



ASSECO BUSINESS SOLUTIONS SA

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014
TOGETHER WITH THE INDEPENDENT CERTIFIED
AUDITOR'S REPORT**

| | |
|---|----|
| Statement of comprehensive income..... | 4 |
| Balance sheet..... | 5 |
| Cash flows statement..... | 6 |
| Statement of changes in equity..... | 7 |
| Accounting rules (policies) and supplementary notes..... | 8 |
| 1. General information..... | 8 |
| 2. Composition of the Management Board..... | 8 |
| 3. Approval of the financial statements..... | 9 |
| 4. Significant values based on estimates and professional judgement..... | 9 |
| 4.1. Professional judgement..... | 9 |
| 4.2. Estimation uncertainty..... | 9 |
| 5. Basis for the preparation of financial statements..... | 10 |
| 5.1. Statement of compliance..... | 10 |
| 5.2. Functional currency and reporting currency..... | 10 |
| 6. Changes in accounting rules..... | 10 |
| 7. Changes in presentation rules..... | 12 |
| 8. New standards and interpretations that have been published and not yet in force..... | 12 |
| 9. Significant accounting rules..... | 13 |
| 9.1. Conversion of items denominated in foreign currency..... | 13 |
| 9.2. Property, plant and equipment..... | 14 |
| 9.3. Intangible assets..... | 14 |
| 9.4. Lease..... | 16 |
| 9.5. Impairment of non-financial assets..... | 16 |
| 9.6. Cost of external borrowing..... | 17 |
| 9.7. Shares in subsidiaries, associates and joint ventures..... | 17 |
| 9.8. Financial assets..... | 17 |
| 9.9. Impairment of financial assets..... | 18 |
| 9.10. Embedded derivatives..... | 19 |
| 9.11. Derivative financial instruments and security..... | 20 |
| 9.12. Inventories..... | 20 |
| 9.13. Trade and other receivables..... | 20 |
| 9.14. Cash and short-term deposits..... | 21 |
| 9.15. Interest-bearing bank credits, loans and debt securities..... | 21 |
| 9.16. Trade and other liabilities..... | 21 |
| 9.17. Provisions..... | 22 |
| 9.18. Retirement benefits..... | 22 |
| 9.19. Revenues..... | 22 |
| 9.20. Taxes..... | 23 |
| 9.21. Net profit per share..... | 24 |
| 10. Operating segments..... | 24 |
| 11. Income and expenses..... | 27 |
| 11.1. Other operating income..... | 27 |
| 11.2. Other operating expenses..... | 27 |
| 11.3. Financial income..... | 27 |
| 11.4. Financial expenses..... | 28 |
| 11.5. Expenses by type..... | 28 |

| | |
|--|----|
| 11.6. Amortization and depreciation costs and write-downs recognized in profit or loss | 28 |
| 11.7. Employee benefit costs | 29 |
| 12. Income tax | 29 |
| 12.1. Tax burden | 29 |
| 12.2. Approval of effective tax rate | 30 |
| 12.3. Deferred income tax | 30 |
| 13. Social assets and liabilities to the Company Social Benefit Fund | 31 |
| 14. Earnings per share | 31 |
| 15. Paid and proposed dividends | 32 |
| 16. Property, plant and equipment | 32 |
| 17. Lease | 33 |
| 17.1. Commitments under operating lease – the Company as a lessee | 23 |
| 17.2. Commitments under finance lease and lease purchase contracts | 34 |
| 18. Intangible assets | 34 |
| 19. Goodwill | 35 |
| 20. Other assets | 36 |
| 20.1. Long-term receivables | 36 |
| 20.2. Accruals and prepayments | 36 |
| 21. Employee benefits | 36 |
| 21.1. Retirement benefits and other post-employment benefits | 36 |
| 22. Inventories | 38 |
| 23. Trade and other receivables | 39 |
| 24. Cash and short-term deposits | 40 |
| 25. Spare capital and supplementary/reserve capitals | 40 |
| 25.1. Share capital | 40 |
| 25.2. The surplus from sale of shares above their nominal value | 42 |
| 25.3. Retained earnings and restrictions on the payment of dividend | 42 |
| 26. Interest-bearing loans and borrowings | 42 |
| 27. Provisions | 42 |
| 27.1. Changes in provisions | 42 |
| 28. Trade liabilities, other liabilities, accruals and deferred income | 43 |
| 28.1. Trade liabilities and other financial liabilities (current) | 43 |
| 28.2. Other non-financial liabilities | 43 |
| 28.3. Accruals and deferred income | 44 |
| 29. Long-term contracts | 44 |
| 30. Contingent liabilities | 45 |
| 30.1. Lawsuits | 45 |
| 30.2. Tax settlements | 45 |
| 31. Information about related parties | 45 |
| 31.1. The parent of the Group | 46 |
| 31.2. Entity with significant impact on the Company | 46 |
| 31.3. Remuneration of the Company executives | 46 |
| 32. Information about the remuneration of the auditor or entity authorized to audit financial statements | 47 |
| 33. Objectives and principles of financial risk management | 48 |
| 33.1. Interest rate risk | 48 |
| 33.2. Currency risk | 49 |

| | |
|--|----|
| 33.3. Commodity risk..... | 49 |
| 33.4. Credit risk..... | 49 |
| 33.5. Financial liquidity risk | 50 |
| 34. Financial instruments..... | 50 |
| 34.1. Fair values of each class of financial instruments..... | 50 |
| 34.2. Items of income, expenses, profit and losses included in the profit and loss account are broken down by categories of financial instruments..... | 52 |
| 34.3. Interest rate risk..... | 54 |
| 35. Capital management | 54 |
| 36. Employment structure | 55 |
| 37. Events after the balance sheet..... | 55 |
| 38. Signatures of the Board Members | 56 |

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

| | Note | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|------|--------------------------------------|-----------------------------------|
| Revenue on sales | | 145,024 | 145,987 |
| Own cost of sales | 11.5 | (92,231) | (96,535) |
| Gross profit on sales | | 52,793 | 49,452 |
| Cost of sale | 11.5 | (8,024) | (6,434) |
| General and administrative expenses | 11.5 | (10,817) | (11,060) |
| Net profit on sales | | 33,952 | 31,958 |
| Other operating revenues | 11.1 | 690 | 843 |
| Other operating expenses | 11.2 | (419) | (979) |
| Profit on operating activities | | 34,223 | 31,822 |
| Financial revenues | 11.3 | 1,311 | 1,707 |
| Financial expenses | 11.4 | (9) | (15) |
| Gross profit | | 35,525 | 33,514 |
| Income tax | 12.1 | (6,954) | (6,686) |
| Net profit from continuing operations | | 28,571 | 26,828 |
| Discontinued operations | | | |
| Net profit for the financial year | | 28,571 | 26,828 |
| Other total income | | | |
| - Items converted to profit/loss in subsequent reporting periods | | - | - |
| - Items not converted to profit/loss in subsequent reporting periods | | -220 | - |
| Actuarial profit/loss concerning employee benefits | | -272 | - |
| Income tax on remaining comprehensive income | | 52 | - |
| Other total net income | | -220 | - |
| Total income for the period | | 28,351 | 26,828 |
| Earnings per share: | 14 | | |
| - basic/diluted profit for the reporting period | | 0.85 | 0.80 |
| - basic/diluted from profit for the reporting period | | 0.85 | 0.80 |

