Name:	***PBG S.A. w upadłości układowej (in company voluntary arrangement)***		
Period covered by the financial statements:	***January 1st−December 31st 2014***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

FINANCIAL STATEMENTS

FOR THE PERIOD JANUARY 1ST – DECEMBER 31ST 2014

WYSOGOTOWO, MARCH 23RD 2015

Name:	***PBG S.A. w upadłości układowej (in company voluntary arrangement)***		
Period covered by the financial statements:	***January 1st−December 31st 2014***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

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All amounts in PLN thousand (unless otherwise indicated)

1. FULL-YEAR FINANCIAL STATEMENTS

1.1. STATEMENT OF FINANCIAL POSITION

Item	Note	IFRS as at Dec 31 2014	IFRS as at Dec 31 2013
Assets			
Non-current assets		**815,390**	**936,651**
Goodwill		-	
Intangible assets	5.2	1,776	4,933
Property, plant and equipment	5.3	58,194	63,828
Investment property	5.5	33,306	41,875
Long-term investments	5.6	7,577	7,577
Investments in subsidiaries	5.6.2	563,029	563,029
Receivables	5.12	24,137	27,566
Loans advanced	5.7.2	127,213	226,740
Other non-current financial assets	5.10	31	849
Deferred tax assets	6.2	-	-
Non-current accruals and deferred income	5.18	127	254
Current assets		**303,598**	**366,123**
Inventories	5.11	1,514	935
Amounts due from customers for construction contract work	5.18	57,709	17,483
Trade and other receivables	5.12	58,823	111,069
Current tax assets	6.1	-	-
Loans advanced	5.7.2	142,814	132,932
Cash and cash equivalents	5.13	40,421	99,806
Current accruals and deferred income	5.18	1,325	1,838
Non-current assets held for sale	5.3	992	2,060
Total assets		**1,118,988**	**1,302,774**

Wysogotowo, March 23rd 2015

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

STATEMENT OF FINANCIAL POSITION (CONT.)

Item	Note	IFRS as at Dec 31 2014	IFRS as at Dec 31 2013
Equity and liabilities			
Equity		**(982,631)**	**(928,173)**
Share capital	5.14	14,295	14,295
Treasury shares		-	-
Share premium	5.14.1	733,348	733,348
Other components of equity	5.14.2	547,868	547,868
Retained earnings/(accumulated losses):		(2,278,142)	(2,223,684)
- accumulated profit (loss) from prior years		(2,223,684)	(2,352,342)
- net profit (loss) for current year		(54,458)	128,658
Liabilities		**2,101,619**	**2,230,947**
Non-current liabilities		**367,514**	**460,620**
Borrowings and other debt instruments	5.7.3	-	-
Finance lease liabilities	5.4	4,522	5,172
Deferred tax liabilities	6.2	-	-
Employee benefit obligations and provisions	5.13.1	164	201
Other non-current provisions	5.13.2	361,644	453,860
Non-current accruals and deferred income	5.18	1,184	1,387
Current liabilities		**1,734,105**	**1,770,327**
Borrowings and other debt instruments	5.7.3	1,208,814	1,233,209
Finance lease liabilities	5.4	651	676
Derivative financial instruments		-	641
Trade and other payables	5.17	486,433	472,858
Amounts due to customers for construction contract work	5.19	136	24,579
Current tax liabilities	6.1	-	-
Employee benefit obligations and provisions	5.16.1	2,406	2,731
Other current provisions	5.16.2	35,315	35,184
Current accruals and deferred income	5.18	350	449
Total equity and liabilities		**1,118,988**	**1,302,774**

Wysogotowo, March 23rd 2015

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

1.2. STATEMENT OF PROFIT OR LOSS

Item	Note	IFRS for the period Jan 1–Dec 31 2014	IFRS for the period Jan 1–Dec 31 2013
Continuing operations			
Revenue	5.20.1	**227,044**	**336,128**
- from related entities		9,026	1,856
Sales of finished goods		-	-
Rendering of services		225,049	335,712
Sales of merchandise and materials		1,995	416
Cost of sales	5.20.2	**(263,841)**	**(399,739)**
- from related entities		(9,230)	(13,646)
Finished goods sold		-	-
Services rendered		(261,881)	(398,142)
Merchandise and materials sold		(1,960)	(1,597)
Gross profit/(loss)		**(36,797)**	**(63,611)**
Administrative expenses		(21,785)	(23,494)
Other income	5.20.3	109,176	365,044
Other expenses	5.20.4	(97,054)	(55,786)
Restructuring costs		(6,993)	-
Operating profit/(loss)		**(53,453)**	**222,153**
Net finance costs	5.20.5 / 5.20.6	(1,005)	(93,495)
Profit/(loss) before tax		**(54,458)**	**128,658**
Income tax expense	6	-	-
Net profit/(loss) from continuing operations		**(54,458)**	**128,658**

Wysogotowo, March 23rd 2015

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

1.3. EARNINGS/LOSS PER ONE ORDINARY SHARE

Item	IFRS for the period Jan 1–Dec 31 2014 PLN/share	IFRS for the period Jan 1–Dec 31 2013 PLN/share
Net profit/(loss) from continuing operations	(54,458)	128,658
Net profit (loss) from continuing and discontinued operations	(54,458)	128,658
Weighted average number of ordinary shares	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000
from continuing operations		
- basic	(3.81)	9.00
- diluted	(3.81)	9.00
from continuing and discontinued operations		
- basic	(3.81)	9.00
- diluted	(3.81)	9.00

1.4. STATEMENT OF COMPREHENSIVE INCOME

Item	IFRS Jan 1–Dec 31 2014	IFRS Jan 1–Dec 31 2013
Net profit/(loss)	**(54,458)**	**128,658**
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met, relating to:		
Available-for-sale financial assets:		
- gains/(losses) recognised for the period under other comprehensive income	-	-
- amounts reclassified to profit or loss	-	-
Cash flow hedges:		
- profit/(loss) for the period on contracts settled during the reporting period	-	-
- profit/(loss) for the period on contracts not settled during the reporting period	-	-
- adjustments resulting from reclassification to profit/(loss)	-	-
Income tax on other comprehensive income	-	-
Other comprehensive income that will not be reclassified to profit or loss, relating to:		
Revaluation of property, plant and equipment	-	-
Actuarial gains/losses on employee benefits	-	-
Deferred income tax	-	-
Other comprehensive income, net of tax	**-**	**-**
Total comprehensive income	**(54,458)**	**128,658**

Wysogotowo, March 23rd 2015

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

1.5. STATEMENT OF CHANGES IN EQUITY

for the period from Jan 1 to Dec 31 2014

Item	Share capital	Share premium	Other components of equity	Retained earnings (losses)	Total
Balance as at Jan 1 2014	**14,295**	**733,348**	**547,868**	**(2,223,684)**	**(928,173)**
Changes in accounting policies	-	-	-	-	-
Correction of errors	-	-	-	-	-
Restated balance	**14,295**	**733,348**	**547,868**	**(2,223,684)**	**(928,173)**
Changes in equity in the period Jan 1–Dec 31 2014					
Share issue	-	-	-	-	-
Employee share options	-	-	-	-	-
Other adjustments	-	-	-	-	-
Dividends	-	-	-	-	-
Transfer to reserves	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**
Net loss for the period Jan 1–Dec 31 2014	-	-	-	(54,458)	(54,458)
Other comprehensive income net of tax for the period Jan 1–Dec 31 2014	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**(54,458)**	**(54,458)**
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-
Balance as at Dec 31 2014	**14,295**	**733,348**	**547,868**	**(2,278,142)**	**(982,631)**

Wysogotowo, March 23rd 2015

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

STATEMENT OF CHANGES IN EQUITY

for the period from Jan 1 to Dec 31 2013

Item	Share capital	Share premium	Other components of equity	Retained earnings (losses)	Total
Balance as at Jan 1 2013	**14,295**	**733,348**	**547,868**	**(2,352,342)**	**(1,056,831)**
Changes in accounting policies	-	-	-	-	-
Correction of errors	-	-	-	-	-
Restated balance	**14,295**	**733,348**	**547,868**	**(2,352,342)**	**(1,056,831)**
Changes in equity in the period Jan 1–Dec 31 2013					
Share issue	-	-	-	-	-
Employee share options	-	-	-	-	-
Other adjustments		-	-	-	-
Dividends	-	-	-	-	-
Transfer to reserves	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**
Net profit for the period Jan 1–Dec 31 2013	-	-	-	128,658	128,658
Other comprehensive income net of tax for the period Jan 1–Dec 31 2013	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**128,658**	**128,658**
Transfer to retained earnings (disposal of revalued property, plant and equipment)	-	-	-	-	-
Balance as at Dec 31 2013	**14,295**	**733,348**	**547,868**	**(2,223,684)**	**(928,173)**

Wysogotowo, March 23rd 2015

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

All amounts in PLN thousand (unless otherwise indicated)

1.6. STATEMENT OF CASH FLOWS

Item	IFRS for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
Cash flows from operating activities		
Loss before tax	**(54,458)**	**128,658**
Adjustments:		
Depreciation and impairment of property, plant and equipment	5,595	9,083
Amortisation and impairment of intangible assets	3,107	3,239
Change in fair value of investment property	12,380	11,870
Gains (losses) on financial assets and liabilities at fair value through profit or loss	380	302
Impairment of financial assets	23,773	111,569
(Gains) losses on disposal of non-financial non-current assets	(313)	(1,440)
(Gain)/loss on disposal of non-derivative financial assets	(82)	1,646
Foreign exchange gains/(losses)	32,997	3,441
Interest expense	966	(220)
Interest income	(1,612)	(1,928)
Other adjustments	(8,194)	(307)
Total adjustments:	**68,997**	**137,255**
(Increase)/decrease in inventories	(580)	131
Increase/(decrease) in trade and other receivables	51,114	(56,966)
Change in trade payables	14,049	30,317
Increase/(decrease) in provisions, accruals and prepaid expenses	(92,107)	(336,296)
Change in construction contracts and related liabilities	(64,669)	87,362
Net changes in working capital	**(92,193)**	**(275,452)**
Settling of derivative financial instruments	-	(3,987)
Net cash generated by operating activities	**(77,654)**	**(13,526)**
Cash flows from investing activities		
Purchase of intangible assets	-	(936)
Purchase of property, plant and equipment	(200)	(45)
Proceeds from disposals of property, plant and equipment	3,090	4,924
Purchase of investment property	(86)	-
Sale of subsidiaries, net	-	2,875
Repayment of loans advanced	33,882	13,952
Loans advanced	(9)	-
Proceeds from disposals of other financial assets	83	11,355
Interest received	7,458	380

All amounts in PLN thousand (unless otherwise indicated)

Net cash from (used in) investing activities	**44,218**	**32,505**
Cash flows from financing activities		
Repayment of borrowings	(24,249)	(13,049)
Payment of finance lease liabilities	(939)	(701)
Interest paid	(1,368)	(1,693)
Interest on deposits (from financial surplus)	607	1,039
Net cash from financing activities	**(25,949)**	**(14,404)**
Net increase/(decrease) in cash and cash equivalents	**(59,385)**	**4,575**
Cash and cash equivalents, beginning of period	**99,806**	**95,231**
Effect of exchange rate changes	-	-
Cash and cash equivalents, end of period	**40,421**	**99,806**

Wysogotowo, March 23rd 2015

Jerzy Wiśniewski	Kinga Banaszak-Filipiak	Mariusz Łożyński	Bożena Ciosk
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Member of the Management Board

2. GENERAL INFORMATION

2.1. COMPANY OVERVIEW

PBG S.A. w upadłości układowej (in company voluntary arrangement) is the Parent of the PBG Group. The Company was incorporated on January 2nd 2004, by virtue of the Notary Deed of December 1st 2003. The Company operates in all parts of Poland, pursuant to the provisions of the Polish Commercial Companies Code. It is entered in the Register of Entrepreneurs of the National Court Register maintained by the District Court for Poznań-Nowe Miasto and Wilda, 7th Commercial Division of the National Court Register, under KRS No. 0000184508. The Company's Industry Identification Number (REGON) is 631048917. PBG shares are listed on the Warsaw Stock Exchange.

The Company’s registered office is located at ul. Skórzewska 35 in Wysogotowo near Poznań, 62-081 Przeźmierowo, Poland. PBG's registered office is also its principal place of business. On October 1st 2009, a PBG representative office was registered in Ukraine. Its purpose was to research the Ukrainian market and establish relations with potential partners in the construction and related services sector.

The Company was established for an indefinite term.

2.1.1. IDENTIFICATION OF SEPARATE FINANCIAL STATEMENTS

The Company prepared separate financial statements for the year ended December 31st 2014, which were authorised for issue on March 23rd 2015.

2.1.2. MANAGEMENT BOARD AND SUPERVISORY BOARD

Composition of the Company’s Management Board and Supervisory Board as at December 31st 2014 and December 31st 2013 is presented below:

All amounts in PLN thousand (unless otherwise indicated)

As at Dec 31 2014	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Jerzy Wiśniewski – President of the Management Board Mariusz Łożyński – Vice-President of the Management Board Kinga Banaszak-Filipiak – Vice-President of the Management Board Bożena Ciosk – Member of the Management Board	Maciej Bednarkiewicz – Chairman of the Supervisory Board Małgorzata Wiśniewska – Deputy Chairman of the Supervisory Board Andrzej Stefan Gradowski − Secretary of the Supervisory Board Przemysław Szkudlarczyk – Member of the Supervisory Board Dariusz Sarnowski – Member of the Supervisory Board
As at Dec 31 2013	
Composition of the Parent's Management Board	**Composition of the Parent's Supervisory Board**
Paweł Mortas – President of the Management Board Tomasz Tomczak – Vice-President of the Management Board Mariusz Łożyński – Vice-President of the Management Board Kinga Banaszak-Filipiak – Vice-President of the Management Board Bożena Ciosk – Member of the Management Board	Jerzy Wiśniewski – Chairman of the Supervisory Board Maciej Bednarkiewicz – Deputy Chairman of the Supervisory Board Małgorzata Wiśniewska – Secretary of the Supervisory Board Przemysław Szkudlarczyk – Member of the Supervisory Board Dariusz Sarnowski – Member of the Supervisory Board Andrew Stefan Gradowski – Member of the Supervisory Board Norbert Słowik – Member of the Supervisory Board

In the period from January 1st 2014 to the date of authorisation of these full-year financial statements for issue, the following changes occurred in the composition of the Company's Management Board.

- On April 24th 2014, the following person was appointed to the Management Board:
  - Jerzy Wiśniewski − was appointed President of the Management Board;
  - Paweł Mortas − was removed from the position of President of the Management Board and appointed Vice-President of the Management Board;
- On May 6th 2014, Mr Tomasz Tomczak resigned from his position on the Management Board;
- On October 31st 2014, Mr Paweł Mortas resigned from his position on the Management Board.

In the period from January 1st 2014 to the date of authorisation of these full-year financial statements for issue, the following changes occurred in the composition of the Company's Supervisory Board.

- On April 24th 2014, the following changes were made to the composition of the Company's Supervisory Board:
  - Mr Jerzy Wiśniewski resigned from the position of Chairman of the Supervisory Board;
  - Mr Maciej Bednarkiewicz was removed from the position of Deputy Chairman of the Supervisory Board and was appointed Chairman of the Supervisory Board;
  - Ms Małgorzata Wiśniewska was removed from the position of Secretary of the Supervisory Board and was appointment Deputy Chairperson of the Supervisory Board;

All amounts in PLN thousand (unless otherwise indicated)

- Mr Andrzej Stefan Gradowski was removed from the position of Member of the Supervisory Board and was appointed Secretary of the Supervisory Board;

- On November 4th 2014, Mr Norbert Słowik resigned from his position on the Supervisory Board.

2.2. OVERVIEW OF THE COMPANY'S OPERATIONS

The Company's principal business activities are:

- PKD 7112Z Engineering activities and related technical consultancy.

For a more detailed description of the Company's business activities, see section 5.1 relating to its operating segments.

2.3. COMPANY'S INVESTMENTS

The Company holds investments in the following subsidiaries, jointly-controlled entities and associates.

Name of the subsidiary/associate/jointly-controlled entity	Country of incorporation and principal place of business	Principal business activity (according to PKD 2007)	% of share capital held	
			Dec 31 2014	Dec 31 2013
PBG Avatia Sp. z o.o. (1)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Reproduction of recorded media PKD 18.20.Z	99.90%	99.90%
Brokam Sp. z o.o. (2)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	100.00%	100.00%
PBG Dom Sp. z o.o. (3)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Buying and selling of own real property PKD 68.10.Z Renting and operating of own or leased real property PKD 68.20.Z	100.00%	100.00%
PBG Erigo Sp. z o.o. (4)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Activities of head offices and holding companies other than financial holdings PKD 70.10.Z	100.00%	100.00%
Wschodni Invest Sp. z o.o. (5)	ul. Mazowiecka 42, 60-623 Poznań POLAND	Other financial intermediation PKD 64.19.Z	100.00%	100.00%

All amounts in PLN thousand (unless otherwise indicated)

PBG Ukraina PAT (public joint-stock company) (6)	Kondratyuka 1, 04201 Kiev UKRAINE	Construction of buildings and other structures, assembly and installation of prefabricated structures, assembly of metal structures, organisation of property construction projects intended for sale or rental; engineering activities.	100.00%	100.00%
PBG Operator Sp. z o.o. (7)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Other credit granting PKD 64.92.Z	100.00%	100.00%
PBG oil and gas Sp. z o. o. (8)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	25.00%	25.00%
Bathinex Sp. z o.o. (9)	ul. Skórzewska 35, Wysogotowo 62-081 Przeźmierowo POLAND	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate PKD 08.11.Z	100.00%	100.00%
Multaros Trading Company Limited (10)	Kostaki Pandelidi 1, Kolokasides Building, 3rd floor, 1010 Nicosia CYPRUS	Holding of securities	100.00%	100.00%
RAFAKO SA (11)	ul. Łąkowa 33, 47-400 Racibórz, POLAND	Manufacture of steam generators except central heating hot water boilers (25.30.Z)	61.01%	61.01%

* The Company holds a 61.01% interest in the share capital of RAFAKO S.A., including: 50.000001% held indirectly through Multaros Traiding Company Limited of Nicosia, and 11.01 % held directly.

The figures in the table above present the Company's ownership interests in the share capital of the subsidiaries.

The percentage interests in the share capital of Group subsidiaries are presented as aggregate interests (the percentage share held by the Parent in the share capital of a given Group company times the percentage share held by that Group company in its subsidiary).

As at December 31st 2014 and December 31st 2013, the number of shares equals the number of voting rights held by the Company in the subsidiaries, associates, and jointly-controlled entities, except at Energotechnika Engineering Sp. z o.o., a RAFAKO Group company, where the equity interest is held by:

- Rafako Engineering Sp. z o. o. – holding 40.00% of preference shares at Energotechnika Engineering Sp. z o.o., carrying 57.14% of total voting rights at the General Meeting of Energotechnika Engineering Sp. z o.o. (one share carries two votes at the General Meeting).

Changes in financial assets of subsidiaries in the period January 1st – December 31st 2014

LOSS OF CONTROL

Liquidation of PBG Bułgaria

On May 7th 2014, the liquidation of PBG Bułgaria was completed with the deletion of the company from the Commercial Register. The Company had held 100% of the share capital of PBG Bułgaria Sp. z o.o.

PBG Bułgaria's equity was BGN 35 thousand.

Disposal of shares in subsidiary Energopol Ukraina

Wschodni Invest Sp. z o.o., an indirect subsidiary, sold two shares held in Energopol Ukraina, which represented 2% of the company's share capital. Currently, the Subsidiary's interest in the share capital of Energopol Ukraina is 49%.

In July 2013, the Company entered into a conditional agreement with its subsidiary Wschodni Invest Sp. z o.o. and Imidż Finans Grup, incorporated under Ukrainian law (the "Buyer"). The Buyer committed to purchase the shares of Energopol Ukraina S.A. of Kiev from Wschodni Invest Sp. z o.o. and to buy the claims under the loans advanced by Wschodni Invest to Energopol Ukraina S.A. Pursuant to the agreement, the portion of the price corresponding to the loans granted to Energopol Ukraina S.A. by the Company in the form of investment certificates will be transferred to the Company's bank account. Following the payment, the Buyer will become the owner of the investment certificates.

