currency derivatives – entered forward contracts	–	281
Gains from foreign currency derivatives – entered forward contracts	–	79
Total financial income	**1 707**	**2 646**

31 December 2013 (in PLN thousand)

11.4. Financial expenses

Financial expenses	Year ended 31 December 2013	Year ended 31 December 2012
Interest on finance lease	–	(4)
Negative exchange rates	(4)	(263)
Bank fees and charges	(1)	(1)
Loss from foreign currency derivatives – entered forward contracts	(10)	-
Total financial expenses	**(15)**	**(268)**

11.5. Expenses by type

	Year ended 31 December 2013	Year ended 31 December 2012
Value of resold goods, materials and external services (COGS)	(24 506)	(18 736)
Consumptions of materials and energy	(2 647)	(2 969)
External services	(16 701)	(18 104)
Remuneration	(47 845)	(47 954)
Employee benefits	(9 305)	(9 351)
Amortisation/depreciation	(11 583)	(10 235)
Taxes and charges	(853)	(835)
Business trips	(609)	(661)
Other	20	(153)
Total	**(114 029)**	**(108 998)**
Own cost of sales, including:	(100 104)	(93 995)
production cost	(75 598)	*(75 259)*
the value of resold goods, materials and external services (COGS)	(24 506)	(18 736)
Cost of sales	(2 865)	(3 210)
General and administrative expenses	(11 060)	(11 793)
Total	**(114 029)**	**(108 998)**

11.6. Amortization and depreciation costs and write-downs recognized in profit or loss

	Year ended 31 December 2013	Year ended 31 December 2012
Items included in the cost of goods sold:		
Depreciation of fixed assets	(3 428)	(4 297)
Amortization of intangible assets	(7 398)	(4 731)
Impairment of inventories		
Items included in cost of sales		
Depreciation of fixed assets	(45)	(65)

31 December 2013 (in PLN thousand)

Amortization of intangible assets	(5)	21
Items included in general and administrative expenses: Depreciation of	(534)	(471)
Amortization of intangible assets	(173)	(692)
	(11 583)	**(10 235)**

11.7. Employee benefit costs

	Year ended 31 December 2013	Year ended 31 December 2012
Payroll	(47 487)	(47 941)
Establishment of retirement provision	(80)	(58)
Termination of retirement provision	–	–
Establishing/terminating provisions for unused leave	(278)	45
Razem	**(47 845)**	**(47 954)**
Employee benefits, including:	(8 666)	(8 684)
Social security costs	*(7 876)*	*(8 001)*
CSBF	(639)	(667)
Total	**(9 305)**	**(9 351)**
Total employee benefit costs, including:	(57 150)	(57 305)
Items included in cost of goods sold	(47 376)	(46 880)
Items included in cost of sales	(1 742)	(1 893)
Items included in general and administrative expenses	(8 032)	(8 532)

12. Income tax

12.1. Tax burden

The main components of tax expense for the year ended 31 December 2013 and 31 December 2012 are as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Current income tax	(6 835)	(6 194)
Deferred income tax	149	(334)
Tax expense reported in the statement of comprehensive income, including:	**(6 686)**	**(6 528)**
Income tax attributed to discontinued operations	*(6 686)*	*(6 528)*

31 December 2013 (in PLN thousand)

12.2. Approval of effective tax rate

Reconciliation of the income tax payable on gross profit according to the statutory tax rates with the income tax computed at the Company's effective tax rate for the year ended 31 December 2013 and 31 December 2012 is as follows:

	Year ended 31 December 2013	Year ended 31 December 2012
Gross profit before tax from continuing operations	33 514	33 060
Gross profit before tax from discontinued operations	–	–
Gross profit before tax	**33 514**	**33 060**
Income tax according to the effective tax rate of 19% (2012 19%)	6 368	6 281
Adjustments to current income tax from previous years	–	–
Costs which are not deductible	318	247
Other	–	–
According to effective tax rate of: 19.95% (2012: 19.75%)	**6 686**	**6 528**
Income tax (charge) shown in profit and loss account	(6 686)	(6 528)
Income tax attributed to discontinued operations	–	–
	(6 686)	**(6 528)**

12.3. Deferred income tax

Deferred tax due to the following items:

	Balance sheet		Profit and loss account for the year ended	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Provision for deferred tax				
Difference between fiscal value and accounting value of fixed assets and intangible fixed assets	(309)	(290)	(19)	32
Revaluation of currency contracts to fair value	-	(7)	7	(7)
Accrued sales revenues	(315)	(230)	(85)	128
Financial revenue from accrued interest	(18)	(57)	39	8
Other	(6)	-	(6)	19
Deferred tax gross provision	**(648)**	**(584)**		
Deferred tax assets				
Retirement benefits	70	55	15	11
Difference between fiscal value and accounting value of fixed assets and intangible fixed assets	63	49	14	(130
Valuation of financial assets to fair value	-	-	0	(46)

Financial statements for the year ended 31 December 2013 (in PLN thousand)

Provisions for bonuses, holidays, estimated costs	1 469	1 252	217	(280)
Revaluation write-downs on current assets	180	197	(17)	29
Deferred income	79	96	(17)	(217)
Other	5	4	1	2
Deferred tax gross assets	**1 866**	**1 653**		
Deferred tax net assets	**1 218**	**1 069**		
Deferred tax charge			**149**	**(334)**

13. Social assets and liabilities to the Company Social Benefit Fund

The Act of 4 March 1994 on the Company Social Benefit Fund with amendments provides that the Company Social Benefit Fund be established by employers with over twenty full time employees. The Company maintains such a fund and makes periodic allowances of the basic allowance level. The objective of the Fund is to finance the social activities of the Company, loans to its employees and other social expenses.

The Company offset the Fund's assets with its commitments to the Fund because these assets do not fall within the definition of Company assets. Accordingly, the net balance at 31 December 2013 amounts to PLN 6 thousand (as at 31 December 2012, PLN 13 thousand).

The tables below break down the Fund's assets, liabilities and expenses.

	31 December 2013	31 December 2012
Fixed assets brought to the Fund	–	–
Loans granted to employees	39	50
Cash	86	87
Liabilities to the Fund	119	124
Balance after offset	**6**	**13**

	Year ended 31 December 2013	Year ended 31 December 2012
Allowances to the Fund in the financial period	639	667

14. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of the Company by the weighted average number of issued ordinary shares outstanding during the period.