BALANCE SHEET

as at 31 December 2014

| ASSETS | Note | 31 December 2014 | 31 December 2013 |
|---|--------|---------------------|---------------------|
| Non-current assets | | 194,069 | 194,515 |
| Property, plant and equipment | 16 | 10,315 | 9,822 |
| Intangible assets | 18 | 10,660 | 11,907 |
| Goodwill | 18; 19 | 170,938 | 170,938 |
| Long-term receivables | 20.1 | 600 | 601 |
| Deferred tax assets | 12.3 | 1,515 | 1,218 |
| Long-term accruals and deferred income | 20.2 | 41 | 29 |
| Current assets | | 90,263 | 96,881 |
| Inventories | 22 | 583 | 2,646 |
| Accruals and deferred income | 20.2 | 387 | 637 |
| Trade receivables | 23 | 28,939 | 36,596 |
| Other receivables | 23 | 2,871 | 2,275 |
| Cash and short-term deposits | 24 | 57,483 | 54,727 |
| TOTAL ASSETS | | 284,332 | 291,396 |
| EQUITY AND LIABILITIES | | | |
| Surplus from the sale of shares above their nominal value | | 62,423 | 62,423 |
| Retained profits | | 31,139 | 29,522 |
| Total own equity | | 260,653 | 259,036 |
| Non-current liabilities | | 720 | 394 |
| Provisions | 21; 27 | 707 | 368 |
| Long-term accruals and deferred income | 28.3 | 13 | 26 |
| Current liabilities | | 22,959 | 31,966 |
| Trade liabilities | 28.1 | 4,496 | 13,915 |
| Other liabilities | 28.1 | 6,502 | 7,908 |
| Deferred tax liabilities | 28.2 | 1,518 | 1,045 |
| Financial liabilities | | 2 | – |
| Provisions | 27 | 373 | 373 |
| Accruals and deferred income | 28.3 | 10,068 | 8,725 |
| Total liabilities | | 23,679 | 32,360 |
| TOTAL EQUITY AND LIABILITIES | | 284,332 | 291,396 |

Accounting rules (policies) and supplementary notes to these financial statements attached on pages 8 to 56 constitute their integral part.

CASH FLOWS STATEMENT

for the year ended 31 December 2014

| | Note | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|-----------|--------------------------------|--------------------------------|
| Cash flows from operating activities | | | |
| Gross profit | | 35,525 | 33,514 |
| Adjustments: | | 3,612 | 7,161 |
| Amortization/Depreciation | 11.6 | 11,867 | 11,583 |
| Change in inventories | | 2,063 | (1,000) |
| Change in receivables | | 7,062 | (10,502) |
| Change in liabilities, excluding credits and loans | | (10,825) | 11,797 |
| Change in prepayments and accruals | | 1,568 | 1,295 |
| Change in provisions | | 67 | 203 |
| Revenue on interest | | (1,253) | (1,621) |
| Investment gain/(loss) | | (211) | (102) |
| Income tax paid | | (6,726) | (4,492) |
| Net cash from operating activities | | 39,137 | 40,675 |
| Cash flows from investing activities | | | |
| Proceeds from the sale of non-financial assets | | 1,016 | 263 |
| Acquisition of property, plant and equipment | | (5,463) | (3,280) |
| Acquisition of intangible assets | | (6,471) | (6,681) |
| Proceeds from the sale of financial assets at fair value through profit or loss | | 18 | 29 |
| Interest received | | 1,235 | 1,824 |
| Net cash from investing activities | | (9,665) | (7,845) |
| Cash flows from financing activities | | | |
| Dividend paid | | (26,734) | (26,400) |
| Net cash from financing activities | | (26,734) | (26,400) |
| Increase/(Decrease) in net cash and cash equivalents | | 2,738 | 6,430 |
| Net differences in exchange rates | | - | - |
| Opening cash | | 54,630 | 48,200 |
| Closing cash | 24 | 57,368 | 54,630 |

Accounting rules (policies) and supplementary notes to these financial statements attached on pages 8 to 56 constitute their integral part.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2014

| | Share capital | Surplus from the sale of shares above their nominal value | Retained profit/(loss) and current period | Equity total |
|-------------------------------|------------------|---|---|-----------------|
| As at 1 January 2014 | 167,091 | 62,423 | 29,522 | 259,036 |
| Total income for period | – | – | 28,351 | 28,351 |
| Payment of the dividend | – | – | (26,734) | (26,734) |
| As at 31 December 2014 | 167,091 | 62,423 | 31,139 | 260,653 |

12 months ended 31 December 2013

| | | | | |
|-------------------------------|----------------|---------------|---------------|-----------------|
| 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 |

ACCOUNTING RULES (POLICIES) AND ADDITIONAL NOTES

1. General Information

The financial statements of Asseco Business Solutions SA covers the year ended 31 December 2014 and includes comparative information for the year ended 31 December 2013.

Asseco Business Solutions SA ("the Company"; "unit") was established under a Notarial Deed dated 18 May 2001. The Company headquarters is located in Lublin at 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 serves as a Competence Centre accountable for the development of ERP software, mobile reporting systems (SFA), factoring systems and software for SMEs. This comprehensive offering also includes the provision, adaptation and configuration of business applications for enterprises, design and construction of infrastructure at the client or in the outsourcing model, providing equipment and system software of renowned partners, training for client's personnel, service 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 2014, 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 16 December 2014 the Supervisory Board of Asseco Business Solutions SA appointed, effective from 1 January 2015, Mr. Andreas Enders Vice-President of the Management Board of the Company for the period of the current term in the years 2011-2015.

On 31 December 2014, 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 03 March 2015.

4. Significant values based on estimates and professional judgement

4.1. Professional judgement

In the process of applying accounting 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. The Company made future assumptions based on the knowledge held when drawing up these financial statements. The assumptions and estimates may be subject to change as a result of future events ensuing from market fluctuations or changes beyond the Company's control. Such changes are reflected in the assumptions and estimates at the time of occurrence.

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 21.

Deferred tax asset

The Company recognizes 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 the IFRS 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 the accounting rules

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 2013, with the exception of the application of the following changes to the standards and new interpretations applicable to annual periods beginning with 1 January 2014:

- IFRS 10 *Consolidated Financial Statements* – applicable to annual periods beginning on or after 1 January 2014,

The standard introduces a single consolidation model for all entities, based on the principle of control and independent from the nature of the object of investment; it defines the concept of control as a determinant of whether an entity should be subject to the obligation of submitting consolidated financial statements.

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

- IFRS 11 *Joint Ventures* – applicable to annual periods beginning on or after 1 January 2014,

The standard eliminates the category of jointly controlled assets, while preserving the distinction between joint action and joint venture. It lays emphasis on the rights and obligations arising from a joint agreement, regardless of its legal form, and eliminates the inconsistencies in reporting by defining the method of calculating interest in jointly controlled entities.

Currently, there are no joint agreements concluded by the Company, and the use of this new standard had no impact on the Company's financial position or results.

- IFRS 12 *Disclosure of Interests in Other Entities* – applicable to annual periods beginning on or after 1 January 2014,

The standard contains requirements for the disclosure of information on relationships between entities. The aim is to determine such a scope of the disclosure of information that the recipients of financial statements were able to evaluate the basis of control, possible restrictions on the assets and liabilities subject to consolidation, exposure to risks associated with investment in reorganized units excluded from consolidation and the level of commitment to the activities of the units subject to consolidation through non-controlling interests.

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

- IAS 27 *Consolidated and Separate Financial Statements* – applicable to annual periods beginning on or after 1 January 2014,

The standard lays down the requirements for the presentation and disclosures in the financial statements of investments in associates, subsidiaries and joint ventures. The standard replaced the former IAS 27 Consolidated and Separate Financial Statements.

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

- IAS 28 *Investment in Associates and Joint Ventures* – applicable to annual periods beginning on or after 1 January 2014,

The new standard applies to investments in associates. It also specifies the requirements for the use of the equity method in investments in associates and joint ventures. The standard replaced the previous IAS 28 Investments in associates.

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

- Amendments to IAS 32 *Financial Instruments: Presentation: Compensation of Financial Assets and Liabilities* – applicable to annual periods beginning on or after 1 January 2014,

The changes address the existing inconsistencies in the application of the compensation criteria contained in IAS 32.

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.

- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* – applicable to annual periods beginning on or after 1 January 2014,

The changes result in a modification of the scope of disclosures in relation to the impairment of non-financial assets, e.g. they require the disclosure of the recoverable amount of assets (of a cash-generating unit) only in the periods in which an impairment loss was recognized or its reversal was made in relation to a given asset (or unit). In addition, the revised standard demonstrates that a broader and more precise scope of disclosures will be required for determining the recoverable amount as fair value less cost

of sale, and for determining the fair value less costs of sale using the technique of determining the present value based on discounted cash flows, it will be necessary to provide information about the applied discount rate (in the case of recognition of impairment or reversal).

The changes also adjust the scope of disclosures pertaining to the recoverable value, regardless of whether it was determined as value in use or fair value less costs of sale.

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.

- Amendments to IAS 39 *Novation of Derivatives and Continuation of hedge Accounting* – applicable to annual periods beginning on or after 1 January 2014,

The changes allow the continuation of the use of hedge accounting (under certain conditions) when a derivative instrument, which is the hedging instrument, is renewed as a result of legal regulations, and the change results in the change of the accounting institution. Amendments to IAS 39 are the result of legislative changes in many countries, the effect of which was the compulsory settlement of existing OTC derivatives and their renewal through an agreement with the central clearing institution.

The Company does not apply hedge accounting; therefore, the amendment will have no impact on the Company's financial position or performance.

- Amendments to IFRS 10, IFRS 11 and IFRS 12 *Transition Guidance* – applicable to annual periods beginning on or after 1 January 2014.

The guidelines contain additional information regarding the application of IFRS 10, IFRS 11 and IFRS 12, including the presentation of comparative data for the first application of the above-mentioned standards.

These amendments had no impact on the Company's financial position or performance.

- Amendments to IFRS 10, IFRS 12 and IFRS 27 *Investment Entities* – applicable to annual periods beginning on or after 1 January 2014.

The guidelines contain other rules governing the application of IFRS 10 and IFRS 12 for units such as investment funds. These amendments do not affect the Company's operations.

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". What follows, the compared data were restated in order to standardize the rules of data presentation for the year ended 31 December 2014 and in comparative periods.

| | 12 months to 31 December 2013 | | |
|-------------------|--------------------------------|------------------------|--|
| | Year ended 31 December 2013 | change of presentation | balance after change of presentation |
| Own cost of sales | (100,104) | 3,569 | (96,535) |
| Cost of sale | (2,865) | (3,569) | (6,434) |

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:

- IFRIC 9 *Financial Instruments* (published on 24 July 2014) – applicable to annual periods beginning on or after 1 January 2018; 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 – applicable in the EU for annual periods beginning on or after 17 June 2014 at the latest,
- Amendments to IAS 19 *Defined Benefit Plans: IFRIC 21 Levies* (published on 21 November 2013) – applicable to annual periods beginning on or after 1 July 2014 – applicable in the EU for annual periods beginning on or after 1 February 2015 at the latest,
- *Amendments resulting from the review of IFRS 2012-2014* (published on 12 December 2013) – some of the changes are applicable to annual periods beginning on or after 1 July 2014, and some prospectively for transactions occurring on or after 1 July 2014; applicable in the EU for annual periods beginning on or after 1 February 2015,

- *Amendments resulting from the review of IFRS 2012-2014* (published on 12 December 2013) – applicable to annual periods beginning on or after 1 July 2014; applicable in the EU for annual periods beginning on or after 1 January 2015,
- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) – applicable to annual periods beginning on or after 1 January 2016; no decision has been made as to the dates by which the EFRAG will have completed the effort necessary to approve this standard; not approved by the EU until the date of approval of these financial statements,
- Amendments to IFRS 11 *Accounting for Acquisition of Interest in Joint Activities* (published on 6 May 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 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (published on 20 May 2013) – 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,
- IFRS 15 *Revenues from Contracts with Customers* (published on 28 May 2014) – applicable to annual periods beginning on or after 1 January 2017; not approved by the EU until the date of approval of these financial statements.
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (published on 30 June 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 27 *Equity Method in Separate Financial Statements* (published on 12 August 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 10 and IAS 28 *Sales or Contribution of Assets Between an Investor and its Associate or Joint Venture* (published on 11 September 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 resulting from the review of IFRS 2012-2014* (published on 25 September 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 IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (published on 18 December 2014) – applicable to annual periods beginning on or after 1 January 2016; no decision has been made as to the dates by which the EFRAG will have completed the effort necessary to approve this standard; not approved by the EU until the date of approval of these financial statements,
- IFRIC 1 *Disclosures* (published on 18 December 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.

On the date of publication 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.

On the balance sheet date, 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 exchange differences are recognized as financial income (cost) or, in cases specified 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 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:

| | <i>31 December 2014</i> | <i>31 December 2013</i> |
|-----|-------------------------|-------------------------|
| USD | 3.5072 | 3.0120 |
| EUR | 4.2623 | 4.1472 |

9.2. Property, plant and equipment

Property, plant and equipment, other than land, are valued 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 | <u>10</u> | <u>years</u> |
| Machinery and equipment | <u>2-5</u> | <u>years</u> |
| Office equipment | <u>2-7</u> | <u>years</u> |
| Motor vehicles | <u>5</u> | <u>years</u> |
| Computers | <u>2-5</u> | <u>years</u> |

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 acquiree, and iii) in the case of combining entities executed at fair value as at the day of acquiring share in the capital of the acquiree, 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:

| | <i>Patents and licences</i> | <i>Development costs</i> | <i>Computer software</i> |
|----------------------------------|---|--|--|
| 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. Leasing

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. 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 the purchase price determined by the "first in-first out" method; |

The selling net realizable price estimates the 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 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. An 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 the investment 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 repayment of the 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) liabilities are part of a group of financial liabilities that are managed and evaluated based on fair value, according to a documented risk management strategy, or (iii) financial liabilities 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. 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.

Cost of employment is recognised in profit or loss. Reassessment of liabilities for employee benefits pertaining to specific benefit schemes covering actuarial gains and losses is recognized in other comprehensive income and is not subject to subsequent reclassification to profit or loss.

The Company recognizes the following changes in net liabilities of specific benefits under the general and administrative expenses, which include:

- cost of employment (including, among others, the current cost, the past cost),
- net interest from net liabilities arising from specific benefits.

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 the progress of service is determined as the ratio of the number of completed man-hours to the estimated number of man-hours needed to complete the work, or as the 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 of 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
- as well as 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:

- tax on goods and services paid at the purchase of merchandise or services is not recoverable from tax authorities; in such event the tax will be recognised as 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

In accordance with IFRS 8, an operating segment is a distinguishable component of the Company, for which separate financial information is available that is reviewed regularly by the operations management responsible for the resource allocation and assessment of performance.

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. The IT applications support business processes and information flow and are able to handle 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 2014 | ERP systems | Unallocated | Activity total |
|--|----------------|----------------|-----------------|
| Sales to external customers Sales between segments | 128,358 | 16,666 | 145,024 |
| Total segment revenue | 128,358 | 16,666 | 145,024 |
| Segment profit/(loss) | 31,616 | 2,336 | 33,952 |
| Other net operating income/(expenses) | | 271 | 271 |
| Net financial income/(expenses) | | 1,302 | 1,302 |
| Income tax | | (6,954) | (6,954) |
| Profit for period | 31,616 | (3,045) | 28,571 |
| Segment assets | 221,656 | 62,676 | 284,332 |
| Other information | | | |
| Capital expenditure | 11,310 | 665 | 11,975 |
| Amortization/Depreciation | (11,650) | (217) | (11,867) |

1. Segment operating profit does not include financial income (PLN 1,311 thousand), financial expenses (PLN 9 thousand), other operating income (PLN 690 thousand) and other operating expenses (PLN 419 thousand) and the result of unallocated activity (PLN 2,336 thousand).
2. Segment assets do not include deferred tax (PLN 1,515 thousand), financial assets and short-term deposits (PLN 57,483 thousand), non-current liabilities (PLN 600 thousand) and other unallocated assets (PLN 3,078 thousand) because these assets are managed at the level of the Company.

| 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 | 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 | | | |
| 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), financial expenses (PLN 15 thousand), other operating income (PLN 843 thousand) and other operating expenses (PLN 979 thousand) and the result of unallocated activity (PLN 1,221 thousand).
2. Segment assets do not include deferred tax (PLN 1,218 thousand), financial assets and short-term deposits (PLN 57,727 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.

