Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” Joint-Stock Company in Warsaw

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
ON DECEMBER 31, 2012

APPENDIX NO. 1

TABLE OF CONTENTS:

INCOME STATEMENT

for the year ended on 31.12.2012

Item	Note	For the year ended on December 31, 2012	For the year ended on December 31, 2011
CONTINUED AND DISCONTINUED			
Sales revenues	13.1	712 647	626 444
Own cost of sales	13.6	778 914	596 464
Gross profit (loss) on sales		**(66 267)**	**29 980**
Cost of sales		-	-
General administration cost		50 621	51 451
Profit/loss on sales		**(116 888)**	**(21 471)**
Other operating revenues	13.2	58 830	50 849
Other operating costs	13.3	25 712	11 582
Write-off of goodwill	21	97 771	-
Profit (loss) on operating activities		**(181 541)**	**17 796**
Financial revenues	13.4	11 300	7 027
Financial costs	13.5	29 493	9 252
Share in associated entity's profit		-	-
Profit (loss) before tax		**(199 734)**	**15 571**
Income tax	14.1.	22 942	3 594
Net profit (loss) on continued activity		**(176 792)**	**11 977**
DISCONTINUED ACTIVITY			
Net profit (loss) on discontinued activity			
CONTINUED AND DISCONTINUED ACTIVITY			
Profit (loss) net:		**(176 792)**	**11 977**

NET PROFIT (LOSS) PER ONE SHARE	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Net profit (loss) on continued activity	(176 792)	11 977
Net profit (loss) on discontinued activity	-	-
Net profit (loss) for financial year	(176 792)	11 977
Average weighted number of ordinary shares (units)	27 500 100	27 500 100
Average weighted diluted number of ordinary shares (units)	n/a	n/a
Net basic profit (loss) per one share (in PLN)	(6,42)	0,44
Net basic profit (loss) per one share (in PLN)	n/a	n/a
Net profit (loss) per one share on continued and discontinued activity	(6.42)	0.44

STATEMENT OF COMPREHENSIVE INCOME

for the year ended on 31.12.2011

Item	For the year ended on December 31, 2012	For the year ended on December 31, 2011
(Net) profit/loss for the period	(176 792)	11 977
Other comprehensive income:	-	-
Total comprehensive income for the period	(176 792)	11 977
In total	(176 792)	11 977

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Gregor Siegmund Sobisch
President of the Management Board

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Marek Sobiecki
Second Vice-President of the Management Board

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Mario Serrano Villate
Member of the Management Board

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Servando Sierra Martí
Member of the Management Board

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Renata Sucharska
Head of Economy and Finance

Warsaw, March 21, 2013

STATEMENT OF FINANCIAL CONDITION

as at December 31, 2012

STATEMENT OF FINANCIAL CONDITION ASSETS	Note	As at December 31, 2012	As at December 31, 2011
FIXED ASSETS		**133 800**	**276 047**
Tangible fixed assets	19	33 498	76 184
Goodwill	21	-	97 771
Intangible assets	22	722	900
Investment real property	23	-	4 845
Deferred income tax assets	14.3.	19 083	-
Other prepayments and accruals	24.2	1 283	771
Other financial assets	24.1	79 214	95 567
Other fixed assets		-	9
CURRENT ASSETS		**592 291**	**297 401**
Inventories	26	1 260	2 170
Assets resulting from construction contracts evaluation		28 586	48 732
Trade receivables	28	294 011	195 023
Other receivables	28	81 234	12 084
Income tax receivables		-	377
Other short-term financial assets	24.1	5 687	2 619
Prepayments	24.2	5 571	2 337
Cash and cash equivalents	29	134 919	24 841
Assets assigned for sale	15	41 023	9 218
TOTAL ASSETS		**726 091**	**573 448**

STATEMENT OF FINANCIAL CONDITION EQUITY AND LIABILITIES	Note	As at December 31, 2012	As at December 31, 2011
EQUITY		**48 455**	**225 247**
Share capital/Stated capital	30.1	27 500	27 500
Reserve capital	30.2	549 428	549 428
Retained earnings (uncovered losses) from previous years	30.3	(351 681)	(363 658)
Current year net profit (loss)		(176 792)	11 977
LONG-TERM LIABILITIES		**169 040**	**55 181**
Loans	31	121 476	-
Other financial liabilities	20.1 33.1	2 681	3 380
Other long-term liabilities	33.1	34 539	26 512
Provisions	32.1	10 344	21 417
Deferred tax provisions	14.3.	-	3 859
Deferred income	33.3	-	13

SHORT-TERM LIABILITIES		**508 596**	**293 020**
Loans	31	16 009	34 903
Other financial liabilities	20.1 33.2	2 927	2 842
Liabilities resulting from construction contracts valuation		12 325	25 731
Trade liabilities	33.2	404 070	178 956
Other short-term liabilities	33.2	51 741	34 730
Provisions	32.1	21 372	15 373
Deferred income		152	485
TOTAL LIABILITIES		**726 091**	**573 448**

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Head of Economy and Finance

Warsaw, March 21, 2013

STATEMENT OF CASH FLOWS

for the year ended on 31.12.2012

STATEMENT OF CASH FLOWS	Note	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Cash flows from operating activity		**x**	**x**
Profit (loss) before tax		**(199 734)**	**15 571**
Adjustments:		**217 379**	**(142 074)**
Amortisation and depreciation	13.6	13 813	16 499
Profit (loss) on investment activities		(4 961)	(1 855)
Profit (loss) on sales of assets held for sale	15	781	-
Gains (losses) on exchange		(200)	709
Change in receivables (trade and other receivables, and assets related to construction contracts)		(147 992)	(10 782)
Change in inventories		910	(1 471)
Change in liabilities except for loans (trade and other liabilities, and related to construction contracts)		228 720	(118 181)
Profit on interest		(1 773)	(1 879)
Cost of interest		10 544	5 214
Change in prepayments and accruals		(4 092)	(1 139)
Change in provisions		(5 074)	(34 594)
Income tax paid		377	8 860
Change in long-term settlements		12 691	(3 473)
Allowances for goodwill	21	97 771	-
Allowance for shares	13.5 24.1	14 004	-
Allowances for financial investment		1 835	(252)
Allowances for tangible fixed assets		(4)	-
Other adjustments		29	270
Net cash from operating activity		**17 645**	**(126 503)**
Cash flows from investment activity		**x**	**x**
Sale of fixed tangible and intangible assets and other fixed assets		7 464	12 878
Purchase of fixed tangible and intangible assets and other fixed assets		(573)	(2 373)
Purchase of shares in subsidiaries	24	(1 500)	(6 000)
Sales of fixed assets held for sale		2 925	-
Interest received		697	1 088
Loans granted	24	(4 652)	(6 915)
Other		8	(9)
Net cash from investment activity		**4 369**	**(1 331)**

Cash flows from financial activity		**x**	**x**
Repayment of financial lease liabilities		(3 947)	(6 134)
Receipts from loans in the current account		-	27 878
Receipts from loans incurred		119 207	-
Receipts from loans in the current account		(18 894)	-
Interest paid		(8 275)	(5 214)
Other		-	1 119
Net cash from financial activity		**88 091**	**17 649**
Net increase (decrease) in cash and cash equivalents		110 105	(110 185)
Net gains/losses on exchange		(27)	(605)
Cash flows and cash equivalents at the beginning of the period	**29**	**24 841**	**135 631**
Cash flows and cash equivalents at the end of the period	**29**	**134 919**	**24 841**

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Gregor Siegmund Sobisch
President of the Management Board

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Member of the Management Board

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Renata Sucharska
Head of Economy and Finance

Warsaw, March 21, 2013

STATEMENTS OF CHANGES IN EQUITY

for the year ended on 31.12.2012

Item	Share capital	Reserve capital	Retained earnings		Total equity
			Profit (loss) from previous years	Net result	
As at the beginning of the period	**27 500**	**549 428**	**(351 681)**		**225 247**
Changes in equity during the period	-	-	-	-	-
Net profit (loss) for the period				(176 792)	(176 792)
Company merger effect	-	-	-	-	-
As at the end of the period	**27 500**	**549 428**	**(351 681)**	**(176 792)**	**48 455**

for the year ended on 31.12.2011

Item	Share capital	Reserve capital	Retained earnings		Total equity
			Profit (loss) from previous years	Net result	
As at the beginning of the period	**27 500**	**549 428**	**(362 673)**	**-**	**214 255**
Changes in equity during the period	-	-	-	-	-
Net profit (loss) for the period	-	-	-	11 977	11 977
Company merger effect	-	-	(985)	-	(985)
As at the end of the period	**27 500**	**549 428**	**(363 658)**	**11 977**	**225 247**

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Member of the Management Board

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Renata Sucharska
Head of Economy and Finance

Warsaw, March 21, 2013

ACCOUNTING PRINCIPLES (POLICY) AND ADDITIONAL EXPLANATORY NOTES

1. General information

Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA" S.A. (hereinafter referred to P.R.I. "POL-AQUA" S.A. or the Company) is a joint-stock company with its registered office in Warsaw, whose shares circulate in public trade. The Company headquarters is located in Warsaw, Adama Branickiego 15

The Company was entered into the Register of Entrepreneurs of the National Court Register kept by the District Court, 13th Economic Division of the National Court Register, under no. KRS 0000044166.

The statistical number (REGON) of the Company is 012783671, and the tax identification number NIP is 775-00-01-125.

Duration of the Company is indefinite.

The core activities of the Company include engineering works, road and power construction, as well as general construction. In addition, the Company provides services of a general contractor on projects involving construction of residential/commercial/industrial buildings.

Since July 30, 2007 shares of the Company have been listed on the Warsaw Stock Exchange.

P.R.I. "POL-AQUA" S.A. is the parent entity in the POL-AQUA Capital Group.

The Parent Company of the Company is DRAGADOS S.A. a company established under the Spanish law in Madrid, which owns 18,150,066 shares of the Company, 66 % of the total number of votes at "POL-AQUA" S.A.

DRAGADOS S.A. forms part of the Capital Group of ACS Actividades de Construcción y Servicios Sociedad Anónima (ACS S.A.) - a Spanish Joint-Stock Company. ACS S.A. directly holds more than 99.9% of the shares in the share capital of DRAGADOS S.A. and indirectly less than 0.1% of DRAGADOS S.A. shares through its subsidiary named Comunidades Gestionadas S.A.

2. Consolidated Financial Statements Identification

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

3. Management Board and Supervisory Board of the Company

MANAGEMENT BOARD

On June 19, 2012 Mr Eduardo Martínez Martínez tendered his resignation from the position of the General Director, Member of the Management Board and First Vice-President of the Management Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA" S.A. as of June 30, 2012.

On July 5, 2012 the Supervisory Board of P.R.I. „POL-AQUA" S.A. appointed Mr Gregor Siegmund Sobisch to the Management Board of the Company as a Member of the Management Board and the First Vice-President of the Management Board.

As at December 31, 2012, the composition of the Parent Company's Management Board was as follows:

Name	**Position**
Piotr Stanisław Chełkowski	President of the Management Board,
Gregor Siegmund Sobisch	First Vice-President of the Management Board,
Marek Sobiecki	Second Vice-President of the Management Board,
Robert Stefan Molo	Member of the Management Board,
Mario Serrano Villate	Member of the Management Board,
Servando Sierra Martí	Member of the Management Board.

On January 15, 2013, the Company's Supervisory Board, acting pursuant to art. 368 § of the Code of Commercial Companies and § 21 of the Company's Articles of Association adopted the following resolutions:

- dismissal of Mr Piotr Stanisław Chełkowski from the position of the President of the Management Boardand from the Company's Management Board;
- dismissal of Mr Robert Stefan Molo from the function of Member of the Company's Management Board;
- appointing Mr Gregor Siegmund Sobisch for the function of the Management Board's President.

With regard to the above the composition of the Management Board of P.R.I. „POL-AQUA" S.A. in Warsaw as at the day of publication hereof is as follows:

Name	**Position**
Gregor Siegmund Sobisch	President of the Management Board,
Marek Sobiecki	Second Vice-President of the Management Board,
Mario Serrano Villate	Member of the Management Board,
Servando Sierra Martí	Member of the Management Board.

SUPERVISORY BOARD

On March 14, 2012, the Management Board of the Parent Company received a letter in which Mr Jose Puente Garcia tendered his resignation from the position of the Member of the Supervisory Board - Vice-President of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA" Spółka Akcyjna.

On April 12, 2012, the Extraordinary General Meeting of the Company adopted a resolution on appointing Mr Gustavo Tunell Ayuso to the Supervisory Board as a Member of the Supervisory Board - the Vice-Chairman of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA" Spółka Akcyjna.

On July 6, 2012, Mr Alfonso Costa Cuadrench tendered his resignation from the position of a Member of the Supervisory Board - the Chairman of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA" S.A. as of July 20, 2012.

On July 12, 2012, Mr Janusz Steinhoff tendered his resignation from the position of a Member of the Supervisory Board of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA" S.A. as of July 12, 2012.

On August 2, 2012, the Extraordinary General Meeting of P.R.I. "POL-AQUA" S.A. appointed the following persons to the Supervisory Board:

- Mr Gustavo Tunell Ayuso as the Chairman of the Supervisory Board;
- Mr Eduardo Martínez Martínez as the Vice-Chairman of the Supervisory Board;
- Mr Ricardo Eduardo Cuesta Castiñeyra as a Member of the Supervisory Board.

As at December 31, 2012, the Supervisory Board was composed of the following members:

Name	**Position**
Gustavo Tunell Ayuso	Chairman of the Supervisory Board,
Eduardo Martínez Martínez	Vice-Chairman of the Supervisory Board,
Alberto Laverón Simavilla	Member of the Supervisory Board,
Ricardo Eduardo Cuesta Castiñeyra	Member of the Supervisory Board,
Krzysztof Gerula	Member of the Supervisory Board.

4. Financial Statements Approval

This financial statements was approved for publication by the Management Board on March 20, 2012. March 21, 2013

5. Investments of the Company

The Company has invested in the following subsidiaries and associates:

Company	Place of registration and principle place of business	Core activity	Share in share capital as at 31.12.2012	Share to vote ratio (%) 31.12.2012	Share in share capital as at 31.12.2011	Share to vote ratio (%) 31.12.2011	December 31, 2012		December 31, 2011	
							Purchase price	Accumulated loss of value	Purchase price	Accumulated loss of value
PA Conex Sp. z o. o. (subsidiaries)	Gostynin	Manufacture and assembly of steel structures, manufacture of steel construction elements, construction works and repairs of facilities and equipment	100.00%	100.00%	100.00%	100.00%	19 400	19 400	19 400	19 400
PA Wyroby Betonowe S.A. (subsidiary)	Elbląg	Manufacture of ready-mix concrete, manufacture of FILIGRAN floor slabs, manufacture of round containers of post-tensioned concrete, manufacture of "Żerań"-type hollow core slabs, lintel slabs	100.00%	100.00%	100.00%	100.00%	5 500	-	5 500	-
Mostostal Pomorze S. A. (subsidiary)	Gdańsk	manufacture of steel structures, construction of installations in the petroleum chemistry industry	92.50%	92.50%	89.99%	89.99%	55 997	-	54 496	-
Teco Sp. z o. o. (subsidiary)	Wrocław	General construction works related to line and pipeline structures	100.00%	100.00%	100.00%	100.00%	18 810	14 004	18 810	-
PLACIDUS INVESTMENTS Sp. z o.o. (subsidiary)*	Warsaw	Works related to construction of roads, bridges, pipelines and water engineering structures	60.00%	60.00%	60.00%	60.00%	967	967	967	967
Weneda Sp. z o. o. (subsidiary)	Opole	Hotel and catering	100.00%	100.00%	100.00%	100.00%	3 300	-	3 300	-
POL-AQUA WOSTOK Sp. z o. o. (subsidiary)	Moscow	Oil and gas exploitation, engineering construction	51.00%	51.00%	51.00%	51.00%	1	-	1	-
Sarnia Dolina Sp. z o. o. (associate)	Warsaw	General construction works, sale of houses and flats	44.00%	44.00%	44.00%	44.00%	3 294	3 294	3 294	3 294
In total							**107 269**	**37 665**	**105 768**	**23 661**

* PLACIDUS INVESTMENTS Sp. z o.o. – in bankruptcy (by liquidation of debtor's assets). The entity is not controlled by the Company.

As at December 31, 2012 and December 31, 2011, the share in the total number of votes held by the Parent Company in subsidiaries and associates is equal to the share of the Company in share capitals of such entities.

6. Key values based on sound professional judgment and estimates

6.1. Professional judgement

In the process of applying accounting principles (policies) regarding the abovementioned issues, the professional judgment of the management was of greatest significance, apart from accounting estimates.

Lease contracts qualification

The Group classifies leasing as either operational or financial basing on the evaluation of risks and benefits derived from holding the subject of the lease are divided between the lessor and the lessee. This assessment is based on the economic content of each transaction.

Classification of fixed assets held for sale

The Company classifies fixed assets (or a group to be disposed) designated for sale, if their balance-sheet value will be regained recovered first of all by way of sales transactions, and not by their further usage. Such situation is the case when a given asset (or a group to be disposed) is available for immediate sale given its current state, taking into account only standard and customary terms and conditions of sales of such type of assets (or a group to be disposed), and its sale is highly probable.

As at December 31, 2012, the value of assets held for sale totalled PLN 41,02,000.

Assessment of occurrence of factors for impairment of shares in subsidiaries and associates

As at the end of each reporting period, the Company assesses, whether an impairment of shares in subsidiaries and associates occurred. When assessing, whether factors proving the possibility of the shares impairment exist, the Company analyses at least factors originating from external and internal information sources, as well as dividends from subsidiaries and associates. Should there be ascertained that factors for impairment of shares in subsidiaries and associates occur, the Company estimates the recoverable value of the shares.

As at December 31, 2012, the amount of write-offs totals PLN 37,665,000 and no necessity to create additional ones was ascertained.