Diluted earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of issued ordinary shares outstanding during the period adjusted by the weighted average of ordinary shares, which would be issued on conversion of all dilutive potential equity instruments into ordinary shares.

Below there is data on earnings and shares which were used in calculating basic and diluted earnings per share:

31 December 2013 (in PLN thousand)

	Year ended 31 December 2013	Year ended 31 December 2012
Net profit from continuing operations	26 828	26 532
Loss from discontinued operations	–	–
Net profit	26 828	26 532
Interest on redeemable preference shares ordinary shares	–	–
Net profit attributable to ordinary shareholders used in the calculation of diluted earnings per share	26 828	26 532
Weighted average number of issued shares used in the calculation of of basic earnings per share	33 418 193	33 418 193
Effect of dilution:	–	–
Stock options	–	–
Redeemable preference shares	–	–
Adjusted weighted average number of ordinary shares used to calculate diluted earnings per share	33 418 193	33 418 193
Basic/diluted from profit per share total	**0.80**	**0.79**

Between the balance sheet date and the date of preparation of these financial statements, there were no other transactions involving ordinary shares and potential ordinary shares.

15. Paid and proposed dividends

Dividend on ordinary shares for 2012 was paid on 3 June 2013 and amounted to PLN 26,400 thousand (dividend for 2011 was paid on 1 June 2012 and amounted to PLN 32,081 thousand).
The dividend per share paid for 2012 amounted to PLN 0.79 (2011: PLN 0.96). The Company did not pay an advance for the dividend for the year 2013.
Until the date of publication of these financial statements, the Management Board had not adopted a resolution containing the proposal of the distribution of net profit for 2013.

16. Property, plant and equipment

Year ended 31 December 2013	Land and buildings	Machinery and equipment	Motor vehicles	Other fixed assets	Total
Gross value as at 1 January 2013	**2 370**	**10 712**	**5 885**	**1 994**	**20 961**
Acquisitions	306	2 656	130	188	**3 280**
Sales	–	(544)	(778)	–	**(1 322)**
Liquidation	(414)	(374)	–	(1)	**(789)**
Gross value as at 31 January 2013	**2 262**	**12 450**	**5 237**	**2 181**	**22 130**

31 December 2013 (in PLN thousand)

Depreciation and impairment losses at 1 January 2013	**(560)**	**(5 395)**	**(3 132)**	**(1 137)**	**(10 224)**
Depreciation charge for the period	(245)	(2 885)	(634)	(279)	**(4 043)**
Sales	–	521	679	1	**1 201**
Liquidation	389	369	–	–	**758**
Depreciation and impairment losses as at 31 December 2013	**(416)**	**(7 390)**	**(3 087)**	**(1 415)**	**(12 308)**
Net value as at 1 January 2013	1 810	5 317	2 753	857	**10 737**
Net value as at 31 December 2013	1 846	5 060	2 150	766	**9 822**

Year ended 31 December 2012	Land and buildings	Machinery and equipment	Motor vehicles	Other fixed assets	Total
Gross value as at 1 January 2012	**5 513**	**24 065**	**5 978**	**2 530**	**38 086**
Acquisitions	–	2 301	560	181	**3 042**
Sales	(2 924)	(8 638)	(653)	(305)	**(12 520)**
Liquidation	(219)	(7 016)	–	(412)	**(7 647)**
Gross value as at 31 January 2012	**2 370**	**10 712**	**5 885**	**1 994**	**20 961**
Depreciation and impairment losses as at 1 January 2012	**(2 617)**	**(17 484)**	**(2 811)**	**(1 348)**	**(24 260)**
Depreciation charge for period	(455)	(3 201)	(854)	(361)	**(4 871)**
Sales	2 293	8 290	533	161	**11 277**
Liquidation	219	7 000	–	411	**7 630**
Depreciation and impairment losses as at 31 December 2012	**(560)**	**(5 395)**	**(3 132)**	**(1 137)**	**(10 224)**
Net value as at 1 January 2012	2 896	6 581	3 167	1 182	**13 826**
Net value as at 31 December 2012	1 810	5 317	2 753	857	**10 737**

The carrying value of the machinery and equipment at 31 December 2013, under finance leases and lease purchase contracts, is PLN 0 (at 31 December 2012: PLN 0 thousand).

Land and buildings are not covered by mortgages to secure Company's bank loans.

17. Lease

17.1. Commitments under operating lease – the Company as a lessee

The Company has lease contracts on office space, which as at 31 December 2013 and as at 31 December 2012 entailed the following future minimum payments under the non-cancellable operating lease contracts:

	31 December 2013	31 December 2012
Within 1 year	6 048	4 786
From 1 to 5 years More	16 657	14 753
than 5 years	–	–
	22 705	**19 539**

31 December 2013 (in PLN thousand)

17.2. Commitments under finance lease and lease purchase contracts

Neither at 31 December 2013 not at 31 December 2012, the Company had any commitments under finance lease.

18. Intangible assets

Year ended 31 December 2013	Patents and licences	Goodwill	IA not put into use	Other	Total
Gross value as at 1 January 2013	**27 053**	**170 938**	**1 549**	**444**	**199 984**
Acquisitions	433	–	6 284	–	**6 717**
Transfer from IA in progress	6 781	–	(6 781)	–	**–**
Sales	–	–	–	–	**–**
Liquidation	–	–	–	–	**–**
Gross value as at 31 January 2013	**34 267**	**170 938**	**1 052**	**444**	**206 701**
Amortisation and write-downs as at 1 January 2013	**(15 395)**	**–**	**(604)**	**(281)**	**(16 280)**
Amortisation write-down for period	(7 576)	–	–	–	**(7 576)**
Sales	–	–	–	–	**0**
Liquidation	–	–	–	–	**0**
Amortisation and write-downs as at 31 December 2013	**(22 971)**	**–**	**(604)**	**(281)**	**(23 856)**
Net value as at 1 January 2013	11 658	170 938	945	163	**183 704**
Net value as at 31 December 2013	11 296	170 938	448	163	**182 845**

Year ended 31 December 2012	Patents and licences	Goodwill	IA not put into use	Other	Total
Gross value as at 1 January 2012	**23 367**	**170 938**	**1 446**	**444**	**196 195**
Acquisitions	415	–	6 142	–	**6 557**
Transfer from IA in progress	6 039	–	(6 039)	–	**–**
Sales	(51)	–	–	–	**(51)**
Liquidation	(2 717)	–	–	–	**(2 717)**
Gross value as at 31 January 2012	**27 053**	**170 938**	**1 549**	**444**	**199 984**
Amortisation and write-downs as at 1 January 2012	**(12 754)**	**–**	**(604)**	**(281)**	**(13 639)**
Amortisation write-down for period	(5 402)	–	–	–	**(5 402)**
Sales	44	–	–	–	**44**
Liquidation	2 717	–	–	–	**2 717**
Amortisation and write-downs as at 31 December 2012	**(15 395)**	**–**	**(604)**	**(281)**	**(16 280)**
Net value as at 1 January 2012	10 613	170 938	842	163	**182 556**
Net value as at 31 December 2012	11 658	170 938	945	163	**183 704**

31 December 2013 (in PLN thousand)

Intangible assets not put into use are expenditure incurred in connection with the implementation of new software. The Management Board has analysed the current value of the costs with their recoverable amount and found that there is no need for an impairment loss.