In April 2014, the Company entered into an arrangement with the buyer of a 2% interest in Energopol Ukraina's share capital, whereby the parties undertook to take steps to effectively close the conditional agreement. Execution of the agreement would be in line with the Company's current investment policy towards Energopol Ukraina, which places more focus of recovering the invested capital than on the company's day-to-day operations. Together with its partner, the Company controls 69% of Energopol Ukraina's share capital. The Management Board of the Parent resolved to change the method of accounting for the investment certificates held by the Parent in the consolidated financial statements for 2014, and the assets are presented as an increase in the investment in Energopol Ukraina. In these financial statements, they are presented as long-term loans. No indication of impairment has been identified by the Management Board with respect to the investment.

Application of subsidiary KWG for conversion of insolvency proceedings

On November 3rd 2014, the Management Board of KWG S.A. w upadłości układowej (in company voluntary arrangement) of Szczecin, a PBG subsidiary, moved for the District Court for Szczecin-Centrum in Szczecin, 12th Commercial Division ("the Court") to convert the company's arrangement bankruptcy proceedings into liquidation bankruptcy proceedings. Following the change of the status of the proceedings from company voluntary arrangement to liquidation bankruptcy, the Company lost control of KWG S.A. w upadłości likwidacyjnej (in company voluntary arrangement).

OTHER CHANGES

PBG AVATIA Meeting of Creditors' resolution to enter into arrangement

On February 24th 2014, PBG AVATIA Meeting of Creditors resolved, by a majority of votes, to enter into an arrangement. The Court approved the arrangement on April 2nd 2014, and the decision became final on April 10th 2014.

On May 26th 2014, the insolvency proceedings of PBG Avatia Sp. z o.o. were closed. The court decision on termination of the insolvency proceedings became final on June 9th 2014.

2.4. AUTHORISATION OF THE FINANCIAL STATEMENTS FOR ISSUE

These separate financial statements for the year ended December 31st 2014 were authorised for issue by the Company's Management Board on March 23rd 2015 (see Note 20).

2.5. BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.5.1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements of the Company were prepared in accordance with the EU-endorsed International Financial Reporting Standards ("EU IFRSs"), which were in effect as at December 31st 2014.

At the date of authorisation of these financial statements, taking into account the EU's ongoing process of implementation of IFRSs and the Company's activities, the policies applied differ from EU IFRSs. The Company has chosen the option, available in the case of application of the EU-endorsed IFRSs, of applying IFRIC 21 starting from annual periods beginning on or after January 1st 2015, while amendments to IFRS 2 and amendments to IFRS 3 resulting from the 2010−2012 IFRS Review − starting from annual periods beginning on January 1st 2016.

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

2.5.2. REPORTING CURRENCY AND ROUNDING

The reporting currency in these financial statements is the Polish złoty, which is the functional and presentation currency, and all amounts are expressed in thousands of Polish złoty (PLN '000), unless indicated otherwise.

2.5.3. GOING CONCERN ASSUMPTION

The Company's current financial condition puts in question its ability to continue as a going concern. However, the financial statements were prepared on the assumption that the Parent would continue as a going concern in the foreseeable future, i.e. for at least 12 consecutive months from the date of preparation of these financial statements. This assumption was made due to the Company's ongoing arrangement bankruptcy proceedings and the Management Board's efforts to arrange with the creditors and ensure that the Company may continue its business activities.

The Management Board wishes to indicate that, should the going concern assumption prove incorrect, the financial statements would have to reflect certain adjustments to the carrying amounts and classification of the Company's assets and liabilities which could be required if the Company were unable to continue its operations in the foreseeable future.

Below, the Management Board presents the circumstances suggesting that the Company's and its Group's ability to continue as going concerns may be at risk, as well as the steps taken in order to mitigate the risk.

On June 4th 2012, the Company's Management Board made a decision to file an arrangement bankruptcy petition (grounds for the decision were presented in the Company's full-year report for 2012). On June 13th 2012, the District Court for Poznań−Stare Miasto in Poznań, 11th Commercial Insolvency and Arrangement Division, declared the Company insolvent, in a voluntary arrangement. The Court's decision became final on June 22nd 2012. Overall, twelve companies of the PBG Group filed arrangement bankruptcy petitions. The decision to make their filings almost simultaneously was prompted by the fact that the companies had provided cross guarantees to secure the repayment of bank loans and trade creditors, and (in some cases) assumed joint and several liability under consortium-delivered contracts. The formal and legal circumstances and the financial condition of the companies undergoing insolvency proceedings are very difficult, which affects both their business activities (for instance, their ability to secure new contracts) and the highly complex restructuring processes.

The voluntary arrangement procedure ensures proper satisfaction of the Creditors' claims following approval and implementation of the arrangement. Since 2012, the Company's Management Board has been actively involved in negotiations with the Creditors. The negotiations concern terms of debt repayment, including repayment periods, amounts and forms. During this time, the Creditors involved in financing the Company's or other Group companies' operations and representing the largest group of

Creditors have been presented with a plan of the operational and asset restructuring of the Company. The plan has been prepared by the Company and its financial adviser PwC Polska Sp. z o.o. On November 3rd 2014, the Management Board and its legal adviser Weil, Gotshal&Manges, Paweł Rymarz Sp. k. completed the preparation of the Arrangement Proposals. On the same date, the Company filed the Arrangement Proposals along with the grounds therefor, with the Bankruptcy Court, as reported by the Company in Current Report No. 23/2014. Pursuant to the Arrangement Proposals, the Company's Creditors are to be satisfied in seven groups, depending on the category of interest they represent and the type and amount of their claims. The Creditors were divided into categories of interest in accordance with the Bankruptcy and Restructuring Law. The full text of the Arrangement Proposals as filed with the court is available on the Company's website at www.pbg-sa.pl in the 'Restructuring' section.

On June 12th 2013, the Company was notified that a list of claims had been delivered by the Court Supervisor to Judge Commissioner. The total amount of the acknowledged claims placed in the list of claims by the court supervisor was PLN 2,776,254 thousand. On July 4th 2013, the Judge announced that the drafting of the list of claims had been completed. On December 24th 2013, the Judge announced completion by the Court Supervisor of the first supplementary list of claims as at November 29th 2013. The total amount of the acknowledged claims included in the first supplementary list of claims by the Court Supervisor was PLN 191.25m. On May 28th 2014, the Judge announced completion by the Court Supervisor of the second supplementary list of claims as at April 22nd 2014. The total amount of the acknowledged claims included in the second supplementary list of claims by the Court Supervisor was PLN 89.7m. Subsequently, on August 13th 2014, the Judge announced completion of the third supplementary list of claims as at July 29th 2014. The total amount of the acknowledged claims included in the third supplementary list of claims by the Court Supervisor was PLN 70.7m.

On December 9th 2014, the Judge issued decisions approving: (i) the list of claims; (ii) the first supplementary list of claims; (iii) the second supplementary list of claims, and (iv) the third supplementary list of claims, as reported by the Company in Current Report No. 28/2014.

On February 19th 2015, the Judge issued a decision setting the date and time of the Meeting of PBG Creditors, as reported by the Company in Current Report No. 4/2015. According to the decision, the Meeting of Creditors classified in Groups 1 and 2 was scheduled for 10.00 am on April 27th 2015 and 10.00 am on April 28th 2015, whereas the Meeting of Creditors classified in all the other groups was set for 10.00 am on April 29th 2015.

Voting on the arrangement represents another, and the most important, stage of the restructuring process. Its outcome is entirely up to the creditors and will decide the Company's future.

In parallel to the steps taken to restructure debt, operational and asset restructuring efforts have also been undertaken.

The PBG Management Board believes that the arrangement would enable the Company to continue its day-to-day operations, which in turn would protect interests of the Creditors (in particular those with smaller claims), and would also help protect important social interests: jobs, interests of subcontractors, interests of project sponsors (awaiting performance of strategic contracts), and interests of local communities.

In the opinion of the Company's Management Board, the proper performance of the arrangement is guaranteed by:

- restructuring of Company's non-operating non-current assets, the sale of which will constitute one of the sources of payments to be made under the arrangement;
- divestment of the PBG Group's property development and other investment projects;
- ability to bid for profitable contracts in the power construction sector, based on cooperation with RAFAKO S.A., PBG's subsidiary;
- winning new contracts in the oil and gas sector, PBG's strategic segment.

2.5.4. MANAGEMENT BOARD'S REPRESENTATION

Pursuant to the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities of February 19th 2009, the Company's Management Board hereby represents that to the best of their knowledge, these financial statements and the comparative information have been prepared in accordance with the accounting policies applied by the Company, give a true, clear and fair view of the Company's assets, its profit or loss, and that the Directors' Report gives a true picture of the development, achievements and position of the Company, including its key risks and threats.

These financial statements have been prepared in accordance with the accounting policies compliant with International Financial Reporting Standards as endorsed by the European Union, and their scope complies with the requirements of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities of February 19th 2009 (Dz.U. No. 33, item 259); these financial statements cover the period from January 1st to December 31st 2014 and the comparative period from January 1st to December 31st 2013.

The Company's Management Board hereby represents that the auditor, being an entity qualified to audit financial statements, was appointed in compliance with the applicable laws and that the entity and auditors who conducted the audit satisfy the auditor independence criteria to deliver an unbiased and independent auditor's opinion in compliance with the applicable laws.

On June 16th 2014, the PBG Supervisory Board, on recommendation from its Audit Committee, passed a resolution to appoint Ernst & Young Audyt Polska Sp. z o.o. ("E&Y") as the auditor to review the Company's and the Group's H1 2014 financial statements and to audit the separate financial statements of the Company and the consolidated financial statements of the Group for 2014.

The Company's Supervisory Board made the decision with a view to ensuring a fully independent and unbiased selection as well as independent and unbiased work of the auditor.

2.6. AMENDMENTS TO STANDARDS AND INTERPRETATIONS

2.6.1. EFFECTIVE AMENDMENTS TO STANDARDS AND INTERPRETATIONS APPLIED BY THE COMPANY FROM JANUARY 1ST 2014

The accounting policies applied in preparing these full-year financial statements are consistent with the policies applied in preparing the Company's full-year financial statements for the year ended December 31st 2013, save for the effect of application of the following new or amended standards and interpretations effective for annual periods beginning on or after January 1st 2014.

- *IFRS 10* Consolidated Financial Statements *and IAS 27* Separate Financial Statements

IFRS 10 supersedes the consolidation guidance formerly found in IAS 27 (Consolidated and Separate Financial Statements) and introduces a new definition of control. The application of IFRS 10 does not lead to changes consisting in the Group no longer consolidating some of its investees or consolidating investees that were not previously consolidated, and it does not change the consolidation procedures or methods of accounting for transactions in the consolidated financial statements.

The application of the amendments had no effect on the Company's financial condition or performance.

- IFRS 11 *Joint Arrangements* and IAS 28 *Investments in Associates and Joint Ventures*

IFRS 11 addresses joint arrangements. It defines two categories of joint arrangements: joint operations and joint ventures, and specifies the appropriate methods of accounting for the arrangements.

Application of the standard may result in a change of the method of accounting for joint arrangements (for instance, arrangements previously classified as jointly-controlled entities and accounted for using the proportional consolidation method may now be classified as joint ventures, which are equity-accounted).

The amended IAS 28 sets out the guidance on application of the equity method to joint ventures.

The application of the amendments had no effect on the Company's financial condition or performance.

- *IFRS 12* Disclosure of Interest in Other Entities

IFRS 12 requires a wide range of disclosures about an entity's interests in subsidiaries, associates or joint ventures. Its application may require a wider range of disclosures, chiefly in the Group's financial statements, covering such information as:

  - key financial information, including information on the risks associated with the Company's undertakings,
  - disclosure of interests in unconsolidated structured entities and the risks associated with such investments,
  - any material non-controlling interests held by the Group,
  - significant judgements and assumptions made in determining whether an investee is a subsidiary, a jointly-controlled entity or an associate.

The application of the amendments had no effect on the Company's financial condition or performance.

- *Investment Entities* - Amendments to IFRS 10, IFRS 12 and IAS 27

The amendments introduce the term "investment entity", and provide an exception to the consolidation requirements of such entities, mandating them to measure their subsidiaries at fair value through profit or loss.

The application of the amendments had no effect on the Company's financial condition or performance.

- *Offsetting Financial Assets and Financial Liabilities - Amendments* to IAS 32

The amendments to IAS 32 provide clarifications on the nature and consequences of a legally enforceable right of set-off of financial assets and financial liabilities, and on the offsetting criteria applicable to gross settlement mechanisms (e.g. clearing houses).

The application of the amendments had no effect on the Company's financial condition or performance.

- *Disclosures of Recoverable Amount of Non-Financial Assets - Amendments to IAS 36*

These amendments remove unintended consequences of IFRS 13 Disclosures required by IAS 36. In addition, these amendments require additional disclosures of the recoverable amount of an asset or cash-generating unit (CGU) for which impairment loss was recognized or reversed in the period, where value in use corresponds to fair value less costs to sell.

The application of the amendments had no effect on the Company's financial condition or performance.

- *Novation of Derivatives and Continuation of Hedge Accounting* − Amendments to IAS 39

The amendments to IAS 39 relate to the continued use of hedge accounting after a derivative is novated and provide some relief from the requirement to cease hedge accounting when such novation meets the criteria specified in IAS 39.

The application of the amendments had no effect on the Company's financial condition, results of operation or the scope of disclosures in the financial statements.

The Company has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet adopted *by the European Union*.

2.6.2. PUBLISHED STANDARDS AND INTERPRETATIONS WHICH AS AT DECEMBER 31ST 2014 WERE NOT YET EFFECTIVE, AND THEIR IMPACT ON THE COMPANY'S FINANCIAL STATEMENTS

The following standards and interpretations have been issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, but are not yet effective:

- IFRS 9 *Financial Instruments* (published on July 24th 2014) − effective for annual periods beginning on or after January 1st 2018 − not adopted by the EU by the date of authorisation of these financial statements.

- IFRIC 21 *Levies* (published on May 20th 2013) – effective for annual periods beginning on or after January 1st 2014; within the EU, effective at the latest for annual periods beginning on or after June 17th 2014,
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (published on November 21st 2013) − effective for annual periods beginning on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.
- *Improvements to IFRSs 2010−2012* (published on December 12th 2013) − some of the amendments are effective for annual periods beginning on or after July 1st 2014, and some prospectively for transactions occurring on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after February 1st 2015.
- *Improvements to IFRSs 2011−2013* (published on December 12th 2013) − effective for annual periods beginning on or after July 1st 2014 − in the EU, effective not later than for annual periods beginning on or after January 1st 2015.
- IFRS 14 *Regulatory Deferral Accounts* (published on January 30th 2014) – effective for annual periods beginning on or after January 1st 2016; no decision has been made as to when EFRAG will carry out the individual stages of work leading to the approval of this standard; until the date of authorisation of these financial statements, the amendments have not been adopted by the EU,
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (published on May 6th 2014) – effective for annual periods beginning on or after January 1st 2016; not adopted by the EU by the date of authorisation of these financial statements,
- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation* (published on May 12th 2014) – effective for annual periods beginning on or after January 1st 2016; not adopted by the EU by the date of authorisation of these financial statements,
- IFRS 15 *Revenue from Contracts with Customers* (published on May 28th 2014) – effective for annual periods beginning on or after January 1st 2017; not adopted by the EU by the date of authorisation of these financial statements,
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (published on June 30th 2014) – effective for annual periods beginning on or after January 1st 2016; not adopted by the EU by the date of authorisation of these financial statements,
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (published on August 12th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (published on September 11th 2014) − effective for annual periods beginning on or after January 1st 2016; however, this date was deferred by the IASB − no decision has been made as to when EFRAG will carry out the individual stages of work leading to the approval of the amendments; not adopted by the EU by the date of authorisation of these financial statements.

- *Improvements to IFRSs 2012−2014* (published on September 25th 2014) − effective for annual periods beginning on or after July 2016 − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities*: *Applying the Consolidation Exception* (published on December 18th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.
- Amendments to IAS 1 *Disclosure Initiative* (published on December 18th 2014) − effective for annual periods beginning on or after January 1st 2016 − not adopted by the EU by the date of authorisation of these financial statements.

The Company has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet adopted by the European Union.

At the date of authorisation of these financial statements for issue, the Company's Management Board has not yet completed work on assessing the impact of the introduction of these standards and interpretations on the rules (policies) applied in respect of its operations and finances.

At the date of authorisation of these financial statements for issue, the Company's Management Board does not expect the introduction of these standards and interpretations to have any material impact on the rules (policies) applied by the Company.

3. ACCOUNTING POLICIES

The Company's financial statements were prepared based on the historical cost approach, except with respect to investment property, derivatives and financial assets available for sale, all of which are measured at fair value. The carrying amount of recognised hedged assets and liabilities is adjusted for fair value changes which may be attributed to the risk against which such assets and liabilities are hedged.

3.1. SUBSTANCE-OVER-FORM RULE

In accordance with the substance-over-form rule, the financial statements should present information which reflect the economic substance of events and transactions, not only their legal form.

3.2. CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES

No error corrections or changes of the accounting policies were made in these financial statements.

3.3. MATERIAL JUDGEMENTS AND ESTIMATES

3.3.1. PROFESSIONAL JUDGEMENT

When applying the Company's accounting policies, the Management Board made the following judgements which most significantly affect the presented carrying amounts of assets and liabilities, revenue and costs, as well as related notes.

Classification of lease agreements

The Company classifies leases as either finance leases or operating leases based on the assessment of the extent to which risks and benefits incidental to ownership have been transferred from the lessor to the lessee. Such assessment is in each case based on the economic substance of a given transaction.

The Company has agreements for lease of commercial movables in its movables portfolio. The Company retains substantially all risks and benefits from lease of such movables.

Translating assets and liabilities expressed in foreign currencies

The Company's Management Board resolved to change, as of 2014, the policies applied by the Company to translate foreign currency transactions as at the reporting date. Prior to the change, monetary items expressed in currencies other than the Polish złoty were translated into PLN as at the reporting date using the appropriate closing exchange rate effective for the end of the reviewed period (spot rate) i.e. the exchange rate quoted by the Company's primary bank during the first listing on the reporting date. At present, monetary items expressed in currencies other than the Polish złoty are translated into PLN as at the reporting date at the mid-exchange rate quoted by the National Bank of Poland for the reporting date.

In the opinion of the Management Board, the mid-exchange rate quoted by the National Bank of Poland is the closest to the exchange rate of future cash flows.

Estimating the stage of completion of contract activity

The Management Board of the Company decided to change, as of January 1st 2014, the approach to estimating contract revenue as at the reporting date based on incurred costs. In the amended policy, costs incurred as at the reporting date include costs of purchased materials, equipment and other components dedicated to a particular contract and delivered to the construction site or received from suppliers but kept in their deposit as at the reporting date, until delivery to the construction site. Prior to the change, materials which were not used for construction as at the reporting date were inventoried and were not used as a basis for estimating the contract's progress for the purpose of estimating contract revenue as at the reporting date.

Based on the Management Board's professional judgement, the procedures introduced as of 2014, which permit the allocation of materials and equipment to specific contracts, enable the Group to better reflect the stage of completion of contract activity.

3.3.2. UNCERTAINTY OF ESTIMATES AND ASSUMPTIONS

These financial statements were prepared based on the going concern assumption. The assumption has an effect on the measurement of assets and liabilities, which would be different if the Management Board did not assume a going concern. The preparation of these financial statements requires the Management Board's judgement in making numerous estimates and assumptions which are characterised by some uncertainty (e.g. estimates concerning projected expenses under contracts, interest rates, inflation rate, discount rates, conditions in the property market, or estimated collection periods) and which have an effect on the accounting policies and the reported amounts of assets, liabilities, income and expenses as well as related notes.

Actual amounts may differ from the amounts estimated by the Management Board due to the uncertainty surrounding the Company as at the date of these financial statements, which may necessitate an adjustment to the disclosed carrying amounts of assets and liabilities in future reporting periods.