Geographic information

Revenues from external customers:

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|--------------------------------|--------------------------------|
| Poland | 137,296 | 139,540 |
| Abroad, including: | 7,728 | 6,447 |
| The Netherlands | 2,346 | 1,695 |
| France | 2,842 | 1,561 |
| Spain | 729 | 784 |
| Portugal | 360 | 417 |
| - Turkey | 202 | 404 |
| - the Baltics (Lithuania, Latvia, Estonia) and Russia | 643 | 367 |
| - Czech Rep. | 192 | 293 |
| Other | 414 | 1,130 |
| | 145,024 | 145,987 |

This information on revenue is based on data from customers' headquarters. Non-current assets:

| | 31 December 2014 | 31 December 2013 |
|--------|------------------|------------------|
| Poland | 20,975 | 21,729 |
| | 20,975 | 21,729 |

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

11. Income and expense

11.1. Other operating revenues

| Other operating revenues | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|--------------------------------|--------------------------------|
| Profit from the sale of non-financial assets | 220 | 142 |
| Proceeds from rental of office space | | |
| Termination of provisions | 341 | 283 |
| Received compensation | – | 250 |
| Other | – | 70 |
| | 129 | 98 |
| | 690 | 843 |

11.2. Other operating expenses

| Other operating expenses | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--------------------------------|--------------------------------|--------------------------------|
| Donations to unrelated parties | (53) | (93) |
| Establishment of provisions | – | (373) |
| Accident repair costs | – | (91) |
| Penalties and damages | (25) | (41) |
| Liquidation of fixed assets | (25) | (30) |
| Other operating expenses | (316) | (351) |
| | (419) | (979) |

11.3. Financial revenues

| Financial revenues | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|--------------------------------|--------------------------------|
| Income from bank deposits | 1,253 | 1,621 |
| Other interest income | 4 | 41 |
| Positive exchange rates | 36 | 45 |
| Gains from changes in fair value of currency derivatives - concluded forward contracts | – | – |
| Gains from foreign currency derivatives - entered forward contracts | (18) | – |
| Total financial income | 1,311 | 1,707 |

11.4. Financial expenses

| Financial expenses | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|--------------------------------|--------------------------------|
| Foreign exchange losses | (3) | (4) |
| Bank charges and fees | (1) | (1) |
| Other interest expense | (3) | - |
| Loss from changes in fair value of currency derivatives – entered forward contracts | (2) | - |
| Loss from foreign currency derivatives – entered forward contracts | - | (10) |
| Total financial expenses | (9) | (15) |

11.5. Expenses by type

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|--------------------------------|--------------------------------|
| Value of resold goods, materials and external services (COGS) | (17,165) | (24,506) |
| Consumption of materials and energy | (2,683) | (2,647) |
| External services | (16,191) | (16,701) |
| Payroll | (51,812) | (47,845) |
| Employee benefits | (9,866) | (9,305) |
| Amortization/Depreciation | (11,867) | (11,583) |
| Taxes and fees | (733) | (853) |
| Business trips | (775) | (609) |
| Other | 20 | 20 |
| Total | (111,072) | (114,029) |
| Own cost of sales, including: | | |
| <i>production cost</i> | (92,231) | (96,535) |
| <i>value of resold goods, materials and external services (COGS)</i> | (75,066) | (72,029) |
| | (17,165) | (24,506) |
| Cost of sales | (8,024) | (6,434) |
| General and administrative expenses | (10,817) | (11,060) |
| Total | (111,072) | (114,029) |

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

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|--------------------------------|--------------------------------|
| Items included in the cost of goods sold: | | |

| | | |
|--|-----------------|-----------------|
| Depreciation of fixed assets | (3,380) | (3,297) |
| Amortization of intangible assets | (7,588) | (7,306) |
| Impairment of inventories | (61) | 1 |
| Items included in cost of sales | | |
| Depreciation of fixed assets | (183) | (176) |
| Amortization of intangible assets | (96) | (97) |
| Items included in general and administrative expenses: | | |
| Depreciation of | (545) | (534) |
| Amortization of intangible assets | (75) | (173) |
| | (11,928) | (11,582) |

11.7. Employee benefit costs

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|--------------------------------|--------------------------------|
| Payroll | (51,119) | (47,487) |
| Establishment of retirement provision | (67) | (80) |
| Termination of retirement provision | – | – |
| Establishing/terminating provisions for unused leave | (626) | (278) |
| Total | (51,812) | (47,845) |
| Employee benefits, including: | | |
| <i>Social security costs</i> | (9,222) | (8,666) |
| | (8,301) | (7,876) |
| CSBF | (644) | (639) |
| Total | (9,866) | (9,305) |
| Total employee benefit costs, including: | (61,678) | (57,150) |
| Items included in cost of goods sold | (48,574) | (45,129) |
| Items included in cost of sales | (5,143) | (3,989) |
| Items included in general and administrative expenses | (7,961) | (8,032) |

12. Income tax

12.1. Tax burden

The main components of tax expenses for the year ended 31 December 2014 and 31 December 2014 are as follows:

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|--------------------------------|--------------------------------|
| Current income tax | (7,199) | (6,835) |
| Deferred income tax | 245 | 149 |
| Tax expense reported in profit and loss, including: | (6,954) | (6,686) |
| <i>Income tax attributed to discontinued operations</i> | (6,954) | (6,686) |

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 2014 and 31 December 2013 is as follows:

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|--------------------------------|--------------------------------|
| Gross profit before tax from continuing operations | 35,525 | 33,514 |
| Gross profit before tax from discontinued operations | - | - |
| Gross profit before tax | 35,525 | 33,514 |
| Income tax according to the effective tax rate of 19% (2012 19%) | 6,750 | 6,368 |
| Adjustments to current income tax from previous years | - | - |
| Costs which are not deductible | 199 | 287 |
| Other | 5 | 31 |
| According to effective tax rate of: 19.58% (2013: 19.95%) | 6,954 | 6,686 |
| Income tax (charge) shown in profit and loss account | (6,954) | (6,686) |
| Income tax attributed to discontinued operations | - | - |
| | (6,954) | (6,686) |

12.3. Deferred income tax

Deferred tax due to the following items:

| | Balance sheet | | Profit and loss account for the year ended | |
|--|---------------------|---------------------|--|---------------------|
| | 31 December 2014 | 31 December 2013 | 31 December 2014 | 31 December 2013 |
| Provision for deferred tax | | | | |
| Difference between fiscal value and accounting value of fixed assets and intangible fixed assets | (289) | (309) | 20 | (19) |
| Revaluation of currency contracts to fair value | (2) | - | (2) | 7 |
| Accrued sales revenues | (458) | (315) | (143) | (85) |
| Financial revenue from accrued interest | (22) | (18) | (4) | 39 |
| Deferred tax gross provisions | (7) | (6) | (1) | (6) |
| Deferred tax assets | (778) | (648) | | |
| Retirement benefits | 134 | 70 | 64 | 15 |
| Difference between fiscal value and accounting value of fixed assets and intangible fixed assets | 79 | 63 | 16 | 14 |
| Valuation of financial assets to fair value | 3 | - | 3 | - |
| Provisions for bonuses, holidays, estimated costs | 1,748 | 1,469 | 279 | 217 |

| | | | | |
|---|--------------|--------------|------------|------------|
| Revaluation write-downs on current assets | 148 | 180 | (32) | (17) |
| Deferred income | 180 | 79 | 101 | (17) |
| Other | 1 | 5 | (4) | 1 |
| Deferred tax gross assets | 2,293 | 1,866 | | |
| Deferred tax net assets | 1,515 | 1,218 | | |
| Deferred tax charge | | | 297 | 149 |
| <i>Change in deferred tax recognized directly in other comprehensive income</i> | | | 52 | - |
| <i>Change in deferred tax recognized in profit and loss</i> | | | 245 | 149 |

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 20 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 2014 amounts to PLN 1 thousand (as at 31 December 2013, PLN 6 thousand).