19. Goodwill

Goodwill presented in the separate financial statements includes goodwill created from the merger of Asseco Business Solutions SA, Safo Sp. z o.o., Softlab Sp. z o.o., Softlab Trade Sp. z o.o. and WA-PRO Sp. z o.o., and goodwill on consolidation resulting from the merger of Asseco Business Solutions SA with Anica System SA.

	31 December 2013	31 December 2012
Carrying amount of goodwill	170 938	170 938

Goodwill is allocated to cash-generating unit which is also a separate operating segment – ERP systems.

Goodwill is tested annually for impairment.

Key assumptions used to calculate the recoverable amount:

- The recoverable amount of the unit was estimated on the basis of use value, calculated on cash flow projections based on financial budgets approved by the Management Board and the Supervisory Board.
- A detailed forecast covered the period of 5 years, during which flows were assumed to increase in subsequent years; for the rest of the period of the unit's operation, the residual value was calculated with the assumed absence of flow increase.
- Probable increases in flows depend on the strategy for the whole Company and tactical plans of the units and take into account the conditions governing individual markets; at the same time, they reflect the current and potential portfolio of orders. A potential portfolio of orders assumes the retention of current and prospecting for new customers. The envisaged increases do not depart from the average market growth.
- The discount rate is consistent with the weighted average cost of capital for the Company.

As a result of the test for impairment, it should be noted that at 31 December 2013 there was no need to apply impairment to goodwill.

	ERP systems
Goodwill assigned to cash-flow generating unit	170 938
Gross margin	36%
Growth rate	2% - 3%
Discount rate	8.75%
Recoverable amount of the cash-generating unit	319 761

The carrying value of a cash-generating unit comprises the sum of net operating assets attributable to the reporting segment, i.e. tangible fixed assets, intangible assets, goodwill, inventories, receivables and trade payables.

31 December 2013 (in PLN thousand)

Sensitivity to changes in assumptions

Estimating the value in use of the unit shows certain sensitivity to changes in the assumptions concerning the discount rate and percentage increase in sales revenues. The Management Board is convinced, however, that no reasonably possible change in any of the key assumptions set out above will enable the carrying value of the unit to exceed the recoverable value.

If the budgeted increase in revenue used to calculate the value in use of the cash-generating unit were 1% lower than the estimates of the Management Board at 31 December 2013, the recoverable amount of the unit would be PLN 304 million.

If the estimated pre-tax discount rate used in discounted cash flow for the cash-generating unit was about 1% higher than the estimates of the Management Board, the recoverable amount of this unit would be PLN 308 million.

20. Financial instruments valued at fair value through profit or loss

Financial assets	31 December 2013	31 December 2012
Short-term forward currency contracts	–	39
Total	**–**	**39**

The fair value of these derivative instruments is determined by reference to current exchange rates of comparable maturities available on the active market.

21. Other assets

21.1. Non-current receivables

	31 December 2013	31 December 2012
Other receivables	601	604
Total	**601**	**604**
- short-term	–	–
- long-term	601	604

Other receivables consist of deposits in escrow account securing the payment of rent in the rented office.

21.2. Accruals and deferred income

Accruals and deferred income	31 December 2013	31 December 2012
Prepaid maintenance services	162	334
Prepaid insurance	212	111
Prepaid subscriptions	20	19
Other prepaid services	272	172
Total	**666**	**636**
- short-term	637	527

31 December 2013 (in PLN thousand)

- long-term	29	109

22. Employee benefits

22.1. Retirement benefits and other post-employment benefits

The unit shall pay retiring employees retirement benefits in the amount determined by the Labour Code. Accordingly, the Company on the basis of valuation by a professional actuary entity establishes a provision for the present value of retirement liabilities. The amount of this provision and a reconciliation showing its fluctuating status during the financial period are shown in the table below:

	31 December 2013	31 December 2012
At 1 January	288	230
Establishment of provision	80	58
The costs of benefits paid	–	–
Termination of provision	–	–
At 31 December	**368**	**288**

An employee who meets the eligibility conditions for an invalidity allowance or pension, and whose employment is terminated in connection with the retirement, is entitled to severance pay equal to one-month salary. Pensioners re-employed do not acquire the right to another severance pay.

The resulting value of provision for employee benefits is the present (discounted) value of anticipated future payments, which are required to be made in order to meet the obligations arising from the employee's service in previous periods. This value is the sum of provisions, calculated individually for each person employed by the Company.

The value of expected future payments for retirement benefits is calculated by multiplying the probability of employee's survival to retirement in the Company (taking into account the probability of survival to retirement), the percentage of the basis of severance pay that the employee is entitled to upon payment and undiscounted value of the basis at the time of payment of the benefit. The obtained value is distributed evenly over the number of years, through which the employee becomes entitled to severance payment, and then the amount falling to the already acquired benefit rights is discounted. This discounted amount represents the value of provision for a single employee.

The current employment cost is calculated by discounting the expected nominal value of the benefit associated on a linear basis to a single period. The nominal value of the current employment cost increases with time closer to the expected payment of benefits due to discounting.

Interest expense for the period is calculated by multiplying the initial balance of commitments (i.e. arising from work performed by employees in prior periods) by the interest rate, which is the same as a discount rate adopted for determining the current value of liabilities.