3.3.2.1. USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Depreciation and amortisation rates are determined based on the expected useful lives of property, plant and equipment and intangible assets.
The Company's Management Board reviews the useful lives of its assets subject to depreciation/amortisation annually, on the basis of current estimates. Any such estimation involves uncertainty regarding future operations, resulting from the declaration of bankruptcy. In the Management Board's opinion, as at December 31st 2014, the useful lives of assets applied by the Company reflect the expected period of use and usefulness of the assets.

3.3.2.2. CONSTRUCTION CONTRACT REVENUE

Construction contract revenue and amounts due recognised in the financial statements depend on the Management Board's estimates regarding the stage of completion of and profit margins expected to be achieved on individual contracts. Budgeted costs related to specific projects which have not yet been incurred are monitored on an ongoing basis by the management staff supervising the progress of construction work, as a result of which the budgets of individual contracts are revised at least monthly. However, the costs not yet incurred and the profit margins on individual running contracts thus estimated involve a degree of uncertainty, especially in the case of highly complex projects, which take several years to complete. In the present situation, the estimates are affected by additional risks, which may lead to their possible adjustment in the future. According to the Management Board, the risks include mainly the Company's limited liquidity as at the date of these financial statements, which may adversely affect the pace of contract work. This may in turn increase contract fixed costs, affect the Company's bargaining power in negotiations with subcontractors and suppliers and, in extreme cases, result in a failure to meet contractual deadlines for completing work and in a threat of penalties being imposed. These factors may in the future affect the planned costs and revenues and thus the margins which are currently budgeted. For details on long-term contracts, see Note 5.24.

3.3.2.3. PROVISIONS

Provisions for employee benefits – retirement gratuity and accrued holiday entitlement – are assessed using the projected unit credit method. The amount of provisions for employee benefits disclosed in the financial statements is PLN 707 thousand. The amount of provisions depends on the assumptions concerning the discount rate and the expected salary increase index. A 1pp decrease in the discount rate and a 1pp increase in the salary increase index would increase the provisions as at December 31st 2014 by PLN 1 thousand.

Provisions for warranties are estimated based on probability-weighted costs of running construction contracts assessed by the Company's Management Board. They are reported as long as it is probable that a warranty claim or a claim for repair work will arise, until the right to make the claim expires. As at December 31st 2014, the provisions for warranty repairs were PLN 9,884 thousand.

Provisions for losses on construction contracts are recognised if it is probable that the total cost to complete a construction contract exceeds the total contract revenue. The anticipated loss is immediately expensed in profit or loss. Its amount is determined irrespective of the commencement of contract work, the stage of the contract's completion or expected profits on other contracts which are not single construction contracts. Any change in provisions for expected losses increases or reduces current operating expenses relating to a relevant contract. As at December 31st 2014, the provisions for expected losses were PLN 10,108 thousand (as at December 31st 2013: PLN 12,880 thousand). For details, see Note 5.21.2.

The restructuring provision was recognised in 2012. The amount of the restructuring provision after an increase was PLN 18.6m as at December 31st 2014. For details, see Note 5.21.2.

Other provisions for the Company's potential liabilities under the sureties and guarantees issued and under joint and several liability to subcontractors related to projects performed under consortium agreements.

These provisions were recognised in 2012, at PLN 780,000 thousand. As at December 31st 2014, the Company reviewed the provisions and adjusted them to PLN 354.5m.

For detailed information on the provisions for potential future obligations, see Notes 5.13.2.

3.3.2.4. IMPAIRMENT OF NON-FINANCIAL ASSETS (INCLUDING GOODWILL)

As at December 31st 2014, the Company performed impairment tests on property, plant and equipment and intangible assets with definite useful lives, for which there was indication of impairment. For a detailed description of the methods and techniques used and their effect on these financial statements, see Notes 5.2 and 5.3.

In order to measure the fair value of investment property as at December 31st 2014, the Company assessed its value based on estimate surveys prepared by an independent expert appraiser. The estimate surveys were prepared based on the current plans regarding the benefits that may be obtained. For a detailed description of the measurement methods and techniques used and their effect on fair value adjustment, see Note 5.5.

3.3.2.5. CLASSIFICATION OF FINANCIAL ASSETS

Pursuant to the guidelines of IAS 39 Financial Instruments: Recognition and Measurement regarding the classification of non-derivative financial instruments with fixed payment dates or determinable maturity dates, such assets are classified as held-to-maturity financial assets. In making such a judgement, the intentions and ability to hold such investments to their maturity should be considered. If the Company fail to meet the requirement of holding assets to their maturity, apart from the circumstances provided for in IAS 39 Financial Instruments: Recognition and Measurement, it will be required to re-classify all held-to-maturity financial assets to the category of available-for-sale assets. In such event, re-classified investments will be measured at fair value and not at adjusted acquisition cost.

3.3.2.6. DEFERRED TAX ASSETS

Because there was no certainty whether tax losses incurred in 2012−2014 would be utilised in subsequent years, the Management Board decided not to recognise a deferred tax asset relating to tax losses. The Management Board also decided not to recognise a deferred tax asset relating to other temporary differences in an amount exceeding deferred tax liabilities.

3.3.2.7. IMPAIRMENT LOSSES ON RECEIVABLES AND LOANS

The Company’s Management Board reviews receivables at each reporting date. All receivable balances of significant value are subject to individual assessment in the case of debtors whose balances are past due or when objective evidence has been obtained that the debtor may not pay the receivable (e.g. the debtor is in a difficult financial position, judicial proceedings are conducted against the debtor, there have been changes in the economic environment adverse to the debtor).

Impairment losses on doubtful receivables are estimated when the collection of the full amount of the receivable is no longer probable.

As at December 31st 2014, the amount of past due financial receivables was PLN 85,282 thousand, and the impairment loss on such receivables amounted to PLN 78,918 thousand, including PLN 783 thousand on receivables from Group companies. As at the reporting date, current financial receivables amounted to PLN 17,731 thousand, and the recognised impairment loss as at December 31st 2014 amounted to PLN 3,909 thousand, including PLN 0 thousand on current receivables from Group companies.

The impairment losses on receivables as at December 31st 2014 also take account of the threat to payments by individual trading partners outside the Group.

The Company's Management Board applied a similar approach to loans advanced. In 2014, the Company recognised an impairment loss on loans advanced of PLN 55,608 thousand (2013: PLN 84,145 thousand), including on receivables under loans advanced to Group companies: PLN 30,068 thousand (2013: PLN 73,471 thousand).

3.4. SEASONALITY OF OPERATIONS

The Company's business is not subject to any material seasonality.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1. OPERATING SEGMENTS

In distinguishing operating segments, the Company's Management Board is guided by the product lines and services within particular industries, representing the main services and goods provided by the Company. Each of the segments is managed separately within each product line, given the nature of the Group's services and products, requiring different technologies, resources and execution approaches.

None of the Company's operating segments has been combined with another segment to form a reportable operating segment.

The Company has identified an additional segment called "Other", where it recognises revenue from sales of merchandise and materials as well as other services not allocated to any of the key segments.

In compliance with IFRS 8 *Operating segments*, results of the operating segments are based on internal reports regularly reviewed by the Company's Management Board. The PBG Management Board analyses the operating segments' results at the operating profit (loss) level. Measurement of the operating segments' results used in the management calculations is consistent with the accounting policies applied in the preparation of the financial statements.

The Company presents revenue, costs and profit/(loss) on sales (gross margin) by individual segments. Assets and equity and liabilities are not presented by operating segments given the fact that some of the non-current assets are used in production that is classified in various segments, inventory of materials cannot be allocated to the particular segments, and it is impossible to make a segmental allocation of trade payables, other income, other expense and finance costs. Finance income and costs, other income and expenses, distribution costs, administrative expenses, restructuring costs, and income tax are monitored at the Company level and are not allocated to operating segments.

Transaction prices used in transactions between operating segments are determined on arm's length basis, which is also the case for transactions with unrelated parties.

4.2. FAIR VALUE MEASUREMENT

The Company measures the following financial instruments at fair value as at each reporting date:

- instruments available for sale,
- derivative instruments,
- non-financial assets, such as investment property.

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in a transaction carried out on typical terms of sale of the asset between market participants at the measurement date in the current market conditions. A fair value measurement assumes that the transaction to sell an asset or transfer a liability occurs either:

- on the principal market for the asset or liability,
- in the absence of a principal market - on most advantageous market for the asset or liability.

The Company must have access to both the principal and the most advantageous market. The fair value of the asset or liability is measured on the assumption that market participants when determining the price of an asset or liability act in their best economic interest.

In the valuation of a non-financial asset at fair value the ability of a market participant to generate economic benefits by making maximum and optimal use of the asset or by selling it to another market participant who would make maximum and optimal use of the asset is taken into account.

The Company applies valuation methods that are appropriate given the circumstances and for which sufficient information is available to determine the fair value, whereby as many relevant observable inputs as possible are used and as little as possible non-observable inputs are used.

All assets and liabilities that are measured at fair value or their fair value is disclosed in the financial statements are classified in fair value hierarchy as described below based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines at the end of each reporting period whether, due to a reassessment, a change has occurred in the level classification of the hierarchy, based on the input of the lowest level that is significant for the whole valuation.

The Management Board determines the rules and procedures for systematic fair value measurement of such assets as investment property or unlisted financial assets.

Independent property appraisers and Company employees, by way of internal analyses, measure significant assets, such as property and assets available for sale, taking into account their location, nature, and current market conditions.

For the purposes of the disclosure of the results of measurement to fair value the Company establishes classes of assets and liabilities based on the nature, characteristics and risks of the various components of assets and liabilities and the level in the fair value hierarchy as described above.

4.3. FOREIGN CURRENCY TRANSACTIONS

The financial statements are presented in the Polish złoty (PLN), which is also the functional currency.

Transactions denominated in currencies other than Polish złoty are translated into the Polish zloty at the rate of exchange prevailing on the transaction date.

As at the end of the reporting period, cash assets and liabilities denominated in currencies other than the Polish zloty are translated into the Polish zloty at the relevant mid rate quoted by the National Bank of Poland for a given currency, effective as at the end of the reporting period. Foreign exchange gains and losses arising on translation are recognised as finance income (costs) or operating income (expenses), as appropriate, and where the accounting policies so provide, as described in Section 4.4 below, capitalised in assets (as adjustment to interest expense). Non-monetary assets and liabilities recognised at historical cost denominated in foreign currencies are translated at the exchange rate from the transaction date. Non-monetary assets and liabilities recognised at fair value in a foreign currency are translated at the exchange rate effective on the date of determining the fair value. Gains and losses on translation of non-monetary assets and liabilities measured at fair value are recognised in correspondence with gains and losses on change in the fair value of a given asset.

All amounts in PLN thousand (unless otherwise indicated)

The following exchange rates were used to determine the carrying amounts:

Item	Average exchange rate as at Dec 31 2014	Average exchange rate as at Dec 31 2013
EUR	4.2623	4.1472
USD	3.5072	3.0120
CHF	3.5447	3.3816
CAD	3.0255	2.8297
GBP	5.4648	4.9828

4.4. BORROWING COSTS

Borrowing costs which may be directly attributed to an acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of such an asset. Borrowing costs include interest calculated using the effective interest rate method, finance charges in respect of finance leases and gains or losses on foreign exchange differences to the extent that adjusts interest expense.

4.5. INTANGIBLE ASSETS

Intangible assets include trademarks, patents and licences, computer software, costs of development work and other intangible assets which meet the recognition criteria specified in IAS 38. This item also includes such intangible items which have not yet been placed in service (intangible assets under construction) and prepayments for intangible assets.

As at the reporting date, intangible assets are carried at cost less accumulated amortisation and impairment losses. Intangible assets with finite lives are amortised using the straight-line method over their useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Useful lives of individual intangible items are reviewed annually, and when necessary – adjusted from the beginning of the next financial year.

Expected useful lives for particular groups of intangible assets are as follows:

Groups of intangible assets	Period
Brand names	2–5 years
Patents and licences	2–10 years
Computer software	2–10 years
Other	2–5 years

Intangible assets with indefinite lives are not amortised, but instead they are annually tested for impairment. The Company does not have intangible assets with infinite lives.
Software maintenance costs incurred in subsequent periods are charged to expense of the period as incurred.

Research costs are charged to profit and loss as incurred.

The expenditure directly related to development work is recognised as intangible assets only when the following criteria are met:

- technical feasibility of the asset for sale or use has been established,
- the Company intends to complete the asset and either use it or sell it,
- the Company is able to either use or sell the intangible asset,
- the intangible asset will bring economic benefits and the Company is able to demonstrate that (existence of a market or usefulness of the item for the Company),
- the Company has all the technical, financial and other means necessary to complete the development work and either sell or use the asset,
- the expenditure incurred in the course of development work can be measured reliably and attributed to the given intangible item.

Expenditure incurred on development work performed as part of a given project is carried forward to the next period when it can be assumed that it will be recovered in the future. Future benefits are estimated in accordance with the principles set forth in IAS 36.
Following initial recognition of expenditure on development work, the historical cost model is used, according to which individual assets are carried at cost less accumulated amortisation and accumulated impairment losses. Completed development work is amortised using the straight-line method over the period during which they are expected to generate benefits.
Gains or losses on disposal of intangible assets are calculated as the difference between the sales proceeds and the carrying amount of the given intangible assets and are recognised in profit or loss as other income or other expenses.
Any prepayments made in connection with a planned purchase of intangible assets are recognised in the Company's financial statements under "intangible assets".
The policies relating to the recognition of impairment losses are discussed in detail in Note 4.8.

4.6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are assets:

- which are held by the Company with a view to being used in the production process, in supply of goods or provision of services, or for administrative purposes,
- which will be used for a period longer than one year,
- in respect of which it is probable that the future economic benefits associated with the asset will flow to the Company,
- whose cost can be measured reliably.

Property, plant and equipment is initially recognised at cost. Such cost is increased by any expenses directly attributable to the purchase and preparation or adaptation of the item for use.

Following initial recognition, items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. Property, plant and equipment under construction is not depreciated until the construction or erection work is completed and the item is placed in use. If construction is abandoned, the total of the incurred expenses connected with work performed up to that point is charged to expense of the period. A project may be suspended if there is reasonable intention to continue the project in subsequent periods. Projects are suspended by virtue of a decision by the PBG Management Board.

Depreciation is charged based on the straight-line method over the estimated useful life of an assets. For the particular groups of items of property, plant and equipment, the depreciation rates are presented below:

Groups of property, plant and equipment	Period
Land (perpetual usufruct rights)	not depreciated
Buildings	10-66 years
Machinery and equipment	2-20 years
Motor vehicles	2-20 years
Other	2.5-10 years

The Company also holds paintings and antiques that are not depreciated.

Depreciation begins in the month in which a property, plant and equipment becomes available for use. Useful lives and depreciation methods are reviewed once a year, leading to an adjustment of the depreciation charges from the beginning of the next reporting period.

An item of property, plant and equipment may consist of parts with a cost that is significant in relation to the total cost of the item to which separate useful lives can be attributed. Costs of major inspections for faults and major spare parts and fittings can also be considered such parts, provided that they will be used for a period longer than one year. Day-to-day maintenance expenses incurred when the item is available for use, including costs of maintenance and repairs, are expensed in profit or loss, as incurred.

An item of property, plant and equipment may be removed from the statement of financial position if it is sold or if the company does not expect to realise any economic benefits from its further use. Any gains or losses arising from the sale, liquidation or withdrawal from use are calculated as the difference between the sale proceeds and carrying amount of the property, plant and equipment item, and are included in profit or loss as other income or other expenses.

Any prepayments made in connection with a planned purchase of property, plant and equipment are presented in the Company's financial statements under "property, plant and equipment" in the statement of financial position.

Land perpetual usufruct rights purchased on the secondary market are measured at cost and are not subject to revaluation.
Land perpetual usufruct rights are not amortised.

4.7. PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASE

Finance leases, which transfer to the Company substantially all the risks and rewards incident to ownership of the leased asset, are recognised in the statement of financial position at commencement of the lease term at the lower of the fair value of the asset and the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability, in such a way as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rent is recognised as an expense in the period in which it is incurred.
The depreciation policy for leased asset held under finance leases is consistent with that for assets owned by the Company. However, if there is no reasonable certainty that the Company will obtain ownership before the end of the lease, the asset is depreciated over the shorter of the useful life of the asset and the lease term.
Leases whereby the lessor retains substantially all the risks and rewards incident to ownership of the leased asset, are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss over the lease term on a straight-line basis.

4.8. IMPAIRMENT OF NON-FINANCIAL NON-CURRENT ASSETS

The following assets are tested for impairment on an annual basis:

- goodwill (the first impairment test is performed before the end of the period in which the acquisition occurred),
- intangible assets with infinite lives,
- intangible assets not yet available for use.

For other intangible assets and items of property, plant and equipment the entity assesses on an annual basis whether there is any indication that an asset may be impaired.
Key external indicators of impairment include the following situations: during the period an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use, or the carrying amount of the net assets of the reporting entity is more than its market capitalisation. Furthermore, some of the most important indicators of impairment include a situation where significant adverse changes have taken place in the technological, market or economic environment in which the Company operates.
Internal indicators of impairment which should be considered include first of all a situation where the actual net cash inflows are significantly lower than those budgeted or where an asset has become obsolete or has been physically damaged.
If certain developments or circumstances indicate that the carrying amount of an asset may not be recoverable, the asset is tested for impairment.

For impairment testing, assets are grouped into smallest groups at which they generate cash flows independently of other assets or asset groups (cash-generating units). Assets which generate cash-flows independently from other assets are tested for impairment individually.

Goodwill is allocated to those cash-generating units that are expected to benefit from the synergies of a business combination, provided that a cash generating unit is not larger than an operating segment.

If the carrying amount of an asset or assets attributed to a cash-generating unit exceeds the recoverable amount of the asset or cash-generating unit, the carrying amount is written down to the recoverable amount. Recoverable amount is the higher of fair value less costs to sell or value in use. The recoverable amount is determined for individual assets, unless a given asset does not generate separate cash flows largely independent from those generated by other assets or asset groups. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment loss is first allocated to carrying amount of goodwill. Then carrying amounts of the other assets of the cash-generating unit are reduced pro rata.

Impairment losses are recognised in profit or loss under other expenses.

The Company assesses at each reporting date whether there is an indication that previously recognised impairment losses on a given asset no longer exist or should be reduced. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased up to its recoverable amount. Such increased amount may not exceed the carrying amount of the asset that would have been determined, net of amortisation or depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss on an asset is recognised immediately as income. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge for a given asset is adjusted so that its revised carrying amount, less residual value, can be regularly written off over the remaining useful life of that asset.

Impairment losses for goodwill cannot be reversed in subsequent periods. As far as other assets are concerned, the Company assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods may be reversed. Reversed impairment losses are recognised in the profit or loss as other income.

4.9. INVESTMENT PROPERTY

Investment property is held to earn rentals and/or for capital appreciation and is measured based on fair value.

Investment property is initially measured at cost, including transaction costs. As at subsequent reporting dates, investment property is measured at fair value (determined by an independent property appraiser, taking into account the location and type of the property and the current market environment).

Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss for the period in which they arise, under other income or expenses.

An investment property is eliminated from the statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses arising from the elimination of investment property from the statement of financial position are recognised in profit or loss in the period of the elimination.

Transfer of assets to investment property is made when, and only when, there is a change in use, evidenced by the end of occupation of an asset by the owner (the Company) or execution of an operating lease agreement. If owner-occupied property (where the owner is the Company) becomes an investment property, the Company accounts for such property in accordance with the policy stated under *property, plant and equipment* up to the date of change in use. For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss. For a transfer from investment property to owner-occupied property or inventories, the property's deemed cost for subsequent accounting in under a different category is its fair value at the date of change in use.
Any prepayments made in connection with a planned purchase of investment property or land are recognised in the Company's financial statements under "investment property" in the *statement of financial position*.