6.2. Uncertainty of estimates

Preparation of financial statements according to IFRS requires the adoption of particular estimates and assumptions, which influence the amounts reported in the financial statements. Most estimates are based on analyses and the best knowledge of the Management Board. Although the adopted assumptions and estimates are based on the best knowledge of the Management Board concerning current activities and events, actual results might differ from the expected outcome. The estimates and assumptions connected with these results are subject to verification. Changes in accounting estimates are reported for the period in which estimates were changed or in current or future periods, if the change in estimates concerns both current and future periods.

The basic assumptions concerning the future of the Company and other key sources of uncertainty occurring as at the balance sheet date, which are connected with significant risk of major adjustment of the balance sheet value of assets and liabilities in the next financial year have been discussed below.

Loss of tangible fixed assets value

The Management Board of the Company carried out a periodic review of fixed assets in order to assess loss on their value, and taking into account the financial goals of the Company, the Management Board did not identify the need to perform write-offs on the level of entities generating cash flows.

Loss of investment value in subsidiaries and associates

Following current results of subsidiaries and associates and plans related to them, as at the end of each reporting period, the Management Board assesses the value of investments in these companies and performs investment impairment tests in them. It requires determination of future cash flows generated by a unit and requires determination of discount rate applied to calculate the current value of the cash flows.

As at December 31, 2012, the amount of write-offs totals PLN 37,665,000. In 2012, the Management Board did not ascertain impairment of other investments, as well as it does not see any circumstances justifying covering of other assets with a write-off.

Goodwill impairment

The Company audits goodwill annually. In the case of goodwill impairment, the audit results are not reported in the income statement and are not subject to reversal in successive periods. This test is carried out for the whole entity generating cash flows, in which goodwill is located. As at December 31, 2012, the Company written off the goodwill attributed to the General Contracting Branch. In note 21.1, the reasons underlying the Management Board's decision were presented.

Allowances for receivables and loans

Allowances were made in compliance with the prudent valuation principle, after analysis of aging structure of receivables, information about credibility of counterparties, situation of subsidiaries and other information pertaining to possible collection of such receivables. As at December 31, 2012, the Company made allowances for loans in the amount of PLN 2,719,000 and receivables PLN 4,261,000.

Valuation of provisions for employee benefits

Provisions for employee benefits have been estimated basing on actuarial methods. The assumption adopted within this scope have been described in Note 25.2. Retirement and other post-employment benefits.

Component of deferred tax assets

The Company reports the component of deferred tax assets basing on the assumption, that in the future, taxable profit will allow for its use. A decrease in earned tax profits might prove this assumption unjustified. The Company does not reports deferred tax assets in relation to tax loss. This results from conservative approach to recovery of tax loss.

Recognition of revenues

The Company recognises revenues on account of performed construction contracts accordingly to the method estimating the level of advancement of the given service. The level of progress of contract performance is specified on the basis of an assessment of performed works, or the evaluation of manually performed works with contracted services. Due to the increase in assessment by 1%, the gross margin on sales would increase by approx. PLN 247,000 in 2012, and in 2011, by PLN 627,000.

Amortisation and depreciation rates

The amount of depreciation and amortisation rates is set on the basis of expected period of economic usefulness of fixed and intangible assets. At least at the end of each financial period the period of use, end value and amortisation/depreciation methods are verified. All changes resulting from the verification are recognised as a change in estimated values, subject to settlement after its introduction, and its results are recognised in the results from the first month of the financial year in which the change in estimates was made and in future reporting periods. In 2012, depreciation periods were not changed, and thus the applied depreciation rates were identical as those applied in 2011.

7. Basis for preparation of the Financial Statements

These financial statements have been prepared in accordance with the historical cost principle, except for financial assets available for sale which are measured according to the lower of the two following values: the fair value decreased by the costs of sales or the historical cost.

These Financial Statements are presented in the Polish zloty ("PLN"), and all amounts have been expressed in thousands of Polish zlotys, unless specified otherwise.

These Financial Statements have been prepared with an assumption that the Company will continue as going concern in the foreseeable future. As of the preparation date hereof no circumstances which would pose a threat to the Company continuing as going concerns were ascertained.

Despite the negative results from the operating activity, in 2012 the Company recorded positive cash flows from operating activity in the amount of PLN 17,645,000 as well as an increase in the cash balance when compared to the previous year by PLN 110,105,000.

When assessing the results of the Company for 2012, one ought to consider the circumstances, under which the Group operated in 2012 and which were one-off events:

- The low gross margin on sales concerned primarily contracts which were concluded in previous years. The verification of the budgets of these projects conducted in 2012 resulted in a necessity to introduce corrections within the scope of expected income and costs.
- The Company's financial result for 2012 includes the effects of writing off goodwill of the General Contracting Works Branch as well as results of the impairment revaluation of shares held in subsidiaries, which do not influence cash flows.

The Management Board of P.R.I. "POL-AQUA" S.A. is aware of the Company's current standing and the challenges faced by the Company as regards enhancing the operating results. Taking into account the results of the activities undertaken still in 2012 and continued in 2013, the financial plans for the current and next years, the Management Board of the Company does not see any threats to continuing as a going concern, especially taking into consideration the contracted works and negotiated contracts, the total value of which as at the date of publishing statements for 2012 equalled PLN 1.2 billion. This assessment is justified by the following reasons:

- The current contract portfolio and the contracts obtained on a current basis, as well as the general financial condition of the Company, which is a confirmation of its market potential and its capability of continuing as a going concern.
- The restructuring process currently carried out in the Company and the Capital Group will contribute to increasing effectiveness and competitiveness on the construction market and in new construction-related areas.
- A number of activities aimed at current monitoring of construction work progress and costs connected with construction contracts performance have been introduced.
- Actions aiming to implement the plan concerning sales of assets qualified as assets available for sale are actively conducted and will increase the cash balance of the Company.

The Company also has a strategic investor – the company DRAGADOS S.A. established under Spanish law with its registered office in Madrid, which holds 66% shares in the Company – who strengthens the market position of the Company and increases its potential and development perspective.

DRAGADOS S.A., as the main shareholder, also provides financial support to the Company.

In the second half of 2012, the Company received from the Parent Company three tranches of loans in the total amount of PLN 101,286,000, with the repayment term until March 31, 2014. Details concerning granted loans are presented in Note 31.

The contracted dates of the repayment of loans can be extended for successive periods of one year.

7.1. Statement on Conformity

These Financial Statements were prepared in accordance with the International Financial Reporting Standards ("IFRS"), and the IFRS approved by the European Union. As at the date these statements were approved for publication and considering the process of implementing IFRS standards in the EU and taking into account activities of the Company, there were no differences between the IFRS standards in force and the IFRS standards approved by the EU with regards to accounting principles applied by the Company.

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

7.2. Functional currency and financial statements currency

The functional currency of the Company included in these financial statements and the reporting currency of this consolidated financial report is the Polish zloty ("PLN"), and all amounts have been expressed in thousands of Polish zlotys (unless specified otherwise) .

8. Changes in applied accounting principles

The accounting principles (policy) applicable to these Financial Statements conform to the principles adopted for preparation of the Financial Statements of the Company for the year ended 31.12.2011, except application of the following new or amended standards and interpretations valid for annual periods commencing after 01.07.2011.

- Changes to IFRS 7 „Disclosures - financial assets transfer". These changes are supposed to help the recipients of the financial statements to assess any risks related to the financial assets transfer and the impact of these risks on the financial situation of the entity. They will also promote the transparency in terms of the transfer transactions, in particular those including the securitisation of financial assets. Entities are obliged to use the changes in relation to the annual periods beginning on July 1, 2011 or later.

The Company did not decide to make an early application of any standard or change that was published but not yet effective.

9. New standards and interpretations which have been published, but have not entered into force yet

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

- First phase of IFRS 9 standard "*Financial instruments*": Classification and evaluation – applicable for annual periods from 01 January 2015 or later – has not been approved by the EU as at the date of approval of this financial statement. In the subsequent phases, the International Accounting Standards Board will investigate the issue of reporting with respect to securities and the loss of value. Implementing the first phase of IFRS 9 will influence the classification and evaluation of the Company's financial assets. The Company evaluated this influence in connection with other phases when they will be published in order to present a cohesive outlook,
- Amendments to IAS 19 "*Employee Benefits*" – applicable in the case of annual periods from 1 January 2013 or later,
- Changes to IAS 1 "*Presentation of financial statements*": Presentation of other total revenues – applicable in the case of annual periods from July 1, 2012 or later,
- Changes to IAS 12 "*Income tax*: *Tax assets realization*" – applicable in the case of annual periods from 1 January 2012 or later - applicable in the EU in the case of annual periods beginning on 1 January 2013 or later,
- Changes to IFRS 1 "*Employing International Financial Reporting Standards for the first time - significant hyperinflation and eliminating fixed dates for entities employing IFRS for the first time*" – applicable in the case of annual periods from 1st July 2011 or later - applicable in the EU in the case of annual periods beginning on 1 January 2013 or later,
- IFRS 10 "*Consolidated Financial Statements*"– applicable in the case of annual periods from 1 January 2013 or later - applicable in the EU in the case of annual periods beginning on 1 January 2014 or later,
- IFRS 11 "*Joint enterprises'*"– applicable in the case of annual periods from 1 January 2013 or later - applicable in the EU in the case of annual periods beginning on 1 January 2014 or later,
- IFRS 12 "*Disclosing information on shares held in other entities*" applicable in the case of annual periods from 1 January 2013 or later - applicable in the EU in the case of annual periods beginning on 1 January 2014 or later,
- Changes introduced to IFRS 10, IFRS 11 and IFRS 12 Transitional Guidance - applicable in the case of annual periods from 1 January 2013 or later - not approved by EU as at the date of approval of these financial statements,
- IFRS 13 'Fair Value Measurement' - applicable in the case of annual periods from 1 January 2013 or later.
- IAS 27 "*Separate Financial Statements*"– applicable in the case of annual periods from 1 January 2013 or later - applicable in the EU in the case of annual periods beginning on 1 January 2014 or later,
- IAS 28 "*Investments in affiliates and joint ventures*"– applicable in the case of annual periods from 1 January 2013 or later - applicable in the EU in the case of annual periods beginning on 1 January 2014 or later,
- IFRIC 20 "*Stripping Costs in the Production Phase of a Surface Mine*" – applicable in the case of annual periods from 1 January 2013 or later.
- Changes to IFRS 7 "*Financial instruments: disclosure of information".* Financial assets and liabilities setoff – applicable in the case of annual periods from 1 January 2013 or later Changes to IAS 32

Financial instruments: presentation: Financial assets and liabilities setoff – applicable in the case of annual periods from 1 January 2014 or later.

- Amendment to IFRS 1 "*First-time Adoption of International Financial Reporting Standards*: *Government loans*" - valid regarding annual periods from 1 January 2013 or after this date,
- Changes introduced to IFRS (published in May 2012) - applicable in the case of annual periods from 1 January 2013 or later - not approved by EU as at the date of approval of these financial statements,
- Changes introduced to IFRS 10, IFRS 12 and IAS 27 Investment Entities (issued on 31 October 2012) - applicable in the case of annual periods from 1 January 2014 - not approved by EU as at the date of approval of these financial statements.

The Management Board is evaluating the impact of the above standards and interpretations on the Group's reporting.

10. Adjustment of errors and changes in presentation

In 2012, the Company did not identify errors of preceding period, and therefore no adjustments were performed.

11. Essential accounting principles (policy)

11.1. Conversion of items expressed in foreign currencies

Transactions expressed in currencies other than the Polish zloty (PLN) are converted to Polish zloty according to the exchange rate valid as at the transaction date.

As of the balance sheet date pecuniary assets and liabilities expressed in currencies other than Polish zlotys have been converted into Polish zlotys according to the average exchange rate announced by the National Bank of Poland for a given currency. Gains/losses on conversion are reported respectively under financial revenues (costs) or, in cases regulated by accounting principles (policies), are capitalised in assets value.

Assets and non-financial liabilities reported according to historical cost expressed in foreign currency are presented according to the exchange rate valid as at the transaction date. Assets and non-financial liabilities reported according to fair value expressed in foreign currency are converted according to the exchange rate valid as at the date of fair value evaluation.

The following exchange rates have been used for the needs of balance-sheet valuation:

Currency	Average exchange rate in PLN	
	31.12.2012	31.12.2011
EUR	4.0882	4.4168
USD	3.0996	3.4174

11.2. Tangible fixed assets

Tangible fixed assets are reported in accordance with the purchase price or manufacture cost decreased by amortisation and allowances related to their impairment. The initial value of fixed assets includes their purchase price increased by all costs directly related to the purchase and adjustment of the asset to usable condition. The cost also includes the cost of exchanging machinery and equipment parts as at the moment of incurring the cost, if reporting criteria are met. Costs incurred after the commissioning of the fixed asset, such as maintenance and repair costs, encumber the profit or loss as at the moment of incurring these costs.

Fixed assets upon purchase are divided into components that are items of significant value to which separate period of economic usability may be assigned. Also the costs of general renovation works are considered components.

Amortisation/depreciation is calculated in accordance with the straight line method on the basis of estimated time of use of the given assets, which for particular fixed assets groups amounts to the following:

Type	Period
Buildings and structures	10-67 years
Machinery	2-25 years
Means of transport	2.5-25 years
Other fixed assets	2-13 years

The assets final value, period of use and depreciation method are verified annually. When such necessity is identify, relevant depreciation adjustment is performed.

A given item of tangible fixed assets may be eliminated from the balance after its purchase of if no economic profit is expected to be derived from its usage. All profits or losses resulting from removing the given asset from the balance sheet (calculated as the difference between possible net sales revenues and balance sheet value of the item) are reported under profit or loss for the period in which the asset was removed.

Launched investments concern tangible fixed assets under construction or assembly, and are reported in accordance with the purchase price or manufacture cost decreased by allowances related to their impairment, if applicable. Fixed assets under construction are not subject to depreciation until construction is completed and the fixed asset is commissioned.

Impairment allowances for fixed assets are recognized under the item of other operating costs. Reversal of impairment allowances related to asset impairment is recognised as other operating revenues.

11.3. Leasing

The Company as Lessee

Financial leasing agreements transferring all the risks and benefits resulting from owning the subject of the leasing to the Company, are recognised in the Statement of Financial Condition as at the leasing date according to the lower of the two following values: fair value of the fixed asset constituting the subject of the leasing and the current value of minimal leasing payments. Leasing payments are divided into financial costs and decrease in balance of liabilities on account of leasing, which allows for calculating the whole interest rate on the unpaid liability. Financial costs are recognised in profit or loss, unless capitalisation requirements are met.

Fixed assets used under financial leasing agreements are depreciated in the shorter of the two periods: estimated period of use of the fixed asset or leasing period.

Leasing agreements, under which the lessor retains all risks and benefits resulting from owning the subject of the leasing agreement, are recognised under operating leasing agreements. Leasing payments on account of operating leasing and leasing instalments are recognised as operating costs under profit or loss according to the straight line method during the leasing period.

Conditional leasing payments are recognised as costs in the period in which they become due.

11.4. Goodwill

Goodwill on account of acquiring the entity is initially reported in accordance to purchase price constituting the surplus amount:

- of:
  - (i) transferred payment,
  - (ii) amount of all non-controlling shares in the acquired entity and
  - (iii) in the case of merger of entities carried out in stages, acc. to fair value as at the date of acquiring share in the capital of the acquired entity, which previously was owned by the acquiring entity.
- The net amount set as at the date of acquiring values identifying purchased assets and acquired liabilities.

After first recognition, goodwill is reported according to purchase price decreased by all accumulated allowances related to impairment. The test of value impairment is carried out once a year, or in the event of the occurrence of conditions for doing so, more frequently. Goodwill is not subject to depreciation.

As at the acquisition date, the acquired goodwill is allocated to each of the entities generating cash flows which might benefit from the obtained synergy effect. Each entity or group of entities, to which goodwill was assigned:

- corresponds to the lowest level in the Company, at which goodwill is monitored for internal management purposes and
- it is not larger than one operating segment specified under IFRS 8 Operating Segments.

Allowances for impairment are made on the basis of evaluating recoverable value of the entity generating cash flows to which goodwill was assigned. In the case when recoverable value of entity generating cash flows is lower than balance-sheet value, allowance for impairment is recognized. If goodwill constitutes part of the entity generating cash flows and part of the activity is sold within this entity, then the goodwill related to the sold activity is excluded from balance sheet value during calculating profit/loss on sales of such activity. Under such circumstances the sold goodwill is established on the basis of relative value of sold activity and value of the retained part of the entity generating cash flows.

11.5. Intangible assets

Intangible assets are identifiable non-financial assets without physical form which the Company controls and which yield economic benefits.

Purchased software licenses are intangible assets. After first recognition, intangible assets are reported according to purchase price or production price decreased by amortisation and allowances related to impairment. Investments for intangible assets generated by the Company, with the exception of activated expenses on development works, are not activates and are reported under costs for the period in which they were made.

The Company decides whether the period of use of intangible assets is definite or indefinite. Assets with definite periods of use are subject to amortisation and assets with indefinite periods of use are not subject to amortisation.

Intangible assets with definite periods of use are amortised during the period of use and are audited in terms of impairment whenever there are grounds for assuming impairment. The period and method of amortisation of intangible assets with definite periods of use are verified at least at the end of each financial year. Changes in the expected period of use or the expected consumption of economic benefits derived from the given asset are recognised by way of introducing changes either to the period or method of amortisation, and are treated as changes in estimates. Depreciation write-offs for intangible assets with definite periods of use are recognised under profit or loss under the category corresponding to the given intangible asset.

Intangible assets with indefinite periods of use and those, which are no longer used, are audited in terms of impairment at the level of single assets of the entity generating cash flows.

Profits or losses resulting from removing intangible assets from the balance sheet are evaluated according to the difference between net sales revenues and the balance sheet value of the given asset, and reported under profit or loss for the period in which the asset was removed.

11.6. Investment real property

First recognition of investment real property is carried out according to purchase price including transaction costs. Balance sheet value of investment real property includes costs of exchanging investment real property assets as at the moment of incurring the costs, on condition that recognition criteria are met and current real property maintenance costs are not included.

Recognition of investment real property is carried out according to purchase price or production price including transaction costs. After first recognition, investment real property is reduced by depreciation and accumulated allowances related to impairment.