For the calculation of provisions, the following assumptions have been made:

- Assumed long-term annual growth rate of wages is the sum of two assumptions: the annual growth rate of wages and long-term annual rate of inflation.
- For discounting future payments of benefits, a discount rate was assumed at the viability level of the long-term safest securities traded on the Polish capital market,
according to the balance sheet date.
- The likelihood of workers retirements was calculated on the basis of historical data on employment fluctuation in the Company and statistics on employees leaving companies of the industry.
- Mortality and the probability of survival was adopted in accordance with the Life Expectancy Tables 2012 published by the Central Statistical Office. It was assumed that the population employed in the Company is comparable to the Polish average in terms of mortality.
- No provisions for retirement benefits were calculated separately; in return, the likelihood of retirement was not considered when calculating the probabilities of workers departures.

31 December 2013 (in PLN thousand)

- A normal employee transition into retirement was assumed according to the Pensions Act, except for those employees who, according to the information provided by the Company, meet the conditions required to exercise the right of early retirement.

The main assumptions used by the actuary at the balance sheet date to calculate the amount of the liability are as follows:

	31 December 2013	31 December 2012
Discount rate (%)	4.5%	4.7%
Expected inflation rate (%)	2.5%	2.5%
Expected wage increase rate (%)	5.0%	5.0%

23. Inventories

	31 December 2013	31 December 2012
Goods	2 804	1 805
Goods in transit	–	–
Inventory allowance	(158)	(159)
	2 646	**1 646**

In the year ended 31 December 2013, the Company wrote down the inventory recoverable net value in the amount of PLN 66 thousand (in 2012: PLN 64). The created write-down was related to computer accessories stored in the warehouse for more than 12 months.

In the year ended 31 December 2013, the Company made a reversal of inventory write-down in the amount of PLN 67 thousand (in 2012: PLN 7).

No category of inventories constituted a collateral for credits or loans for the year ended 31 December 2013 and for the year ended 31 December 2012. As at 31 December 2013 or as at 31 December 2012, there were no inventories valued at the net selling price.

24. Trade and other receivables

Trade receivables (short-term)	31 December 2013	31 December 2012
Trade receivables	35 813	24 805
Trade receivables from other parties	783	1 582
Trade receivables (net)	**36 596**	**26 387**
Allowance on doubtful accounts	788	880
Trade receivables (gross)	**37 384**	**27 267**

Other receivables	31 December 2013	31 December 2012
Other receivables from third parties	2 275	1 756
Other receivables from related parties	–	223

31 December 2013 (in PLN thousand)

	2 275	**1 979**

Other receivables	31 December 2013	31 December 2012
Receivables arising from the valuation of long-term IT contracts	1 658	1 211
Advances paid to suppliers	9	54
Other trade receivables (bid bonds, deposits) Receivables	577	624
from employees	25	47
CSBF	6	12
Other receivables	–	31
	2 275	**1 979**

Terms and conditions of related party transactions are set out in Note 32.

The Company has appropriate policies in place for making the sale only to verified customers. Thus, in the opinion of management, there is no additional credit risk beyond the level specified in the allowance for bad debts applicable to the Company's trade receivables.

At 31 December 2013, trade receivables in the amount of PLN 788 thousand (2012: PLN 880 thousand) were covered by a write-down. Changes in the allowance for receivables were as follows:

	31 December 2013	31 December 2012
Allowance write-down as at 1 January	880	784
Increase	169	347
Use	–	(126)
Deduction of unused amounts	(261)	(125)
Allowance write-down as at 31 December	**788**	**880**

Below is the analysis of trade and other receivables, which at 31 December 2013 and 31 December 2012 were overdue but were not considered to be irrecoverable and were not written down.

	Total	Not overdue	Overdue				
			< 1 mth	1 – 3mths	3 -6mths	6 – 12 mths	>12 mths
31 December 2013							
Trade receivables	36 596	31 211	4 439	812	74	45	15
Other receivables	2 275	2 275	–	–	–	–	–
31 December 2012							
Trade receivables	26 387	18 585	4 573	2 088	1 026	66	49
Other receivables	1 979	1 979	–	–	–	–	–

25. Cash and short-term deposits

Cash at bank bears interest at variable interest rates, the amount of which depends on the rate on overnight bank deposits. Lokaty krótkoterminowe są dokonywane na różne okresy, od jednego dnia do sześciu miesięcy, w zależności od aktualnego zapotrzebowania Spółki na środki pieniężne i są oprocentowane według ustalonych dla nich stóp procentowych. The fair value of cash and cash equivalents at 31 December 2013 amounts to PLN 54,727 thousand (31 December 2012: PLN 48,499).

31 December 2013 (in PLN thousand)

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

Cash	31 December 2013	31 December 2012
Cash at bank and in hand	878	1 535
Short-term deposits up to 3 months	53 849	46 964
Cash in the balance	**54 727**	**48 499**
Interest accrued on short-term deposits	(97)	(299)
Cash in cash flow statements	**54 630**	**48 200**

26. Spare capital and supplementary/reserve capitals

26.1. Share capital

Share capital	31 December 2013	31 December 2012
Series A ordinary shares with a nominal value of PLN 5	50 000	50 000
Series B ordinary shares with a nominal value of PLN 5	65 070	65 070
Series C ordinary shares with a nominal value of PLN 5	28 000	28 000
Series D ordinary shares with a nominal value of PLN 5	24 021	24 021
	167 091	**167 091**

Ordinary shares issued and fully paid up	Quantity	Value
As at 1 January 2013	33 418	167 091
Change during the year	–	–
As at 31 December 2013	33 418	167 091
As at 1 January 2012	33 418	167 091
Change during the year	–	–
As at 31 December 2012	33 418	167 091

26.1.1 Nominal value of shares

All issued shares have a nominal value of PLN 5 and have been fully paid up. The profit per share in 2013 amounted to PLN 0.8 (2012: PLN 0.79).

26.1.2 Rights of shareholders

All shares are ordinary shares. There are no preference shares.