4.10. SHARES IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

4.10.1. INVESTMENTS IN SUBSIDIARIES

The Company classifies as subsidiaries those entities in the case of which, irrespective of the nature of its involvement with a given entity (an investee), it determines whether it is its parent by assessing whether it controls the investee.
The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.
Thus, the Company controls an investee if and only if it has all of the following elements:

- ✓ power over the investee,
- ✓ exposure, or rights, to variable returns from its involvement with the investee, and
- ✓ the ability to use its power over the investee to affect the amount of the Company's returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

4.10.2. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Associates are those entities over which the Company has significant influence, either directly or indirectly through its subsidiaries, but which are neither its subsidiaries nor joint ventures.

Joint ventures are joint arrangement which are jointly controlled by the Company, either directly or indirectly through its subsidiaries.

The Company's investments in associates and joint ventures are accounted for in the financial statements using the equity method. Under the equity method, an investment in an associate or joint venture is initially recognised at cost and adjusted thereafter to account for the Company's share of profits/losses and other comprehensive income of the associate or joint venture. If the Company's share of losses of an associate or joint venture exceeds the value of its interest in the associate or joint venture, the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or joint venture is recognised using the equity method starting from the date on which an entity becomes a joint venture or associate. On the date of investment in an associate or joint venture, any excess of the cost of the investment over the Company's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of the investment is recognised directly in profit or loss of the period of the investment.

The Company applies IAS 39 to determine whether it is necessary to recognise any impairment loss with respect to its investment in an associate or joint venture. If needed, the entire carrying amount of the investment is tested for impairment according to IAS 36 Impairment of Assets as a single asset, by way of comparing the recoverable amount of the asset with its carrying amount. Any impairment loss recognised is included in the carrying amount of the investment. Any reversal of the impairment loss is recognised according to IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Company ceases to account for an associate or joint venture using the equity method on the day on which the investment ceases to be its associate or joint venture, or is classified as held for sale. The calculation of the gain or loss on disposal of an associate or joint venture takes into account the difference between the carrying amount of an associate or joint venture as at the day on which the Company ceases to account for it using the equity method, and the fair value of the retained shares and the proceeds from sale of a part of the shares in the associate or joint venture.

If the Company reduces its ownership interest in an associate or joint venture but continues to account for it using the equity method, the Company reclassifies to profit or loss the portion of the gain or loss previously recognised in other comprehensive income that corresponds to the reduction in its ownership interest if that gain or loss is to be reclassified to profit or loss at the time of disposal of the related assets or liabilities.

4.11. INTERESTS IN JOINT OPERATIONS

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

In relation to its interest in a joint operation, a joint operator recognises in its accounting books and financial statements:

- assets classified according to the nature of the assets, and not as investments;
- liabilities incurred, for example those incurred in financing its share of the assets;
- liabilities incurred jointly with the other venturers in relation to the joint venture;
- revenue from the sale or use of its share of the output arising from the joint operation, together with its share of any expenses incurred by the joint arrangement; and
- expenses incurred in respect of its interest in the joint operation, for example those related to financing its interest in the assets and selling its share of the output arising from the joint operation.
- The Company's interest in construction contract revenue and costs are recognised in accordance with IAS 11.

4.12. FINANCIAL INSTRUMENTS

Any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity is a financial instrument.

A financial asset or financial liability is recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. A regular way purchase or sale of financial assets and liabilities is recognised using trade date accounting.

A financial asset is derecognised from the statement of financial position when the rights to economic benefits specified in the contract and the risks associated with the contract are either discharged or cancelled, or are waived by the Company.
A financial liability is derecognised from the statement of financial position when it is extinguished – that is when the obligation specified in the contract is discharged or cancelled or expires.

On acquisition, the Company recognises financial assets and liabilities at their fair value, that is most frequently the fair value of the payment made in the case of an asset or of the amount received in the case of a liability. Transaction costs are included in the initial value of all financial assets and liabilities, except in the case of financial assets and liabilities at fair value through profit or loss.

As at each reporting date, financial assets and liabilities are measured in accordance with the principles discussed below.

4.12.1. Financial assets

For the purpose of measurement subsequent to initial recognition, financial assets other than hedging derivatives are classified by the Company as follows:

- loans and receivables,
- financial assets at fair value through profit or loss,

- held-to-maturity investments, and
- available-for-sale financial assets.

These categories apply to measurement and profit or loss and other comprehensive income recognition.

Except for the financial assets at fair value through profit or loss, all the financial assets are assessed at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Evidence of impairment are analysed separately for each category of financial assets, as discussed below. Evidence of impairment are analysed separately for each category of financial assets, as discussed below.
If the Company:

- holds a valid legal title to set off the recognised amounts, and
- intends to settle on a net basis, or to recover the asset and settle the liability simultaneously,

then financial assets and liabilities are set off against each other and are disclosed on a net basis in the statement of financial position. The framework agreement referred to in IAS 32.50 does not provide any basis for the offset of assets and liabilities, unless the criteria specified above are satisfied.
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost, using the effective interest rate method. Current receivables are measured at amounts expected to be received, as the effect of discounting future receipts would be negligible.
Financial assets classified as loans and receivables are presented in the statement of financial position as:

- non-current assets in 'Receivables' and 'Loans advanced' if they mature in more than 12 months after the reporting date. If the effect of the time value of money is material, the receivable is measured by discounting expected future cash flows to their present value, using a gross discount rate that reflects current market assessments of the time value of money;
- current assets in 'Loans advanced', 'Trade and other receivables' and 'Cash and cash equivalents' if they mature in less than 12 months as of the reporting date. Impairment losses on doubtful receivables are estimated when the collection of the full amount of the receivable is no longer probable. All receivable balances of significant value are subject to individual assessment in the case of debtors whose balances are past due or when objective evidence has been obtained that the debtor may not pay the receivable (e.g. the debtor is in a difficult financial position, judicial proceedings are conducted against the debtor, there have been changes in the economic environment adverse to the debtor). In the case of those receivables which are not subject to individual assessment, evidence of impairment are analysed for particular credit risk classes of assets e.g. credit risk specific to the sector, region or structure of customer base). The ratio of impairment losses recognised in respect of any class is based on the recently observable trends as to debtors' payment difficulties.

Financial assets measured at fair value *through profit or loss include* assets *which are classified* as held for trading *or which were designated on initial recognition as ones to be measured at fair value with fair value changes in profit or loss because they met the criteria defined in IAS 39.*

A financial asset is classified as held for trading if:

- it is acquired primarily for the purpose of selling it in the near term, or
- it is part of a portfolio of identified financial instruments that are managed together and for which there is probability of profit-taking in the near future, or
- it is a derivative (except for a derivative that is part of hedge accounting or financial guarantee contracts).

Asset or liability may be designated by the Company on initial recognition as at fair value through profit or loss only if such designation:

- eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases, or
- applies to a group of financial instruments which, in accordance with a documented risk management policy or investment strategy, is managed and evaluated on a fair value basis.

This category includes all derivatives disclosed in the statement of financial position separately as 'Other financial assets', except hedging derivatives, which are measured in accordance with the requirements of hedge accounting.

Instruments classified in this category are measured at fair value through profit or loss, based on their market value as at the end of the reporting period, without reflecting costs to sell. Gains and losses on measurement of financial assets are the change in their fair value established on the basis of quoted prices in an active market or – if there is no active market – using valuation techniques.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity intends and is able to hold to maturity, other than the assets which are classified as loans and receivables, financial assets at fair value and financial assets available for sale.

In this category the Company classifies *bonds/notes and other debt securities held to maturity* and presents them in the statement of financial position under 'Other financial assets'.

Held-to-maturity investments are measured at amortised cost, using the effective interest rate method. If there is evidence that a held-to-maturity investment may be impaired (e.g. credit rating of an issuer of bonds or notes), the assets are measured at the present value of the estimated future cash flows. Any changes in the carrying amount of an investment, including impairment losses, are recognised in profit or loss.

Available-for-sale financial assets *are any non-derivative financial assets designated on initial recognition as available for sale or any other instruments that are not classified into any of the categories discussed above.*

The Company classifies in this category quoted bonds or notes that are not held to maturity and shares in companies other than its subsidiaries or associates. In the statement of financial position, such assets are disclosed in 'Other current financial assets'.

Shares of non-listed companies are measured at cost less impairment, due to the fact that it is not possible to reasonably determine their fair value. Impairment losses are recognised in profit or loss.

All other financial assets available for sale are recognised at fair value increased by the transaction costs which may be directly attributed to the acquisition or issue of the financial asset. Any gains and losses on such measurement are recognised in other comprehensive income and accumulated in equity, except for impairment losses and foreign exchange gains or losses on monetary items, which are recognised in profit or loss. Any interest calculated using the effective interest rate method, is also included in profit or loss.

Reversals of impairment losses on available-for-sale financial assets are recognised in other comprehensive income, except in the case of impairment losses on debt instruments, the reversals of which are recognised in the statement of profit or loss if the increase of fair value of the asset may be objectively associated with an event that occurred after impairment was recognised.

On derecognition of an asset, all accumulated gains and losses previously recognised in other comprehensive income are reclassified from equity to the statement of profit or loss, and are presented in other comprehensive income as reclassification to profit or loss.

4.12.2. FINANCIAL LIABILITIES

Financial liabilities other than derivative hedging instruments are presented in the statement of financial position under the following items:

- borrowings, other debt instruments,
- finance leases,
- trade and other payables
- derivative financial instruments.

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, except for financial liabilities held for trading or designated as ones to be measured at fair value through profit or loss. Financial liabilities measured at fair value through profit or loss include derivatives other than designated as hedging instruments. Current trade payables are measured at amounts expected to be paid, as the effect of discounting future outflows would be negligible.

A financial liability is derecognised from the statement of financial position when it is extinguished – that is when the obligation specified in the contract is discharged or cancelled or expires. When an existing debt instrument is replaced by another on substantially different terms, where the same parties are involved, such a replacement is treated by the Company as the derecognition of the original financial liability and the recognition of a new financial liability. Similarly, when the terms of an existing financial liability are substantially modified, the Company treats such modification as the derecognition of the original financial liability and the recognition of a new financial liability. The difference in the respective carrying amounts is recognised in profit or loss.

4.12.3. HEDGE ACCOUNTING

In accordance with the risk management strategy adopted by the Company, when executing construction contracts which are settled in foreign currencies, the Company is obliged to use hedge accounting in order to limit the impact of financial risk on operating profit as far as possible. The Group's hedging strategy assumes hedging of individual contracts the future inflows from which will be received or denominated in a foreign currency. The strategy is based on the principle of matching hedging instruments with planned transactions under the contract, always taking into account the actual net exposure, given budgeted exchange rates determined in accordance with the relevant definition, possible foreign-currency expenses, the time horizon and the quantitative distribution of the currency flows in the particular quarters.

In accordance with the adopted strategy, the key financial risk management tools used by the Company include forward contracts and interest rate swaps. The Company's strategy also permits purchase of currency options and interest rate options.

With respect to derivatives designated as cash flow hedging instruments the Company applies specific accounting policies. To apply hedge accounting, the Company must meet certain conditions specified in IAS 39, concerning documentation of the hedging relationship, high probability of a forecast transaction and effectiveness of the hedge.

All the hedging derivatives are measured at fair value. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity. The ineffective portion of the hedge is immediately recognised in profit or loss.

At the moment when the hedged item affects profit or loss, the accumulated gains and losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. The reclassification is presented in the statement of comprehensive income under "cash-flow hedges – reclassification to profit or loss".

If the hedged transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, any gains or losses previously recognised in other comprehensive income, are reclassified from equity and included in the initial cost of the asset or liability. The reclassification would be presented in the statement of comprehensive income under 'Cash-flow hedges – amounts transferred to initial carrying amount of hedged items'.

If the hedged forecast transaction is no longer expected to occur, all gains and losses are immediately reclassified to profit or loss.

At present, the Company does not apply hedge accounting as it does not execute any construction contracts in foreign currencies.

4.13. IMPAIRMENT OF FINANCIAL ASSETS

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

4.13.1. FINANCIAL ASSETS AT AMORTISED COST

If there is objective evidence that a loss has occurred due to impairment of loans and receivables carried at amortised cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses on irrecoverable receivables that have not been incurred) discounted at the effective interest rate. An impairment loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and evidence of impairment of financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included on a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually reviewed for impairment and for which an impairment loss has been recognised or it has been concluded that the existing impairment loss will not change, are not taken into account in collective review of assets for impairment.

If in a subsequent period the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, in so far at the reversal date the carrying amount of the asset does not exceed its amortised cost.

4.13.2. FINANCIAL ASSETS CARRIED AT COST

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

4.13.3. AVAILABLE-FOR-SALE FINANCIAL ASSETS

If there is objective evidence of impairment of a financial asset available for sale, the amount of the difference between the purchase price of the asset (net of any principal repayment and amortisation) and its current fair value, less any impairment loss on that asset previously recognised in profit or loss, is reclassified from equity to profit or loss. Reversal of an impairment loss on equity instruments classified as available for sale may not be recognised in profit or loss. If in a subsequent period, the fair value of a debt instrument available for sale increases and the increase can be objectively related to an event occurring after the impairment was recognised in profit or loss, the amount of the reversal is recognised in profit or loss.

4.14. INVENTORIES

Inventories include:

- materials,
- semi-finished products and work in progress,
- finished goods,
- merchandise,
- prepayments for materials or merchandise classified as inventories.

Inventories are measured at the lower of cost and net realisable value. Cost includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

- Cost of finished goods and work in progress includes all expenses directly attributable to the manufacturing process (mainly materials and labour) as well as suitable portions of related production overheads, based on normal operating capacity.
- Costs of finished goods are assigned using the weighted average cost formula. Costs of materials and merchandise are assigned using the first in, first out cost formula.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Writing inventories down below cost to net realisable value is recognised in profit or loss as other expenses. When the circumstances that previously caused inventories to be written down below cost no longer exist, the amount of the write-down is reversed and recognised in profit or loss as other income.

Circumstances that cause inventories to be written down include:

- obsolete and damaged items,
- overstocked items which are no longer needed or difficult to sell,
- slow moving items,
- items with declining selling prices due to lower prices of competitors.

When the cost of an inventory item cannot be recovered, the item is written down to its net realisable value. The amount of write-downs to net realisable value as well as inventory losses are recognised as expenses for the period in which the write-down or loss occurred.

Any prepayments for inventories purchase are presented in the statement of financial position under 'Inventories'.

4.15. TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised and disclosed at originally invoiced amounts, net of impairment on doubtful receivables. Impairment losses on receivables are estimated when the collection of the full amount of the receivable is no longer probable.

If the effect of the time value of money is material, the receivable is measured by discounting expected future cash flows to their present value, using a gross discount rate that reflects current market assessments of the time value of money. If discounting is used, any increase in the amount of receivables reflecting the passage of time is recognised as other income.

Receivables from the State budget are disclosed under other non-financial assets, except for corporate income tax receivable, which is disclosed under a separate item in the statement of financial position.

4.16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand and cash at banks, demand deposits and highly liquid short-term investments (with maturities up to three months), that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.17. NON-CURRENT ASSETS AND GROUPS OF NET ASSETS HELD FOR S.A. LE

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use of the asset. That condition is met only if an asset (or a disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets, and its sale is highly probable within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Some of the Company's non-current assets classified as held for sale (e.g. financial assets and deferred tax assets) continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

4.18. EQUITY

Share capital represents the nominal value of shares that have been issued, as specified in the Company's articles of association and the relevant entry in the National Court Register.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Other components of equity include the following:

- share-based payment reserve,
- other comprehensive income accumulated in equity, including:
    - ✓ available-for-sale financial assets reserve (see Note on financial instruments),
    - ✓ cash-flow hedges reserve (see Note on hedge accounting).

Retained earnings includes all current and prior period retained profits (including the amounts transferred to reserves on the base of shareholders' approval)

Transactions with owners of the Company are presented separately in the statement of changes in equity.

4.19. SHARE-BASED PAYMENTS

The Company operated incentive schemes under which key members of its management staff were granted shares in PBG or its subsidiaries.

The fair value of management's services is determined indirectly, by reference to the fair value of equity instruments granted. The fair value of shares is measured at the grant date, with the reservation that vesting conditions other than market conditions(i.e. meeting a pre-defined level of financial performance) are not taken into account when estimating the fair value.

The consideration expense and the corresponding increase in equity are recognised based on the best available estimates of the number of equity instruments expected to vest. The Company will revise such estimates if subsequent information indicates that the number of shares expected to vest differs from previous estimates. Adjustment resulting from revision to estimates of the number of shares expected to vest are recognised in profit or loss – no adjustments are made to any expense recognised in prior periods.
When an incentive scheme is completed, amounts accumulated in the share-based payments reserve, less the costs to issue, are transferred to the share premium.

4.20. EMPLOYEE BENEFITS

Employee benefits liabilities and provisions reported in the statement of financial position include:

- provisions for unused holiday entitlement,
- short-term employee benefits,
- other long-term employee benefits, under which the Company presents provisions for retirement gratuity.

4.20.1. SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefit obligations are reported in the statement of financial position at amounts that the Company expects to pay.

4.20.2. PROVISIONS FOR UNUSED HOLIDAY ENTITLEMENT

The Company recognises provision for the expected cost of accumulating compensated absences, as a result of the unused holiday entitlement as at the reporting date.
The provision for unused holiday entitlement is calculated on the basis of the number of vacation days unused in the current period, plus the number of vacation days unused in prior periods. The provision for the cost of accumulating compensated absences is recognised under provisions for employee benefits,

after deducting any amount already paid. The provision for accumulating compensated absences is classified as a short-term provision and is not discounted.

4.20.3. RETIREMENT GRATUITY

In accordance with the remuneration systems in the Company, employees of are entitled to jubilee and retirement gratuity benefits. whereas retirement gratuity benefits are one-off benefits, paid out when the employee retires. The amounts of retirement gratuity benefits depend on the length of employment and average remuneration of a given employee.

PBG recognises a provision for future retirement gratuity in order to allocate costs to the periods in which the benefits become vested.

According to IAS 19, retirement gratuity benefits are defined post-employment benefit plans.

The present value of the provisions as at the reporting date is assessed using the projected unit credit method. The provision recognised in the statement of financial position is the present value of the benefit obligations at the reporting date. Information on demographics and employment turnover is sourced from historical data.

Revaluation of employee benefit obligations under defined benefit programmes, including actuarial gains and losses, is recognised in other comprehensive income and is not subject to subsequent reclassification to profit or loss.

Changes in the net defined benefit obligation attributable to:

- service cost (including, among others, current service cost and past service cost),
- net interest on the net defined benefit obligation,

are recognised by the Group in cost of sales, administrative expenses or distribution costs, as applicable.

4.21. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company recognises a provision if has a present obligation (legal or constructive) resulting from past events whose settlement is likely to result in an outflow of economic benefits and whose amount can be reliably estimated. The timing and amount of the liability may be uncertain.

Provisions are recognised for:

- warranties to provide after-sale support of products and services,
- pending litigations and disputes,
- losses on construction contracts, accounted for in accordance with IAS 11,
- restructuring, only if the Company is required to undertake the restructuring under separate regulations or a binding agreement.

Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, based on the most reliable evidence available on the date on which the financial statements are prepared, including evidence as to risks and uncertainties. If the effect of the time value of money is material, the provision is measured by discounting expected future cash flows to their present value, using a discount rate that reflects current market assessments of

the time value of money and the risks, if any, specific to the liability. If discounting is used, any increase in the amount of the provision reflecting the passage of time is recognised as finance costs.
Any unused provisions are reversed on the day when they are unnecessary.
A provision are used only for expenditures for which the provision was originally recognised.

4.21.1 PROVISIONS FOR WARRANTIES

Provisions for warranties reflect future obligations to make a payment or provide a service (in connection with current operations) to unknown persons, if the amount of the liability can be estimated, even though its timing is unknown. Provisions for warranty repairs are estimated based on probability-weighted costs of running construction contracts assessed by management boards of the Group companies. Provisions for warranties are charged to contract costs, based on the proportion of direct expenditures already incurred to total estimated direct costs. The costs related to accrued provisions for warranties do not influence the stage of a contract's completion. At the Company, provisions for warranties are broken down into individual construction contracts. They are reported as long as it is probable that a warranty claim or a claim for repair work will arise, until the right to make the claim expires. If any provisions remain unused (after their effective period), they are reversed to other income. Depending on the expected exercise date, warranty provision is classified in the statement of financial position as a non-current or current provision.