Investment real property is removed from the balance sheet if sold or in the case of permanent withdrawal of the given investment real property from use, in cases where its sale is not expected to yield any profit. All profits or losses resulting from removing the investment real property from the balance sheet are reported under profit or loss for the period in which the real property was removed.

Assets may be transferred to investment real property only if their designated use changes and this is confirmed by the owner ceasing to use the asset or the conclusion of an operating leasing agreement. If the asset component used by the owner – the Company becomes an investment real property, the Company applies principles described in Tangible Fixed Assets until the date of changing its designated usage.

11.7. Impairment of non-financial fixed assets

As at each balance sheet date, the Company assesses whether there are grounds for assuming impairment of any non-financial fixed asset. If such grounds are identified, or if the necessity to carry out the annual test monitoring impairment arises, the Company estimates the recoverable value of the given asset or entity generating cash flows to which the given asset belongs.

The recoverable value of the given asset or entity generating cash flows corresponds to fair value decreased by costs of effecting the sale of the given asset or respectively the entity generating cash flows, or its use value, depending on which one is higher. Recoverable value is calculated for particular assets, unless the given asset does not generate cash flows independently, which are mainly generated by other assets or groups of assets. If balance sheet value of the asset is higher that its recoverable value, impairment occurs and allowance up to the determined recoverable value is entered. During estimating use value, estimated cash flows are discounted up to their current value by way of employing the discount rate before taking into account the effects of taxation reflecting current market time value estimates and the risk typical for the given asset. Allowances related to impairment of assets used in continued activity are recognised under costs categories corresponding to the function of the asset whose impairment was established.

As at each balance sheet date, the Company assesses whether there are grounds for assuming whether the allowance related to impairment recognised in previous periods regarding the given asset is necessary, or whether it should be reduced. If such grounds are identified, the Company estimates recoverable value of the asset. The previously recognised allowance for impairment is reversed only if a change in the applied estimated values is introduced in the period from recognition of the last allowance to establishing the recoverable value of the given asset. In such cases, balance sheet value of the asset is increased to its recoverable value. The increased amount cannot exceed the balance sheet value of the asset which would be determined (after amortisation), if the allowance related to impairment in connection with this asset hadn't been recognised in previous years. Reversal of impairment allowances related to asset impairment is immediately recognised as income. After allowance reversal, the allowance related to the given asset is adjusted in such a manner as to enable regular allowances related to its verified balance sheet value reduced by its final value in successive periods.

11.8. External financing costs

External financing costs are capitalised as part of costs of generating fixed assets, investment real property and intangible assets. External financing costs are composed of interest calculated according to the effective interest rate method, financial liabilities on account of financial leasing agreements and gains/losses on exchange resulting from external finances up to the value corresponding to interest rate costs after adjustment.

11.9. Shares in subsidiaries, associates and joint ventures

Shares in subsidiaries, associates and joint ventures are recognised according to historical costs after allowances related to impairment.

11.10. Financial assets

Financial assets are divided into the following categories:

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

Financial assets held until maturity are financial assets quoted on the active market, which are not derivatives, with specified and identifiable payments and determined maturity date, which the Company intends and is capable to maintain until that time, other than:

- first recognised as priced according to fair value by the financial result,
- assigned as available for sale,
- meeting the criteria of the definition of loans and receivables.

Financial assets held until maturity are valuated according to depreciated cost with effective interest rate method. Financial assets held until maturity are qualified as long-term assets, if their maturity date falls after 12 months from the balance sheet date.

Financial assets priced according to fair value by the financial result are assets meeting one of the following criteria:

a) Assets classified as marketable assets. Components of financial assets are qualified as marketable assets, if:

- they were purchased in order to be sold in a short period of time,
- they belong to the portfolio of financial instruments managed jointly and which will probably generate profit in a short period of time,
- they are derivatives, except for derivatives constituting part of hedge accounting and financial guarantee agreements,

b) they have been qualified to this category in first recognition in accordance with IAS 39.

Financial assets evaluated according to fair value by financial result are assessed according to fair value taking into account their market value as at balance sheet date without sales transaction costs. Changes in value of these financial instruments are recognised in the income statement as revenues of financial costs. If the contract involves one or more embedded derivatives, the whole contract may be qualified to the category of financial assets evaluated according to fair value by financial result. This does not apply to cases in which the embedded derivative does not have significant influence on cash flows from the contract or if it is obvious without carrying out an analysis or after performing brief analysis, that if the hybrid instrument was considered first, then separating the embedded derivative would be prohibited. Financial assets might be first recognised under categories evaluated according to fair value by financial result, if the following criteria are met: (i) such qualification eliminates or significantly reduces incoherence within the scope of recognition or evaluation (accounting mismatch); or (ii) assets are part of the financial assets group which is managed and assessed according to fair value and documented risk management strategy; or (iii) financial assets include embedded derivatives, which should be recognised separately. Loans and receivables are financial assets not classified as derivatives with determined and identifiable payments, not quoted on the active market. They are included in current assets, on condition that their maturity date falls within 12 months from the balance sheet date. Granted loans and receivables with maturity dates falling after 12 months from the balance sheet date are recognised as fixed assets.

Financial assets available for sale are financial assets not belonging to the group of derivatives, which have been classified as marketable and do not belong to any of the abovementioned categories of assets. Financial assets available for sale are recognized according to their fair value, increased by costs of transaction that may be directly assigned to purchase or issue of financial assets component. In the case of absence of stock exchange listings on the active market and inability to reliably determine their fair value with alternative methods, financial assets available for sale are valuated at purchase price adjusted by allowance due to impairment. Positive and negative difference between fair value of assets available for sale (if there is a market price determined on the regulated market or whose fair value may be determined in another reliable manner), and their purchase price, after deduction of deferred tax, is recognized under other total revenues. Drop in the value of assets available for sale due to impairment is recognized as financial cost.

Purchase and sale of financial assets are recognised as at transaction conclusion date. Upon initial recognition the component of financial assets available for sale is valuated at fair value, increased by costs of transaction that may be directly assigned to purchase - in the case of the component of assets that is not qualified as valuated at fair value by financial result.

Component of financial assets is removed from the balance sheet when the Company loses control over contractual rights that form given financial instrument; usually this takes place in the case of instrument sale or when all cash flows assigned to a given instrument are transferred to independent third party

11.11. Impairment of financial assets

At each balance sheet date the Company assesses whether there are any objective grounds for impairment of a component of financial assets or group of financial assets.

11.11.1 Assets recognized according to amortised cost

If there are objective grounds to believe that loss due to impairment of granted loans and receivables valuated by amortised cost was incurred, then the amount of allowance for impairment is equal to the difference between balance-sheet value of the component of financial assets and current value of estimated future cash flows (excluding future losses due to failure to collect receivables that have not yet been incurred), discounted with use of initial (i.e. determined upon initial recognition) effective interest rate. Balance sheet value of assets' component is reduced by application of allowances settlement. The amount of loss is recognized under profit or loss.

First, the Company assesses whether there are objective grounds to determine impairment of individual financial assets that separately are significant as well as whether there are grounds to determine impairment of financial assets that separately are not significant. If performed analysis proves that there are objective grounds to determine impairment of individually assessed component of financial assets, regardless of whether it is significant, then the Company includes this component in the group of financial assets with similar characteristic of credit risk and assesses it jointly in terms of impairment. Assets that are assessed individually in terms of impairment and for which the allowance due to impairment was reported or it was determined that the current allowance is not to be changed, are not taken into account in the course of joint assessment of the assets group in terms of impairment.

If in the subsequent period the allowance due to impairment is reduced and such reduction may be objectively associated with an event occurring after recognition of the allowance, then the previously recognized allowance is reversed. Further reversal of allowance due to impairment is recognized under profit or loss to the extent to which the balance sheet value of assets' component does not exceed amortised cost thereof as at the reversal date.

11.11.2 Financial assets recognized according to cost

If there are objective grounds for impairment of non-listed capital instrument that is not recognized by its fair value since it cannot be reliably determined or of a derivative that is associated and must be settled by way of delivery of such non-listed capital instrument, then the amount of allowance due to impairment is determined as difference between balance sheet value of financial assets' component and current value of estimated future cash flows discounted with use of current market return rate for similar financial assets.

11.11.3 Financial assets available for sale

If there are objective grounds for impairment of a component of financial assets available for sale then the amount constituting difference between purchase price of this component (reduced by any repayment of capital and depreciation) and its current fair value, reduced by all allowances due to the impairment of this asset previously accounted for in the profit or loss, shall be written off of the equity and re-qualified to profit or loss. Reversal of allowance due to impairment of capital instruments qualified as available for sale cannot be recognized under profit or loss. If in the following period, the fair value of debt instrument available for sale increases and the increase may be objectively connected with an event occurring after accounting for the impairment allowance under profit or loss, the amount of reversible allowance is presented in the profit or loss.

11.12. Embedded derivatives

Embedded derivatives are separated from contracts and treated as derivatives when the following criteria are met:

- economic nature and risk of embedded instrument are not closely related to economic nature and risk of an agreement into which a given instrument is embedded;
- separated instrument with identical terms and conditions for performance as the embedded instrument would fulfil the definition of a derivative;
- hybrid instrument (complex) is not recognised at fair value and changes in its fair value are not recognised under profit or loss.

Embedded derivatives are recognised in a similar manner as separate derivatives that are not considered hedging instruments.

The scope within which - based on IAS 39 - economic features and risk specific for an embedded derivative in foreign currency are tightly related to economic features and risk specific to major agreement (main contract) encompasses also situations when the currency of the major contract is the usual currency for contracts of purchase and sale of non-financial items on the market for a given transaction.

11.13. Financial derivatives and hedges

The derivatives used by the Company in order to hedge risks connected with changes in interest rates and exchange rates are mainly FX forwards and percentage swap agreements. Such financial derivatives are designated at fair value. Derivatives are recognised as assets, if their fair value is positive, and as liabilities – if their value is negative.

Profit or loss on changes in fair value of derivatives which do not meet hedging accounting principles are directly moved to the net financial result of the financial year.

The fair value of forward capital agreements is established by referring to forwards agreements occurring at contracts with similar maturity dates. The fair value of contracts for changes in exchange rates is determined by referring to market value of similar instruments.

In hedging accounting, hedges are classed as:

- Fair value hedge, securing against risks of changes in fair value of the recognised asset or liability, or

- cash flow hedges, which provide security against the flow changes attributable to specific type of risk related with a recognised asset or liability or a forecasted transaction, or
- hedges of shares in net assets in a foreign operation.

FX risk hedge of a reasonably anticipated future liability is settled as cash flow hedge.

As at the moment of establishing the hedge, the Company formally designated and documents related hedges, as well as the goal of risk management and hedge establishment strategy. Documentation includes identification of a hedging instrument, hedging the position or transaction, character of hedged risk, as well as the hedge effectiveness assessment method in compensating risks of changes in fair value of hedged positions or cash flows connected with hedged risks. It is expected that the hedges will be highly effective in compensating changes in fair value or cash flows resulting from hedged risks Hedge effectiveness is assessed on an ongoing basis in order to determine whether it is highly effective in all reporting periods for which they have been established.

11.13.1 Fair value hedge

Fair value hedges are hedges eliminating the risk of changes in fair value recognised under assets or liabilities or not recognised reasonably anticipated liability, or a separate part of such an asset, liability or reasonably anticipated liability, which might be assigned to particular types of risks and which could influence profit or loss. In the case of fair value hedged, the balance sheet value of the hedged item is adjusted by profit and/or loss on account of changes in fair value resulting from hedged risk, the hedge is evaluated at fair value, and profit and loss on the hedge and hedged item are recognised under profit or loss.

If the unrecognised reasonably anticipated liability is assigned as hedged item, future joint changes in fair value of the reasonably anticipated liability resulting from hedged risk are recognised as assets or liabilities, and generated profit or incurred loss are recognised under profit or loss. Changes in fair value hedges are also recognised under profit or loss.

The Company ceases to use principles of hedge accounting, if the hedge expires, is sold, terminated or executed, if the hedge ceases to meet hedge accounting criteria or if the Company annuls the hedge relation. Each adjustment of hedge balance sheet value, which is subject to the effective interest rate method, is subject to amortisation, and the allowances made are recognised under profit or loss. Amortisation might be initiated from the moment of making the adjustment, however, not later than at the moment of ceasing to adjust hedged items by changes in fair value resulting from hedged risk.

11.13.2 Cash flow hedge

Cash flow hedges secure against the risk of changes in cash flows, which can be assigned to particular risks related to the recognised asset or liability or with a highly likely planned transaction, and which could influence profit or loss. Part of the profits or loss related to the hedge, which constitutes effective hedge, is recognised under total other income, and the ineffective part under profit or loss.

If the hedged planned transaction results in recognising the financial asset or liability, the related profits/losses recognised under total other income and accumulated in equity are transferred to the income statement for the same period or for periods in which the purchased asset or assumed liability influence profit or loss.

If the planned transaction hedge results in recognising a non-financial asset or liability, or the planned transaction connected with the non-financial asset or liability becomes a reasonably anticipated liability for which fair value hedge will be applied, then profits/losses recognised under total other income, re-qualified from equity to profit or loss for the same period or for periods in which the purchased asset or assumed liability influence profit or loss.

Profits or losses generated in result of changes in fair value of derivatives that do not meet the criteria allowing application of special hedge accounting principles, are recognised directly in the net financial result for the current period.

The Group ceases to use principles of hedge accounting, if the hedge expires, is sold, terminated or executed, or if the hedge ceases to meet hedge accounting criteria allowing for applying special hedge accounting principles. In such cases, the joint profit or loss on the hedge, which were recognised under other total revenues and accumulated in equity, are still recognised under equity until the occurrence of planned transactions. If the Company ceases to anticipate that the planned transaction occurs, then the total net profit or loss accumulated in equity are referred to the net financial result for the current period.

11.13.3 Hedge of shares in net assets in a foreign operation

Hedges of net investments in foreign operations, including cash hedges, recognised as part of investments under net assets, are recognised similarly to cash flow hedges. Profits or losses related to the hedges connected with the effective part of the hedge are recognised under total other income, whereas profits or losses connected with the ineffective part of the hedge - under profit or loss. At the moment of selling the foreign entity, the amount of profit or loss recognised earlier under other total revenues are re-qualified from equity to profits or losses as adjustments resulting from requalification.

11.14. Inventories

Inventories are evaluated according to the lower of the two following values: purchase price/price of manufacturing and achievable net sales price. The purchase price of the cost of manufacturing is comprised of cost of buying, cost of processing and other costs incurred during bringing the inventories to their present location and condition.

The costs incurred due to bringing the inventories to their present location and condition – both in reference to the current and previous year – are recognised as follows:

Materials	• As at the purchase price established by FIFO method
Semi-products and work in progress	• Direct costs of materials and labour and the appropriate margin of indirect production costs determined at assuming the normal production capacity use, with the exclusion of financial costs
Goods	• As at the purchase price established by FIFO method

The achievable net sales price is the assessed sales price made in the course of standard business activity, reduced by the cost of finishing and estimated costs necessary for performing the sale. Unused building materials are presented under assets resulting from construction contracts.

11.15. Trade receivables and other receivables

Trade receivables are recognised and reported according to initially invoiced amounts, including the allowance for doubtful receivables. Allowances for receivables are evaluated when the collection of the receivables does not seem likely

Receivables with maturity dates falling within 12 months from the end of the reporting period are assessed at the price to be paid, decreased by the discount value.

Short-term receivables are also comprised of the surplus on recognised revenues for incomplete construction works over the invoiced revenue amount.

Other receivables include especially receivables for other services not related to current activity, receivables for re-invoicing of costs of the consortium to the partners, advance payments on account of future purchases and budget receivables except for receivables for personal income tax, which constitute a separate item in the balance sheet.

11.16. Cash and cash equivalents

Cash is recognised in the Statement on Financial Condition and are include cash at hand, in bank and short-term deposits with maturity dates falling within three months.

Financial assets are evaluated as at the end of the reporting period at nominal value, including short-term deposits increased by calculated interest. Cash and cash equivalents balance shown in the statement of cash flows consists of afore specified cash and cash equivalents.

11.17. Interest-carrying bank loans, credit, and debt securities

At the time of first recognition, all bank loans, loans and debt securities are posted at fair value reduced by the costs of obtaining the loan.

As at the day ending the reporting period, loans are priced at the corrected purchase price with application of effective interest rate.

11.18. Trade liabilities and other liabilities

The Company divides liabilities into short-term and long-term according to IAS 1.

Short-term trade receivables are reported at the unpaid amount. Receivables with maturity dates falling in more than 12 months from the end of the reporting period are assessed at the corrected price to be paid. Liabilities also include estimated costs incurred in the given reporting period, not invoiced by suppliers by the balance sheet date, which are presented under short-term liabilities under construction contracts.

Financial liabilities serving the purpose of long-term financing and which are not due within 12 months from the balance sheet date are included in long-term liabilities. Financial liabilities assessed at fair value by financial result include financial liabilities allocated for trading and financial liabilities initially qualified under categories evaluated at fair value by financial result. Financial liabilities are classed as allocated for trading, if they were purchase for sales purposes in the near future. Derivatives, including separated embedded derivatives, are also classed as allocated for trading, unless they are deemed effective hedges. Financial liabilities might be first recognised under categories evaluated according to fair value by financial result, if the following criteria are met: (i) such qualification eliminates or significantly reduces incoherence within the scope of recognition, if both evaluation and profit/loss recognition are subject to different regulation, or (ii) assets are part of the financial assets group which is managed and assessed according to fair value and documented risk management strategy; or (iii) financial liabilities include embedded derivatives, which should be separately recognised.

Financial liabilities evaluated according to fair values by financial result are assessed according to fair value taking into account their market value as at balance sheet date without sales transaction costs. Changes in fair value of these instruments are recognised under profit or loss as financial revenues or costs.

Financial liabilities which are not financial instruments evaluated at fair value by financial result, are valuated according to depreciated cost with effective interest rate method.