26.1.3 Shareholders with significant share

Shareholder	**Share in share capital**	**% of total votes at AGM**

Asseco Poland SA	46.47%	46.47%
Amplico Otwarty Fundusz Emerytalny	10.47%	10.47%
Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK	6.33%	6.33%
Other shareholders	36.73%	36.73%
	100.00%	**100.00%**

26.1.4 Shares held by the Management Board and Supervisory Board

	31 December 2013		31 December 2012	
	number of shares held	shareholding in %	number of shares held	shareholding in %
Executive persons				
Wojciech Barczentewicz	461 267	1.38%	1 061 267	3.18%
Piotr Masłowski	985 063	2.95%	985 063	2.95%
Mariusz Lizon	254 954	0.76%	254 954	0.76%
Supervising persons				
Romuald Rutkowski	426 828	1.28%	426 828	1.28%
TOTAL	**2 128 112**	**6.37%**	**2 728 112**	**8.16%**

26.2. Surplus from the sale of shares above their nominal value

Supplementary capital has been created from the issue of series C shares over their par value of PLN 33,600 thousand, which was less share issue costs recognised as a reduction of supplementary equity amounting to PLN 3,683 thousand and the costs associated with raising capital in connection with the merger in the amount of PLN 319 thousand. In addition, supplementary capital has been created from the surplus of the issue of series D shares over their par value of PLN 33,630 thousand, which was less share issue costs recognised as a reduction of supplementary capital in the amount of PLN 805 thousand. In total, supplementary capital at 31 December 2013 was PLN 62,423 thousand.

26.3. Retained earnings and restrictions on the payment of dividend

In accordance with the provisions of the Code of Commercial Companies and Partnerships, the Company is required to establish supplementary capital to cover for losses. This capital is supplemented by at least 8% of the profit for the financial year disclosed in the Company's statements until it reaches at least one third of the initial capital. The use of supplementary and reserve capital is decided by the General Meeting; however, part of the supplementary capital of one third of the share capital can be used only to cover the loss disclosed in the financial statements and is not distributed for other purposes.

At 31 December 2013, there are no other restrictions on the payment of dividend.

27. Interest-bearing loans and borrowings

At 31 December 2013 (and at 31 December 2012), the Company did not have open credit lines.

28. Provisions

28.1. Changes in provisions

31 December 2013 (in PLN thousand)

	Provision for retirement gratuity	Other provisions	Total
As at 1 January 2013	288	250	**538**
Created during the financial year	80	373	**453**
Used	–	–	**–**
Dissolved	–	(250)	**(250)**
As at 31 December 2013	**368**	**373**	**741**
Current as at 31 December 2013	–	373	**373**
Non-current as at 31 December 2013	368	–	**368**
	368	**373**	**741**
As at 1 January 2012	230	250	**480**
Created during the financial year	58	–	**58**
Used	–	–	**–**
Dissolved	–	–	**–**
As at 31 December 2012	**288**	**250**	**538**
Current as at 31 December 2012	6	250	**256**
Non-current as at 31 December 2012	282	–	**282**
	288	**250**	**538**

"Other provisions" present provision for claims made by the Company's contractors and the provision in connection with the proceedings before the Office of Competition and Consumer Protection as a result of which the Company has been fined. The Company appealed against this decision to the District Court in Warsaw of the Court of Competition and Consumer Protection (Note 31.1).

29. Trade liabilities, other liabilities, accruals and deferred income

29.1. Trade liabilities and other financial liabilities (current)

Trade	31 December 2013	31 December 2012
To related parties	37	76
To other parties	13 878	4 612
Total	**13 915**	**4 688**

Other liabilities	31 December 2013	31 December 2012
Amounts owed to employees as wages	341	379
Liabilities arising from the valuation of long-term IT contracts	168	321
Liabilities due to non-invoiced deliveries	2 548	497
Advance payments received for supplies	144	37

31 December 2013 (in PLN thousand)

Other liabilities	94	14
Total	**3 295**	**1 248**

Terms and conditions of payment of the above financial liabilities:
Details of related party transactions are set out in Note 32. Trade and other liabilities are not interest-bearing.
Interest liabilities are generally settled on a monthly basis throughout the financial year.

29.2. Other non-financial liabilities

Liabilities from taxes, duties, social security and other	31 December 2013	31 December 2012
Liabilities from taxes, duties, social insurance and other	4 613	4 089
Payables to the National Insurance	1 227	1 305
Personal income tax	508	519
VAT	2 829	2 206
Other budgetary commitments	49	59
Corporate income tax	1 045	–
Total	**5 658**	**4 089**
- short-term	5 658	4 089
- long-term	–	–

The amount of the difference between the liabilities and receivables in respect of value added tax is paid to the competent tax authorities on a monthly basis.

29.3. Accruals and prepayments

	31 December 2013	31 December 2012
Accrued expenses for:		
Unused leaves	1 811	1 563
Bonuses	5 575	4 817
Provision for other expenses	689	470
	8 075	**6 850**
Accrued income for:		
Prepaid services	497	552
Other income	179	24
	676	**576**
Total	**8 751**	**7 426**
- short-term	8 725	7 388
- long-term	26	38

Accrued expenses are primarily provisions for unused leave, provisions for wages of a period intended for distribution in subsequent periods, resulting from the principles of bonus systems effective Asseco Business Solutions SA, and provisions for the costs of current operations of the Company. The balance of deferred income concerns primarily prepayments for services rendered, such as maintenance and IT assistance.

31 December 2013 (in PLN thousand)

30. Long-term contracts

In 2013 and 2012, Asseco Business Solutions S.A. implemented a number of the so-called implementation contracts (IT). In accordance with IAS 11, revenues from such contracts are recognized in accordance with the degree of their advancement. The Company measured the degree of advancement of realised implementation contracts by the cost method, i.e. by determining the ratio of costs incurred to the cost of the entire project, or by the method of "workload", i.e. by determining the ratio of work done to the total labour input on the project.

At 31 December 2013 and at 31 December 2012, the Company had no advances in respect of long-term contracts.

The amount of revenues from contracts for the year ended 31 December 2013 amounted to PLN 6,125 thousand (in the year ended 31 December 2012: PLN 7,988 thousand). Costs related to the performance of contracts for the year ended 31 December 2013 amounted to PLN 2,577 thousand (in the year ended 31 December 2012: PLN 3,661 thousand).

The amount due from the valuation of contracts for the year ended 31 December 201 amounted to PLN 1,658 thousand (in the year ended 31 December 2012: PLN 1,211 thousand).

	31 December 2013	31 December 2012
Costs incurred by the implementation of IT (-)	(2 409)	(3 340)
Profit (loss) by the implementation of IT contracts	**3 548**	**4 327**
Invoiced revenue by the implementation of IT contracts	4 467	6 777
Receivables arising from the valuation of IT contracts	1 658	1 211
Zobowiązania z tytułu wyceny kontraktów IT	(168)	(321)

31. Contingent liabilities

In connection with the termination of lease contracts, the Company has no contingent liabilities as at 31 December 2013.