4.21.2 PROVISIONS FOR LOSSES ON CONTRACTS

Provisions for losses on construction contracts are recognised if it is probable that the total cost to complete a construction contract exceeds the total revenue under the contract. The anticipated loss is immediately expensed in profit or loss. Its amount is determined irrespective of the commencement of contract work, the stage of the contract's completion or expected profits on contracts which are not single construction contracts. Any increase/(decrease) in provisions for expected losses increases or reduces operating expenses.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. The expenditure relating to a given provision is presented in the statement of profit or loss net of any reimbursement.
Any unused provisions are reversed on the day when they are unnecessary. A provision is used only for expenditures for which the provision was originally recognised.
If the probability of an outflow of resources to settle a present obligation is remote, no contingent liability is recognised in the statement of financial position.

For information on contingent liabilities, see the descriptive part of the financial statements in Note 8. The Company also presents information on contingent lease payment liabilities arising under operating leases (Note 5.4).

Any possible inflows of economic benefits to the Company which do not yet meet the criteria to qualify as assets are classified as contingent assets, and as such are not recognised in the statement of financial position.

4.22. INTEREST-BEARING BORROWINGS AND OTHER DEBT INSTRUMENTS

All borrowings and other debt instruments are initially recognised at fair value net of transaction costs associated with the borrowing.
After initial recognition, interest-bearing borrowings and other debt instruments are measured at amortised cost using the effective interest rate method.
Amortised cost includes the cost of obtaining the borrowing as well as any discounts or premiums obtained in connection with the liability.
Any gains or losses are taken to profit or loss when the liability is derecognised from the statement of financial position or accounted for using the effective interest rate method.

4.23. ACCRUALS AND DEFERRALS

In the statement of financial position, under the asset line item 'Prepaid expenses' the Company reports prepaid costs relating to future reporting periods, mainly lease payments or costs incurred in securing construction contracts (if the probability of obtaining the contract is high).

The liabilities line item 'Deferred income' includes deferred income, including resources transferred to the Company by the government to finance property, plant and equipment, accounted for under IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance). Accrued expenses are presented as non-current and current.
Grants are recognised only when there is reasonable assurance that the Company will comply with the conditions attached to them and that the grant will be received.
A grant related to an item of expense is recognised as income over the period necessary to match it with the related expense.
A grant related to an asset is recognised as income in profit or loss on a systematic basis, over the useful life of the asset. Instead of deducting the grant from the asset's carrying amount, the Company presents it in the statement of financial position as deferred income, under 'Deferred income'.

4.24. REVENUE

Revenue is measured by reference to the fair value of the consideration received or receivable, less discounts, VAT and other sales-related taxes (i.e. excise duty), and arises from the sale of goods and the rendering of services in the course of ordinary activities. Revenue is recognised only when it is probable that the economic benefits associated with the transaction will flow to the Company and its amount can be measured reliably.

4.24.1. SALE OF GOODS (MERCHANDISE AND PRODUCTS)

Revenue from sale of goods is recognised when the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. That condition is deemed satisfied when the goods are undisputedly delivered to the buyer;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

4.24.2. SALE OF SERVICES

Rental income from operating lease

Rental income from operating leases of investment property is recognised on the straight-line basis over the term of the lease.

Contract revenue

<u>Construction work contracts are executed at fixed price and fall within the scope of IAS 11.</u>

When the outcome of a construction contract can be estimated reliably, contract revenue are recognised by reference to the stage of completion of the contract activity. The stage of completion, expressed as a percentage, is determined as the proportion that contract costs incurred for work performed by the reporting date bear to the estimated total contract costs. Revenue and costs of construction contracts in progress are determined at the end of each month, at least once a quarter. Both revenue and costs are determined for the period from the start of work under a given contract until the reporting date.

If the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent that contract costs incurred are expected by the Company to be recoverable.

The percentage of completion method is applied on a cumulative basis in each reporting period to the current estimates of contract revenue and contract costs. Therefore, the effect of a change in the estimate of contract revenue or contract costs, or the effect of a change in the estimate of the outcome of a contract, is accounted for as a change in accounting estimate (see IAS 8). The changed estimates are used in the determination of the amount of revenue and expenses recognised in the statement of profit or loss in the period in which the change is made and in subsequent periods.

The total revenue determined at the end of each reporting period (reporting date) includes only revenue that can be reliably measured and is assessed as likely to be paid by the customer.

No retentions are taken into account when determining the amount of revenue.

When contract revenue receivable under a construction contract in foreign currency exceeds progress billings, the contract revenue is measured using the mid-exchange rate quoted by the National Bank of Poland. When the Company receives prepayments in foreign currencies, the revenue receivable under a construction contract, measured as at the reporting date, includes the amount of the prepayment.

The excess of contract revenue over progress billings, identified when estimating the amount of revenue disclosed in the financial statements, is presented as a separate asset item under 'Amounts due from customers for construction contract work in progress'.

When progress billings for a construction contract in foreign currency exceed contract revenue (presented under liabilities), the construction contract revenue is measured as at the reporting date at the exchange rate effective as at the invoice date, applying the first in, first out formula, and is not remeasured at the reporting date.

The excess of progress billings over contract revenue, identified when estimating the amount of revenue disclosed in the financial statements, is presented as a separate item under 'Amounts payable to customers for construction contract work in progress'.

When executing construction contracts in foreign currencies, the Company is obliged to comply with its hedging policy in order to ensure adequate level of future cash flows and mitigate the adverse impact of exchange rate fluctuations on its operating activities, which is aimed at securing the operating margin calculated in the contract budget. The policy is based on matching hedging instruments with the planned transactions under the hedged contract, with the actual net exposure, bid price, time horizon and the quantitative distribution of foreign-currency revenues in the individual quarters being taken into account Using the approach of limiting the impact of currency risk on the operating performance of the Company to the largest extent possible, the Company selected forward transactions for hedging purposes. If it is probable that the total contract costs will exceed the total contract revenue, an expected loss on a construction contract is immediately recognised as an expense.

4.24.3. DIVIDENDS AND OTHER AND FINANCE INCOME

INTEREST AND DIVIDENDS

Interest income is recognised as it accrues using the effective interest rate method. Dividends are recognised when the shareholder’s right to receive payment is established,

Income for the reporting period includes:

- **other income**, related indirectly to operating activities**,** including:
  - gains on financial investments,
  - gains on derivative instruments relating to operating activities,
  - foreign exchange gains, excluding exchange differences on liabilities used to finance the Company's operations,
  - reversals of impairment losses on held-to-maturity financial assets, available-for-sale financial assets and loans,

- reversal of unused provisions previously recognised in other expenses,
- gain on disposal of property, plant and equipment and intangible assets;

- **finance income,** related to the financing of the Company's operations, including:
  - net foreign exchange gains on liabilities which constitute the Company's financing (contracted loans, credit facilities, notes, finance leases, etc.),
  - gains on realisation and fair value measurement of derivatives which serve as hedges of liabilities constituting the Company's financing.

Finance income and costs related to the **financing activities** are disclosed on a **net basis in finance costs.**

4.25. EXPENSES

Cost of sales as at the reporting date is adjusted to account for changes in the fair value of financial instruments designated as cash-flow hedges, if the hedge relationship is no longer effective or if the hedged item affects profit or loss.

Expenses are analysed by function and by nature. Expenses in the statement of profit or loss are classified using the former method.

The total cost of sales includes:

- cost of products sold,
- cost of services sold,
- Merchandise and materials sold
- Administrative expenses include administrative expenses indispensable to maintain operations of the Group. This category includes employee benefits supporting finance, human resources, information technology and expenses of executive management.

In addition, profit and loss include **other expenses**, related directly to operating activities, including in particular:

- loss on disposal of property, plant and equipment and intangible assets;
- donations granted,
- provisions for litigation, penalties, damages, and other costs related indirectly to operating activities,
- foreign exchange losses, excluding exchange differences on liabilities used to finance the Company's operations,

as well as **finance costs**, related to financing of the Company's operations, including in particular:

- interest on a credit facility,
- interest on current and non-current loans, borrowings and other sources of financing, including discounting of liabilities,
- net foreign exchange losses.

4.26. INCOME TAX (CURRENT AND DEFERRED)

Mandatory decrease of profit (increase of loss) comprises current income tax and deferred income tax not recognised in other comprehensive income or directly in equity.

Current tax is calculated based on the taxable profit (tax loss) for a financial year, which differs from profit or loss in the financial statements due to temporary differences and items which will never be subject to taxation. Current tax is based on the tax rates that have been enacted by the end of the reporting period.

Deferred income tax is calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax liabilities are always provided for in full, while deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. Deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax liability is not provided on the initial recognition of goodwill and when goodwill has a tax base of nil.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively

4.27. VALUE ADDED TAX

Revenue, expenses, assets and liabilities are recognised net of the VAT, except in the following cases:

- where the value added tax paid on the purchase of assets or services is not recoverable from the tax authorities; in such a case it is recognised in the cost of a given asset or as part of the cost item, and
- in the case of receivables and payables which are recognised inclusive of VAT.

The net amount of the value added tax which is recoverable from or payable to tax authorities is carried in the statement of financial position under receivables or liabilities, as appropriate.

4.28. EARNINGS PER SHARE

EPS is calculated by dividing profit or loss for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS for each period is calculated by dividing profit or loss for period, adjusted for the effects of all dilutive potential ordinary shares, attributable to owners of the Parent, by the adjusted weighted average number of ordinary shares.

5. NOTES TO THE STATEMENT OF FINANCIAL POSITION AND THE STATEMENT OF PROFIT OR LOSS

5.1. OPERATING SEGMENTS

Currently, the Company divides its business into two strategic operating segments:

- **Gas, oil and fuels,**
- **Power construction.**

Due to the Company's and the Group's situation discussed in Note 2.5.3 as well as the low profitability and inability to secure more contracts in the water, roads, and industrial and residential construction segments, the Company's Management Board decided, as part of the restructuring process, to cease to provide services in the above segments.

The following areas are identified within particular segments:

- **In the Gas, oil and fuels segment:**
  - surface installations for crude oil and natural gas production,
  - installations for liquefying natural gas and for LNG storage and regasification,
  - LPG, C5+ separation and storage facilities,
  - LNG storage and evaporation facilities,
  - underground gas storage facilities,
  - desulphurisation units,
  - surface infrastructure of underground gas storage facilities,
  - crude oil tanks,
  - transmission systems for natural gas and crude oil, including pressure reduction and metering stations and metering and billing stations, mixing plants, distribution nodes, compressor stations, etc.,
  - fuel terminals.
- **Power construction segment:**
  - assembly, modernisation and repair of power equipment and industrial units.

Revenue is derived from external customers. Like in 2013, no inter-segment sales took place in 2014.

Any revenue and expenses not allocated to any of the main segments are classified by the Company as 'Other'.

The profit/(loss) of each segment is the profit/(loss) generated by individual segments, without allocating the cost of sales and administrative expenses, restructuring costs, finance income and cost or income tax.

For more information, see Note 4.1 to these financial statements.

The table below presents data for the individual operating segments.

All amounts in PLN thousand (unless otherwise indicated)

Revenue and results by operating segment

Item	Segments		Other	Amount
	Gas, oil and fuels	Power construction		
Financial results of the operating segments for the period January 1st – December 31st 2014				
Total segment revenue	**218,502**	**5,138**	**3,404**	**227,044**
Revenue from external customers	218,502	5,138	3,404	227,044
Inter-segment sales				-
Total cost	(249,745)	(5,025)	(9,071)	(263,841)
Segment profit or loss	**(31,243)**	**113**	**(5,667)**	**(36,797)**
Cost of sales/administrative expenses	x	x	x	(21,785)
Other income/expenses	x	x	x	(12,122)
Restructuring costs	x	x	x	(6,993)
Operating profit/(loss)	x	x	x	**(53,453)**
Finance income	x	x	x	1,023
Finance costs	x	x	x	(2,028)
Profit/(loss) before tax	x	x	x	**(54,458)**
Income tax expense	x	x	x	-
Net profit/(loss)	x	x	x	**(54,458)**

All amounts in PLN thousand (unless otherwise indicated)

Item	Segments		Other	Amount
	Gas, oil and fuels	Power construction		
Financial results of the operating segments for the period January 1st – December 31st 2013				
Total segment revenue	**308,931**	**12,708**	**14,489**	**336,128**
Revenue from external customers	308,931	12,708	14,489	336,128
Inter-segment sales				-
Total cost	(366,707)	(11,528)	(21,505)	(399,739)
Segment profit or loss	**(57,776)**	**1,180**	**(7,015)**	**(63,611)**
Cost of sales/administrative expenses	x	x	x	(23,494)
Other income/expenses	x	x	x	309,258
Restructuring costs	x	x	x	-
Operating profit/(loss)	x	x	x	**222,153**
Finance income	x	x	x	-
Finance costs	x	x	x	(93,495)
Profit/(loss) before tax	x	x	x	**128,658**
Income tax expense	x	x	x	-
Net profit/(loss)	x	x	x	**128,658**

All amounts in PLN thousand (unless otherwise indicated)

Geographical information

The Company operates principally in Poland.

Below is presented the Company's revenue from external customers by geographical structure. The Company allocates revenue from foreign customers to specific countries depending on the location of the customer's registered office. Like in the previous year, revenue from customers based in a single country other than Poland in 2014 did not exceed 10% of total revenue.

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
- domestic customers	227,031	327,106
- foreign customers	13	9,022
Total revenue	**227,044**	**336,128**

Information on major customers

The Company classifies as major those customers whose share in its total revenue exceeds 10%. In 2014, revenue from major customers was PLN 222,920 thousand (2013: PLN 287,555 thousand).

5.2. INTANGIBLE ASSETS

Item	Patents and licences	Computer software	Other	Total
For the period from Jan 1 to Dec 31 2014				
Net carrying amount at Jan 1 2014	**2,328**	**2,571**	**34**	**4,933**
Disposals (-)	(50)	-	-	**(50)**
Impairment loss (-)	-	(1,444)	-	**(1,444)**
Depreciation (-)	(914)	(737)	(12)	**(1,663)**
Net carrying amount at Dec 31 2014	**1,364**	**390**	**22**	**1,776**
for the period Jan 1–Dec 31 2013				
Net carrying amount at Jan 1 2013	**3,867**	**4,258**	**47**	**8,172**
Impairment loss (-)	(172)	(910)	-	**(1,082)**
Depreciation (-)	(1,367)	(777)	(13)	**(2,157)**
Net carrying amount at Dec 31 2013	**2,328**	**2,571**	**34**	**4,933**

In 2014, the Company recognised an impairment loss on the ERP Oracle software. As at the reporting date the Company recognised an impairment loss of PLN 1,444 thousand (2013: PLN 1,082 thousand) on intangible assets following the Management Board's decision in December 2014 to replace the IT systems used by the Company.

The impairment loss is recognised under other expenses (see Note 5.17.4).

All amounts in PLN thousand (unless otherwise indicated)

As at December 31st 2014 and December 31st 2013, the Company did not use intangible assets as collateral for its liabilities. The Company has not made any commitments to incur any capital expenditure on intangible assets in the future.

The Company does not use intangible assets with indefinite useful lives (see Section 4.5 concerning accounting policies).

Amortisation of intangible assets was recognised in the following items of the statement of profit or loss:

Item	As at Dec 31 2014	As at Dec 31 2013
Cost of sales	500	117
Administrative expenses	1,163	2,040
Total amortisation of intangible assets	**1,663**	**2,157**

5.3. PROPERTY, PLANT AND EQUIPMENT

Item	As at Dec 31 2014	As at Dec 31 2013
Land	4,365	4,365
Buildings	43,831	45,861
Machinery and equipment	5,573	8,712
Motor vehicles	527	845
Other	3,898	4,045
Carrying amount	**58,194**	**63,828**
Property, plant and equipment under construction	-	-
Prepayments for tangible assets	-	2,060
Total	**58,194**	**65,888**

Between January 1st and December 31st 2014, the Company sold property, plant and equipment with a total value of PLN 34 thousand, recording a net profit on sales of PLN 57 thousand (2013: PLN 8,996 thousand and a net loss of PLN 4,271 thousand).

As at December 31st 2014, the Company identified impairment of property, plant and equipment and recognised an impairment loss of PLN 2,000 thousand. The impairment loss was recognised with respect to an item of property, plant and equipment leased by the Company. As at the reporting date, economic benefits arising from the asset failed to cover its maintenance costs.

The impairment loss is recognised under other expenses (Note 5.17.4).

In the comparative period ended December 31st 2013, the Company recognised an impairment loss on tangible assets in the amount of PLN 2,875 thousand, including on buildings and structures (Group II of property, plant and equipment) in the amount of PLN 2,514 thousand.

In the financial statements, items of property, plant and equipment are carried at cost less accumulated depreciation and impairment losses. In accordance with IAS 36.9, as at the end of each reporting period, the Company assesses whether there is any indication of asset impairment.

Based on the procedures performed, the Company determined that the indications of impairment had not changed materially since 2012. The indications identified were exclusively connected with the Company's difficult financial position, which resulted in the filing of a bankruptcy petition in June 2012. Accordingly, as at the date of bankruptcy declaration and as at December 31st 2012, the Company recognised impairment losses on its property, plant and equipment in accordance with IAS 36.9. In the subsequent periods, the Company's situation stabilised: in the course of the pending arrangement bankruptcy proceedings, further phases of the arrangement process took place and no indications of further impairment were identified. In 2014, the Company ordered an independent expert appraiser to perform a valuation of the buildings entered in the records of property, plant and equipment. In the estimate surveys, the buildings were valued using the income approach. The value of buildings was appraised using the income approach, which reflects the value of property held for sale or lease. The Company assumes that property, plant and equipment entered in the register the Company's non-current assets is and will be − after the arrangement with the creditors is concluded − used in its operations. Therefore, the Company believes that any adjustment to reflect the fair value of those assets would not be appropriate.

The net carrying amount of office buildings and structures within the premises of the Company's registered office, as presented in these financial statements, totals PLN 40,971 thousand. Their fair value (based on appraiser valuation) is PLN 10,030 thousand.

Name:	***PBG S.A. w upadłości układowej (in company voluntary arrangement)***		
Period covered by the financial statements:	***January 1st–December 31st 2014***	**Reporting currency:**	***Polish złoty (PLN)***
Rounding:	***All amounts in PLN thousand (unless otherwise indicated)***		

CHANGES IN CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT

Item	Land	Buildings	Plant and machinery	Motor vehicles	Other	Total
For the period from Jan 1 to Dec 31 2014						
Net carrying amount at Jan 1 2014	**4,365**	**45,861**	**8,712**	**845**	**4,045**	**63,828**
Additions	-	-	66	-	66	**132**
Disposals (-)	-	-	(3)	(30)	(1)	**(34)**
Liquidation (-)	-	(82)	(55)	-	-	**(137)**
Impairment loss (-)	-	-	(2,000)	-	-	**(2,000)**
Impairment loss reversed	-	-	-	-	-	**-**
Depreciation (-)	-	(1,948)	(1,147)	(288)	(212)	**(3,595)**
Net carrying amount at Dec 31 2014	**4,365**	**43,831**	**5,573**	**527**	**3,898**	**58,194**
for the period Jan 1–Dec 31 2013						
Net carrying amount at Jan 1 2013	**6,455**	**74,725**	**10,862**	**7,614**	**4,441**	**104,097**
Additions	-	-	34	3	7	**44**
Disposals (-)	-	-	(264)	(8,482)	(250)	**(8,996)**
Liquidation (-)	-	-	-	(51)	-	**(51)**
Decrease on reclassification to another asset category, excluding reclassification to assets held for sale (-)	(2,090)	(23,509)	(167)	(276)	-	**(26,042)**
Decrease on reclassification to assets held for sale (-)	-	-	(291)	(1,769)	-	**(2,060)**
Impairment loss (-)	-	(2,514)	(96)	(259)	(6)	**(2,875)**
Impairment loss reversed	-	-	400	5,373	145	**5,918**
Depreciation (-)	-	(2,841)	(1,766)	(1,308)	(292)	**(6,207)**
Net carrying amount at Dec 31 2013	**4,365**	**45,861**	**8,712**	**845**	**4,045**	**63,828**

All amounts in PLN thousand (unless otherwise indicated)

Depreciation of property, plant and equipment was recognised in the following items of the statement of profit or loss:

Item	As at Dec 31 2014	As at Dec 31 2013
Cost of sales	1,140	1,871
Administrative expenses	2,455	4,336
Total depreciation of property, plant and equipment	**3,595**	**6,207**

Gross carrying amount of fully depreciated property, plant and equipment that is still in use by the Company was PLN 4,213 thousand as at December 31st 2014 (2013: PLN 3,659 thousand). Fully depreciated tangible assets include mainly the property, plant and equipment which, in line with the Company's accounting policies, are subject to one-off depreciation due to their low unit values.