The Company may exclude a financial liability from its balance sheet, if the liability has expired, i.e. if the obligation specified in the agreement was fulfilled, annulled or expired. Replacing the previous debt instrument by an instrument based on significantly different conditions made between the same entities is recognised by the Company as expiry of the initial financial obligation and recognition of a new financial liability. Similarly, significant modification of agreement terms regarding the existing financial liability is recognised by the Company as expiry of the initial and inclusion of the new financial liability. The changes resulting from such operations in balance sheet values are recognised under profit or loss.

Other non-financial liabilities include especially liabilities towards the Tax Office on account of taxes on goods and services and liabilities on account of received advance payments, which will be settled by the supplier of goods, services or fixed assets. Other non-financial liabilities are reported under the unpaid amount.

Liabilities on account of construction contracts assessment, which have not been invoiced, are reported under the item: construction contracts.

11.19. Provisions

Provisions are made when the Company has the obligation (legal or customary) resulting from previous events, and when it is likely that fulfilling this obligation shall result in economic benefit outflow, and when it is impossible to evaluate the liability amount. If the Company expects that the costs included in the provisions will be returned, e.g. under the insurance agreement, then the return is reported as separate asset, but only if it is certain that the return will be made. Amounts connected with the given provision are reported in the income statement after being decreased by all returns.

If the cash flow value is significant, provisions value is established by discounting expected future cash flows to current value, by using the gross discount rate reflecting current market time value estimates and possible risk connected with the given liability. If the discounting method is employed, increasing time value provisions is recognised as financial costs.

The Company creates provisions especially for:

a) Employee benefits,

b) Guarantee repairs,

c) Penalties and damages,

d) Litigations,

e) Other liabilities.

11.20. Pension-related severance payments and jubilee rewards

In accordance with company remuneration systems, the employees of the Company have the right to jubilee awards and retirement gratuities. Jubilee awards are paid out to employees after they have worked for a certain number of years. Retirement gratuities are paid out once upon employees' retirement. The amount of jubilee awards and retirement gratuities depends on employment time and average employee remuneration. The Company creates provisions for future liabilities on account of retirement gratuities and jubilee awards in order to ascribe costs to the periods to which they are connected. According to IAS 19, jubilee awards are other long-term employment benefits, whereas retirement gratuities are programmes of particular post-employment benefits. The carrying value of these liabilities as at each balance sheet date is calculated by an independent pensions actuary. The calculated liabilities are equal to discounted payments, which will be made in the future, including employment mobility and referring to the period until the balance sheet date. General information demographical information and information on employment mobility are based on historical data. Profits and losses on actuary calculations are recognised under profit or loss.

11.21. Revenues

Revenues are recognised in the amount which is likely to reflect the economic benefits obtained by the Company from the given transaction, and when the revenues amount can be evaluated in a reliable way. The Company recognises revenues after deducting VAT and rebates.

11.21.1 Sales of products and goods

Revenues are recognised, if the significant risks and benefits resulting from ownership rights to goods and products were transferred to the buyer and when the revenues amount can be evaluated in a reliable way.

11.21.2 Services provision

The Company recognises revenues on account of performed construction contracts accordingly to the method estimating the level of advancement of the given service. The level of progress of contract performance is specified on the basis of an assessment of performed works, or the evaluation of manually performed works with contracted services. If it is impossible to reliably assess the contract results then the revenues generated due to that contract are recognised only up to the amount of incurred costs the Company expects to recover.

11.21.3 Interest

Revenues on account of interest are recognised successively in the course of their calculation (including the effective interest rate method, constituting the discounting rate for future financial revenues by estimated financial instrument lifetime) in relation to the net balance sheet value of the given financial asset.

11.21.4 Dividends

Dividends are reported as at the moment of establishing shareholders' rights to their reception.

11.21.5 State subsidies

If there is justified certainty that the subsidy will be obtained and all subsidy requirements are met, then state subsidies are reported at their fair value.

If the subsidy concerns the given cost item, then it is reported as revenue proportionally to the costs which the subsidy was to compensate. If the subsidy concerns an asset, then its fair value is recognised under future revenues, and then gradually, by way of annual allowances, is recognised under profit or loss during the estimated period of the asset's use.

11.22. Taxes

11.22.1 Current tax

Liabilities and receivables on account of current tax for the current and previous periods are evaluated at the amounts of expected payments made to tax offices (subject to returns from tax offices) according to tax rates and legal provisions on taxation, which were already binding as at the balance sheet date.

11.22.2 Deferred tax

For the needs of financial reporting, deferred tax is calculated by balance liability method in relation to temporary differences occurring as at the balance sheet date between the asset and liability tax value and their balance sheet value reported in the financial statements.

Provision for deferred tax is recognised in reference to all positive temporary differences.

- Except for situation, where the provision for deferred tax results from initial recognition of goodwill or initial recognition or an asset or liability connected with a transaction not constituting entity merger, and which at the moment of its conclusion does not influence neither the gross financial result, nor taxable income or tax loss, and
- In the case of positive temporary differences resulting from investment in subsidiaries or associates and shares in joint ventures – except for situations where dates of reversal of temporary differences are subject to investor control and it is likely that in the predictable future temporary differences shall not be reversed.

Assets on account of deferred tax on temporary differences assets on account of deferred tax are recognised in relation to negative temporary differences, and unused tax loss transferred to future years, in the amount in which it is likely that taxable income will be generated and will allow for the use of the a/m differences, assets and loss:

- In the case of negative differences resulting from investment in subsidiaries or associates and shares in joint ventures – the asset on account of deferred tax is recognised in the balance sheet only in the amount in which it is likely that predictable temporary differences shall be reversed and that profit allowing deduction of negative temporary differences will be generated. In the case of negative differences resulting from investment in subsidiaries or
- associates and shares in joint ventures – the asset on account of deferred tax is recognised in the balance sheet only in the amount in which it is likely that predictable temporary differences shall be reversed and that profit allowing deduction of negative temporary differences will be generated.

Balance-sheet value of the asset on account of deferred tax is verified as at the balance sheet date and is reduced by the amount reflecting the decrease in likelihood of generating taxable income allowing for partial or total realisation of the asset on account of deferred income tax. The unrecognised asset on account of deferred taxi s subject to relevant assessment as at the balance sheet date and is recognised up to the amount reflecting the likelihood of generating taxable income allowing for recovering the asset on account of deferred tax.

Assets on account of deferred income tax and provisions for deferred tax are evaluated by tax rates, which are expected to be binding in the period in which the asset will be realised or the provision dissolved, assuming the tax rates (and legal provisions) binding as at the balance sheet date or rates which will be binding as at the balance sheet date as basis.

Income tax on items recognised beyond profit or loss is reported beyond profit and loss: under total other revenues regarding items reported in total other revenues or directly under equity regarding items reported indirectly under equity.

The Company compensates assets on account of deferred income tax with provisions on account of deferred income tax only if it has a legal basis for carrying out receivables compensation with liabilities on account of current tax, and deferred tax is connected with the same taxpayer and tax office.

11.22.3 VAT

Revenues, costs, assets and liabilities are reported after deducting the tax on goods and services, except for:

- When the tax paid upon asset or service purchase is impossible to be recovered from tax offices; when they are reported respectively as part of the asset purchase price or as part of the cost item, and
- liabilities and receivables, which are reported with the tax on goods and services.

The recoverable or due net amount of the tax on goods and services payable to tax offices is recognised in the balance sheet/statement on financial condition under liabilities or receivables.

11.22.4 Net profit per share

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

12. Operating segments

Until the end of 2011, the Company separated two operating segments:

- Engineering construction segment,
- General Construction segment (General Contracting).

Due to the organisational changes introduced to P.R.I. „POL-AQUA" S.A. in 2012, including the decision to liquidate the General Contractor Division, two segments were merged (the general construction segment and the engineering construction segment) into one "construction" segment. The results of the Company are subject to a joint analysis as the results of the entire entity.

In the period of 12 months of 2012, more than 10% of sales revenues were obtained from the following contractors:

- General Directorate for National Roads and Motorways, Department in Łódź,
- Zarząd Miejskich Inwestycji Drogowych Warszawa.

Revenues from these contractors amounted to 35.28% and 12.92% of total sales revenues of the Company respectively and were generated in the segment of construction.

Revenues generated by the Company in particular segments were obtained solely in national trading.

13. Costs and revenues

13.1. Revenues from sales of products, services and goods and materials

Revenues from sales of products, services and goods and materials in the year ended on December 31, 2012 and December 31, 2011 are presented in the following table:

SALES REVENUES	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Net revenues from sales of products	669	6 011
Net revenues from sales of services	703 018	617 126
Revenues from sales of goods	8 960	3 307
Net revenues from sales, total	**712 647**	**626 444**

13.2. Other operating revenues

Other operating revenues of P.R.I. "POL-AQUA" S.A. for the year ended on December 31, 2012 and for the year ended on December 31, 2011 are presented in the table below.

OTHER OPERATING REVENUES	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Profit on sale of non-financial fixed assets	4 961	1 817
Subsidies	49	63
Revaluation of assets value	34 711	18 871
- receivables	34 711	18 871
Dissolution of provisions	6 739	17 770
- for litigations	1 505	7 797
- for fines and damages	-	4 522
- for other liabilities	5 234	5 451
Other	12 370	12 328
- received penalties and damages	11 179	6 439
- assignment of claims	-	4 874
- other:	1 191	1,015
Other operating revenues, total	**58 830**	**50 849**

13.3. Other operating costs

Other operating Costs of P.R.I. "POL-AQUA" S.A. for the year ended on December 31, 2012 and for the year ended on December 31, 2011 are presented in the table below.

OTHER OPERATING COSTS	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Revaluation of assets value	4 261	7 811
- receivables	4 261	7 811
Establishment of provisions	11 489	877
- for fines and damages	9 696	275
- for litigations	-	489
- for other liabilities	1 793	113
Other	9 962	2 894
profits from the sale of assets earmarked for sale	779	-
- loss on liquidation of tangible fixed assets	24	-
- costs of litigations	711	447
- paid damages and penalties	7 670	642
- write-off of receivables	112	-
- cancellation of receivables due to contractual penalties	-	674
- other:	666	1 131
Other operating costs, total	**25 712**	**11 582**

13.4. Financial revenues

Financial revenues of P.R.I. "POL-AQUA" S.A. for the year ended on December 31, 2012 and for the year ended on December 31, 2011 are presented in the table below.

FINANCIAL REVENUES	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Interest	7 308	2 640
Profit on sale of financial investments	-	38
Profit on valuation of financial assets and liabilities	33	1 187
Profit on exchange rate differences	172	60
Other	3 787	3 102
- deposit discount	3 621	3 091
- other:	166	11
Total financial revenues	**11 300**	**7 027**

13.5. Financial costs

Financial costs of P.R.I. "POL-AQUA" S.A. for the year ended on December 31, 2012 and for the year ended on December 31, 2011 are presented in the table below.

FINANCIAL COSTS	Note	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Interest		10 856	5 550
Loss on valuation of financial assets and liabilities		16 723	764
- revaluation of receivables value	24	14 004	-
- revaluation of loans value with interest		2 719	591
- revaluation of other financial assets		-	153
- other losses on financial assets valuation		-	20
Other		1 914	2 938
- deposit discount		1 871	2 896
- other:		43	42
Financial costs, total		**29 493**	**9 252**

13.6. Costs by type

The costs of P.R.I. "POL-AQUA" S.A. according to type for the year ended on December 31, 2012 and for the year ended on December 31, 2011 are presented in the table below:

COSTS BY TYPE	Note	For the year ended on December 31, 2012	For the year ended on 31.12.2011
Amortisation and depreciation	13.7	13 813	16 499
Material and energy consumption		183 076	130 227
Outsourced services		500 660	378 973
Taxes and fees		6 596	3 265
Costs of employee benefits	13.8	101 910	113 196
Other cost categories		12 588	2 600
COSTS BY TYPE IN TOTAL		**818 643**	**644 760**
Change in condition of products and production in progress		-	(547)
General administration costs (negative value)		(50 621)	(51 451)
Costs of provision of sold products and services		**768 022**	**592 762**
Value of sold goods and materials		10 892	3 702
Total cost of sold products, goods, services and materials		**778 914**	**596 464**
Broken down to:			
Continued activity		778 914	596 464
Discontinued activity			
In total		**778 914**	**596 464**

13.7. Depreciation costs and allowances recognized under profit or loss

Depreciation costs and allowances recognized under profit or loss for the year ended on December 31, 2012 and for the year ended on December 31, 2011 are presented in the table below:

DEPRECIATION COSTS AND ALLOWANCES RECOGNIZED UNDER PROFIT OR LOSS	For the year ended on December 31, 2012	For the year ended on 31.12.2011
Items included in prime cost of sales:	**12 581**	**14 298**
Fixed assets amortisation and depreciation	12 508	14 286
Intangible assets amortisation and depreciation	73	12
Items included in general administration costs:	**1 232**	**2 201**
Fixed assets amortisation and depreciation	1 112	2 140
Intangible assets amortisation and depreciation	120	61

13.8. Costs of employee benefits

Costs of employee benefits by type for the year ended on December 31, 2012 and for the year ended on December 31, 2011 are presented in the table below:

COST OF EMPLOYEE BENEFITS	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Remuneration	78 272	85 725
Costs of social insurance	14 555	14 221
Costs of pension benefits	100	83
Other benefits following employment period	507	12
Other costs of employee benefits	8 476	13 155
Total costs of employee benefits, including:	**101 910**	**113 196**
Items included in prime cost of sales	71 397	78 109
Items included in general administration costs	30 513	35 087

14. Income tax

14.1. Tax burden

Main elements of tax liabilities for the year ended on December 31, 2012 and December 31, 2011 are as follows:

INCOME TAX RECOGNIZED IN INCOME STATEMENT	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Current tax, including:	**-**	**-**
Current tax burden	-	-
Adjustments to income tax from previous years	-	-
Tax burden	**(22 942)**	**3 594**
Deferred income tax related to creation and reversal of transitional differences	(22 942)	3 594
Deferred income tax transferred from equity	-	-
(Tax benefit)/tax burden in total	**(22 942)**	**3 594**

14.2. Settlement of effective tax rate

The income tax on the gross financial result before tax according to statutory tax rate, with income tax calculated according to the Company's effective tax rate for the year ended on December 31, 2012 and December 31, 2011 is as follows:

Item	For the year ended on December 31, 2012	For the year ended on 31.12.2011
Gross profit (loss)	**(199 734)**	**15 571**
Tax as per determined tax rate - 19%	(37 950)	2 958
Tax result:	-	-
1. tax loss for the current period for which an asset for deferred tax was not created	18 779	40 283
2. usage of the tax loss for the preceding years, for which an asset for deferred tax was not created	-	-
3. adjustment of tax income from preceding years	-	-
4. transitional differences for which an asset or a provision for deferred tax was not created	(4 143)	(41 415)
5. permanent differences	372	2 986
Deferred tax adjustment (concerns the deferred tax presented by the acquired company as at the day of the merger)	-	(1 219)
Total income tax reported in income statement	**(22 942)**	**3 594**
Effective tax rate (%)	-	23.08%

14.3. Deferred income tax

Deferred income tax stems from the following items:

Item	Balance sheet/Statement of financial condition as at			Income statement / statements of comprehensive income for the year ended on for the year ended on	
	December 31, 2012	**December 31, 2011**	**1 January 2011**	**December 31, 2012**	**December 31, 2011**
Allowances for fixed assets	3 781	4 195	1 603	414	(2 592)
Allowances for current assets	10 953	12 130	789	1 177	(11 341)
Provisions and costs accruals	10 318	5 493	6 419	(4 825)	926
Discount	123	298	388	175	90
Unpaid interest, fines and compensations, and remunerations and Social Insurance Institution premiums	640	383	548	(257)	165
Valuation of construction contracts	2 414	5 417	10 963	3 003	5 547
Valuation of FX differences and financial instruments	45	197	120	152	(77)
Difference between balance value and net tax value of fixed assets	243	237	144	(6)	93
Deferred income tax assets	**28 517**	**28 350**	**20 974**	**(167)**	**(7 375)**
Tax loss	-	-	-	-	-
ASSETS DUE TO DEFERRED TAX - IN TOTAL	**28 517**	**28 350**	**20 974**	-	-

Deferred tax liabilities	-	-	-	**(167)**	**(7 375)**

Item	Balance sheet/Statement of financial condition as at			Income statement / statements of comprehensive income for the year ended on	
	December 31, 2012	**December 31, 2011**	**1 January 2011**	**December 31, 2012**	**December 31, 2011**
Discount	1 079	922	907	(157)	(15)
Unpaid interest, fines and compensations, and remunerations and Social Insurance Institution premiums	3 285	411	123	(2 874)	(288)
Valuation of construction contracts	2 606	9 987	2 731	7 381	(7 256)
Valuation of FX differences and financial instruments	34	73	214	39	141
Difference between balance value and net tax value of fixed assets	2 430	4 098	3 042	1 668	(1 056)
Difference between balance-sheet and tax value of goodwill	-	16 718	13 004	16 718	(3 714)
Provision for deferred tax on temporary differences	**9 434**	**32 209**	**20 021**	**22 775**	**(12 188)**

DEFERRED TAX PROVISIONS - IN TOTAL	**9 434**	**32 209**	**20 021**	**-**	**-**
Deferred tax adjustment (concerns the deferred tax presented by the acquired company as at the day of the merger)	-	-	-	-	(1 219)
Deferred tax liabilities	**9 435**	**32 209**	**20 021**	**22 775**	**(10 969)**
Net provisions / assets due to deferred tax, including:					
Assets due to deferred tax -CONTINUED AND DISCONTINUED	28 517	28 350	20 974		
Assets due to deferred tax -discontinued activity					
Deferred tax provisions -CONTINUED AND DISCONTINUED	9 435	32 209	20 021		
Deferred tax provisions -discontinued activity					
Net assets/provisions on account of other liabilities, (as per account balance)	19 082	(3 859)	953		
Income Statement - deferred tax				(22 942)	3 594

The Company decided not to post assets related to deferred tax as at December 31, 2012 on part of negative temporary differences in connection with substantial uncertainty as to realisation of the asset in the future. The Company followed the prudent principle and decided that:

- for certain allowances it was difficult to determine the date on which the cost would become real for fiscal purposes;
- various events beyond Company's control may affect earning of taxable profits in the future;
- according to governing provisions of the tax law, tax losses can be settled over the next five years, however no more than 50% of the tax loss suffered in a given year cannot be settled in a single fiscal year.