On 4 March 2014, the Company received a letter from the law firm, Brudkiewicz, Suchecka & Partners in Warsaw, requesting Asseco Business Solutions SA to redeem a bill of exchange in the amount of PLN 128,410.87. This amount is related to the claim made against the Company by Garrick Investments Sp. z o.o. and is fully covered for by the relevant provision.

31.1. Lawsuits

The Company is a party to several lawsuits and enforcement proceedings to recover payments for delivered products and services. In addition to matters relating to recovery, the Company appealed to the District Court in Warsaw of the Court of Competition and Consumer Protection against a decision of the Office of Competition and Consumer Protection (not yet in force) imposing a fine on the Company. The fine was associated with investigations by the OCCP related to the use of abusive clauses in agreements concluded by the Company (and its legal predecessors) with the distributors of the WAPRO-branded software. In addition, the Company is a respondent in a lawsuit before the labour court; the claim has been brought in by an ex-employee.

31 December 2013 (in PLN thousand)

31.2. Tax settlement

Tax settlements and other areas of regulated activity (such as customs matters and foreign exchange) may be subject to review of administrative bodies that are entitled to impose heavy fines and penalties. No reference to fixed legal regulations in Poland reveals ambiguities and inconsistencies in the existing legislation. Frequent differences of opinion as to the legal interpretation of tax regulations both within state bodies and between government bodies and enterprises give rise to uncertainties and disputes. These phenomena prove that the tax risk in Poland is significantly higher than that in countries with more developed tax systems.

Tax settlements may be subject to inspection for a period of five years starting from the end of the year in which the tax payment has been made. As a result of carried out inspections, the Company's tax settlements to date may be increased by an additional tax liability. In the Company's opinion, as at 31 December 2013, adequate reserves were established for known and quantifiable tax risk.

32. Information about related parties

All transactions between the Company and related parties were routine and standard transactions, respecting the arm's length principle, and their nature and conditions resulted from Company's current operations. Related party transactions made in the ordinary course of operation cover primarily the sale of software, implementation services, maintenance and software maintenance, lease of premises and the payment of dividend.

The amounts of outstanding payments are not protected and will be settled in cash. No guarantees were granted or received. In the accounting period, the costs attributable to bad or unsafe debts arising from transactions with related parties were not recognised.

The following table shows the total amount of transactions with related parties for the current and previous financial year:

Related party		*Sales to related parties*	*Purchase from related parties*	*Receivables from related parties*	*Amounts due to related parties*
The parent:					
Asseco Poland SA	*2013*	3 673	1 222	482	53
	2012	7 506	915	1 571	76
Other related parties:					
Other parties	*2013*	436	139	301	7
	2012	84	11	234	–
	2013	**4 109**	**1 361**	**783**	**60**
	2012	**7 590**	**926**	**1 805**	**76**

According to the information held by Asseco Business Solutions SA, neither at 31 December 2013 nor at 31 December 2012 there was no outstanding balance of receivables arising from related party transactions held by the Company Executives and with the Company Executives.

According to the information held by Asseco Business Solutions SA, neither at 31 December 2013 nor at 31 December 2012 there was no outstanding balance of liabilities arising from related party transactions held by the Company Executives and with the Company Executives.

31 December 2013 (in PLN thousand)

According to the records of Asseco Business Solutions SA, for the financial year ended 31 December 2013, the (net) value of purchase transactions for goods and services (including rental) with related parties by the Company Executives and with the Company Executives amounted to PLN 1,811 thousand (in the financial year ended 31 December 2012: PLN 1,756 thousand).

32.1. The parent of the Group

Asseco Poland SA is the parent of the Company.

In the year ended 31 December 2013, there were transactions held between the Company and Asseco Poland SA, the details of which are contained in Note 32.

32.2. Entity with significant impact on the Company

At 31 December 2013, Asseco Poland SA holds 46.47% of ordinary shares of Asseco Business Solutions SA (at 31 December 2012: 46.47%).

32.3. The remuneration of Company executives

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

Remuneration paid to the members of the Management Board and Supervisory Board		Year ended 31 December 2013	Year ended 31 December 2012
Management Board		**4 077**	**5 101**
Romuald Rutkowski	until 30 June 2012	229	1 067
Wojciech Barczentewicz		1 581	1 713
Piotr Masłowski		1 581	1 713
Mariusz Lizon		686	598
Jarosław Adamski	from 2 July 2012 to 5 October 2012	–	10
Supervisory Board		**227**	**348**
Romuald Rutkowski	from 1 July 2012	59	150
Adam Góral		60	72
Jarosław Adamski	until 30 June 2012	–	18
Zbigniew Pomianek		36	36
Adam Pawłowicz		36	36
Grzegorz Ogonowski		36	36
		4 304	**5 449**

The amount of remuneration paid for the year ended 31 December 2013 contains a management bonus for 2012 paid in 2013.

Remuneration due to the members of the Management Board and Supervisory Board		Year ended 31 December 2013	Year ended 31 December 2012
Management Board		**3 099**	**3 113**
Romuald Rutkowski	until 30 June 2012	–	254
Wojciech Barczentewicz		1 246	1 221
Piotr Masłowski		1 246	1 221
Mariusz Lizon		607	417

31 December 2013 (in PLN thousand)

Jarosław Adamski	from 2 July 2012 to 5 October 2012	–	–
Supervisory Board		**–**	**–**
Romuald Rutkowski	from 1 July 2012		
Adam Góral		–	–
Jarosław Adamski	until 30 June 2012	–	–
Wojciech Kowalczyk	until 20 October 2011	–	–
Zbigniew Pomianek		–	–
Adam Pawłowicz		–	–
Grzegorz Ogonowski	from 20 October 2011	–	–
		3 099	**3 113**

The item of remuneration due for the year ended 31 December 2013 contains a management bonus for 2013 to be paid in 2014.

	Year ended 31 December 2013	Year ended 31 December 2012
Management Board		
Holiday reserve	14	27
Post-employment benefits (retirement provision)	10	8
	24	**35**

33. Information about the remuneration of the auditor or entity authorized to audit financial statements

The following table shows the remuneration of the entity authorized to audit accounts paid or payable for the year ended 31 December 2013 and 31 December 2012 by type of service:

	Year ended	
Type of service	31 December 2013 *	31 December 2012 *
Mandatory audit of the annual financial statements and the review of the interim financial statements	183	185
Other attesting services	–	–
Tax advisory services	–	–
Other services	–	–
	183	**185**

* Ernst&Young Audit Sp. z o.o. Sp. k. (formerly: Ernst&Young Audit Sp. z o.o.)