As at December 31st 2014, the Company's office buildings with the total net value of PLN 21,952 thousand and the total surface area of 4,738 square metres were partially leased. As at December 31st 2014, the net value of the leased property was PLN 5,837 thousand (2013: PLN 8,144 thousand), and the total leased surface area was 1,260 square metres (2013: 1,703 square metres).

Item	As at Dec 31 2014	As at Dec 31 2013
Non-current assets held for sale, including:		
- plant and equipment	55	291
- vehicles	937	**1,769**
Total	**992**	**2,060**

As at December 31st 2014, the Company discloses property, plant and equipment held for sale with a value of PLN 992 thousand. The Company does not use those assets in its day-to-day operations. In 2013, the Management Board designated those assets as held for sale and reclassified them from property, plant and equipment to fixed assets held for sale (with a value of PLN 2,060 thousand). In the period from January 1st to December 31st 2014, the value of fixed assets held for sale decreased by PLN 1,068 thousand as a result of the sale of plant and equipment with a value of PLN 236 thousand and vehicles with a value of PLN 832 thousand. As at the reporting date, assets classified as held for sale were carried by the Company at fair value less costs to sell. The fair value of the held-for-sale assets was determined by the Company using professional judgement, based on transaction prices of similar assets which the Company disposed of in 2014.

All amounts in PLN thousand (unless otherwise indicated)

ITEMS OF PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY FOR LIABILITIES

Liability / restricted title	Type of security	Collateral	Carrying amount	
			As at Dec 31 2014	As at Dec 31 2013
Credit facility provided by Polski Bank Przedsiębiorczości S.A.	contractual mortgage	buildings and structures	9,145	9,464
Bank DNB NORD POLSKA S.A.	tacit mortgage	buildings and structures	136	513
Bank DNB NORD POLSKA S.A.	tacit mortgage	civil engineering and water projects	2,876	3,938
Bank DNB NORD POLSKA S.A.	tacit mortgage	land	700	700
Total carrying amount of property, plant and equipment			**12,857**	**14,615**

A number of mortgages were established in favour of banks on certain items of property, plant and equipment. As at December 31st 2014, the carrying amount of property, plant and equipment pledged as security was PLN 12,857 thousand (December 31st 2013: PLN 14,615 thousand).

In the year ended December 31st 2014, the carrying amount of assets pledged as security for liabilities: decreased as a result of:

- change in the net value of assets pledged as security.

By the date of authorisation of these financial statements for issue, all mortgages had been deleted. Assets included in the register of non-current assets do not serve as security for liabilities.

The Company's non-current assets also include works of art (paintings and antiques) with the total value of PLN 3,400 thousand. All the works of art are controlled by the Company. The Management Board did not identify any indications of impairment as at December 31st 2014 with respect to the works of art.

As at the reporting date, the Company leases (or rents) other tangible assets, which mostly comprise properties used in the operating activities, including construction camps, office premises, accommodation for project employees, land properties for storage of equipment and materials, etc.

Costs related to using these assets are recognised in the statement of profit or loss.

As at the reporting date, no investment-related agreements were executed by the Company which would place it under an obligation to purchase certain property, plant and equipment in the future.

All amounts in PLN thousand (unless otherwise indicated)

5.4. PROPERTY, PLANT AND EQUIPMENT HELD UNDER FINANCE LEASE

The Company as a lessee uses property, plant and equipment under finance lease agreements. The table below presents carrying amounts of property, plant and equipment held under finance lease:

Item	Plant and machinery	Motor vehicles	Total
As at Dec 31 2014			
Gross carrying amount	7,058	141	7,199
Accumulated amortisation and impairment	(3,176)	(119)	(3,295)
Carrying amount	**3,882**	**22**	**3,904**
As at Dec 31 2013			
Gross carrying amount	7,058	340	7,398
Accumulated amortisation and impairment	(823)	(261)	(1,084)
Carrying amount	**6,235**	**79**	**6,314**

The following table presents future minimum lease payments due as at the reporting date:

Item	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
As at Dec 31 2014				
Future minimum lease payments	850	3,523	1,559	5,932
Finance costs (-)	(199)	(506)	(54)	(759)
Present value of future minimum lease payments	**651**	**3,017**	**1,505**	**5,173**
As at Dec 31 2013				
Future minimum lease payments	1,019	3,778	2,530	7,327
Finance charges (-)	(343)	(935)	(201)	(1,479)
Present value of future minimum lease payments	**676**	**2,843**	**2,329**	**5,848**

The most important finance lease agreements include the lease of a drilling rig with an initial value of the leased asset of PLN 7,058 thousand. The agreement was executed in September 2011 for 10 years, after which time the Company will have the right to purchase the leased asset. Interest on lease instalments is based on a 1M WIBOR-linked floating interest rate, and their repayment is secured with a blank promissory note.

In the reporting period, no expenses under contingent lease payments and no sublease payments were recognised as the leased assets are used solely by the Company.

5.5. INVESTMENT PROPERTY

Changes in carrying amounts during the period were as follows:

All amounts in PLN thousand (unless otherwise indicated)

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
Carrying amount at beginning of period	**41,875**	**28,156**
Additions from acquisition of property	3,811	-
Reclassifications:	**-**	**25,599**
- from property, plant and equipment (land)	-	2,090
- from property, plant and equipment (buildings)	-	23,509
Net gain (loss) from fair value adjustments (+/-)	(12,380)	(11,870)
Other changes	-	(10)
Carrying amount at end of period	**33,306**	**41,875**

In 2014, the Company recorded a change in the 'Investment property', attributable to the following events:

- On February 27th 2014, under Notary Deed Rep. A No. 1624/2014, the Company purchased developed land plot No. 22/51, located in ul. Bukowa 12, Chyby, Poland, with a residential building, with a carrying amount of PLN 3,811 thousand. The property was placed in use under an acceptance report of September 1st 2014. As at the end of 2014, the Company decreased the carrying amount to PLN 2,200 thousand, estimated based on the market comparative method. The comparable evidence was provided by generally available sale offers of similar properties. The key valuation parameters included location, residential building area, plot area, and internal finishes. Having analysed sale offers available on the market, the Company decided to reduce the carrying amount of the property.
- In September 2014, the Company engaged Knight Frank, an independent expert appraiser, to prepare estimate surveys for the other investment properties. Based on the surveys prepared, the Company revalued the amounts of individual properties to the following values:
  - **Building K – PLN 4,340 thousand –** an expert appraiser valued the building using the income approach, investment method, based on the binding lease agreements and market conditions. **Building J – PLN 6,050 thousand –** an expert appraiser valued the building using the income approach, investment method, direct capitalisation, based on the binding lease agreements and market conditions.
  - **Łeba Property – PLN 12,900 thousand –** an expert appraiser valued the property using the comparative method, pairwise comparison and average price adjustment. **Modzerowo Property – PLN 1,240 thousand –** an expert appraiser valued the property using the comparative method, pairwise comparison.
  - **Fabryka Smaków Restaurant – PLN 666 thousand –** an expert appraiser valued the building using the income approach, investment method, based on the binding lease agreements and market conditions.

In the table below, the Company presents sensitivity analysis for fair value of assets classified as investment property to other unobservable inputs.

Property	**Valuation methods**	**Material unobservable inputs**	**Valuation sensitivity**
Office and office and warehouse properties in Wysogotowo, Poland	Income approach, investment method, direct capitalisation	The capitalisation rate was determined based on property location, standard and technical condition of the building, lease agreements concluded, current demand to supply ratios on the office property market in the Poznań area and the current situation on financial markets. Capitalisation rates for prime property stay in the range of 6.75%−7.5%, and 9%−11.5% for lower standard property. For the purposes of valuations performed, the 8.5% capitalisation rate was adopted.	A slight increase (decrease) in the adopted capitalisation rate would result in a major decline (rise) in the fair value of the valued property.
		For the purposes of the valuation, a market monthly lease payment was adopted based information on lease rates for similar locations, similar buildings in Wysogotowo, as well as lease payments provided for in the lease agreements concluded recently for the property valued. Market rates stay in the range PLN 16−35 per square metre per month. In the valuations performed, the following monthly lease rates were used: PLN 22−30 per square metre of office space and PLN 13 per square metre of warehouse space.	A major increase (decrease) in the adopted market lease rate would result in a major increase (decrease) in the fair value of the valued property.

Commercial property − restaurant	Income approach, investment method	The capitalisation rate was determined based on property location, standard and technical condition of the building, lease agreements concluded, current demand to supply ratios on the office property market in the Poznań area and the current situation on financial markets. For the purposes of valuations performed, the 8.5% capitalisation rate was adopted.	A slight increase (decrease) in the adopted yield would result in a major decline (rise) in the fair value of the valued property.
		Given the lack of lease offers for restaurant properties in the valued property's area, the lease rate from the currently binding lease agreement was adopted for the purposes of the valuation.	A major increase (decrease) in the adopted market lease rate would result in a major increase (decrease) in the fair value of the valued property.
Land and developed property	Comparative method, pairwise comparison and average price adjustment	Given the valuation methods used, other similar properties traded on the market, for which transaction prices, transaction terms and property profiles were known, were taken into account for comparison purposes.	An increase (decrease) in transaction prices for similar properties traded on the market would result in a proportional increase (decrease) in the fair value of the valued property.

All amounts in PLN thousand (unless otherwise indicated)

During the reviewed period, the Company earned rentals and recognised the following direct operating expenses:

Item	For period Jan 1–Dec 31 2014	For period Jan 1–Dec 31 2013
Amounts recognised in the statement of comprehensive income:		
- rental income from investment property	1,554	1,367
- direct operating expenses (including cost of repair and maintenance) attributable to the investment property that earned rentals in the period	(1,420)	(1,494)
- direct operating expenses (including cost of repair and maintenance) attributable to investment property that did not generate rental income during the period	-	-
Total	**134**	**(127)**

Mortgages were established on investment property for the benefit of Bank DnB Nord Polska S.A. and Bondholders of Piecobiogaz S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation) to secure repayment of liabilities. As at December 31st 2014, the carrying amount of buildings and land mortgaged as security was PLN 29,200 thousand (December 31st 2013: PLN 39,373 thousand). The security amount fell as a result of a change in the fair value of the mortgaged assets.

Liability / restricted title	Type of security	Collateral	Carrying amount	
			As at Dec 31 2014	As at Dec 31 2013
Bondholders of Piecobiogaz S.A. w upadłości likwidacyjnej (in liquidation bankruptcy)	contractual joint ceiling mortgage	land,	12,900	12,500
Bank DNB NORD POLSKA S.A.	tacit mortgage	buildings,	14,478	23,934
Bank DNB NORD POLSKA S.A.	tacit mortgage	land,	1,822	2,939
Total carrying amount of investment property			**29 200**	**39,378**

By the date of authorisation of these financial statements for issue, all mortgages in favour of Bank DNB Nord Polska SA had been deleted.

5.6. LONG-TERM INVESTMENTS

Long-term investments comprise works of art and antiques with a value of PLN 7,577 thousand. The assets are not depreciated and are disclosed at cost.

5.6.1. INVESTMENTS IN SUBSIDIARIES AND JOINT ARRANGEMENTS

5.6.2. INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries were measured at historical cost, net of impairment losses.

All amounts in PLN thousand (unless otherwise indicated)

The following table presents the Company's investments in subsidiaries:

Item	Acquisition cost of investments in subsidiaries	Cumulative impairment as at Jan 1 2014	Impairment loss recognised in the period Jan 1 − Dec 31 2014	Impairment loss reversed in the period Jan 1 − Dec 31 2014	Increases due to new acquisitions in the period Jan 1 − Dec 31 2014	Decreases due to sale in the period Jan 1 − Dec 31 2014	Carrying amount of investments in subsidiaries as at Dec 31 2014
PBG Avatia Sp. z o.o.	54	-	-	-	-	-	54
Brokam Sp. z o.o.	12,566	820	-	-	-	-	11,746
PBG Dom Sp. z o.o.	69,551	69,551	-	-	-	-	-
Wschodni Invest Sp. z o.o.	41,616	41,616	-	-	-	-	-
PBG Ukraina	759	759	-	-	-	-	-
Bathinex Sp. z o.o.	6,012	6,012	-	-	-	-	-
PBG Oil and Gas Sp. z o.o.	6	-	-	-	-	-	6
PBG Operator Sp. z o.o.	5	5	-	-	-	-	-
PBG Erigo Sp. z o.o.	5,001	5,001	-	-	-	-	-
RAFAKO S.A.	551,223	-	-	-	-	-	551,223
Prepayments	21,000	21,000	-	-	-	-	-
Total	**707,793**	**144,764**	**-**	**-**	**-**	**-**	**563,029**

All amounts in PLN thousand (unless otherwise indicated)

Given the indications identified, the Management Board resolved to perform an impairment test for RAFAKO shares. The test required an estimation of the value in use of the cash-generating unit to which these investments belong. Estimating the value in use requires making an estimate of the expected future cash flows from the cash-generating unit and determining a suitable discount rate in order to calculate the present value of those cash flows. 2015–2019 projections prepared by the RAFAKO Management Board were used in the calculations. The residual value was calculated as at the date of extrapolating the results projected for 2019. Zero growth was assumed for years beyond the forecast period.
The discount rate was estimated based on the weighted average cost of capital determined with the use of the WACC model, understood as the total average cost of all long-term capital used to finance current and future operations. Its calculation is presented in the table below.

WACC – Weighted Average Cost of Capital	2015	2016	2017	2018	2019	2019+
share of equity	0.75	1.00	1.00	1.00	1.00	1.00
share of interest-bearing debt	0.25	0.00	0.00	0.00	0.00	0.00
Cost of equity – CAPM	13.56%	11.22%	11.18%	11.18%	11.18%	11.18%
Cost of interest-bearing debt	2.67%	4.46%	5.51%	5.51%	5.51%	5.51%
WACC	**10.80%**	**11.22%**	**11.18%**	**11.18%**	**11.18%**	**11.18%**

Cost of equity was estimated based on the Capital Assets Pricing Model (CAPM) according to the following formula:

$$\mathbf{k_w} = ((1+r_w)/(1+CPI)-1) + \beta * r$$

where:

$\mathbf{k_w}$ – cost of equity

r_w – rate of return on risk-free assets (5-year Treasury bonds)

CPI – inflation rate

r – country-specific risk premium

β – market risk coefficient

- In 2015, the risk-free rate of return was assumed as the current yield on five-year Treasury bonds, which as at the valuation date was 1.98% per annum (based on the average price at the bond auction of January 22nd 2015). The rate of return on the bonds is expected to rise to 5.48% in the coming years, which is associated with the NBP's projected increase of the inflation rate to 2.5% (the NBP's target inflation rate).
- The return on five-year Treasury bonds was adjusted by the CPI of 1.0% for 2015 and 1.2% for 2016. The inflation rate was set at 2.5% for later periods, in line with the National Bank of Poland's CPI-based inflation forecast.
- The risk premium for the entire projection period was assumed at 7.03%[1]. The level of the risk premium was based on the risk premium calculated for Poland in a research report published by Aswath Damodaran in January 2015 (Total Equity Risk Premium).

[1] source: http://people.stern.nyu.edu/adamodar/ (January 2015)

- Unlevered Beta was assumed at 1.18, based on current tables published by Aswath Damodaran for companies in the European machinery sector[2]. The coefficient was levered with the Company's debt and came in at 1.50 in the first year of the projections. In later years, the coefficient falls to 1.18 following repayment of interest-bearing debt according to RAFAKO's estimates.

Cost of equity – CAPM

CAPM	2015	2016	2017	2018	2019	2019+
1. Risk-free rate of return $((1+r_w)/(1+CPI)-1)$	**3.01%**	**2.94%**	**2.91%**	**2.91%**	**2.91%**	**2.91%**
- return on 5-year bonds - r_w	1.98%	4.18%	5.48%	5.48%	5.48%	5.48%
- CPI (yoy)	*-1.0%*	*1.2%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
2. Risk premium – *r*	**7.03%**	**7.03%**	**7.03%**	**7.03%**	**7.03%**	**7.03%**
3. Levered Beta	**1.50**	**1.18**	**1.18**	**1.18**	**1.18**	**1.18**
Unlevered Beta - Machinery - β	1.18	1.18	1.18	1.18	1.18	1.18
Cost of equity – k_w	**13.56%**	**11.22%**	**11.18%**	**11.18%**	**11.18%**	**11.18%**

The cost of debt was assumed at the level determined based on RAFAKO's existing credit facilities.

The table below presents detailed results of the sensitivity analysis.

Table: Sensitivity analysis of the recoverable amount of 61.01% of RAFAKO shares (PLN '000).

Change in WACC	FCF growth rate beyond the projection period				
	-1.00%	**-0.50%**	**0.00%**	**0.50%**	**1.00%**
-1.00%	765,016	787,546	812,290	839,590	869,865
-0.50%	726,317	746,366	768,292	792,372	818,940
0.00%	690,817	708,728	**728,242**	749,582	773,020
0.50%	658,136	674,196	691,631	710,626	731,400
1.00%	627,953	642,402	658,036	675,010	693,502

Another important asset under the discussed item, with respect to which the Company has not recognised an impairment loss, are shares in Brokam, worth PLN 11.7m. Brokam's assets include:

- Ownership title to an undeveloped property, with a total area of 3.2879ha, situated in the Ząbkowice Śląskie Municipality, geodetic district of Brodziszów,
- Geological documentation of granodiorite reserve (Brodziszów-Kłośnik B Field, together with geological information included in simplified geological documentation, and
- Rights under the ownership title to geological documentation related to the granodiorite reserve and rights under licences for granodiorite production from the reserve.

By the asset acquisition date, geophysical studies and drilling work had been performed, which confirmed the presence of granodiorite resources of 32,553.5 thousand tonnes and determined the quality of the

[2] source: http://people.stern.nyu.edu/adamodar/ (January 1st 2015)

mineral, which falls within the classes applicable to granodiorite. As the Company's Management Board is not able to determine if the asset has been impaired, it has decided to present the asset in these financial statements at historical cost.

In 2012, at the request of Banco Espirito Santo de Investimento S.A. Oddział w Polsce (Polish Branch) (BESI), enforcement proceedings were instituted against the Company (KM2034/12; KM 2358/12; KM 2660/12), where BESI pursued claims against the Parent under bank guarantees. As at December 31st 2013, PBG's shares in the following companies had been seized: Brokam Sp. z o.o.; PBG Dom Sp. z o.o.; PBG ERIGO Sp. z o.o.; PBG AVATIA w upadłości układowej (in company voluntary arrangement); Bathinex Sp. z o.o.; Energomontaż Południe w upadłości likwidacyjnej (in bankruptcy by liquidation); PBG Technologia w upadłości likwidacyjnej (in bankruptcy by liquidation). On **November 20th 2013,** the Company and BESI signed an agreement, which resulted in **suspension** of all enforcement proceedings instituted at BESI's request (decisions of the enforcement officer on suspension of enforcement proceedings of December 3rd 2013 and December 9th 2013). However, suspension of the enforcement proceedings did not result in release of the seized assets. The enforcement officer's actions (including the seizures) prior to suspension of the proceedings remain in effect. Following the suspension of the proceedings, the enforcement officer may not perform any **further** enforcement actions. Under a decision issued by the District Court for Poznań-Grunwald and Jeżyce in Poznań on October 24th 2013, enforcement proceedings instituted at the request of BESI, court docket No. KM 2034/12, were discontinued. The District Court's decision became final after on March 31st 2014 the Regional Court of Poznań issued a decision to dismiss the appeal lodged by BESI. As at December 31st 2014, enforcement proceedings instituted at the request of BESI, court docket Nos. KM 2358/12 and KM 2660/12, remained suspended.
For a description of changes in financial assets relating to investments in subsidiaries in the period January–December 2014, see Note 2.3 to these financial statements.