As at December 31, 2012 the estimated amount of assets not reported on the balance sheet was PLN 47,009,000, including PLN 7,486,000 as allowances for receivables, PLN 3,470,000 - allowances for revaluation of shares in subsidiaries and affiliates, and the tax loss of PLN 36,053,000.

The amount of assets not reported in the balance sheet as at December 31, 2011 amounts to PLN 29,859,000.

15. Fixed assets held for sale

Fixed assets held for sale as at December 31, 2012 and 2011 are presented in the table below:

FIXED ASSETS HELD FOR SALE	As at December 31, 2012	As at December 31, 2011
Fixed assets held for sale	41 023	9 218
Liabilities related to non-current assets held for sale	-	-
Net assets/liabilities held for sale	**41 023**	**9 218**

In connection with the restructuring of the Company and as decided by the Management Board, the real property held as investment and the real property held earlier as tangible fixed assets and not used in the current activity of the Company were classified as the assets held for sale.

On 2 March 2012, an agreement was concluded on the sale of an organized part of the enterprise - Production Plant in Częstochowa - that covered tangible fixed assets classified in the preceding year as fixed assets held for sale. The result on the sale of these assets is presented in the note No. 13.3.

On 29 November 2011, the Extraordinary General Meeting of the Company adopted a resolution on granting consent to disposal of an organised part of the enterprise in the form of the Granite Mine in Strzegom and Production Plant in Częstochowa. Due to the specific nature of the real estate, the process of its sale will be extended by over a year. The Management Board has undertaken actions aiming to implement the plan concerning the sale of the asset.

16. Social Assets and liabilities of Company Social Benefits Fund

The Act of 4 March 1994 on the Company Social Fund, as amended, states that the Company Social Fund is constitutes by employers permanently employing over 20 employees. The Company has established such a fund and makes periodic allowances in the amount of basic allowance. The aim of the Fund is to finance social activity, loans granted to employees and other social costs.

The Company compensated the assets of the Fund with its liabilities towards the Fund, because the assets are not the Company's separate assets.

The table below presents analysis of assets, liabilities and costs of the Fund.

ANALYSIS OF ASSETS, LIABILITIES AND COSTS OF THE FUND	As at December 31, 2012	As at December 31, 2011
Loans granted to employees	158	284
Cash	1 934	1 273
Fund liabilities	1 864	1 392
Balance after compensation	**228**	**165**

17. Profit (loss) per one share

Profit per one share is calculated by dividing the net profit (loss) for the period for ordinary shareholders of Company by average weighted number of issued ordinary shares within the period.

Due to the absence of diluting factors, i.e. potential ordinary shares, the Company decided not to present the diluted profit per one share.

Data related to profit and shares that were used for the purposes of calculation of basic and diluted profit per one share are presented below:

NET PROFIT (LOSS) PER ONE SHARE	For the year ended on December 31, 2012	For the year ended on 31.12.2011
Average weighted number of ordinary shares (units)	27 500 100	27 500 100
Average weighted diluted number of ordinary shares (units)	-	-
Net profit (loss) on continued activity	(176 792)	11 977
Net profit (loss) on continued and discontinued activity	(176 792)	11 977
Net profit (loss) per one share on continued activity (in PLN)	(6.42)	0.44
- basic	(6.42)	0.44
- diluted	-	-
Net profit (loss) per one share on continued activity and discontinued activity (in PLN)	(6.42)	0.44
- basic	(6.42)	0.44
- diluted	-	-

In the period between the balance-sheet date and the date of production hereof no transactions were reported which would related to ordinary shares or potential ordinary shares.

18. Dividends paid and proposed for payment

In 2012 and 2011 the Company did not pay dividends. The Management Board recommends to cover the current year's loss with profits gained in subsequent years.

19. Tangible fixed assets

Change in the tangible fixed assets for the year ended on December 31, 2012 and December 31, 2011 is presented in the following tables:

Changes in the year ended on December 31, 2012

Item	As at 01.01.2012	Increases		Decreases		Amortisation and depreciation	Reclassification	Other changes	As at 31.12. 2012
		purchase	leasing	sales	liquidation				
1	2	3	4	5	6	7	9	10	11
Total tangible fixed assets	**76 184**	**521**	**2 860**	**1 765**	**23**	**13 620**	**(30 603)**	**(55)**	**33 498**
1. 1. Land (including right of perpetual usufruct), net:	**7 393**	**-**	**-**	**-**	**-**	**-**	**(7 393)**	**-**	**-**
- land (including right of perpetual usufruct) -gross	7 393	-	-	-	-	-	(7 393)	-	-
2. 2. Buildings and structures, net:	**23 453**	**55**	**-**	**-**	**23**	**54**	**(22 949)**	**-**	**482**
- buildings and structures - gross	28 277	55	-	-	26	-	(27 767)	-	539
- buildings and structures - depreciation	4 324	-	-	-	3	(54)	(4 318)	-	57
- buildings and structures - allowances	500	-	-	-	-		(500)	-	-
3. 3. Technical equipment and machines, net:	**23 087**	**461**	**899**	**1 521**	**-**	**8 938**	**(210)**	**8**	**13 786**
- technical equipment and machines - gross	110 210	461	899	18 633	6	-	(430)	13	92 514
- technical equipment and machines - depreciation	87 123	-	-	17 112	6	(8 938)	(220)	5	78 728
4. 4. Means of transport, net:	**16 822**	**-**	**1 389**	**173**	**-**	**3 100**	**-**	**(1)**	**14 937**
- means of transport - gross	43 019	-	1 389	4 252	-	-	-	-	40 156
- means of transport - depreciation	26 197	-	-	4 079	-	(3 100)	-	1	25 219
5. 5. Other tangible assets, net:	**5 371**	**-**	**572**	**71**	**-**	**1 528**	**(51)**	**-**	**4 293**
- other tangible assets - gros	10 873	-	572	905	12	-	(98)	-	10 430
- other tangible assets - depreciation	5 502	-	-	834	**12**	(1 528)	(47)	-	6 137
6. 6. Tangible assets - work in progress, net:	**57**	**5**	**-**	**-**	**-**	**-**	**-**	**(62)**	**-**
- tangible assets - work in progress - gross	57	5	-	-	-	-	-	(62)	-

As at December 31, 2012, the Company did not have advances for tangible fixed assets.

As at December 31, 2012, the Company has a registry pledge on machines and equipment of total value of PLN 1,277,000.

The net value of fixed assets used under financial leasing agreements and lease agreements with an option to buy amounts to as at December 31, 2012:

- machinery and equipment – PLN 3,253,000
- means of transport – PLN 3,019,000
- intangible assets - PLN 592,000

Reclassifications concern the assets held for sale, which were presented in the Note No. 15.

Changes in the year ended on December 31, 2011

Item	As at 01.01.2011	Increases		Decreases		Amortisation and depreciation	Reclassification	Other changes	As at 31.12.2011
		purchase	leasing	sales	liquidation				
1	2	3	4	5	6	7	9	10	11
Total tangible fixed assets	**95 388**	**1 615**	**1 162**	**11 009**	**103**	**16 426**	**(3 706)**	**9 263**	**76 184**
1. 1. Land (including right of perpetual usufruct), net:	**4 692**	**-**	**-**	**140**	**-**	**-**	**(340)**	**3 181**	**7 393**
- land (including right of perpetual usufruct) - gross	4 692	-	-	140	-	-	(340)	3 181	7 393
2. Buildings and structures	**21 451**	**23**	**-**	**-**	**-**	**1 093**	**1 008**	**2 065**	**23 453**
- buildings and structures - gross	27 270	23	-	-	-	-	(1378)	2 363	28 277
- buildings and structures - depreciation	3 640	-	-	-	-	(1 093)	(707)	298	4 324
- buildings and structures - allowances	2 179	-	-	-	-	-	(1 679)	-	500
3. 3. Technical equipment and machines, net:	**30 328**	**949**	**-**	**135**	**73**	**10 353**	**(272)**	**2 643**	**23 087**
- technical equipment and machines - gross	106 227	949	-	1 681	400	-	(652)	5 766	110 211
- technical equipment and machines - depreciation	75 899	-	-	1 546	327	(10 353)	(380)	3 123	87 123
4. 4. Means of transport, net:	**29 097**	**-**	**1 162**	**10 676**	**18**	**3 878**	**-**	**1 135**	**16 822**
- means of transport - gross	59 576	-	1 162	19 803	39	-	(59)	2 180	43 019
- means of transport - depreciation	24 722	-	-	3 369	21	(8 878)	(59)	1 045	26 196
- means of transport - allowances	5 758	-	-	5 758	-	-	-	-	-
5. 5. Other tangible assets, net:	**6 290**	**9**	**-**	**59**	**12**	**1 102**	**-**	**244**	**5 371**
- other tangible assets - gross	10 616	9	-	165	56	-	-	469	10 873
- other tangible assets - depreciation	4 325	-	-	106	44	(1 102)	-	225	5 502
6. 6. Tangible assets - work in progress, net:	**3 529**	**635**	**-**	**-**	**-**	**-**	**(4 102)**	**(5)**	**57**
- tangible assets - work in progress - gross	4 029	635	-	-	-	-	(4 601)	(5)	57

- tangible assets - work in progress - allowances	500	-	-	-	-	-	(500)	-	-

As at December 31, 2011, the Company did not have advances for tangible fixed assets.

As at December 31, 2011, the Company has a registry pledge on machines and equipment of total value of PLN 2,641,000.

Collaterals in the form of a mortgage were presented in Note no. 31

The net value of fixed assets used under financial leasing agreements and lease agreements with an option to buy amounts to as at 31 Decemeber 2011:

- machinery and equipment – PLN 3,074,000.
- means of transport – PLN 9,170,000.

Reclassifications concern the assets held for sale, which were presented in the Note No. 15.

20. Leasing

20.1. Liabilities due to financial lease agreements and lease agreements with purchase option

In 2012, P.R.I. POL-AQUA S.A. (User) had financial leasing agreements with the companies Bankowy Fundusz Leasingowy S.A., Volkswagen Leasing Polska Sp. z o.o., Europejski Fundusz Leasingowy, BAWAG Leasing&Fleet Sp. z o.o. DnB NORD Leasing Sp. z o.o., ING Lease Polska Sp. z o.o., ALD Automative Polska Sp. z o.o, Econocom Sp. z o.o.

Agreements concern use of machinery, equipment and means of transport. The agreement were concluded for the period of 36 and 60 months. According to provisions of the agreements, after these dates and fulfilling it liabilities, the Company shall have the right to purchase the subject of the leasing at the price equalling the final value of the leased item. As at December 31, 2012, total net value of assets used under lease agreements amounts to PLN 6,864,000. The fulfilment of obligations resulting from the agreement id hedged by a blank bill issued by the User and a bill declaration hedging the given agreement.

As at December 31, 2012 and as at December 31, 2011 future minimal leasing fees under these agreements and current value of net leasing fees were as follows:

FINANCE LEASE LIABILITIES	As at December 31, 2012		As at December 31, 2011	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
- payable in the period below 1 year	3 199	2 927	2 968	2 842
- payable from 1 to 5 years	2 758	2 681	3 618	3 380
Future minimum finance lease payments, total	5 957	5 608	6 586	6 222
Including future financial expenses related to finance lease	349	-	364	-
Liabilities on account of financial lease liabilities, including	**5 608**	**5 608**	**6 222**	**6 222**
Short-term	-	2 927	-	2 842
Long-term	-	2 681	-	3 380

Liabilities on account of financial lease are presented in the Statement of Financial Condition under item Other long- and short-term financial liabilities

21. Impairment of fixed assets

In accordance with IAS 36, tests were conducted for goodwill impairment at the level of specific facilities generating cash flows, to which the goodwill is assigned. Moreover, it was analysed whether there are grounds to determine impairment of other facilities generating cash flows.

21.1. Goodwill

The change in goodwill for the year ended on December 31, 2012 and for the year ended on December 31, 2011 is presented in the table below.

CHANGES TO COMPANY GOODWILL	As at December 31, 2012	As at December 31, 2011
Goodwill as at the beginning of the period	**97 771**	**97 771**
Goodwill write-off	97 771	-
Goodwill as at the end of the period	**-**	**97 771**

Results from the acquisition of the General Contracting Branch in Gdańsk in 2007 as an organised part of the enterprise and, until the end of the year 2011, was assigned to the Branch as the entity generating cash flows.

In 2012 the Parent Company reorganised its structure. These actions will result in the liquidation of the General Contracting Branch in Gdańsk. Therefore, due to the lack of expected future cash flows generated by the General Contracting Branch, the goodwill assigned to the liquidated entity generating cash flows was written off and recognized in other operating costs.

21.2. The value of fixed assets

The Company has analysed possible reasons of impairment for the centre that generates cash flows, which P.R.I. “POL-AQUA” S.A. is.

Due to a change of market conditions in the construction sector and to the deterioration in the financial performance, the Company conducted tests for impairment of fixed assets.

On the basis of the performed test, the Management Board did not identify impairment of fixed assets.

22. Intangible assets

The change in intangible assets for the year ended on December 31, 2012 and for the year ended on December 31, 2011 is presented in the tables below.

Changes in the year ended on December 31, 2012

Item	As at 01.01.2012	Increases		Decreases		Amortisation and depreciation	Other changes	As at 31.12.2012
		purchase	leasing	sales	liquidation			
1	2	3	4	5	6	7	10	11
Total net intangible assets	**900**	**52**	**700**	**737**	**-**	**193**	**-**	**722**
1. Costs of completed development works, net:	**43**	**-**	**-**	**-**	**-**	**21**	**-**	**22**
- costs of completed development works - gross	107	-	-	-	-	-	-	107
- costs of completed development works - depreciation	64	-	-	-	-	21	-	86
2. Other intangible assets, net:	**857**	**52**	**700**	**737**	**-**	**172**	**-**	**700**
- other intangible assets - gross	1 527	52	700	737	-	-	-	1 541
- other intangible assets - depreciation	671	-	-	-	-	172	-	841

Changes in the year ended on December 31, 2011

Item	As at 01.01.2011	Increases		Decreases		Amortisation and depreciation	Other changes	As at 31.12.2011
		purchase	leasing	sales	liquidation			
1	2	3	4	5	6	7	10	11
Total net intangible assets	**154**	**754**	**-**	**-**	**-**	**73**	**65**	**900**
1. Costs of completed development works, net:	**-**	**-**	**-**	**-**	**-**	**7**	**50**	**43**
- costs of completed development works - gross	-	-	-	-	-	-	107	107
- costs of completed development works - depreciation	-	-	-	-	-	7	57	64
2. Other intangible assets, net:	**154**	**754**	**-**	**-**	**-**	**66**	**15**	**857**
- other intangible assets - gross	740	754	-	-	-	-	38	1 527
- other intangible assets - depreciation	585	-	-	-	-	66	23	671

23. Investment real property

The change in investment real property for the year ended on December 31, 2012 and for the year ended on December 31, 2011 is presented in the tables below.

INVESTMENT REAL PROPERTY	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Investment real property value as at the beginning of the period	**4 845**	**4 951**
Changes:	(4 845)	(106)
- depreciation	-	(106)
- due to requalification of assets held for sale	**(4 845)**	-
Investment real property value as at the end of the period	**-**	**4 845**

Investment real property is evaluated as at the date of recognising them in the accounting books at purchase or production price. The cost of performing the transaction is taken into account at initial evaluation.

In 2012 were reclassified to assets held for sale.

24. Other assets

24.1. Other financial assets

Other long- and short-term assets for the year ended on December 31, 2012, and December 31, 2011 are presented in the following tables.

OTHER LONG-TERM FINANCIAL ASSETS	As at December 31, 2012	As at December 31, 2011
Share value	69 603	82 107
Loans value	5 811	4 778
long-term receivables	3 511	8 174
Other financial assets	289	508
Other long-term financial assets, net, in total	**79 214**	**95 567**
Revaluation of receivables value	37 665	23 662
Revaluation of loans	13 225	11 523
Revaluation of receivables value	9 916	13 556
Total revaluation	**60 806**	**48 741**
Discount of long-term receivables value	648	1 569
Other long-term financial assets, gross, in total	**140 668**	**145 877**

Due to the significant risk of failure to generate expected cash flows by TECO Sp. z o.o. subsidiary, the Management Board of P.R.I. "POL-AQUA" S.A. decided to make a write-down amounting to PLN 14,004,000 to revaluate shares held in the Company.

In accordance with the agreement of 30 November 2010 concluded by and between P.R.I. "POL- AQUA" S.A. and Mr Józef Popławski regulating the procedure of the sale of shares in the share capital of the company Mostostal Pomorze S.A. On 13 January 2012, the Company purchased 14,245 shares for the amount of PLN 1,500,000.

OTHER SHORT-TERM FINANCIAL ASSETS	As at December 31, 2012	As at December 31, 2011
Loans value	5 477	2 619
Other financial assets	210	-
Other net short-term financial assets, in total	**5 687**	**2 619**
Revaluation of loans	2 572	2 439
Total revaluation	**2 572**	**2 439**
Other gross short-term financial assets, in total	**8 259**	**5 058**

24.2. Other non-financial assets

Balance of short-term and long-term prepayments for the year ended on December 31, 2012 and December 31, 2011 is presented in the tables below.

OTHER PREPAYMENTS (long-term)	As at December 31, 2012	As at December 31, 2011
Cost of financial (bank and insurance) guarantees	12	233
Costs of insurance	1 271	538
Other prepayments, total	**1 283**	**771**

PREPAYMENTS (short-term)	As at December 31, 2012	As at December 31, 2011
Cost of financial (bank and insurance) guarantees	382	760
Costs of insurance	3 454	1 322
Other	1 735	255
Other prepayments, total	**5 571**	**2 337**

25. Employee benefits

25.1. Employee share purchase plans

As at December 31, 2012 and December 31, 2011, the Company did not have any employee share programmes.