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

| | 31 December 2014 | 31 December 2013 |
|---|------------------|------------------|
| Fixed assets brought to the Fund Loans granted to employees | - | - |
| Cash | 143 | 86 |
| Liabilities to the Fund | 142 | 119 |
| Balance after offset | 1 | 6 |

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|-----------------------------|-----------------------------|
| Allowances to the Fund in the financial period | 644 | 639 |

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:

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|--------------------------------|--------------------------------|
| Net profit from continuing operations | 28,571 | 26,828 |
| Loss from discontinued operations | – | – |
| Net profit | 28,571 | 26,828 |
| Interest on redeemable preference shares convertible into ordinary shares | – | – |
| Net profit attributable to ordinary shareholders used in the calculation of diluted earnings per share | 28,571 | 26,828 |
| 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 | 0.85 | 0.80 |

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 2013 was paid on 2 June 2014 and amounted to PLN 26,734 thousand (dividend for 2012 was paid on 3 June 2013 and amounted to PLN 26,400 thousand).

The dividend per share paid for 2013 amounted to PLN 0.80 (2012: PLN 0.79). The Company did not pay an advance for the dividend for the year 2014.

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 2014.

16. Property, plant and equipment

| Year ended 31 December 2014 | Land and buildings | Machinery and equipment | Means of transport | Other fixed assets | Total |
|---|-----------------------|-------------------------------|-----------------------|-----------------------|----------------|
| Gross value as at 1 January 2014 | 2,262 | 12,450 | 5,237 | 2,181 | 22,130 |
| Acquisitions | – | 3,903 | 1,511 | 49 | 5,463 |
| Sales | – | (1,414) | (383) | – | (1,797) |
| Liquidation | – | (642) | – | (5) | (647) |

| | | | | | |
|--|--------------|----------------|----------------|----------------|-----------------|
| Gross value as at 31 December 2014 | 2,262 | 14,297 | 6,365 | 2,225 | 25,149 |
| Amortization and write-downs as at 1 January 2014 | (416) | (7,390) | (3,087) | (1,415) | (12,308) |
| Amortisation write-down for period | (229) | (3,107) | (559) | (254) | (4,149) |
| Sales | – | 649 | 352 | – | 1,001 |
| Liquidation | – | 618 | – | 4 | 622 |
| Amortization and write-downs as at 31 December 2014 | (645) | (9,230) | (3,294) | (1,665) | (14,834) |
| Net value as at 1 January 2014 | 1,846 | 5,060 | 2,150 | 766 | 9,822 |
| Net value as at 31 December 2014 | 1,617 | 5,067 | 3,071 | 560 | 10,315 |

| | | | | | |
|--|--------------------|-------------------------|--------------------|--------------------|-----------------|
| Year ended 31 December 2013 | Land and buildings | Machinery and equipment | Means of transport | Other fixed assets | In 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 |
| Amortization and write-downs as at 1 January 2013 | (560) | (5,395) | (3,132) | (1,137) | (10,224) |
| Amortisation write-down for period | (245) | (2,885) | (634) | (279) | (4,043) |
| Sales | – | 521 | 679 | 1 | 1,201 |
| Liquidation | 389 | 369 | – | – | 758 |
| Amortization and write-downs 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 |

Neither in 2014 nor in 2013, did the Company use any equipment under finance lease and lease purchase contracts.

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

17. Leasing

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

The Company has lease contracts on office space, which as at 31 December 2014 and as at 31 December 2013 entailed the following future minimum payments under the non-cancellable operating lease contracts:

| | 31 December 2014 | 31 December 2013 |
|-------------------|------------------|------------------|
| Within 1 year | 6,187 | 6,048 |
| From 1 to 5 years | 10,979 | 16,657 |
| More than 5 years | – | – |
| | 17,166 | 22,705 |

17.2. Commitments under finance lease and lease purchase contracts

Neither at 31 December 2014 nor at 31 December 2012 had the Company any commitments under finance lease.

18. Intangible assets

| Year ended 31 December 2014 | Patents and licences | Goodwill | IA not put into use | Other | Total |
|--|----------------------|----------------|---------------------|--------------|-----------------|
| Gross value as at 1 January 2014 | 34,267 | 170,938 | 1,052 | 444 | 206,701 |
| Acquisitions | 444 | – | – | – | 444 |
| Capitalization of realized costs of developmental projects | – | – | 6,068 | – | 6,068 |
| Transfer from IA in progress Sales | 6,236 | – | (6,236) | – | – |
| Liquidation | – | – | – | – | – |
| Gross value as at 31 December 2014 | – | – | – | – | – |
| Amortization and write-downs as at 1 January 2014 | – | – | – | – | – |
| Amortisation write-down for period | 40,947 | 170,938 | 884 | 444 | 213,213 |
| Sales | (22,971) | – | (604) | (281) | (23,856) |
| Liquidation | (7,759) | – | – | – | (7,759) |
| Amortization and write-downs as at 31 December 2014 | – | – | – | – | – |
| Net value as at 01 January 2014 | – | – | – | – | – |
| Net value as at 31 December 2014 | (30,730) | – | (604) | (281) | (31,615) |
| Year ended 31 December 2013 | 11,296 | 170,938 | 448 | 163 | 182,845 |
| | 10,217 | 170,938 | 280 | 163 | 181,598 |
| | Patents and licences | Goodwill | IA not put into use | Other | In total |
| Gross value as at 1 January 2013 | 27,053 | 170,938 | 1,549 | 444 | 199,984 |
| Acquisitions | 433 | – | – | – | 433 |
| Capitalization of realized costs developmental projects | – | – | 6,284 | – | 6,284 |
| 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 |
| Depreciation and impairment losses as at 1 January 2013 | (15,395) | – | (604) | (281) | (16,280) |
| Amortisation write-down for period | (7,576) | – | – | – | (7,576) |
| Sales | – | – | – | – | – |
| Liquidation - | – | – | – | – | – |
| Depreciation and impairment losses 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 |

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 S.A.

| | 31 December 2014 | 31 December 2013 |
|-----------------------------|------------------|------------------|
| 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 market; 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. The individual components of this rate were estimated based on market data on risk-free interest rates, the value of the beta factor, which was leveraged based on the market structure of the debt/equity and the value of expected return from the market.

As a result of the test for impairment, it should be noted that at 31 December 2014 there was no need to apply impairment to goodwill.

| | ERP Systems |
|--|-------------|
| Goodwill assigned to cash-flow generating unit | 170,938 |
| Gross margin | 37% |
| Growth rate | 2% - 3% |
| Discount rate | 8.44% |
| Recoverable amount of the cash-generating unit | 347,387 |

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.

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 2014, the recoverable amount of the unit would be PLN 333 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 311 million.