34. Objectives and principles of financial risk management

The main financial instruments used by the Company include cash and short-term deposits. The main purpose of these financial instruments is safe investment of the surplus of the Company's own funds.

31 December 2013 (in PLN thousand)

The Company also has other financial instruments such as receivables and payables for supplies and services that are created directly in the course of its business.

The company also enters into transactions involving derivatives, primarily foreign currency forward contracts. The purpose of these transactions is to manage currency risks arising in the Company's operations.

The principle currently applied by the Company and throughout the period covered by the report is trading in no financial instruments.

The main risks arising from the Company's financial instruments include interest rate risk, liquidity risk, currency risk and credit risk. The Management Board reviews and agrees on rules for the management of each of these risks - such rules are briefly discussed below. The Company also monitors market price risks relating to all financial instruments in its possession. The size of this risk in the period is shown in Note 35.

The methods adopted in carrying out a sensitivity analysis

The percentages which were subject to a sensitivity analysis – which aims to identify fluctuations in exchange rates that may affect the Company's financial result – amount to +/- 10%. In carrying out the analysis, the rate of the balance sheet date is enlarged or decreased by that value.

Interest rate risk is analysed at the value changes (deviation) of +/- 15%.

34.1. Interest rate risk

The Company's exposure to the risk of changing interest rates concerns primarily bank deposits.

As at 31 December 2009, the Company had no non-current liabilities on credits and loans.

Interest rate risk – sensitivity to changes

The following table shows the sensitivity of the gross financial result to the reasonably possible changes in interest rates, assuming that other factors remain fixed. No impact was reported on equity or total income of the Company.

	Carrying value	Increase/decrease in in percentage pts	The impact on gross profit
Year ended 31 December 2013			
Bank deposits	53 849	+ 15%	243
		- 15%	(243)
Year ended 31 December 2012			
Bank deposits	46 964	+ 15%	336
		- 15%	(336)

34.2. Currency risk

The Company is but merely exposed to currency risk by way of conducted transactions. Such a risk arises as a result of operational unit's sales or purchases in currencies other than its valuation currency. About 4% of the Company's sales transactions are denominated in currencies other than the reporting currency of the operational unit making the sale, while 97% of costs are denominated in that reporting currency.

Due to the fact that currency risk is negligible, the Company does not deploy procedures for managing foreign exchange risk. The Company applies the straight forward currency transactions in order to secure contracts settled in foreign currency. The Company does not apply hedge accounting.

The Company does not use financial instruments for speculative purposes.

31 December 2013 (in PLN thousand)

The following table shows the sensitivity of the gross financial result (in conjunction with the change in fair value of assets and financial liabilities) and comprehensive income of the Company (due to changes in fair value of assets and financial liabilities) on reasonably possible fluctuations in the dollar and euro assuming other factors remaining unchanged.

	Increase/decrease in exchange rate	The impact on gross profit	The impact on comprehensive income
31 December 2013 – EUR/PLN	+10%	45	36
	- 10%	(45)	(36)
31 December 2012 – EUR/PLN	+10%	242	196
	- 10%	(242)	(196)
31 December 2013 – USD/PLN	+10%	18	15
	- 10%	(18)	(15)
31 December 2012 – USD/PLN	+10%	(24)	(19)
	- 10%	24	19

34.3. Commodity price risk

There are the following price risk factors in the operations of Asseco Business Solutions:

- competition – in all segments of the Company's activity there is strong competition from both Polish and foreign IT companies. The largest players in the Polish global market, hitherto operating in the large enterprises sector, begin to offer solutions and implementation methodology for medium-sized enterprises.
- exchange rates – the Company enters short-term contracts in foreign currencies. These are both revenue and cost contracts for the supply of equipment and licensing of Oracle and Microsoft SQL. The Company does not apply any security measures due to a short-term risk exposure.

34.4. Credit risk

Credit risk faced by the Company may result from:

- creditworthiness of clients, thus the Company having appropriate policies in place for making the sale only to verified customers. All clients who wish to use trade credits are subject to initial verification procedures. If outstanding receivables occur, the Company creates write-offs to receivables and, in some cases, procures debt collection services by prior assignment of receivables. Because the transaction value with any of the recipients did not exceed 10% of the total revenue on sales, there is no significant concentration of clients, thus credit risk is limited.
- credit risk arising from creditworthiness of financial institutions (banks/brokers)
  - hence the collaboration only with reputable financial institutions.

For other financial assets of the Company, such as cash and cash equivalents, the Company's credit risk arises from the other party's inability to make payment, and the maximum exposure to this risk is equal to the carrying value of these instruments.

The Company reports no significant concentrations of credit risk.

34.5. Financial liquidity risk

The Company monitors the risk of lack of funds by means of a tool for periodic liquidity planning. This tool takes into account the maturity deadlines of investments and financial assets (e.g. accounts receivable, other financial assets) as well as the anticipated cash flows from operating activities.

31 December 2013 (in PLN thousand)

The Company's objective is to maintain a balance between continuity and flexibility of financing by using various sources of funding, such as finance lease and lease purchase contracts.

The following table shows the Company's financial liabilities as at 31 December 2013 and 31 December 2010 according to the maturity date based on contractual undiscounted payments.

31 December 2013	On demand	Below 3 months	Within 3 to 12 months	From 1 year to 5 years	Total
Trade and other liabilities					
	–	16 804	262	–	17 066
	–	**16 804**	**262**	**–**	**17 066**

31 December 2012	On demand	Below 3 months	Within 3 to 12 months	From 1 year to 5 years	Total
Trade and other liabilities					
	–	5 553	346	–	5 899
	–	**5 553**	**346**	**–**	**5 899**

35. Financial instruments

35.1. Fair values of each class of financial instruments

Fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard conditions, which are traded on active, liquid markets, is determined by reference to stock prices;
- the fair value of other financial assets and financial liabilities (excluding derivatives) is determined in accordance with generally accepted valuation models based on discounted cash flow analysis, using the prices from observable current market transactions and dealer quotes for similar instruments.

The following table compares the carrying values and fair values of all the Company's financial instruments, broken down by classes and categories of assets and liabilities.