25.2. Pensions, anniversary rewards and other benefits following employment period

The Entity pays out retirement gratuities to retiring employees in the amount specified by the Labour Code. As a result, the Company establishes provisions for current liabilities on account of post-employment benefits on the basis of an evaluation carried out by a professional pensions actuary company. The provisions and changes in the provisions for the financial period are shown in the following table.

PROVISIONS	As at 01.01.2012	Created provisions01.01.-31.12.2012	Decrease 01.01.-31.12.2012		Other changes 01.01.-31.12.2012	As at 31.12.2012
			Costs of paid benefits	Dissolution		
***LONG-TERM PROVISIONS**	**1 376**	**-**	**11**	**497**	**-**	**868**
- provision for pension severance payments	835	-	11	257	-	567
- provision for jubilee awards	542	-	-	240	-	302
***SHORT-TERM PROVISIONS**	**212**	**84**	**89**	**67**	**-**	**140**
- provision for pension severance payments	97	84	89	-	-	92
- provision for jubilee awards	116	-	-	67	-	49

PROVISIONS	As at 01.01.2011	Created provisions01.01.-31.12.2011	Decrease 01.01.-31.12.2011		Other changes 01.01.-31.12.2011	As at 31.12.2011
			Costs of paid benefits	Dissolution		
***LONG-TERM PROVISIONS**	**1 542**	**19**	**20**	**257**	**92**	**1 376**
- provision for pension severance payments	809	19	20	65	92	835
- provision for jubilee awards	733	-	-	191	-	542
***SHORT-TERM PROVISIONS**	**203**	**108**	**52**	**49**	**2**	**212**
- provision for pension severance payments	73	101	52	27	2	97
- provision for jubilee awards	130	6	-	21	-	116

Provision for pension-related benefits

Main assumptions adopted by the actuary as at the balance-sheet date for calculation of the amount of provisions for employee benefits are as follows:

	December 31, 2012	*December 31, 2011*
Discount rate (%)	4.50%	5.75%
Expected inflation rate (%)	2.52%	2.5%
Expected remuneration increase rate within 2013-2022 (%)	2.52%	2.5%-4.5%
Average weighted ratio of employee mobility	7.14%-18.23%	5%-14.6%

The provisions have been calculated individually, for each employee separately. The calculated amount is subject to actuarial discounting. Actuarial discounting means the provisions which are the product of financial discounting and likelihood that the given employee shall enter retirement age as an employee of the Company. The amounts of yearly allowances are calculated in accordance with the method of expected individual rights, established by means of competing risks method, where the three following risks are taken into account:

- Risk of tendering resignation,
- Risk of complete incapability to work,
- Risk of death.

In accordance with IAS 19, the financial discount rate for calculating current value of liabilities on account of employee benefits has been established on the basis of market return rates on bonds, whose currency and purchase date are convergent with the currency and expected realisation date of liabilities on account of employee benefits.

A detailed report on the evaluation of the actuarial provisions for retirement gratuities as at December 31, 2012 and as at December 31, 2011 is held by Company's Management Board.

Provision for jubilee awards

The provisions have been calculated individually, for each employee separately. The provision is assessed on the basis of current value of future, long-term liabilities of the Company on account of jubilee awards.

The basis for calculating the provision for employee are the expected costs of jubilee awards, which the Company undertakes to pay out on the basis of the Fund. The expected award amount is the product of the following factors:

- Expected base for retirement severance payment,
- Expected growth of base until obtaining rights to jubilee award,
- Percentage coefficient dependent on employment time as at the date of obtaining rights to jubilee award.

The amount calculated in the manner presented above is subject to actuarial discounting as at 31.12.12. The discounted amount is reduced by the actuarial discounting as at the same date of the yearly allowances for provisions for jubilee awards, made in order to increase the provision.

Similarly as in the case of the provision for post-employment benefits, the yearly allowances for provisions are established in accordance with the method of expecting individual rights.

The likelihood of employment time reaching the moment of jubilee award payment was calculated in the same way as it has been described above under the item regarding provisions for post-employment benefits.

Also discounting as at 31.12.12 is carried out with use of the same financial discounting rates as in the case of discounting provisions for post-employment benefits.

It has been assumed that the expected base growth rate is the same as in the case of the base established for the provisions for post-employment benefits.

26. Inventories

Inventories as at December 31, 2012 and December 31, 2011 are shown in the following table:

INVENTORIES	As at December 31, 2012	As at December 31, 2011
Materials	1 260	1 658
Semi-finished products and work in progress	-	510
Goods	-	2
Inventories, total	**1 260**	**2 170**

Unembedded provisions are presented under assets due to construction contracts, and there has been no loss in their value as at the balance sheet date.

Provisions are not subject to liability hedges of P.R.I. "POL-AQUA" S.A. The Company has not signed agreements limiting utilisation of provisions.

As at balance-sheet days on December 31, 2012 and December 31, 2011, there was no necessity to make revaluation write-downs on inventories.

27. Long-term construction contracts

Information about long-term construction contracts of the Company as at December 31, 2012 and December 31, 2011 are shown in the following table.

LONG-TERM CONSTRUCTION CONTRACTS	As at December 31, 2012	As at December 31, 2011
Gross amount due from ordering parties for works under agreements	252 862	214 462
- invoiced receivables under contracts	112 642	130 247
- non-invoiced receivables under contracts	140 220	84 215
Gross amount due to ordering parties for works under agreements (revenues of future periods)	246	2 349
Revenues due under agreements as revenues for a given period (under contracts open and closed as at the balance-sheet date)	692 227	602 586
Costs under agreements recognised as costs for a given period (under contracts open and closed as at the balance-sheet date)	755 547	567 786
Revenues as of performance commencement - under contracts open and closed as at the balance-sheet date	2 466 514	1 989 810
Costs as of performance commencement - under contracts open and closed as at the balance-sheet date	2 449 555	1 899 151
Losses on contracts as at balance-sheet date	7 680	1 576
Amount of prepayments received	55 023	6 324
Amount of retained sums (deposits)	10 268	14 173

28. Trade receivables and other receivables

Trade receivables and other short-term receivables as at December 31, 2012 and December 31, 2011 are shown in the following table.

LONG-TERM RECEIVABLES	As at December 31, 2012	As at December 31, 2011
Trade receivables (deposit)	3 508	8 174
Other receivables	2	-
Net receivables, total	**3 510**	**8 174**
Revaluation:	12 231	13 557
- Revaluation of trade receivables (deposits)	9 916	9 891
- Revaluation of other receivables	2 315	3 665
Discount	648	1 569
Gross receivables, total	**16 389**	**23 300**

SHORT-TERM LIABILITIES	As at December 31, 2012	As at December 31, 2011
Trade receivables	294 011	195 023
Other receivables	81 234	12 084
Income tax receivables	-	377
Net receivables, total	**375 245**	**207 484**
Revaluation:	**84 815**	**112 433**
- Revaluation of trade receivables	60 081	70 533
- Revaluation of other receivables	24 734	41 900
Gross receivables, total	**460 060**	**319 917**

As at December 31, 2012 and December 31, 2011 changes in the allowance for receivables were as follows:

CHANGE IN ALLOWANCES FOR LONG-TERM RECEIVABLES	As at December 31, 2012	As at December 31, 2011
As at the beginning of the period	**13 556**	**23 351**
b) increases (due to)	**68**	**41**
- generation of allowances under other operating costs	25	-
- generation of allowances under financial costs	43	41
b) reductions (due to)	**1 394**	**9 836**
- presentation change	1 394	9 836
Allowances for short-term receivables, at the end of the period	**12 230**	**13 556**

CHANGE IN ALLOWANCES FOR SHORT-TERM RECEIVABLES	As at December 31, 2012	As at December 31, 2011
As at the beginning of the period	**112 433**	**131 145**
a) increases (due to)	**7 094**	**21 431**
- generation of allowances under other operating costs	5 700	12 336
- generation of allowances under financial costs	-	111
- presentation change	1 394	8 984
b) reductions (due to)	**34 711**	**40 143**
- dissolution of allowances under operating revenues	34 711	38 779
- dissolution of allowances under financial revenues	-	1 053
- other	-	311
Allowances for short-term receivables, at the end of the period	**84 816**	**112 433**

Differences resulting from reconciliation of change in the allowances for receivables to the items reported in income statements are the effect of netting of revenues and costs items.

TRADE RECEIVABLES, OVERDUE (GROSS) - DIVIDED INTO RECEIVABLES UNPAID IN THE PERIOD:	As at December 31, 2012	As at December 31, 2011
a) up to 1 month	3 604	4 312
b) over 1 to 3 months	11 789	8 068
c) over 3 to 6 months	4 867	1 499
d) over 6 months to 1 year	17 117	15 126
e) over 1 year	61 695	57 346
Trade receivables, total (gross)	**99 072**	**86 351**
g) allowances for trade receivables	59 723	58 658
Trade receivables, total (net)	**39 349**	**27 693**

Trade receivables are not subject to interest and have the contractual payment deadline of 30 days.

29. Cash and cash equivalents

Cash in bank is subject to interest according to variable interest rates, which depend on the interest on one-day bank deposits. Short-term deposits are made for various periods, from one day to one months, depending on the current needs of the Company for cash and are subject to determined interest rates.

As at December 31, 2012, the Company disposed of unused granted loan facilities in the amount of PLN 12,991,000 (December 31, 2011: PLN 97,097,000) in relation to which all the suspending requirements were fulfilled. Unused credit facility are a means of managing financial liquidity.

Cash is recognised in the Statement on Financial Condition and includes cash at hand, in bank and short-term deposits with maturity dates falling within three months. Financial assets are evaluated as at the balance sheet date at nominal value, including short-term deposits increased by calculated interest.

Cash and cash equivalent balance shown in the statement of cash flows consists of the following items:

CASH AND CASH EQUIVALENTS	As at December 31, 2012	As at December 31, 2011
Cash at hand and cash in bank	15 042	10 954
Short-term deposits	119 877	13 860
Gains/losses on valuation as at balance sheet date	-	27
Cash and cash equivalents, total	**134 919**	**24 841**

30. Share capital and reserve capital/other reserves

Share capital and reserve capital/other reserves as at December 31, 2012 and December 31, 2011 are presented in the following sections.

30.1. Share capital

Share type	As at December 31, 2012	As at December 31, 2011
Ordinary A series shares of nominal value equalling PLN 1 each	10 493	10 493
Ordinary B series shares of nominal value equalling PLN 1 each	5 507	5 507
Ordinary C series shares of nominal value equalling PLN 1 each	-	-
Ordinary D series shares of nominal value equalling PLN 1 each	4 000	4 000
Ordinary E series shares of nominal value equalling PLN 1 each	4 500	4 500
Ordinary F series shares of nominal value equalling PLN 1 each	3 000	3 000
In total	**27 500**	**27 500**

30.1.1 Shares par value

All issued share have nominal value of PLN 1 are fully paid up. Shares correspond to one vote on the General Meeting of Shareholders and entitle to dividend.

30.1.2 Shareholders’ rights

All shareholders have equal rights, there are no preferred shares.

30.1.3 Major Shareholders

The table below presents shareholders holding at least 5% of the share capital as at December 31, 2012 and December 31, 2011:

Shareholders	31.12.2012		31.12.2011	
	Number of shares	Share in the share capital and overall number of votes at GSM	Number of shares	Share in the share capital and overall number of votes at GSM
DRAGADOS S.A.[1]	18 150 066	66.00%	18 150 066	66.00%
DIM S.a.r.L.[1 and 2b]	2 929 059	10.65%	2 929 059	10.65%
Pioneer Pekao Investment Management [3]	1 650 006	6.00%	1 650 006	6.00%
ING Otwarty Fundusz Emerytalny [5]	1 500 000	5.45%	1 408 519	5.12%
Marek Stefański [2a and 2b]	428 305	1.56%	428 305	1.56%
ALTUS TFI S.A. (directly)[4]	226 010	0.82%	226 010	0.82%
Other shareholders	2 616 654	9.52%	2 708 135	9.85%
In total	**27 500 100.00**	**100.00%**	**27 500 100.00**	**100.00%**

1 according to information received in connection with the notifications sent to the Company pursuant to article 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

2 a) according to information held by P.R.I. "POL-AQUA" S.A., received in relation to the notification sent to the Company in the manner provided for in art. 69 of the act on public offering and conditions for introduction of financial instruments into an organized circulation system and public companies, and in the manner provided for in art. 160 of the act on trading in financial instruments

b) DIM S.a.r.L. with the registered office in Luxemburg is an entity controlled by Mr Marek Stefański.

3 according to the information made publicly known pursuant to the art. 70 item 3 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies.

4 according to information received in connection with the notifications sent to the Company pursuant to article 69 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organized Trading, and Public Companies.

On 2 January 2013 the company received a letter from Altus Towarzystwo Funduszy Inwestycyjnych S.A. (hereinafter referred to as "Towarzystwo"), in which the Company was notified that in result of the termination of the agreement on the management of portfolio including one or more financial instruments concluded by Towarzystwo, which took place on 27 December 2012, the total number of shares of P.R.I. „POL-AQUA" S.A. owned by Towarzystwo amounts to 479,309 shares corresponding to 1.74% of the total number of votes in the Company and in the share capital of the Company.

Altus TFI S.A. holds, directly and indirectly, 2,955,069 shares and votes at the General Meeting (10.75% share in the share capital of the Company and the number of votes at its General Meeting) in accordance with the notification dated 27 December 2011 (Current Report no. 55/2011), including 2,729,059 shares of POL-AQUA held indirectly on the basis of the agreement on portfolio management activities, concluded with DIM S.a.r.L - a significant shareholder of POL-AQUA, the said portfolio containing one or any greater number of financial instruments.

5 according to information included on the list of shareholders of Przedsiębiorstwo Robót Inżynieryjnych „POL-AQUA" Spółka Akcyjna with its registered office in Warsaw entitled to participate in the Extraordinary General Meeting, that was received from KDPW /National Depository for Securities/ on April 12, 2012.

30.2. Reserve capital

Item	As at December 31, 2012	As at December 31, 2011
a) from sales of shares above their par value	482 808	482 808
b) established under statutory requirements	6 022	6 022
c) established in compliance with Articles of Association/agreement over (minimal) value required by statutory requirements	60 540	60 540
d) other	58	58
Other reserves, in total	**549 428**	**549 428**

Reserve capital was established from the surplus in issue value over par value in the amount of PLN 491,500,000 which was reduced by costs of shares issue recognized as reduction of reserve capital in the amount of PLN 8,692,000. Moreover reserve capital was generated from statutory allowances from the profits generated in previous financial years in the amount of PLN 6,022,000, from surplus from profit distribution over statutorily required allowance in the amount of PLN 60,540,000 and other in the amount of PLN 58,000.

30.3. Retained earnings

Retained earnings	Note	As at December 31, 2012	As at December 31, 2011
As at beginning of financial year		**(351 681)**	(362 673)
Changes in accounting principles		-	-
Corrected errors	10	-	-
Company merger effect		-	(985)
Converted opening balance		**(351 681)**	**(363 658)**
As at the end of the financial period		**(351 681)**	**(363 658)**

30.4. Indivisible financial result and limitations regarding dividend payment

Indivisible financial result involves loss amounts from previous years. In accordance with the requirements of the Commercial Companies Code, the amount designated for distribution between the shareholders may not exceed the profit of the last financial year, increased by undistributed profits from preceding years, and amounts transferred from reserve and supplementary capital created of the profit, which may be designated for distribution. The amount should be decreased by uncovered losses, equities and amounts which in accordance with statutory provisions and the Articles of Association should be conveyed from the profit of the last financial year to reserve and supplementary capital.

In accordance with the requirements of the Code of Commercial Companies, the Company is obliged to create a reserve capital for covering loss. At least 8% of profit for a given financial year reported in the statements of the Company is transferred to this category, until the capital reaches at least one third of the share capital. The General Meeting decides about the use of the share and reserve capital, however, one third of the share capital may be used only to cover loss reported in the financial statements and it cannot be divided for other goals.

31. Interest-carrying bank loans and credit

Information about loans incurred and terminated loan agreements as at December 31, 2012 and December 31, 2011 is shown in the following tables.

Liabilities related to loans as at December 31, 2012

Entity name and legal form	Registered office	Loan type	Contracted loan amount	Loan granted	Amount of loan remaining to be repaid			Interest terms	Repayment date	Collateral
					Principal	Interest	In total			
1	2	3	4	5	6	7	8	9	10	11
Nordea Bank Poland S.A.	Gdynia	revolving loan	2 000	2 000	-	-	-	1M WIBOR+2,0p.p.	30.04.2013*	Blank bill, capped mortgage in the amount of PLN 6,800,000.00, PLN 2,500,000.00 and PLN 970,000.00, assignment of receivables from real property insurance policies.
Nordea Bank Poland S.A.	Gdynia	revolving loan	2 000	2 000	9	-	9	1M WIBOR+2,0p.p.	30.04.2013*	Blank bill, capped mortgage in the amount of PLN 3,000,000.00, assignment of receivables from real property insurance policies.
Societe Generale S.A.	Warsaw	revolving loan	25 000	25 000	16 000	-	16 000	1M WIBOR+1.65 per cent point	28.06.2013	Corporate surety
DRAGADOS S.A.	Madrid		20 506		20 506	54	20 560	3M WIBOR+1.75 p.p.	31.03.2014*	
DRAGADOS S.A.	Madrid		30 439		30 439	80	30 519	3M WIBOR+1.75 p.p.	31.03.2014*	
DRAGADOS S.A.	Madrid		51 839		51 839	135	51 974	3M WIBOR+1.75 p.p.	31.03.2014*	
Mostostal Pomorze S.A	Gdańsk		12 000		12 000	415	12 415	3M WIBOR+1.5 p.p.	18.05.2016	
Mostostal Pomorze S.A	Gdańsk		6 000		5 921	87	6 008	3M WIBOR+1.5 p.p.	06.11.2014	
In total					**136 714**	**771**	**137 485**			
long-term							**121 476**			
short-term							**16 009**			

* Information about the extension of the loan payment due date is presented in Note No. 42.