20. Other assets

20.1. Long-term receivables

| | 31 December 2014 | 31 December 2013 |
|-------------------|------------------|------------------|
| Other receivables | 600 | 601 |
| Total | 600 | 601 |
| - short-term | - | - |
| - long-term | 600 | 601 |

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

20.2. Accruals and deferred income

| Accruals and deferred income | 31 December 2014 | 31 December 2013 |
|------------------------------|------------------|------------------|
| Prepaid maintenance services | 191 | 162 |
| Prepaid insurance | 55 | 212 |
| Prepaid subscriptions | 14 | 20 |
| Other prepaid services | 168 | 272 |
| Total | 428 | 666 |
| - short-term | 387 | 637 |
| - long-term | 41 | 29 |

21. Employee benefits

21.1. 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 2014 | 31 December 2013 |
|----------------------------|------------------|------------------|
| At 1 January | 368 | 288 |
| Establishment of provision | 339 | 80 |
| The costs of benefits paid | - | - |
| Termination of provision | - | - |
| At 31 December | 707 | 368 |
| - short-term | - | - |
| - long-term | 707 | 368 |

Amounts in employee benefit schemes recognised in profit and loss:

| | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Cost of employment | 50 | 50 |
| Revaluation of net liabilities for employee benefits | | |
| actuarial gains and losses resulting from changes in demographic predictions | 10 | - |
| actuarial gains and losses resulting from changes in financial predictions | 260 | 13 |
| actuarial gains and losses resulting from ex-post adjustments of assumptions | 2 | - |
| Paid benefits | - | - |
| Cost of future employment | - | - |
| Interest expense | 17 | 17 |
| <i>Items of scheme costs recognized in profit and loss</i> | <i>67</i> | <i>80</i> |
| <i>Items of scheme costs recognized in other comprehensive income</i> | <i>272</i> | <i>-</i> |
| At 31 December | 339 | 80 |

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 2013, 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.
- 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 2014 | 31 December 2013 |
|---------------------------------|------------------|------------------|
| Discount rate (%) | 2.70% | 4.50% |
| Expected inflation rate (%) | 2.50% | 2.50% |
| Expected wage increase rate (%) | 5.00% | 5.00% |

Sensitivity analysis

| | Change of discount rate by one percentage point: | | Change of salary growth rate by one percentage point: | |
|---|---|------|---|-------|
| | Up | Down | Up | Down |
| 31 December 2014 | | | | |
| Influence on total cost of employment and cost of interest | (19) | 23 | 31 | (24) |
| Influence on liabilities for specific benefits | (161) | 214 | 198 | (154) |
| 31 December 2013 | | | | |
| Influence on total cost of employment and cost of interest | (12) | 15 | 19 | (15) |
| Influence on liabilities for specific benefits | (82) | 110 | 103 | (80) |

22. Inventories

| | 31 December 2014 | 31 December 2013 |
|---------------------|------------------|---------------------|
| Goods | 802 | 2,804 |
| Goods in transit | – | – |
| Inventory allowance | (219) | (158) |

583

2,646

In the year ended 31 December 2014, the Company wrote down the inventory recoverable net value in the amount of PLN 109 thousand (in 2013: PLN 66). The created write-down was related to computer accessories stored in the warehouse for more than 12 months.

In the year ended 31 December 2014, the Company made a reversal of inventory write-down in the amount of PLN 48 thousand (in 2013: PLN 67).

No category of inventories constituted a collateral for credits or loans for the year ended 31 December 2014 and for the year ended 31 December 2013. As at 31 December 2014 or as at 31 December 2013, there were no inventories valued at the net selling price.

23. Trade and other receivables

| Trade receivables (short-term) | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Trade receivables | 28,590 | 35,813 |
| Trade receivables from other parties | 349 | 783 |
| Trade receivables (net) | 28,939 | 36,596 |
| Allowance on doubtful accounts | 556 | 788 |
| Trade receivables (gross) | 29,495 | 37,384 |
| Other receivables | | |
| | 31 December 2014 | 31 December 2013 |
| Other receivables from third parties | 2,871 | 2,275 |
| Other receivables from related parties | - | - |
| | 2,871 | 2,275 |
| Other receivables | | |
| | 31 December 2014 | 31 December 2013 |
| Receivables arising from the valuation of long-term IT contracts | 2,413 | 1,658 |
| Advances paid to suppliers | 10 | 9 |
| Other trade receivables (bid bonds, deposits) | 334 | 577 |
| Receivables from employees | 25 | 25 |
| CSBF | 1 | 6 |
| Other receivables | 88 | - |
| | 2,871 | 2,275 |

Terms and conditions of related party transactions are set out in Note 31.

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 2014, trade receivables in the amount of PLN 556 thousand (2013: PLN 788 thousand) were covered by a write-down. Changes in the allowance for receivables were as follows:

| | 31 December 2014 | 31 December 2013 |
|--------------------------------------|------------------|------------------|
| Allowance write-down as at 1 January | 788 | 880 |
| Increase | 76 | 169 |

| | | |
|---|------------|------------|
| Use | (173) | - |
| Deduction of unused amounts | (135) | (261) |
| Allowance write-down as at 31 December | 556 | 788 |

Below is the analysis of trade and other receivables, which at 31 December 2014 and 31 December 2013 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 2014 | | | | | | | |
| Trade receivables | 28,939 | 22,704 | 4,879 | 1,279 | 18 | 11 | 48 |
| Other receivables | 2,871 | 2,871 | - | - | - | - | - |
| 31 December 2013 | | | | | | | |
| Trade receivables | 36,596 | 31,211 | 4,439 | 812 | 74 | 45 | 15 |
| Other receivables | 2,275 | 2,275 | - | - | - | - | - |

24. 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. Short-term deposits are made at different periods, from one day to six months, depending on the actual Company's demand for cash, and bear interest at a fixed interest rate. The fair value of cash and cash equivalents at 31 December 2014 amounts to PLN 57,483 thousand (31 December 2013: PLN 54,727 thousand).

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

| Cash | 31 December 2014 | 31 December 2013 |
|---|------------------|------------------|
| Cash at bank and in hand | 866 | 878 |
| Short-term deposits up to 3 months | 56,617 | 53,849 |
| Cash in the balance | 57,483 | 54,727 |
| Interest accrued on short-term deposits | (115) | (97) |
| Cash in cash flow statements | 57,368 | 54,630 |

25. Spare capital and supplementary/reserve capitals

25.1. Share capital

| Share capital | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| 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 2014 | 33,418 | 167,091 |
| Change during the year | - | - |
| As at 31 December 2014 | 33,418 | 167,091 |
| As at 1 January 2013 | 33,418 | 167,091 |
| Change during the year | - | - |
| As at 31 December 2013 | 33,418 | 167,091 |

25.1.1 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 2014 amounted to PLN 0.85 (in 2013: PLN 0.80).

25.1.2 Rights of shareholders

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

25.1.3 Shareholders with significant share

| Shareholder | Share in share capital | % of total votes at GM |
|---|------------------------|------------------------|
| Asseco Poland S.A. | 46.47% | 46.47% |
| Amplico Otwarty Fundusz Emerytalny | 10.47% | 10.47% |
| Aviva Otwarty Fundusz Emerytalny Aviva BZ | 9.84% | 9.84% |
| WBK | 33.22% | 33.22% |
| Other shareholders | 100.00% | 100.00% |

25.1.4 Shares held by the Management Board and Supervisory Board

| | 31 December 2014 | | 31 December 2013 | |
|----------------------------|-----------------------|-------------------|-----------------------|-------------------|
| | number of shares held | shareholding in % | number of shares held | shareholding in % |
| Executive persons | | | | |
| Wojciech Barcentewicz | 461,267 | 1.38% | 461,267 | 1.38% |
| Piotr Masłowski | 715,063 | 2.14% | 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 | 1,858,112 | 5.56% | 2,128,112 | 6.37% |

25.2. 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.

25.3. 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 2014, there are no other restrictions on the payment of dividend.

26. Interest-bearing loans and borrowings

At 31 December 2014 (and at 31 December 2013), the Company did not have any open credit lines.

27. Provisions

27.1. Changes in provisions

| | Provision for retirement gratuity | Other provisions | Total |
|------------------------------------|--------------------------------------|------------------|--------------|
| As at 1 January 2014 | 368 | 373 | 741 |
| Created during the financial year | 339 | – | 339 |
| Used | – | – | – |
| Dissolved | – | – | – |
| As at 31 December 2014 | 707 | 373 | 1,080 |
| Short-term as at 31 December 2014 | – | 373 | 373 |
| Non-current as at 31 December 2014 | 707 | – | 707 |
| | 707 | 373 | 1,080 |
| 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 |

"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 30.1).