	Category in accordance with IAS 39	carrying values		fair values	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
Financial assets					
Forward currency contracts	ALFVPL	–	39	–	39
Trade and other receivables	L&R	38 862	28 312	38 862	28 312
Cash and short-term deposits	ALFVPL	54 727	48 499	54 727	48 499
		93 589	**76 850**	**93 589**	**76 850**
Financial liabilities					
Liabilities under finance lease and lease purchase agreements	FLMAC	–	–	–	–

Trade and other liabilities	FLMAC	17 066	5 899	17 066	5 899
Forward currency contracts	ALFVPL	–	–	–	–
		17 066	**5 899**	**17 066**	**5 899**

Abbreviations used:
ALFVPL – financial assets/liabilities at fair value through profit and loss,
L&R – loans and receivables
FLMAC – other financial liabilities measured at amortized cost

At 31 December 2013 and at 31 December 2012, the Company held the following financial instruments measured at fair value:

	31 December 2013	Level 1	Level 2	Level 3
Financial assets valued at fair value through profit or loss				
Concluded forward currency contracts	–	–	–	–
	–	**–**	**–**	**–**

	31 December 2012	Level 1	Level 2	Level 3
Financial assets valued at fair value through profit or loss				
Concluded forward currency contracts	39	–	39	–
	39	**–**	**39**	**–**

In the year ended 31 December 2013 and in the year ended 31 December 2012, there were no transfers between Level 1 and Level 2 of the fair value hierarchy, or none of the instruments was moved from/to the Level 3 of the fair value hierarchy. The fair value of financial assets and liabilities held by the Company as at 31 December 2013 and as at 31 December 2012 does not differ significantly from their carrying value.

31 December 2013 (in PLN thousand)

35.2. Items of income, expenses, profit and losses included in the profit and loss account are broken down by categories of financial instruments

Year ended 31 December 2013

	Category in accordance with IAS 39	Revenues /(expense) on interest	Gains/(losses) from exchange rates	Termination/(creation) of write-downs	Gains/(losses) from measurement	Gains/(losses) from sales/settlement of financial instruments	Total
Financial assets							
Trade and other receivables	L&R	–	(1)	(92)	–	–	(93)
Cash and short-term deposits	ALFVPL	1 621	30	–	–	–	1 651
							1 558
Financial liabilities							
Liabilities under finance lease and lease purchase agreements	FLMAC	–	–	–	–	–	–
Forward currency contracts	ALFVPL	–	–	–	–	(10)	(10)
Trade and other liabilities	FLMAC	–	12	–	–	–	12
							2
Total		**1 621**	**41**	**(92)**	**–**	**(10)**	**1 560**

31 December 2013 (in PLN thousand)

Year ended 31 December 2012

	Category in accordance with IAS 39	Income /(expense) on interest	Gains/(losses) from exchange rates	Termination/(creation) of write-downs	Gains/(losses) from measurement	Profit /(loss) from sales of financial instruments	Total
Financial assets							
Trade and other receivables	L&R	–	(103)	96	–	–	(7)
Cash and short-term deposits	ALFVPL	2 241	(181)	–	–	–	2 060
							2 053
Financial liabilities							
Liabilities under finance lease and lease purchase contracts	FLMAC	(4)	–	–	–	–	(4)
Forward currency contracts	ALFVPL	–	–	–	281	79	360
Trade and other liabilities	FLMAC	–	21	–	–	–	21
							377
Total		**2 237**	**(263)**	**96**	**281**	**79**	**2 430**

Financial statements for the year ended 31 December 2013 (in PLN thousand)

35.3. Interest rate risk

The following table shows to the carrying value of the Company's financial instruments exposed to interest rate risk, broken down by age categories.

31 December 2013

Floating interest rate

31 December 2013	<1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	**Total**
Floating interest rate						
Cash assets	54 727	–	–	–	–	**54 727**

31 December 2012

Floating interest rate

31 December 2012	<1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	**Total**
Floating interest rate						
Cash assets	48 499	–	–	–	–	**48 499**

The interest rate on financial instruments with a floating rate is updated in periods of less than one year. Interest on financial instruments with fixed interest rate is fixed throughout the period to the expiry of the maturity of these instruments. Other Company's financial instruments, which are not included in the tables above, are not interest-bearing and therefore are not subject to interest rate risk.

36. Capital management

The main objective of the Company's capital management is to secure the Company's ability to continue operations while maintaining an optimal capital structure, allowing to reduce the cost of capital and increasing the shareholder value, and maintaining a good credit rating and secure capital ratios.

The Company manages the capital structure and introduces modifications in response to changing economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the level of dividend paid to shareholders, return capital to shareholders or issue new shares. In the year ended 31 December 2013 and at 31 December 2012, no changes were made to the objectives, principles and processes applicable in this area.

As part of net debt, the Company includes trade liabilities and other liabilities, and income tax advances and liabilities minus cash and cash equivalents. Equity includes ordinary shares, surplus from the sale of shares above their nominal value and retained earnings.

	31 December 2013	31 December 2012
Interest-bearing loans and borrowings	-	-
Trade and other liabilities and liabilities under finance lease	22 868	10 025

Financial statements for the year ended 31 December 2013 (in PLN thousand)

Less cash and short-term deposits	(54 727)	(48 499)
Net debt	**(31 859)**	**(38 474)**
Equity	259 036	258 608
Equity and net borrowings	**227 177**	**220 134**
Leverage ratio	-12.30%	-14.88%

37. Employment structure

The Company employees in the year ended 31 December 2013 and 31 December 2012 stood as follows:

Average FTEs during the reporting period	Year ended 31 December 2013	Year ended 31 December 2012
Management Board	3	4
Production departments	491	511
Trade departments	44	33
Administrative departments	42	40
Total	**580**	**588**

Employment at 31 December 2013 and at 31 December 2012 stood as follows:

FTEs at	31 December 2013	31 December 2012
Management Board	3	3
Production departments	495	498
Trade departments	45	33
Administrative departments	42	41
Total	**585**	**575**

38. Events after the balance sheet

After the balance sheet date, there were no significant events that could have a material impact on the presented results for the year 2013 and have not been included in these financial statements.

39. Signatures of the Management Board Members

Imię i nazwisko	Stanowisko/Funkcja	Podpis
Wojciech Barczentewicz	Prezes Zarządu	
Piotr Masłowski	Wiceprezes Zarządu	
Mariusz Lizon	Członek Zarządu	
Artur Czabaj	Osoba odpowiedzialna za prowadzenie ksiąg rachunkowych	