Liabilities related to loans as at December 31, 2011

Entity name and legal form	Registered office	Loan type	Contracted loan amount	Loan granted	Amount of loan remaining to be repaid			Interest terms	Repayment date	Collateral
					Principal	Interest	In total			
1	2	3	4	5	6	7	8	9	10	11
PEKAO S.A.	Warsaw	revolving loan	100 000	100 000	33 855	-	33 855	1M WIBOR+1.6 p.p.	31.07.2012	Capped mortgage for real estate in Wólka Kozodawska in Piaseczno commune at ul. Dworska 1, registered in the Land and Mortgage Register under no. 298674 with the value of PLN 12,000,000.00, assignment of rights in insurance policy for the crane; assignment of receivables from existing and future contracts, corporate surety;
BPH S.A.	Warsaw	revolving loan	3 000	3 000	-	-	-	1M WIBOR+1.8 p.p.	30.06.2012	Capped mortgage for real estate located in Opole, described in Land and Mortgage Register KW OP10/00075897/5, OP10/00075737/6
Nordea Bank Poland S.A.	Gdynia	revolving loan	2 000	2 000	-	-	-	1M WIBOR+1.5 p.p.	13.01.2012	Blank bill; mortgages; assignment of receivables from real property insurance policies;
Nordea Bank Poland S.A.	Gdynia	revolving loan	2 000	2 000	1 048	-	1 048	1M WIBOR+1.5 p.p.	13.01.2012	Blank bill; mortgages; assignment of receivables from real property insurance policies;
Societe Generale S.A.	Warsaw	revolving loan	25 000	25 000	-	-	-	1M WIBOR+1.5 p.p.	31.08.2012	Corporate surety
In total					**34 903**	**-**	**34 903**			
long-term							**-**			
short-term							**34 903**			

In the year ended on December 31, 2012 and the year ended on December 31, 2011, no loan agreement was terminated within the Company P.R.I. “POL-AQUA” S.A.

At the time of first recognition, bank loans are posted at fair value of money less the costs of obtaining the loan. As at the day ending the reporting period, loans are priced at the corrected purchase price/amortized cost. Loan interest is based on variable 1 M or 3 M WIBOR increased by the bank’s margin.

32. Provisions

32.1. Change in provisions

Change in provisions in the year ended on December 31, 2012 are shown in the following tables.

PROVISIONS	As at 01.01.2012	Increases 01.01.-31.12.2012	Decrease 01.01.-31.12.2012		Reclassification 01.01.-31.12.2012	Other changes 01.01.-31.12.2012	As at 31.12.2012
			Utilization	Dissolution			
LONG-TERM PROVISIONS	**21 417**	**4 612**	**1 853**	**12 438**	**(1 394)**	**-**	**10 344**
- provisions for employee benefits	1 376	-	11	497	-	-	868
- provisions for works under guarantee	20 041	4 612	1 842	11 941	(1 394)	-	9 476
SHORT-TERM PROVISIONS	**15 373**	**11 667**	**256**	**6 806**	**1 394**	**-**	**21 372**
- provisions for employee benefits	213	84	89	67	-	-	141
- provisions for works under guarantee	220	-	-	-	1 394	-	1 614
- provisions for litigations	2 421	-	-	1 505	-	-	916
- provisions for penalties and damages	932	9 696	-	-	-	-	10 628
- provisions for other liabilities	11 587	1 887	167	5 234	-	-	8 073

Change in provisions in the year ended on December 31, 2011 are shown in the following tables.

PROVISIONS	As at 01.01.2011	Increases 01.01.-31.12.2011	Decreases 01.01.-31.12.2011		Reclassification 01.01.-31.12.2011	Other changes 01.01.-31.12.2011	As at 31.12.2011
			Utilization	Dissolution			
LONG-TERM PROVISIONS	**26 591**	**1 997**	**3 502**	**4 153**	**(220)**	**704**	**21 417**
- provisions for employee benefits	1 542	19	20	257	-	92	1 376
- provisions for works under guarantee	25 049	1 978	3 482	3 896	(220)	612	20 041
SHORT-TERM PROVISIONS	**44 012**	**3 500**	**7 249**	**25 188**	**220**	**78**	**15 373**
- provisions for employee benefits	219	108	52	49	(15)	2	213
- provisions for works under guarantee	-	-	-	-	220	-	220
- provisions for litigations	10 008	489	355	7 797	-	76	2 421
- provisions for penalties and damages	12 444	1 483	6 628	6 367	-	-	932
- provisions for other liabilities	21 341	1 420	214	10 975	15	-	11 587

In the period from 1 January 2012 to December 31, 2012, provisions have were created in the total amount of PLN 16,279,000. Other operating costs were charged with the amount of PLN 11,489,000. and the cost of manufacturing of sold services with the amount of PLN 4,790,000. In the period from 1 January 2012 to December 31, 2012, provisions were dissolved in the total amount of PLN 19,244,000 concerned respectively: other operating revenues in the amount of PLN 6,739,000 and a decrease of cost of manufacturing of sold services in the amount of PLN 12,505,000.

32.2. Provision for works under guarantee and returns

Provisions for works under guarantee are specified in contract budgets in the form of a percentage share in revenues depending on the type of construction work. The maximum rate is 1%. In the course of contract execution, the provision is calculated monthly in relation to work progress. After completion of the contract, the facility is inspected in terms of defects, and the provision has to be adjusted. Defects removal costs are settled from provisions during the entire warranty period. After the warranty period, the unused provision is dissolved.

The amount of released provisions for guarantee repairs in the period from 1 January 2012 to December 31, 12 concerned the completed projects for which the Group hold collaterals in form of deposits and insurance guarantees of sub-contractors that perform works under these contracts.

32.3. Provisions for other liabilities

The main item of created provision for other liabilities is the surety granted to a subsidiary.

33. Liabilities and deferred income

As at December 31, 2012 and December 31, 2011, trade liabilities, other liabilities and deferred income were as presented in the following sections.

33.1. Long-term liabilities

LONG-TERM LIABILITIES	As at December 31, 2012	As at December 31, 2011
Other financial liabilities	**2 681**	**3 380**
on account of financial lease liabilities	2 681	3 380
Other long-term liabilities	**34 539**	**26 512**
on account of deposit	34 273	26 512
other	266	-
Net liabilities, in total	**37 220**	**29 892**
Deposit discount	5 680	4 851
Gross long-term liabilities, in total	**42 900**	**34 743**

33.2. Short-term liabilities

SHORT-TERM LIABILITIES	As at December 31, 2012	As at December 31, 2011
Other financial liabilities	**2 927**	**2 842**
on account of financial lease liabilities	2 927	2 842
Trade liabilities	**404 070**	**178 956**
Other short-term liabilities	**51 741**	**34 730**
on account of employee benefits	8 156	8 308
on account of taxes, duties, social insurance and other	8 901	23 720
on account of accruals	32 053	-
on account of other liabilities	2 631	2 702
Short-term liabilities, in total	**458 738**	**216 528**

At the end of 2012, an increase in the value of accruals was recorded due to cost accounting policy changes referring to long-term contracts. Accruals are the difference between the cost of assessment contracts and invoiced costs. The above said change does not influence the financial results of contracts, resulting from the estimation of the stage of completion of the contract.

The amount resulting from the difference between liabilities and receivables on account of tax on goods and services is paid to the competent tax office monthly.

33.3. Deferred income

DEFERRED INCOME	As at December 31, 2012	As at December 31, 2011
Long-term	**-**	**13**
- subsidies received	-	13
Short-term	**152**	**485**
- subsidies received	17	53
- other	135	432
Deferred income, in total	**152**	**498**

34. Investment liabilities

As at December 31, 2012 and as at December 31, 2011, no investment liabilities occurred in the Company.

35. Contingent liabilities

Contingent liabilities as at December 31, 2012 and December 31, 2011 are as follows:

CONTINGENT LIABILITIES By category	As at December 31, 2012	As at December 31, 2011
Contingent liabilities due to loans	5 100	4 103
Contingent liabilities due to bank guarantees	139 062	60 868
Contingent liabilities due to insurance guarantees	102 925	189 866
Contingent liabilities due to lease contracts	8 903	28 413
Contingent liabilities due to trade contracts	322	373
Contingent liabilities due to EU subsidies	1 002	1 002
Total off-balance sheet items	**257 314**	**284 625**
including from related entities	5 039	4 768

Contingent liabilities include mainly bank and insurance guarantees granted in favour of external entities by financial institutions to the order of the Group's Companies as well as sureties, including avals, granted in favour of external entities as a part of lease contracts, credit contracts and commercial contracts.

As at December 31, 2012, contingent liabilities of the Company went down when compared to the balance as at December 31, 2011 – by the amount of PLN 27,311,000, including: to related entities, they increased by PLN 271,000.

In the period of 12 months ended on December 31, 2012, the Company did not exceed 10% of equities when entering into a loan or credit sureties, or granting a guarantee or conditional sureties per entity.

In comparison to the financial year of 2011, at the end of 2012 there was an increase in conditional liabilities related to bank and insurance guarantees.

Issued bills secure guaranties granted as well as lease, trade and credit liabilities.

35.1. Litigations

The Company participates in litigations regarding liabilities and receivables, pending before a court, authority competent for arbitration procedure or public administration authority under the group of liabilities amounting to the total of PLN 194,634,000 and proceedings under the group of receivables amounting to the total of PLN 78,281,000.

As at 31 June 2012, litigations with the highest value of the dispute subject matter in which the Company acted as claimant or defendant are presented in the table below:

The Company as claimant

Procedure commencement date	Defendant	Value of dispute subject matter in kPLN	Dispute subject matter	Description
22.10.2010	"FED Poland" Sp. z o.o.	28 517	Receivables from guarantee deposits and interests	In the course of court proceedings the Court awarded payment by the Defendant of the deposit with interest in the amount of PLN 25,000,000. The court decision is not binding.
28.01.2011	KBP 5 Sp. z o. o	9 195	Remuneration for performed works with interest	In the course of court proceedings, the Company claimed payment of remuneration for the completed works. In both proceedings, at the request of the company, the Court issued a decision on securing the Company's claims by means of establishment of a mortgage on real estate.
28.01.2011	KBP 6 Sp. z o. o	7 497		
20.06.2012	Restaura Górskiego	7 540	Suit for payment together with a petition for securing the claims	In the course of court proceedings, the Company claimed payment of remuneration for the completed works. In the proceeding, at the request of the Company, the Court issued a decision on securing the Company's claims by means of establishment of a mortgage on real estate.
31.10.2012	PORR S.A.	6 428	Suit for payment of remuneration and compensation for the improper performance of the agreement	In the course of court proceedings, the Company claimed payment of remuneration for the completed works. The action also includes reimbursement for the extended term of performance.

On January 15, 2013 the Company received the decisions of the Court of Arbitration issued on 28 December 2012 and on December 31, 2012 due to the litigation brought by the Przedsiębiorstwo Robót Inżynieryjnych "POL-AQUA" S.A. against the Commune of the City of Wrocław on January 15, 2010. As a result of arbitration proceedings the adjudicating panel awarded to the Company damages in the amount of EUR 2,110,000 and PLN 2,660,000 along with statutory interests. According to the Management Board, the revenue from the implementation of decisions of the Court of Arbitration substantiated at the time of the issuance of the decisions, and the payments of the awarded amount after the balance-sheet date constitute the confirmation of the assessment as at December 31, 2012. Therefore the awarded amounts constitute the revenues disclosed in 2012.

The Company as defendant

Procedure commencement date	Claimant	Value of dispute subject matter in kPLN	Dispute subject matter	Description
14.03.2011	KBP 5 Sp. z o. o	78 877	Claim for return of paid remuneration for constructed building	In the opinion of the Management Board of the Company, there were no grounds for the said claim.
14.03.2011	KBP 6 Sp. z o. o	77 555	Claim for return of paid remuneration for constructed building	In the opinion of the Management Board of the Company, there were no grounds for the said claim.
03.02.2012	KBP-2 Sp. z o.o.	4 384	Claim for return of paid remuneration for constructed building	In the opinion of the Management Board of the Company, there were no grounds for the said claim.
03.04.2012	KBP-3 Sp. z o.o.	3 915	Claim for damages on account of retention bonds.	In the opinion of the Management Board of the Company, there were no grounds for the said claim.
05.06.2012	Shiraz II Sp. z o. o	11 197	Suit for payment of compensation for substitute performance	In the opinion of the Management Board of the Company, there were no grounds for the said claim.

35.2. Tax settlements

Tax settlements and other areas of activity subject to regulations (e.g. duties and currency settlements) may be the subject to administrative bodies inspections, which are entitled to imposing high penalties and sanctions. Lack of references to generally accepted legal regulations in Poland leads to inconsistencies and incoherence of binding principles. Frequently occurring differences in opinions on interpretation of tax provisions, both within state bodies and state bodies and enterprises, lead to uncertainty and conflicts. Such events make tax risk in Poland much higher than the risk usually occurring in more developed tax systems.

Tax settlements might be the subject of control in the period of five years, starting from the year un which the tax was settled. As a result of performed controls, previous tax settlements of the Company may be increased by additional tax liabilities.

36. Information on related entities

PLACIDUS INVESTMENTS Sp. z o.o.

On 30 August 2012, the Management Board of Przedsiębiorstwo Robót Inżynieryjnych “POL-AQUA” S.A. with the registered office in Warsaw (“the Company”) was served a decision on discontinuation of the bankruptcy proceedings of Placidus Investments Sp. z o.o. The ruling was issued on 24 May 2012 by the District Court for the capital city of Warsaw in Warsaw, 10th Business Department for bankruptcy and reorganization proceedings.

The reason for the ruling is the decision of the Court who agreed with the conclusion of the receiver that the assets remaining after exclusion of the assets being the subject of mortgage, pledge, registered pledge, tax lien or maritime mortgage are not sufficient to cover the costs of the proceedings (art. 361 item 1 of the act ‘The bankruptcy and reorganization law’).

On 14 June 2012, the ruling became final.

Since the beginning of 2011, the Company has not been controlling in financial and operating terms the above mentioned company.

The table below presents total amounts of the transactions concluded with related entities for the current and previous financial years:

Related entity	Sales to related entities	Purchase from related entities	Receivables from related entities	including overdue	Liabilities towards related entities	Including outstanding	Loans granted	Loans received	Financial revenues interest on loans	Financial costs interest on loans
	for 01.01. - 31.12.2012	for 01.01. - 31.12.2012	as at 31.12.2012	as at 31.12.2012	as at 31.12.2012	as at 31.12.2012	as at 31.12.2012	as at 31.12.2012	for 01.01. - 31.12.2012	for 01.01. - 31.12.2012
Subsidiaries										
PA CONEX Sp. z o.o.	1	5	2 923	2 923	124	18	5 811	-	1 424	-
PA Wyroby Betonowe Sp. z o.o.	106	-	11	-	-	-	-	-	-	-
Mostostal Pomorze S.A.	80	262	-	-	221	221	-	18 423	-	552
TECO Sp. z o.o.	34	-	511	364	-	-	5 477	-	206	-
PLACIDUS INVESTMENTS in liquidation bankruptcy	-	-	103	103	354	354	-	-	-	-
Weneda Sp. z o.o.	-	2	-	-	-	-	-	-	-	
POL-AQUA WOSTOCK Sp. z o.o.	-	-	-	-	-	-	-	-	-	-
Associate										
PKO BP INWESTYCJE Sarnia Dolina Sp. z o.o.	-	-	-	-	-	-	-	-	47	-
Parent Company										
DRAGADOS S.A.	47 094	117 435	40 779	-	132 185	-	-	103 053	-	1 766
In total	**47 315**	**117 704**	**44 327**	**3 390**	**132 884**	**593**	**11 288**	**121 476**	**1 677**	**2 318**

Related entity	**Sales to related entities**	**Purchase from related entities**	**Receivables from related entities**	**including overdue**	**Liabilities towards related entities**	**Including outstanding**	**Loans granted**	**Loans received**	**Financial revenues interest on loans**	**Financial costs interest on loans**
	for 01.01. - 31.12.2011	for 01.01. - 31.12.2011	as at 31.12.2011	as at 31.12.2011	as at 31.12.2011	as at 31.12.2011	as at 31.12.2011	as at 31.12.2011	for 01.01. - 31.12.2011	for 01.01. - 31.12.2011
Subsidiaries										
PA CONEX Sp. z o.o.	159	3	3 255	3 255	121	-	4 856	-	1 191	-
PA ENERGOBUDOWA Sp. z o.o.*	285	166	-	-	-	-	-	-	72	-
PA Wyroby Betonowe Sp. z o.o.	291	-	11	-	-	-	-	-	-	-
Mostostal Pomorze S.A.	318	1 914	58	-	1 538	1 504	-	-	-	-
TECO Sp. z o.o.	11	1 800	566	566	-	-	2 540	-	148	-
PLACIDUS INVESTMENTS in liquidation bankruptcy	2 355	2 263	96	96	354	354	-	-	-	-
Weneda Sp. z o.o.	-	2	-	-	-	-	-	-	-	-
POL-AQUA WOSTOCK Sp. z o.o.	-	-	-	-	-	-	-	-	12	-
Associate										
PKO BP INWESTYCJE Sarnia Dolina Sp. z o.o.	-	-	-	-	-	-	-	-	45	-
Parent Company										
DRAGADOS S.A.	3 073	2 163	1 992	-	403	-	-	-	-	-
In total	**6 492**	**8 311**	**5 978**	**3 917**	**2 416**	**1 858**	**7 396**	**-**	**1 468**	**-**

* PA ENERGOBUDOWA Sp. z o.o - transactions for the period of 8 months of 2011

Allowances for receivables and loans as at December 31, 2012 and 2011:

As at December 31, 2012	Receivables			Loans		
Related entity	**gross**	**write-off**	**net**	**gross**	**write-off**	**net**
PA CONEX Sp. z o.o.	18 288	15 365	2 923	20 616	14 805	5 811
TECO Sp. z o.o.	1 148	637	511	-	-	-
PLACIDUS INVESTMENTS in liquidation bankruptcy	3 299	3 197	103	-	-	-
POL-AQUA WOSTOCK Sp. z o.o.	-	-	-	662	662	-

Associate	gross	write-off	net	gross	write-off	net
Sarnia Dolina Sp. z o.o.	1 734	1 734	-	60	60	-

As at December 31, 2011	Receivables			Loans		
Related entity	**gross**	**write-off**	**net**	**gross**	**write-off**	**net**
PA CONEX Sp. z o.o.	17 770	14 514	3 256	17 797	12 941	4 856
TECO Sp. z o.o.	1 184	617	567	-	-	-
PLACIDUS INVESTMENTS in liquidation bankruptcy	3 292	3 197	95	-	-	-
POL-AQUA WOSTOCK Sp. z o.o.	-	-	-	662	662	-

Associate	gross	write-off	net	gross	write-off	net
Sarnia Dolina Sp. z o.o.	1 690	1 690	-	56	56	-

36.1. Parent Entity of entire Group

The Parent Company of the entire POL-AQUA Group is ACS Actividades de Construcción y ServiciosSociedad Anónima (ACS S.A.).In the financial year ended on December 31, 2012 no transaction between the Company and the Parent Entity took place.