5.6.3. JOINT ARRANGEMENTS

The Company is performing the contract 'Delivery of the working design, construction and commissioning of the Liquefied Natural Gas Regasification Terminal in Świnoujście'. In these financial statements, the contract is recognised and disclosed as a joint operation under IFRS 11.
In accordance with the consortium agreement, the Company holds a 33% interest in the joint operation and this proportion of the joint operation's liabilities, revenue and costs is recognised in its books and financial statements.

As at December 31st 2014 and December 31st 2013, the share held by the Company (as a party to the contract) in assets and liabilities of the joint operation (under that contract) recognised in these financial statements was as follows:

All amounts in PLN thousand (unless otherwise indicated)

Item	As at Dec 31 2014	As at Dec 31 2013
Non-current assets	1,975	2,551
Current assets	45,280	86,854
Non-current liabilities	1,401	-
Current liabilities	108,560	73,639

For the years ended December 31st 2014 and December 31st 2013, the Company's share in income and expenses of the joint arrangement recognised in these financial statements was as follows:

Item	As at Dec 31 2014	As at Dec 31 2013
Revenue	181,101	214,076
Cost of sales	(201,770)	(230,722)
Other income	556	2,360
Other costs	(1,841)	(4,278)
Profit/(loss) before tax	(21,954)	(18,564)

5.7. FINANCIAL ASSETS AND LIABILITIES

5.7.1. CATEGORIES OF ASSETS AND LIABILITIES

In these financial statements, financial assets are presented in the following IAS 39 measurement categories:

1 - loans and receivables

2 - financial assets at fair value through profit or loss - held for trading

3 - financial assets at fair value through profit or loss - designated as such upon initial recognition

4 - held-to-maturity investments

5 - available-for-sale financial assets

6 - derivatives designated as cash flow hedging instruments

7 - assets not included in IAS 39.

In these financial statements, financial liabilities are presented in the following IAS 39 measurement categories:

1 - financial liabilities at fair value through profit or loss - held for trading

2 - financial liabilities at fair value through profit or loss - designated as such upon initial recognition

3 - financial liabilities measured at amortised cost

4 - derivatives designated as cash flow hedging instruments

5 - liabilities not included in IAS 39.

All amounts in PLN thousand (unless otherwise indicated)

CARRYING AMOUNTS OF EACH CATEGORIES OF FINANCIAL ASSETS DEFINED IN IAS 39

Item	*Categories of financial instruments defined in IAS 39							**Total**
	Receivables and loans	Financial assets at fair value through profit or loss - held for trading	Financial assets at fair value through profit or loss - designated as such upon initial recognition	Held-to-maturity investments	Available-for-sale financial assets	Derivatives designated as cash flow hedging instruments	Non-IAS 39	
As at Dec 31 2014								
Non-current:								
Receivables	23,827	-	-	-	-	-	310	**24,137**
Loans advanced	127,213	-	-	-	-	-	-	**127,213**
Derivative financial instruments	-	-	-	-	-	-	-	**-**
Other non-current financial assets	-	-	-	-	31	-	-	**31**
Current assets:								
Trade and other receivables receivables	19,870	-	-	-	-	-	316	**20,186**
Loans advanced	142,814	-	-	-	-	-	-	**142,814**
Derivative financial instruments	-	-	-	-		-	-	**-**
Other current financial assets	-	-	-	-	-	-	-	**-**
Cash and cash equivalents	40,421	-	-	-	-	-		**40,421**
Total carrying amounts of each categories	**354,145**	**-**	**-**	**-**	**31**	**-**	**626**	**354,802**
As at Dec 31 2013								
Non-current:								
Receivables	26,844	-	-	-	-	-	600	**27,444**
Loans advanced	246,020	-	-	-	-	-	-	**246,020**
Derivative financial instruments	-	-	-	-	-	-	-	**-**
Other non-current financial assets	-	-	-	-	849	-	-	**849**
Current assets:								
Trade and other receivables	79,691	-	-	-	-	-	276	**79,967**
Loans advanced	113,651	-	-	-	-	-	-	**113,651**
Derivative financial instruments	-	-	-	-	-	-	-	**-**

Other current financial assets	-	-	-	-	-	-	-	**-**
Cash and cash equivalents	99,806	-	-	-	-	-	-	**99,806**
Total carrying amounts of each categories	**566,012**	**-**	**-**	**-**	**849**	**-**	**876**	**567,737**

Name:	PBG S.A. w upadłości układowej (in company voluntary arrangement)		
Period covered by the financial statements:	January 1st–December 31st 2014	Reporting currency:	Polish złoty (PLN)
Rounding:	All amounts in PLN thousand (unless otherwise indicated)		

Item	*Categories of financial instruments defined in IAS 39					Total
	Financial liabilities at fair value through profit or loss - held for trading	Financial liabilities at fair value through profit or loss - designated as such upon initial recognition	Financial liabilities measured at amortised cost	Derivatives designated as cash flow hedging instruments	Non-IAS 39	
As at Dec 31 2014						
Non-current:						
Borrowings and other debt instruments	-	-	-	-	-	**-**
Finance lease liabilities	-	-	-	-	4,522	**4,522**
Derivative financial instruments	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	**-**
Short-term liabilities:						
Trade and other payables	-	-	482,219	-	-	**482,219**
Borrowings and other debt instruments	-	-	1,208,814	-	-	**1,208,814**
Finance lease liabilities	-	-	-	-	651	**651**
Derivative financial instruments	-	-	-	-	-	**-**
Total carrying amounts of each categories	**-**	**-**	**1,691,033**	**-**	**5,173**	**1,696,206**
As at Dec 31 2013						
Non-current:						
Borrowings and other debt instruments	-	-	-	-	-	**-**
Finance lease liabilities	-	-	-	-	5,172	**5,172**
Derivative financial instruments	-	-	-	-	-	**-**
Other liabilities	-	-	-	-	-	**-**
Short-term liabilities:						
Trade and other payables	-	-	452,015	-	-	**452,015**
Borrowings and other debt instruments	-	-	1,233,209	-	-	**1,233,209**
Finance lease liabilities	-	-	-	-	676	**676**
Derivative financial instruments	-	-	-	641	-	**641**
Total carrying amounts of each categories	**-**	**-**	**1,685,224**	**641**	**5,848**	**1,691,713**

All amounts in PLN thousand (unless otherwise indicated)

5.7.2. RECEIVABLES AND LOANS

Item	As at Dec 31 2014	As at Dec 31 2013
Non-current:		
Receivables	24,137	27,444
Non-bank borrowings	127,213	226,740
Non-current loans and receivables	**151,350**	**254,184**
Current assets:		
Trade and other receivables	20,186	79,967
Non-bank borrowings	142,814	132,932
Current loans and receivables	**163,000**	**212,899**
Receivables and loans:	**314,350**	**467,083**
receivables	**44,323**	**107,411**
loans advanced	**270,027**	**359,672**

In 2014, the Company recorded a decline in non-current receivables and a considerable drop in current receivables. For details, see Note 5.9.

Change in carrying amount of loans.

Item	for the period Jan 1 Dec 31 2014	for the period Jan 1–Dec 31 2013
Gross carrying amount		
Balance at beginning of period	**662,331**	**687,551**
Loans advanced in the period	9	-
Interest accrued at the effective interest rate	32,663	37,334
Repayment of loans with interest (-)	(41,340)	(39,832)
Discount	8,315	(19,281)
Exchange differences	(34,453)	(5,567)
Other changes	(5,504)	(2,126)
Carrying amount at end of period	**622,021**	**662,331**
Accumulated impairment		
Balance at beginning of period	**302,659**	**291,534**
Impairment loss recognised as expense in the period	55,608	85,145
Impairment loss reversed (-)	(6,273)	(74,020)
Amounts written off (uncollectable) (-)	-	-
Other changes	-	-
Accumulated impairment at end of period	**351,994**	**302,659**
Carrying amount at end of period	**270,027**	**359,672**

In 2014, the Company recorded a drop in loans advanced. The change was attributable to repayment of principal and interest of PLN 41,340 thousand (2013: PLN 39,832 thousand) and a considerable depreciation of the Ukrainian hryvnia, which reduced the value of the asset and resulted in exchange differences of PLN 32m (2013: PLN 5m).

In 2014, the Company recognised an impairment loss on loans advanced of PLN 55,608 thousand (2013: PLN 85,145 thousand). The impairment loss was disclosed in other expenses. An impairment loss of PLN 30,068 thousand (2013: PLN 71,724 thousand) was related to loans advanced to PBG Group companies,

All amounts in PLN thousand (unless otherwise indicated)

while PLN 25,540 thousand (2013: PLN 13,421 thousand) was attributable to loans advanced to other entities (including in particular a PLN 25,334 thousand impairment loss on the loan granted to Infra S.A.).
In 2014, the Company reversed an impairment loss of PLN 6,273 thousand (2013: PLN 72,162 thousand) in correspondence with other income.

The net amount of loans of PLN 188,767 thousand (granted to PBG Dom Sp. z o.o.) disclosed in these financial statements reflects the adopted divestment strategy, which was drafted by the management boards of PBG DOM Sp. z o.o. and PBG ERIGO Sp. z o.o. (subsidiaries managing property development projects), and approved by the Management Board of PBG S.A. w upadłości układowej (in company voluntary arrangement).
The amount of expected inflows from the projects has been estimated using the property development subsidiaries' cash flow projections, prepared on the basis of historical sales data (time required to complete sale transactions, prices), valuations by qualified appraisers, and the current trends on the property market. The deadlines for closing the projects fall in the period Q2 2013 - Q4 2018. The following table presents the currently projected inflows against the inflows projected in 2013:

Year	Inflows as planned in 2014	Inflows as planned in 2013
2014	X	77,412
2015	80,174	36,870
2016	32,613	27,940
2017	32,600	33,368
2018	54,345	57,440
Total	**199,732**	**233,030**
Discounted value	**188,767**	**213,749**

The data presented in the table above reflect the Management Board's current best estimates of the possibility of selling property, and thus recovering the borrowed funds.
In 2014, PBG Dom repaid loans and interest of PLN 33,715 thousand.

Other assets presented under loans include registered investment certificates in Dialog Plus – "Direct Investment Fund – High-Potential Property," a closed-end non-diversified venture-type investment fund. The Company acquired a total of 234,250 certificates with a par value of UAH 1,000 each. The carrying amount of the securities disclosed in these financial statements is PLN 53,002 thousand (December 31st 2013: PLN 87,455 thousand). The year-on-year drop in the securities' value results from the difficult political situation in Ukraine and the resultant significant depreciation of the Ukrainian hryvnia. The Company acquired the certificates with proceeds from the issue of bonds aimed at raising funds to support, among other things, the preparation of investment projects which would generate income and positive cash flows in the long term.
Due to their economic substance, the certificates are presented as loans.
Proceeds from redemption of the certificates by the non-diversified fund are applied towards financing the operations of the subsidiary Energopol Ukraina. In accordance with the conservative valuation principle, as

All amounts in PLN thousand (unless otherwise indicated)

at December 31st 2014 the Company recognised an impairment loss whereby the certificates were disclosed at recoverable amount, the entire interest accrued in the period (PLN 6,149 thousand) was written off, and negative exchange differences of PLN 32,997 thousand were accounted for.

Age of loans advanced past due

Item	Dec 31 2014	
	Dec 31 2014	Dec 31 2013
Non-bank borrowings		
Up to 1 month	-	-
From 1 to 6 months	-	-
From 6 to 12 months	195	377
Over one year	28,293	33,218
Past-due loans advanced	**28,488**	**33,595**

5.7.3. BORROWINGS AND OTHER DEBT INSTRUMENTS

The table below presents the amounts of borrowings and other debt instruments recognised in the financial statements.

Item	Current liabilities	
	As at Dec 31 2014	As at Dec 31 2013
Financial liabilities at amortised cost		
Bank borrowings	363,015	374,672
Bank overdrafts	1,299	14,037
Disclosed under bank overdrafts (measurement of closed forwards)	4,179	4,179
Borrowings	1,549	1,549
Debt instruments	838,772	838,772
Financial liabilities at amortised cost	**1,208,814**	**1,233,209**
Financial liabilities designated to be measured at fair value through profit or loss:		
Bank borrowings	-	-
Debt instruments	-	-
Other	-	-
Financial liabilities designated to be measured at fair value through profit and loss:	-	-
Total borrowings and other debt instruments	**1,208,814**	**1,233,209**

In 2012, all credit facility agreements which the Company had concluded earlier were terminated or expired, as reported by the Company in detail in its financial statements prepared as at December 31st 2012. Consequently, as at December 31st 2014, in these financial statements, under equity and liabilities, the Company discloses terminated or expired credit facility agreements in an aggregate amount of PLN 364,314 thousand (December 31st 2013: PLN 388,709 thousand).

Under "Borrowings and other debt instruments", the Company also recognises terminated derivative contracts. As at December 31st 2014, these contracts totalled PLN 4,179 thousand (December 31st 2013: PLN 4,179 thousand).

In 2014, the Company did not repay any claims under the credit facilities, as these claims are covered by the arrangement and their satisfaction is governed by the Bankruptcy and Restructuring Law. The decrease in claims not covered by the arrangement pursuant to the Bankruptcy and Restructuring Law resulted from enforcement of security by creditors and from the performance of agreements concluded by the Company, as reported in Current Reports No. 11/2013, No. 23/2013 and No. 32/2013.

Under "Debt instruments", the Company discloses its liabilities under Series C and Series D bonds, which had arisen before the Company was declared insolvent. Pursuant to the Terms and Conditions of the Bonds, the Company was called by bondholders to redeem the bonds (see the financial statements as at December 31st 2012). As at the redemption call date, the value of the bonds including interest accrued to the day preceding the date on which the court declared the Company insolvent in voluntary arrangement, was PLN 838,772 thousand.

Given that the Company was declared insolvent, its liabilities incurred prior to the court's decision on the insolvency (issued on June 13th 2012) are not measured at amortised cost but at a value including interest accrued to the date of the insolvency declaration. Interest on secured liabilities continuous to accrue.

Since 2012, the Management Board has been actively involved in negotiations with the Company's Creditors on the terms of debt repayment. In 2013, the Financial Creditors (representing the largest group of the Company's creditors) were provided with a plan of the Company's operational restructuring, prepared by PBG S.A. and its financial adviser, PWC Polska Sp. z o.o. Moreover, on November 3rd 2014 the Management Board and its legal adviser Weil, Gotshal&Manges, Paweł Rymarz Sp. k. completed the preparation of the Arrangement Proposals. On the same date, the Company filed the Arrangement Proposals along with the grounds therefor, with the Bankruptcy Court, as reported by the Company in Current Report No. 23/2014. Pursuant to the Arrangement Proposals, the Company's Creditors are to be satisfied in seven groups, depending on the category of interest they represent and the type and amount of their claims. The full text of the Arrangement Proposals as filed with the court is available on the Company's website at www.pbg-sa.pl in the 'Restructuring' section.

On June 12th 2013, the Company was notified that the list of claims had been delivered by the court supervisor to Judge Commissioner. The total amount of the acknowledged claims placed in the list of claims by the court supervisor was PLN 2,776,254 thousand. On July 4th 2013, the Judge announced that the drafting of the list of claims had been completed. On December 24th 2013, the Judge announced completion by the Court Supervisor of the first supplementary list of claims as at November 29th 2013. The total amount of the acknowledged claims included in the first supplementary list of claims by the Court Supervisor was PLN 191.25m. On May 28th 2014, the Judge announced completion by the Court Supervisor of the second supplementary list of claims as at April 22nd 2014. The total amount of the acknowledged claims included in the second supplementary list of claims by the Court Supervisor was PLN 89.7m. Subsequently, on August 13th 2014, the Judge announced completion of the third supplementary list of claims as at July 29th 2014. The total amount of the acknowledged claims included in the third supplementary list of claims by the Court Supervisor was PLN 70.7m. On December 9th 2014, the Judge issued decisions approving: (i) the list of claims; (ii) the first supplementary list of claims; (iii) the second supplementary list of claims, and (iv) the third supplementary list of claims, as reported by the Company in Current Report No. 28/2014. The total amount of accepted claims on the approved list of claims and three

All amounts in PLN thousand (unless otherwise indicated)

supplementary lists of claims, taking into account the decisions on objections and other decisions amending the list, issued before December 9th 2014 in the course of the proceedings, is PLN 3,157,592,640. It should be noted that apart from the amounts included in the lists, new claims may be made in the future, as a result of which the Court Supervisor may draft another supplementary list of claims.
On February 19th 2015, the Judge issued a decision to set the date of the Meeting of PBG Creditors at April 27th-29th 2015 (see Current Report No. 4/2015).

5.8. ASSETS PLEDGED AS SECURITY FOR LIABILITIES

The Company's liabilities under bank borrowings, other debt instruments, finance leases, and the bank and insurance guarantees issued at the Company's request are covered by the following collateral (as at the reporting date):

- contractual mortgage on property of up to PLN 5,535 thousand (2013: PLN 5,535 thousand),
- assignment of receivables of up to PLN 25,072 thousand (2013: PLN 25,072 thousand),
- tacit mortgage of up to PLN 17,138 thousand (2013: PLN 12,738 thousand),
- promissory note with a promissory note declaration of up to PLN 143,527 thousand (2013: PLN 143,527 thousand),
- statement of voluntary submission to enforcement of up to PLN 526,980 thousand (2013: PLN 526,980 thousand).

5.9. FURTHER INFORMATION ON FINANCIAL INSTRUMENTS

Below, the carrying amounts of financial assets and liabilities are compared with their respective fair values. All financial assets and liabilities are presented, irrespective of whether in the separate financial statements they are disclosed at amortised cost or fair value.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Class of financial instrument	Dec 31 2014		Dec 31 2013	
	Fair value	Carrying amount	Fair value	Carrying amount
Assets:				
Non-bank borrowings	270,027	270,027	359,672	359,673
Trade and other receivables	44,323	44,323	107,411	107,411
Derivative financial instruments	-	-	-	-
Debt instruments	-	-	-	-
Listed equity instruments	-	-	-	-
Investments in non-listed equity instruments	31	31	849	849
Investment fund certificates	-	-	-	-
Other classes of other financial assets	-	-	-	-
Cash and cash equivalents	40,421	40,421	99,806	99,806
Liabilities:	-		-	
Bank borrowings	-	363,015	-	374,672
Bank overdrafts	-	1,299	-	14,037
Bank overdrafts (measurement of closed forwards)	-	4,179	-	4,179

All amounts in PLN thousand (unless otherwise indicated)

Non-bank borrowings	-	1,549	-	1,549
Debt instruments	-	838,772	-	838,772
Finance lease liabilities	5,173	5,173	5,848	5,848
Derivative financial instruments	-	-	641	641
Trade and other	128,548	482,219	98,344	452,015

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value of financial instruments for which there is an active market is determined on the basis of quoted market prices (bid price and asking price). If the market for a financial instrument is not active, an entity establishes fair value by using a valuation technique. Inputs to the valuation technique make maximum use of active market variables (foreign exchange rates, interest rates, etc.).

For further information on the method of measurement and fair value of financial assets and liabilities, which, in accordance with the accounting policies applied by the Company, are disclosed in the Company's statement of financial position at fair value, see Note 5.10.

The fair value of financial assets and liabilities for which there is no active market and which, in accordance with the accounting policies applied by the Company, are disclosed in the Company's statement of financial position at amortised cost, has been determined for the purpose of preparation of this Note as present value of estimated future cash flows, discounted at the market interest rate. The fair value was estimated solely based on unobservable inputs (level 3 of the fair value hierarchy according to IFRS 13 Fair Value Measurement).

For financial assets and liabilities such as loans advanced, financial receivables, cash and cash equivalents, and financial leases, for which the carrying amount is not significantly different from their fair value.

On the day the court issued its decision declaring the Company insolvent in voluntary arrangement, the Company stopped accruing interest on bank borrowings (except for those secured), bonds in issue and trade payables contracted prior to the court's decision. Consequently, as at the reporting date the Company was unable to estimate the fair value of those financial instruments.