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

28.1. Trade liabilities and other financial liabilities (current)

| Trade liabilities | 31 December 2014 | 31 December 2013 |
|--------------------------|------------------|------------------|
| To related parties | 41 | 37 |
| To other parties | 4,455 | 13,878 |
| Total | 4,496 | 13,915 |

| Financial liabilities | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Liabilities under finance lease (short-term) | – | – |
| Forward contracts - short-term | 2 | – |
| Total | 2 | – |

| Other liabilities | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Amounts owed to employees as wages | 363 | 341 |
| Liabilities arising from the valuation of long-term IT contracts | 799 | 168 |
| Liabilities due to non-invoiced deliveries | 242 | 2,548 |
| Advance payments for supplies | 1 | 144 |
| Other liabilities | 14 | 94 |
| Total | 1,419 | 3,295 |

Terms and conditions of payment of the above financial liabilities:

Terms and conditions of related party transactions are set out in Note 31. Trade and other liabilities are not interest-bearing.

Interest liabilities are generally settled on a monthly basis throughout the financial year.

28.2. Other non-financial liabilities

| Liabilities from taxes, duties, social security and other | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Liabilities from taxes, duties, social security and other | 5,083 | 4,613 |
| Liabilities to Social Security | 1,344 | 1,227 |
| Personal income tax | 526 | 508 |

| | | |
|-----------------------------|--------------|--------------|
| VAT | 3,166 | 2,829 |
| Other budgetary commitments | 47 | 49 |
| Corporate income tax | 1,518 | 1,045 |
| Total | 6,601 | 5,658 |
| long-term | 6,601 | 5,658 |
| short-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.

28.3. Accruals and prepayments

| | 31 December 2014 | 31 December 2013 |
|------------------------------|------------------|------------------|
| Accrued expenses for: | | |
| Unused leaves | 2,387 | 1,811 |
| Bonuses | 6,578 | 5,575 |
| Provision for other expenses | 535 | 689 |
| | 9,500 | 8,075 |
| Accrued income for: | | |
| Prepaid services | 480 | 497 |
| Other income | 101 | 179 |
| | 581 | 676 |
| Total | 10,081 | 8,751 |
| - short-term | 10,068 | 8,725 |
| - long-term | 13 | 26 |

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.

29. Long-term contracts

In 2014 and 2013, Asseco Business Solutions S.A. implemented a number of the so-called implementation contracts (IT). In accordance with IAS 11, revenue 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 2014 and at 31 December 2013, the Company had no advances in respect of long-term contracts.

The amount of revenues from contracts for the year ended 31 December 2014 amounted to PLN 8,830 thousand (in the year ended 31 December 2013: PLN 6,125 thousand). Costs related to the performance of contracts for the year ended 31 December 2014 amounted to PLN 4,514 thousand (in the year ended 31 December 2013: of PLN 2,577 thousand).

The receivables for the valuation of contracts for the year ended 31 December 2014 amounted to PLN 2,413 thousand (for the year ended 31 December 2013: PLN 1,658 thousand).

| | 31 December 2014 | 31 December 2013 |
|--|------------------|------------------|
| Costs incurred by the implementation of IT contracts (-) | (3,715) | (2,409) |
| Profit (loss) by the implementation of IT contracts | 4,316 | 3,548 |
| Invoiced revenue by the implementation of IT contracts | 6,417 | 4,467 |
| Receivables arising from the valuation of IT contracts | 2,413 | 1,658 |
| Liabilities arising from the valuation of IT contracts | (799) | (168) |

30. Contingent liabilities

At 31 December 2014, the Company did not have any contingent liabilities.

30.1. 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.

30.2. 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 conflicts. 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 2014, adequate reserves were established for known and quantifiable tax risk.

31. 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 | | <i>Sales to related parties</i> | <i>Purchase from related parties</i> | <i>Receivables from related parties</i> | <i>Liabilities to related parties</i> |
|------------------------|------|---------------------------------|--------------------------------------|---|---------------------------------------|
| The parent: | | | | | |
| Asseco Poland S.A. | 2014 | 2,973 | 1,715 | 277 | 31 |
| | 2013 | 3,673 | 1,222 | 482 | 53 |
| Other related parties: | | | | | |
| Other parties | 2014 | (498) | 2 | 72 | 10 |
| | 2013 | 436 | 139 | 301 | 7 |
| | 2014 | 2,475 | 1,717 | 349 | 41 |
| | 2013 | 4,109 | 1,361 | 783 | 60 |

According to information held by Asseco Business Solutions SA, at 31 December 2014 or at 31 December 2013, there were no outstanding balances of receivables or liabilities arising from transactions with related parties concluded by the Company Executives and with the Company Executives.

According to the information held by Asseco Business Solutions SA, neither at 31 December 2014 nor at 31 December 2013 there were outstanding liabilities arising from related party transactions held by the Company Executives and with the Company Executives.

According to the records of Asseco Business Solutions SA, for the financial year ended 31 December 2014, 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 2013: PLN 1,811 thousand).

31.1. The parent of the Group

Asseco Poland SA is the parent of the Company.

In the year ended 31 December 2014, there were transactions between the Company and Asseco Poland SA, the details of related party transactions are contained in Note 31.

31.2. Entity with significant impact on the Company

At 31 December 2014, Asseco Poland SA holds 46.47% of ordinary shares of Asseco Business Solutions SA (at 31 December 2013: 46.47%).

31.3. The remuneration of Company executives

31.3.1 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 2014 | Year ended 31 December 2013 |
|---|-----------------------------|-----------------------------|
| Management Board | 4,049 | 4,077 |
| Romuald Rutkowski to 30 June 2012 | | 229 |
| Wojciech Barcentewicz | 1,593 | 1,581 |
| Piotr Masłowski | 1,593 | 1,581 |
| Mariusz Lizon | 863 | 686 |

| | | |
|--------------------------|--------------|--------------|
| Supervisory Board | 318 | 456 |
| Romuald Rutkowski | 150 | 288 |
| Adam Góral | 60 | 60 |
| Zbigniew Pomianek | 36 | 36 |
| Adam Pawłowicz | 36 | 36 |
| Grzegorz Ogonowski | 36 | 36 |
| | 4,367 | 4,533 |

The amount of remuneration paid for the year ended 31 December 2014 contains a management bonus for 2013 paid in 2014.

| Remuneration due to the members of the Management Board and Supervisory Board | Year ended 31 December 2014 | Year ended 31 December 2013 |
|--|-----------------------------|-----------------------------|
| Management Board | 3,212 | 3,099 |
| Romuald Rutkowski to 30 June 2012 | – | – |
| Wojciech Barczentewicz | 1,292 | 1,246 |
| Piotr Masłowski | 1,292 | 1,246 |
| Mariusz Lizon | 628 | 607 |
| Supervisory Board | – | – |
| Romuald Rutkowski | – | – |
| Adam Góral | – | – |
| Zbigniew Pomianek | – | – |
| Adam Pawłowicz | – | – |
| Grzegorz Ogonowski | – | – |
| | 3,212 | 3,099 |

The item of remuneration due for the year ended 31 December 2014 contains a management bonus for 2014 to be paid in 2015.

| | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|-----------------------------|-----------------------------|
| Management Board | | |
| Holiday reserve | 11 | 14 |
| Post-employment benefits (retirement provision) | 19 | 10 |
| | 30 | 24 |

32. 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 2014 and 31 December 2013 by type of service:

| Type of service | Year ended | |
|------------------------|--------------------|--------------------|
| | 31 December 2014 * | 31 December 2013 * |

| | | |
|---|------------|------------|
| Mandatory audit of the annual financial statements and the review of the interim financial statements | 162 | 183 |
| Other attesting services | - | - |
| Tax advisory services | - | - |
| Other services | - | - |
| | 162 | 183 |

* Ernst&Young Audit Sp. z o.o. Sp. k.