36.2. Entity with major impact on the Group

An entity with major impact on the Company is DRAGADOS S.A., a Spanish company with its registered office in Madrid owns 66% of ordinary shares of Parent Entity (December 31, 2012: 66%) Other entities holding maximum 5% of shares in the share capital are presented in Note 30.1.3

36.3. Associated Entity

Sarnia Dolina Sp. z o.o. with its registered office in Warsaw is an associate of the Company. As at December 31, 2012, the Company held 44% of shares in the associate. The shares were provisioned for with allowances.

36.4. Transactions with related entities

Transaction with affiliates are carried out in compliance with market principles, the conditions and nature of which result from current operating activity.

Transactions most frequently conducted within the Company:

- contracts of construction and assembly works,
- loan agreements,
- advisory agreements.

36.5. Loan granted to Member of the Management Board

As at 31.12.2012 and 31.12.2011, the Company did not grant loans to Members of the Management Board.

36.6. Other transactions involving Members of the Management Board

As at 31.12.2012 and 31.12.2011 the Company did not perform other transactions involving Members of the Management Board.

36.7. Remuneration of the management personnel of the Company

Remuneration of the management and supervisory staff of the Company for the year ended on December 31, 2012 and 2011 is shown below.

Item	For the year ended on 31.12.2012	For the year ended on December 31, 2011
Management Board		
Management Board - remuneration	5 204	3 255
Supervisory Board		
Supervisory Board - remuneration	158	233
In total	**5 362**	**3 488**

37. Information about the remuneration for the statutory auditor or entity entitled to audit financial statements

The table below presents the remuneration paid out to the entity entitled to audit the financial statements or due for other auditing services for the year ended on December 31, 2012 and December 31, 2011, divided into categories of services:

Item	For the year ended on December 31, 2012	For the year ended on December 31, 2011
Mandatory audit of financial statements	510	559
Tax consultancy services	18	232
Other services	7	128
In total	**535**	**919**

38. Principles and objectives of managing the financial risk

Activities of the Company are exposed to various types of financial risks, including fluctuations of exchange rates and interest rate risk. The goal of risk management by the Company is to monitor changes in the financial markets and aim at minimising the potentially negative impact on the financial results of the Company.

The Company does not conduct financial instrument transactions.

The main types of risk resulting from the Company's financial instruments include interest rate, currency, liquidity and credit risk. The Management Board of the Company verifies the principles of managing each type of risk – these principles are summarized below. The Company also monitors market price risks regarding mainly the financial instruments it holds. For purposes of evaluating fair value of the open financial instruments, the Company mainly uses bank assessments.

38.1. Interest rate risk

Exposing the Company to risk resulting from changes in interest rates refers mainly to short- and long-term financial liabilities resulting from financial lease agreements and loan agreements in the current account and investment loan agreements. The amount of interest in liabilities due to financial lease as well as revolving and investment loan agreements was based mainly on variable 1M and 3M WIBOR and 3M LIBOR EUR rates, whose values as at the balance sheet date totalled correspondingly: for overdraft facilities and for loans 4.21%, 4.11%, 0.1286%.

Interest rate risk – susceptibility to changes

The table below presents the susceptibility of the gross financial result to possible interest rate changes under the assumption that other factors remain fixed (in connection with liabilities with variable interest rate). The influence on the Company's equity or total revenue have not been presented.

As at December 31, 2012

Item	Carrying value	Change in interest rate %	
		1,00%	-1.00%
Loans granted	11 288	113	(113)
Cash at hand and cash in bank	134 919	1 349	(1 349)
Loans	137 485	(1 375)	1 375
Financial lease agreements	5 608	(56)	56
Short-term investments	-	-	-

As at December 31, 2011

Item	Carrying value	Change in interest rate %	
		1,00%	-1.00%
Loans granted	7 396	74	(74)
Cash at hand and cash in bank	24 841	248	(248)
Loans	34 903	(349)	349
Financial lease agreements	6 222	(62)	62
Short-term investments	-	-	-

38.2. FX risk

The Company is exposed to FX risk on account of performed transactions. Such risk results from sales or purchases carried out by the operating entity in currencies other than its evaluation currency.

As part of basic operating activities, the Company also enters into contracts denominated in a foreign currency. The FX risk management policy adopted by the Company is based on hedging future cash flows to reduce the impact of currency rate fluctuations on the results of the Company. The FX risk is also hedged by the natural hedging mechanism consisting in execution of contracts with subcontractors in the currency of the contract, so that the risk is transferred to the subcontractors.

If this is not possible, the FX exposure is hedged on the financial markets with derivatives, in particular FX forwards.

The following table presents the susceptibility of the gross financial result (in connection with the change in fair value and financial liabilities) of the Group to reasonably possible fluctuations of the EUR exchange rate, assuming that remaining factors do not change.

As at December 31, 2012

Item	Amount in EUR [000s]	Amount in PLN [000s]	Change in rate	
			10%	-10%
Trade receivables	449	1 835	45	(45)
Cash and cash equivalents	131	537	13	(13)
Trade liabilities	1 481	6 055	(148)	148
Liabilities due to financial lease agreements and lease agreements with purchase option	105	430	(11)	11

As at December 31, 2011

Item	Amount in EUR [000s]	Amount in PLN [000s]	Change in rate	
			10%	-10%
Trade receivables	613	2 710	61	(61)
Cash and cash equivalents	211	931	21	(21)
Trade liabilities	1 199	5 298	(120)	120
Liabilities due to financial lease agreements and lease agreements with purchase option	356	1 571	(36)	36

38.3. Credit risk

Financial assets of the Company which are exposed to concentration of credit risk are trade receivables presented in the financial statements reduced by the allowance for bad debts. The Company believes that the credit risk of the Company has been properly assessed and reflected in the books based on proper allowances for receivables.

38.4. Liquidity risk

The Group manages the liquidity risk by keeping cash balances and necessary sources of financing such as credit lines. The Company aims to ensure the level of financing that is sufficient from the viewpoint of its activities.

The table below presents financial liabilities of the Company as at December 31, 2012 and as at December 31, 2011 according to the maturity date on the basis of contractual non-discounted payments.

As at December 31, 2012

Item	On request	Below 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	In total
Interest-carrying loans and credit	-	9	16 939	128 394	-	145 342
Trade liabilities and other liabilities	-	281 876	13 393	37 190	163 503	495 962
In total	**-**	**281 885**	**30 332**	**165 584**	**163 503**	**641 304**

As at December 31, 2011

Item	On request	Below 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	In total
Interest-carrying loans and credit	-	1 114	36 004	-	-	37 118
Trade liabilities and other liabilities	19 349	166 898	29 936	30 350	252	246 785
In total	**19 349**	**168 012**	**65 940**	**30 350**	**252**	**283 903**

39. Financial instruments

39.1. The fair values of particular classes of financial instruments

The table below includes balance sheet values that approximate the fair value of financial instrument according to pricing categories and classes as at the balance sheet dates of December 31, 2012 and December 31, 2011.

FINANCIAL ASSETS	Category pursuant to IAS 39	Carrying value	
		As at December 31, 2012	As at December 31, 2011
Other long-term financial assets		**9 609**	**13 459**
- loans granted	Loans and receivables	5 811	4 778
- receivables on account of deposit	Loans and receivables	3 508	8 174
- financial assets held until maturity	Financial assets held until maturity	289	507
Other short-term financial assets		**5 687**	**2 619**
- loans granted	Loans and receivables	5 477	2 619
- marketable financial assets	evaluated at fair value through the financial result	210	-
Short-term trade receivables	Loans and receivables	**287 267**	**191 053**
Cash and cash equivalents	evaluated at fair value through the financial result	**134 919**	**24 841**

FINANCIAL LIABILITIES:	Category pursuant to IAS 39 IAS 39	Carrying value	
		As at December 31, 2012	As at December 31, 2011
Long-term liabilities:		**158 696**	**29 892**
- interest-carrying bank loans and credit	Other financial liabilities measured at amortised cost	121 476	-
- on account of financial lease liabilities	Other financial liabilities measured at amortised cost	2 681	3 380
- deposit related liabilities	Other financial liabilities measured at amortised cost	34 539	26 512
Short-term liabilities:		**435 332**	**242 432**
- interest-carrying bank loans and credit	Other financial liabilities measured at amortised cost	16 009	34 903
- on account of financial lease liabilities	Other financial liabilities measured at amortised cost	2 927	2 842
- liabilities resulting from construction contracts evaluation	Other financial liabilities measured at amortised cost	12 325	25 731
- trade liabilities	Other financial liabilities measured at amortised cost	404 070	178 956

In 2012, no financial assets have been qualified by the Company under categories evaluated according to fair value by financial result.

39.2. Changes in revenues, costs, profit and loss recognised under profit or loss divided into categories of financial instruments

For the year ended on December 31, 2012

Item	IAS 39 category	Interest revenues/ (costs)	Gains/losses on exchange differences	Dissolution/ (Establishment) of revaluation allowances	Gains/(losses) on pricing	Gains/(losses) on sales of financial instruments	Other	In total
Financial assets								
Other financial assets (long-term)		-	-	(14 004)	-	-	(1 871)	**(15 875)**
Other financial assets (short-term)	*Loans and receivables*	1 248	-	(2 686)	-	-	-	**(1 438)**
Trade receivables and other receivables	*Loans and receivables*	5 331	(262)	30 450	-	-	-	**35 520**
Cash and cash equivalents	*evaluated at fair value through the financial result*	525	(34)	-	-	-	-	**491**
Financial liabilities:								
- loans in current account	*Other financial liabilities measured at amortised cost*	(7 835)	-	-	-	-	(43)	**(7 878)**
- other - short-term	*Other financial liabilities measured at amortised cost*	(2 319)	-	-	-	-	-	**(2 319)**
- liabilities due to financial lease agreements and lease agreements with purchase option		(391)	(527)	-	-	-	-	**(918)**
- Discount of liability long-term deposits	*Other financial liabilities measured at amortised cost*	-	-	-	-	-	3 621	**3 621**
Trade liabilities and other financial liabilities	*Other financial liabilities measured at amortised cost*	(108)	995	-	-	-	166	**1 053**
Securing instruments		-	-	-	-	-	-	-
In total		**(3 548)**	**172**	**13 760**	**-**	**-**	**1 873**	**12 257**

For the year ended on December 31, 2011

Item	IAS 39 category	Interest revenues/ (costs)	Gains/losses on exchange differences	Dissolution/ (Establishment) of revaluation allowances	Gains/(losses) on pricing	Gains/(losses) on sales of financial instruments	Other	In total
Financial assets								
Other financial assets (long-term)		-	-	-	-	-	(2 896)	**(2 896)**
Other financial assets (short-term)	*Loans and receivables*	1 307	-	425	-	-	-	**1 732**
Trade receivables and other receivables	*Loans and receivables*	761	128	11 061	-	-	(24)	**11 926**
Cash and cash equivalents	*evaluated at fair value through the financial result*	571	1 056	-	-	-	-	**1 627**
Financial liabilities:								
- loans in current account	*Other financial liabilities measured at amortised cost*	(4 778)	-	-	-	-	(19)	**(4 797)**
- other - short-term	*Other financial liabilities measured at amortised cost*	-	-	-	-	-	-	**-**
- liabilities due to financial lease agreements and lease agreements with purchase option		(436)	(981)	-	-	-	-	**(1 417)**
- Discount of liability long-term deposits	*Other financial liabilities measured at amortised cost*	-	-	-	-	-	3 091	**3 091**
Trade liabilities and other financial liabilities	*Other financial liabilities measured at amortised cost*	(336)	(142)	-	-	-	10	**(468)**
Securing instruments		-	-	-	(1)	38	-	**37**
In total		**(2 911)**	**61**	**11 486**	**(1)**	**38**	**162**	**8 835**

39.3. Interest rate risk

The table below presents the balance value of financial instruments of the Company exposed to various interest rate risk, divided into particular time categories.

As at December 31, 2012

Variable interest rate	<1 year	1–2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Bank loans, credit	16 009	109 061	-	12 415	-	-	**137 485**
Cash and cash equivalents	134 919	-	-	-	-	-	**134 919**
Liabilities due to financial lease agreements and lease agreements with purchase option	2 927	1 421	656	371	233	-	**5 608**

As at December 31, 2011

Variable interest rate	<1 year	1–2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Bank loans, credit	37 522	4 778	-	-	-	-	**42 300**
Cash and cash equivalents	24 841	-	-	-	-	-	**24 841**
Liabilities due to financial lease agreements and lease agreements with purchase option	2 842	1 858	1 208	313	-	-	**6 221**

Interest rates on financial instruments with variable interest is updated in periods below one year. Interest on financial instruments with fixed interest rate are fixed for the whole period until maturity date. Other financial instruments of the Company, which have not been recognised in the above tables, are not subject to interest and as a result are not subject to interest rate risk.

40. Equity management

The purpose of equity management of the Company is to maintain good credit rating and safe equity ratios, which can support operations of the Company and increase its value for its shareholders.

The Company manages equity structure and due to changes in economic conditions introduces changes to it. In order to maintain or correct the capital structure, the Company may change dividend payment to shareholders, return capital to shareholders or issue new shares. In the year ended on December 31, 2012 and on December 31, 2011, the objectives, principles and processes in this area did not change. The Company includes long- and short-term liabilities in net indebtedness, decreased by cash and cash equivalents.

EQUITY MANAGEMENT	As at December 31, 2012	As at December 31, 2011
Interest-carrying loans and credit	137 485	34 903
Short- and long-term liabilities without items of interest-carrying loans and credits	540 152	313 298
Minus cash and cash equivalents	(134 919)	(24 841)
Net debt	**542 718**	**323 360**
Equity	48 455	225 247
Net debt and capital	**591 173**	**548 607**
Leverage ratio	91.80%	58.94%

41. Employment structure

Employment in the POL–AQUA Capital Group in the year ended on December 31, 2012 and December 31, 2011 was as follows:

Item	As at December 31, 2012	As at December 31, 2011
Management Board *	6	6
Managerial staff (heads of departments)	43	47
Technical staff (project/construction/works managers/foremen)	155	194
Administration	253	286
Manual labourers	500	800
IN TOTAL	**957**	**1 333**

*as at December 31, 2012, 3 persons exercise function in the Management Board on the basis of appointment (as at December 31, 2011 - 4 persons)

42. Events after the balance-sheet date

Performing the agreement of 30 November 2010 concluded by and between P.R.I. "POL- AQUA" S.A. and Mr Józef Popławski and regulating the procedure of the sale of shares in the share capital of the company Mostostal Pomorze S.A., the Parent Company concluded a share transfer agreement on January 15, 2013 and purchased 14,286 (fourteen thousand two hundred and eighty six) for PLN 1,504,000. In relation to the above, the Company's share in the share capital of Mostostal Pomorze S.A. was increased to 95.00%.

On January 15, 2013, the Company's Supervisory Board, acting pursuant to art. 368 § of the Code of Commercial Companies and § 21 of the Company's Articles of Association adopted the following resolutions:

- dismissal of Mr Piotra Chełkowski from the position of the President of the Management Board and from the Company's Management Board;

- dismissal of Mr Robert Molo from the function of Member of the Company's Management Board;

- on appointing Mr Gregor Siegmund Sobisch for the function of the Management Board's President.

The Management Board of P.R.I. „POL-AQUA" S.A. declares that it has become aware of the fact that the Polish Financial Supervision Authority completed the proceedings about which the Company had informed in the Current Report No. 4/2011 on 10 February 2011. The Polish Financial Supervision Authority unanimously decided to impose a financial penalty in the amount of PLN 250,000 on the Company for non-performance of disclosure requirements in relation to the issuers by the Company.

On 30 January 2013, the Company and Nordea Bank Polska S.A. with registered office in Gdynia signed annexes to agreements no. FKR-PLN-ZOKK1-07-000100 and no. KO-5/01/02-OGDA (CON-PLN-OGDA1-01-00005) on granting a revolving loan in the current account. The final repayment date was moved to 30 April 2013.

In March 2013, the Company signed annexes to loan agreements under which DRAGADOS S.A. with registered office in Spain moved the loan payment due dates to 31 March 2014. Other provisions of the agreements remained unchanged. By providing financial support in the form of the above mentioned loans, DRAGADOS S.A secures long-term financing of the Group.

In the period from 1 January 2013 to the publication date of these statements, P.R.I. "POL-AQUA" S.A. increased the amount lent to PA Conex Sp. z o.o. in the total amount of PLN 625,000 designated for operating activity. Under the agreement, interest is calculated from the date of paying the loan amount according to WIBOR 1 M rate increased by the fixed margin amounting to 2%.

INDIVIDUALS REPRESENTING P.R.I. "POL-AQUA" S.A.

…………………………………

Gregor Siegmund Sobisch

President of the Management Board

……………………………….

Marek Sobiecki

Second Vice-President of the Management Board

…………………………………

Mario Serrano Villate

Member of the Management Board

…………………………………

Servando Sierra Martí

Member of the Management Board

Financial Statements prepared by:

…………………………………

Renata Sucharska

Head of Economy and Finance

Warsaw, March 21, 2013