33. 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 free assets. 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 34.

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%.

33.1. Interest rate risk

The Company's exposure to the risk of changing interest rates concerns primarily bank deposits. As at 31 December 2014, 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 percentage points | The impact on gross profit |
|------------------------------------|----------------|--|-------------------------------|
| Year ended 31 December 2014 | | | |
| Bank deposits | 56,617 | + 15% | 188 |
| | | - 15% | (188) |
| Year ended 31 December 2013 | | | |
| Bank deposits | 53,849 | + 15% | 243 |
| | | - 15% | (243) |

33.2. 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 5% 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.

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 2014 – EUR/PLN | +10% | 112 | 91 |
| | - 10% | (112) | (91) |
| 31 December 2013 – EUR/PLN | +10% | 45 | 36 |
| | - 10% | (45) | (36) |
| 31 December 2014 – USD/PLN | +10% | 1 | 1 |
| | - 10% | (1) | (1) |
| 31 December 2013 – USD/PLN | +10% | 18 | 15 |
| | - 10% | (18) | (15) |

33.3. Commodity 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.

33.4. Credit risk

Credit risk faced by the Company may result from:

- creditworthiness of clients, thus the Company has 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.

33.5. 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.

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 2014 and 31 December 2013 according to the maturity date based on contractual undiscounted payments.

| 31 December 2014 | On demand | Below 3 months | Within 3 to 12 months | From 1 year to 5 years | Total |
|---|-----------|----------------|-----------------------|------------------------|--------------|
| Trade liabilities and other liabilities | - | 5,101 | 813 | - | 5,914 |
| | - | 5,101 | 813 | - | 5,914 |

| 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 |

34. Financial instruments

34.1. Fair values of each class of financial instruments

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

- 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 2014 | 31 December 2013 | 31 December 2014 | 31 December 2013 |
| <i>Financial assets</i> | | | | |

| | | | | | |
|------------------------------|--------|---------------|---------------|---------------|---------------|
| Trade and other receivables | L&R | 31,800 | 38,862 | 31,800 | 38,862 |
| Cash and short-term deposits | | | | | |
| | ALFVPL | 57,483 | 54,727 | 57,483 | 54,727 |
| <i>Financial liabilities</i> | | 89,283 | 93,589 | 89,283 | 93,589 |
| Trade and other liabilities | | | | | |
| Forward currency contracts | | | | | |
| | FLMAC | 5,914 | 17,066 | 5,914 | 17,066 |
| | ALFVPL | 2 | – | 2 | – |
| | | 5,916 | 17,066 | 5,916 | 17,066 |

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

According to the Company's assessment, the fair value of cash, short-term deposits, trade receivables, trade liabilities and other short-term liabilities does not differ from the carrying amounts largely due to the short period of maturity.

At 31 December 2014 and at 31 December 2013, the Company held the following financial instruments measured at fair value:

| | 31 December 2014 | Level 1 | Level 2 | Level 3 |
|---|------------------|----------|----------|----------|
| Financial liabilities valued at fair value through profit or loss | | | | |
| Entered forward contracts | 2 | – | 2 | – |
| | 2 | – | 2 | – |

| | 31 December 2013 | Level 1 | Level 2 | Level 3 |
|---|------------------|----------|----------|----------|
| Financial liabilities valued at fair value through profit or loss | | | | |
| Entered forward contracts | – | – | – | – |
| | – | – | – | – |

In the year ended 31 December 2014 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 2014 and as at 31 December 2013 does not differ significantly from their carrying value.

34.2. 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 2014

| | Category in accordance with IAS 39 | Revenues /(expense) on interest | Gains/(losses) from exchange rates | Termination/(c reation) of write-downs | Gains/(losses) from measurement | Gains/(losses) from sales/settlement of financial instruments | Total |
|------------------------------|---|---|---|--|---------------------------------------|---|--------------|
| Financial assets | | | | | | | |
| Trade and other receivables | L&R | 4 | 19 | 59 | – | – | 82 |
| Cash and short-term deposits | ALFVPL | 1,253 | 23 | – | – | – | 1,276 |
| | | | | | | | 1,358 |
| Financial liabilities | | | | | | | |
| Forward currency contracts | | | | | | | |
| Trade and other liabilities | ALFVPL | – | – | – | (2) | 18 | 16 |
| | FLMAC | – | (9) | – | – | – | (9) |
| Total | | | | | | | 7 |
| | | 1,257 | 33 | 59 | (2) | 18 | 1,365 |

Year ended 31 December 2013

| | Category in accordance with IAS 39 | Revenues /(expense) on interest | Gains/(losses) from exchange rates | Termination/(c reation) of write-downs | Gains/(losses) from measurement | Profit /(loss) from sales 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 | | | | | | | |
| Forward currency contracts | ALFVPL | - | - | - | - | (10) | (10) |
| Trade and other liabilities | FLMAC | - | 12 | - | - | - | 12 |
| Total | | | | | | | 2 |
| | | 1,621 | 41 | (92) | - | (10) | 1,560 |

34.3. 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 2014

| 31 December 2014 | <1 year | 1 - 2 years | 2 - 3 years | 3 - 4 years | 4 - 5 years | In total |
|-------------------------------|---------|----------------|----------------|----------------|----------------|---------------|
| Floating interest rate | | | | | | |
| Cash assets | 57,483 | - | - | - | - | 57,483 |

31 December 2013

| 31 December 2013 | <1 year | 1 - 2 years | 2 - 3 years | 3 - 4 years | 4 - 5 years | In total |
|-------------------------------|---------|----------------|----------------|----------------|----------------|---------------|
| Floating interest rate | | | | | | |
| Cash assets | 54,727 | - | - | - | - | 54,727 |

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.

35. 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 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 2014 and at 31 December 2013, 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 2014 | 31 December 2013 |
|---------------------------------------|------------------|------------------|
| Interest-bearing loans and borrowings | - | - |
| Trade and other liabilities and | | |
| other liabilities | 12,518 | 22,868 |
| Less cash and short-term deposits | (57,483) | (54,727) |
| Net debt | (44,965) | (31,859) |

| | | |
|----------------------------------|----------------|----------------|
| Equity | 260,653 | 259,036 |
| Equity and net borrowings | 215,688 | 227,177 |
| Leverage ratio | -17.25% | -12.30% |

36. Employment structure

The Company employees in the year ended 31 December 2014 and 31 December 2013 stood as follows:

| Average FTEs during the reporting period | Year ended 31 December 2014 | Year ended 31 December 2013 |
|---|--------------------------------|--------------------------------|
| Management Board | 3 | 3 |
| Production departments | 493 | 491 |
| Trade departments | 47 | 44 |
| Administrative departments | 42 | 42 |
| Total | 585 | 580 |






Employment at 31 December 2014 and at 31 December 2013 stood as follows:

| FTEs at | 31 December 2014 | 31 December 2013 |
|----------------------------|------------------|------------------|
| Management Board | 3 | 3 |
| Production departments | 495 | 495 |
| Trade departments | 48 | 45 |
| Administrative departments | 42 | 42 |
| Total | 588 | 585 |

37. 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 2014, not included in the current financial statements.

38. Signatures of the Management Board Members

| Name and surname | Position/function | Signature |
|-----------------------|--|--|
| Wojciech Barcentewicz | Prezes Zarządu |  |
| Piotr Masłowski | Wiceprezes Zarządu |  |
| Andreas Enders | Wiceprezes Zarządu |  |
| Mariusz Lizon | Członek Zarządu |  |
| Artur Czabaj | Osoba odpowiedzialna za prowadzenie ksiąg rachunkowych |  |