5.10. DISCLOSURES CONCERNING FAIR VALUE MEASUREMENT METHODS FOR FINANCIAL INSTRUMENTS

In 2014, the Company did not carry any financial instruments at fair value. In 2013, the Company recognised a liability under derivative instruments of PLN 641 thousand classified under Level 2.

In the reporting period there were no material transfers between Level 1 and Level 2 fair value measurements.

All amounts in PLN thousand (unless otherwise indicated)

5.11. INVENTORIES

STRUCTURE OF INVENTORIES

Item	As at Dec 31 2014	As at Dec 31 2013
Raw materials	737	-
Semi-finished products and work in progress	-	436
Finished goods	-	-
- value at cost	-	-
- inventory write-down (-)	-	-
Merchandise	777	342
Prepaid deliveries	-	157
Total carrying amount of inventories	**1,514**	**935**

INVENTORY WRITE-DOWNS

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
At beginning of period	**1,401**	**2,989**
Write-downs recognised as expense in the period, under:	117	-
Cost of sales	-	-
Administrative expenses	-	-
Other expenses	117	-
Restructuring costs	-	-
Finance costs	-	-
Write-downs reversed, recognised as income in the period (-) under:	(239)	(1,588)
Revenue (-)	-	-
Other income (-)	(239)	(1,588)
Finance income (-)	-	-
Amounts written off (uncollectable) (-)	-	-
Balance at end of period	**1,279**	**1,401**

In the reporting period, the Company reversed a write-down on inventories of PLN 239 thousand (December 31st 2013: PLN 1,588 thousand).

As at December 31st 2014, a mortgage of PLN 500 thousand was created in favour of DnB Nord Polska S.A. on a land property classified as the Company's inventory (December 31st 2013: PLN 500 thousand).

By the date of authorisation of these financial statements for issue, the mortgage had been deleted.

5.12. TRADE AND OTHER RECEIVABLES

The table below presents trade and other receivables disclosed by the Company under receivables:

All amounts in PLN thousand (unless otherwise indicated)

NON-CURRENT RECEIVABLES

Item	As at Dec 31 2014	As at Dec 31 2013
Financial assets		
Financial receivables	**24,137**	**27,444**
Trade receivables	-	7,829
Allowance for credit losses on trade receivables (-)		-
Non-current receivables, net	**-**	**7,829**
Disposals of non-current assets	-	3,880
Amount of retentions on construction contracts	23,503	19,015
Finance lease receivables	310	600
Other receivables	324	-
Impairment loss on other financial receivables (-)	-	(3,880)
Other financial receivables, net	**24,137**	**19,615**
Non-financial assets		
Non-financial receivables	**-**	**122**
Taxes, social security and other	-	-
Prepayments received for construction contract work	-	122
Total Non-current receivables	**24,137**	**27,566**

Non-current receivables include receivables from retentions used as a performance bond for the LMG contract. These amounts bear no interest. Due to long payment terms, in some cases exceeding 12 months, these receivables have been discounted. Non-current receivables are discounted at the rate based on 1M WIBOR + 1 p.p. As at December 31st 2014, the discount rate was 3.08% (December 31st 2013: 3.61%).

Non-current receivables are subject to relatively high credit risk. The Management Board monitors debtors' standing on an on-going basis; in the event of any threat to full recoverability of a receivable, an impairment loss is recognised.

In these financial statements, non-current receivables are disclosed at net amounts, after discounting.

IMPAIRMENT LOSSES ON NON-CURRENT RECEIVABLES

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
At beginning of period	**3,880**	**8,580**
Impairment loss recognised as expense during the period	-	-
Impairment loss reversed (-)	-	-
Amounts written off (uncollectable) (-)	-	(4,700)
Other changes (transfer to current receivables)	(3,880)	-
Balance at end of period	**-**	**3,880**

CURRENT RECEIVABLES

Item	As at Dec 31 2014	As at Dec 31 2013
Financial assets		
Financial receivables	**20,186**	**79,967**
Trade receivables	88,638	143,758
Allowance for credit losses on trade receivables (-)	(70,251)	(69,468)
Trade receivables (net)	**18,387**	**74,290**

All amounts in PLN thousand (unless otherwise indicated)

Disposals of non-current assets	4,934	2,340
Amount of retentions on construction contracts	3,713	6,857
Finance lease receivables	316	276
Receivables under court proceedings	-	-
Disposals of equity instruments	1,635	1,635
Other receivables	3,778	3,628
Impairment loss on other financial receivables (-)	(12,577)	(9,059)
Other net financial receivables	**1,799**	**5,677**
Non-financial receivables	**38,637**	**31,102**
VAT receivables	3,418	117
Taxes, social security and other	-	-
Prepayments received for construction contract work	4,588	7,291
Settlements with employees	549	649
Other non-financial receivables	-	-
Receivables under penalties	18,721	18,721
Other receivables under repayment of borrowings covered by sureties	12,668	-
Retentions	5,454	5,258
Other non-financial receivables	9,482	1,673
Impairment loss on other financial receivables (-)	(16,243)	(2,607)
Total trade and other receivables	**58,823**	**111,069**

The Company views the carrying amount of trade receivables as a reasonable approximation of their fair value.

Impairment losses on receivables recognised in the reporting period as other expenses in the statement of profit or loss were as follows:

- with respect to current receivables: PLN 15,201 thousand (2013: PLN 12,244 thousand).

Changes in impairment losses on current receivables which were recognised during the period covered by these financial statements are presented in the table below:

IMPAIRMENT LOSSES ON CURRENT RECEIVABLES

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
At beginning of period	**81,134**	**129,060**
Other changes (transfer to current receivables)	3,880	-
Impairment loss recognised as expense during the period	15,201	12,244
- including at PBG Group companies	-	-
Impairment loss reversed (-)	(1,144)	(33,960)
- including at PBG Group companies (-)	-	-
Amounts written off (uncollectable) (-)	-	(26,210)
- including at PBG Group companies (-)	-	-
Other (net exchange differences)	-	-
Balance at end of period	**99,071**	**81,134**

All amounts in PLN thousand (unless otherwise indicated)

Impairment losses on financial and non-financial receivables recognised by the Company are presented in the table above.

- Impairment losses on financial receivables of PLN 1,521 thousand (2013: PLN 11,326 thousand)
- Impairment losses on non-financial receivables of PLN 13,680 thousand (2013: PLN 918 thousand)

The table below presents current and past due financial receivables and relevant impairment losses.

Item	Dec 31 2014		Dec 31 2013	
	Not past due	Past due	Not past due	Past due
Current receivables:				
Trade receivables	13,162	75,476	73,565	70,193
Allowance for credit losses on trade receivables (-)	(29)	(70,222)	(4,506)	(64,962)
Trade receivables (net)	**13,133**	**5,254**	**69,059**	**5,231**
Other financial receivables	4,569	9,806	5,481	9,255
Impairment loss on other financial receivables (-)	(3,880)	(8,696)	-	(9,059)
Other net financial receivables	**689**	**1,110**	**5,481**	**196**
Financial receivables	**13,822**	**6,364**	**74,540**	**5,427**

AGE OF PAST DUE CURRENT FINANCIAL RECEIVABLES NOT WRITTEN OFF

Item	Dec 31 2014		Dec 31 2013	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Current receivables past due:				
Up to 1 month	309		4,732	71
From 1 to 6 months	1,546	1,031	5,792	119
From 6 to 12 months	3,046	52	4,922	851
Over one year	70,575	8,723	**54,747**	8,214
Past due financial receivables	**75,476**	**9,806**	**70,193**	**9,255**

The receivables disclosed in the statement of financial position were not pledged as security for the Company's liabilities.

5.13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks and cash in hand, as well as current financial assets with maturities up to three months. The carrying amounts of these assets correspond to their fair values.
For the purposes of the statement of cash flows, cash and cash equivalents comprise the following items:

Item	As at Dec 31 2014	As at Dec 31 2013
Cash at bank (accounts in PLN)	13,911	14,972
Cash in foreign currency bank accounts	4,242	8,157
Cash in hand (PLN)	56	12
Cash in hand (foreign currencies)	17	12
Short-term deposits (PLN)	22,195	76,653
Total	**40,421**	**99,806**

All amounts in PLN thousand (unless otherwise indicated)

As at December 31st 2014, cash with the carrying amount of PLN 15,708 thousand (December 31st 2013: PLN 23,283 thousand) is held in a bank account of the Consortium performing the contract for the construction of the LNG Terminal in Świnoujście. As a member of the Consortium, the Company discloses in these financial statements 33% of the value of the funds credited to the Consortium's accounts.

5.14. SHARE CAPITAL

In 2014, there were no changes in the Company's share capital. The share capital amounted to PLN 14,295 thousand and was divided into 14,295,000 shares with a par value of PLN 1.00 per share.
As at December 31st 2014, the structure of the share capital was as follows:

Series / Issue	Preference	Limitation of rights	Number of shares	Value of series / issue at par value	Manner of payment
series A	voting preference 2:1	none	3 740 000	3,740	contribution in kind
series A	none	none	1,960,000	1,960	cash
series B	none	none	1,500,000	1,500	cash
series C	none	none	3,000,000	3,000	cash
series D	none	none	330,000	330	cash
series E	none	none	1,500,000	1,500	cash
series F	none	none	1,400,000	1,400	cash
series G	none	none	865,000	865	cash
				14,295	

CHANGES IN THE SHAREHOLDING STRUCTURE IN THE REPORTING PERIOD COVERED BY THESE FINANCIAL STATEMENTS

Changes in the Company's shareholding structure in 2014

In 2014, there were no changes in the ownership structure of the Company shares held by shareholders holding 5% or more of total voting rights at the General Meeting.

CHANGES IN SHAREHOLDING STRUCTURE SUBSEQUENT TO DECEMBER 31ST 2014

Between December 31st 2014 and the date of authorisation of these financial statements, no changes occurred in the ownership structure of the Company shares held by shareholders holding 5% or more of total voting rights at the General Meeting.

All amounts in PLN thousand (unless otherwise indicated)

SHAREHOLDERS HOLDING AT LEAST 5% OF TOTAL VOTING RIGHTS AT THE GENERAL MEETING AS AT DECEMBER 31ST 2014

Shareholder	Number of shares	Total par value (PLN)	Ownership interest (%)	% of total voting rights
Jerzy Wiśniewski	3,881,224 shares, including: 3,735,054 Series A registered preference shares	3,881,224	27.15%	42.23%

5.14.1. SHARE PREMIUM

Share premium includes premiums received from the issue of series B, C, D, E, F, and G shares, net of issue costs recognised as a reduction of reserve funds. As at December 31st 2014, the share premium was PLN 733,348 thousand (2013: PLN 733,348 thousand).

5.14.2. OTHER COMPONENTS OF EQUITY

LOAN FROM MAJORITY SHAREHOLDER

As at December 31st 2014 and December 31st 2013, the Company had liabilities under a loan from its major shareholder totalling PLN 35,790 thousand plus accrued interest. Pursuant to Art. 14.3 of the Polish Commercial Companies Code, a shareholder's receivables under a loan advanced to the company are deemed the shareholder's contribution to the company if the company is declared bankrupt within two years from the date of the loan agreement. Accordingly, the Company recognised the liabilities in its equity.

5.15. DIVIDENDS

In 2014, the Company paid no dividend. Pursuant to Resolution No. 4, the Annual General Meeting of June 16th 2014 resolved to withhold the net profit of PLN 128,658 thousand (one hundred and twenty-eight million, six hundred and fifty-eight thousand złoty) from distribution to shareholders and to allocate it in full to cover the retained losses from previous years.

Pursuant to Resolution No. 4, the Annual General Meeting held on June 21st 2013, resolved to cover the net loss for 2012 in an amount of PLN 2,322,544 thousand (two billion, three hundred and twenty-two million, five hundred and forty-four thousand złoty) with profits of future years.

All amounts in PLN thousand (unless otherwise indicated)

5.16. PROVISIONS

5.16.1. EMPLOYEE BENEFITS

Item	Provision for retirement severance	Unused holiday entitlement	Total
For the period from Jan 1 to Dec 31 2014			
Balance as at Jan 1 2014	**201**	**505**	**706**
Increase in provisions recognised as expense in the period (new provisions)	-	205	205
Reversal of provisions recognised as income in the period (-)	-	(167)	(167)
Actuarial gains/losses	(37)	-	(37)
Cost of benefits paid	-	-	-
Balance at Dec 31 2014, including:	**164**	**543**	**707**
- non-current provisions	164	-	164
- current provisions	-	543	543
for the period Jan 1–Dec 31 2013			
Balance as at Jan 1 2013	**195**	**487**	**682**
Increase in provisions recognised as expense in the period (new provisions)	9	232	241
Reversal of provisions recognised as income in the period (-)	-	(214)	(214)
Cost of benefits paid	(3)	-	(3)
Balance as at Dec 31 2013, including:	**201**	**505**	**706**
- non-current provisions	201	-	201
- current provisions	-	505	505

Provisions for employee benefits – retirement gratuity and accrued holiday entitlement – are assessed using the projected unit credit method. The amount of provisions depends on the assumptions concerning the discount rate and the expected salary increase index.

In 2014, the Company reduced the increase in the provision for retirement gratuities following a revision of estimates by PLN 37 thousand. In 2013, the provision was increased by PLN 9 thousand.

In 2014, the Company increased the provision for accrued holiday entitlements by PLN 38 thousand (2013: PLN 18 thousand).

All amounts in PLN thousand (unless otherwise indicated)

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
Salaries and wages	24,377	29,694
Social security	3,095	3,915
Share-based payments schemes	-	-
Future benefits, including:		
- Provision for retirement severance payments	164	201
- Provision for unused holiday entitlement	543	505
Other costs related to employee benefits	356	411
Total employee benefits expense, including:	**28,535**	**34,726**
- recognised as cost of sales	**14,099**	**19,637**
- recognised as distribution costs	**-**	**-**
- recognised as administrative expenses	**14,436**	**15,089**

5.16.2. OTHER PROVISIONS

The table below shows provisions disclosed in these financial statements, including the provision for warranties, provision for losses on construction contracts, and provision for restructuring costs, as well as changes in those provisions in the respective periods:

CHANGES IN OTHER PROVISIONS

Item	Provisions for warranties	Provision for losses on construction contracts	Restructuring provision	Other provisions	Total
For the period from Jan 1 to Dec 31 2014					
Balance as at Jan 1 2014	**13,270**	**12,880**	**17,838**	**445,056**	**489,044**
Revision of estimates	690	-	6,993	3,313	10,996
Reversal of provisions recognised as income in the period	(2,068)	-	-	(90,046)	(92,114)
Use of provisions (-)	(2,008)	-	(6,187)	-	(8,195)
Revision of estimates (-)	-	(2,772)	-	-	(2,772)
Balance at Dec 31 2014, including:	**9,884**	**10,108**	**18,644**	**358,323**	**396,959**
- non-current provisions	7,134	-	-	354,510	361,644
- current provisions	2,750	10,108	18,644	3,813	35,315
for the period Jan 1–Dec 31 2013					
Balance as at Jan 1 2013	**13,785**	**996**	**32,023**	**780,054**	**826,858**
Increase in provisions recognised as expense in the period (new provisions)	-	-	-	-	-
Revision of estimates	6,278	11,884	-	907	19,069
Reversal of provisions recognised as income in the period (-)	(4,845)	-	-	-	(4,845)
Use of provisions (-)	(1,948)	-	(14,185)	(460)	(16,593)
Revision of estimates (-)	-	-	-	(335,445)	(335,445)
Other changes in provisions	-	-	-	-	-
Balance as at Dec 31 2013, including:	**13,270**	**12,880**	**17,838**	**445,056**	**489,044**
- non-current provisions	9,305	-	-	444,555	453,860
- current provisions	3,965	12,880	17,838	501	35,184

The Company recognises provisions in accordance with the policies specified in Note 4.21.

All amounts in PLN thousand (unless otherwise indicated)

Provision for the Company's potential liabilities under the sureties and guarantees issued and under joint and several liability to subcontractors related to projects performed under consortium agreements is the most significant provision recognised by the Company. The value of the provision recognised in 2012 was PLN 780,000 thousand. In accordance with IAS 8, the Company reviewed its estimates at December 31st 2014 and reversed the provision down to PLN 354,510 thousand. The above amount is the amount that Company expects to pay its Creditors as part of the arrangement proposals filed by the Company on November 3rd 2014 with the District Court, to be presented to the Creditors for approval by way of voting at the creditors' meeting.
(See Note 2.5.3.).

Another important item is a provision for future obligations related to the restructuring of the Company. The provision was recognised in 2012 at PLN 32,023 thousand. In 2014, the Company used PLN 6,187 thousand of the provision. As at the end of 2014, the Company reviewed its estimates and increased the provision by PLN 6,993 thousand, hence PLN 18,644 thousand remains available under the provision.

5.17. TRADE AND OTHER PAYABLES

Item	As at Dec 31 2014	As at Dec 31 2013
Financial liabilities	**482,219**	**452,015**
Trade payables	299,384	268,913
Purchase of non-current assets	2,614	3,087
Liabilities under investment purchases		-
Liabilities under purchase of debt	12,378	12,391
Liabilities under purchase of equity instruments	160,289	160,289
Amount of retentions on construction contracts	7,553	7,335
Other financial liabilities		-
Non-financial liabilities	**4,214**	**20,843**
VAT payable	-	16,438
Tax and duties and grants payable	616	752
Prepayments received for deliveries	-	-
Prepayments received for construction contract work	-	-
Other non-financial liabilities	3,598	3,653
Total trade and other payables	**486,433**	**472,858**

Given that the Company was declared insolvent, its liabilities incurred prior to the court's decision on the insolvency (issued on June 13th 2012) are not measured at amortised cost but at a value including interest accrued to the date of the insolvency declaration (June 12th 2012). Interest on secured liabilities continuous to accrue. Other liabilities incurred after the court's decision declaring the Company insolvent in voluntary arrangement are measured at amortised cost.

For information on amounts due to customers for construction contract work, see Note 5.19.

All amounts in PLN thousand (unless otherwise indicated)

AGE OF PAST DUE CURRENT FINANCIAL LIABILITIES

Item	Dec 31 2014		Dec 31 2013	
	Trade payables	Other financial liabilities	Trade payables	Other financial liabilities
Current financial liabilities past due:				
Up to 1 month	1,266	-	5,656	302
From 1 to 6 months	280	-	69,243	12
From 6 to 12 months	77,813	41	822	11,948
Over one year	104,286	179,343	**99,786**	167,612
Total current financial liabilities past due:	**183,645**	**179,384**	**175,507**	**179,874**

The Company meets its liabilities as they fall due. The table above shows past due liabilities that arose before the announcement of the Company's insolvency and cannot be paid as they fall due. They will be settled once the arrangement is approved.

5.18. ACCRUALS AND DEFERRALS

Item	Non-current		Current	
	As at Dec 31 2014	As at Dec 31 2013	As at Dec 31 2014	As at Dec 31 2013
Assets - prepaid expenses:				
- Insurance contracts	-	60	255	502
- Guarantees	127	194	63	98
- Subscriptions, training	-	-	9	4
- New projects expenses - joint ventures	-	-	13	-
- Other	-	-	985	1,234
Assets - prepaid expenses	**127**	**254**	**1,325**	**1,838**
Liabilities - deferred income:				
- audit provision	-	-	70	64
- Deferred service income	1,184	1,387	280	385
Liabilities - deferred income:	**1,184**	**1,387**	**350**	**449**

Under accrued expenses, the Company recognises grants received in 2004–2006 under the EU programme "Sectoral Operational Programme Improvement of the Competitiveness of Enterprises" to fund new fixed assets to enhance the Company's competitiveness. Benefits from the grant are recognised throughout the asset's depreciation period. In 2014, the Company recognised PLN 349 thousand as other income on grants (2013: PLN 3,176 thousand). As at the reporting date, there are no terms and conditions not yet met that could contribute to the grant becoming repayable.

5.19. CONSTRUCTION CONTRACTS

The amounts recognised in the statement of financial position arise under construction contracts in progress as at the reporting date. Amounts due from (liabilities to) customers for construction contract work are recognised as the aggregate recognised cost of a construction contract increased by profit (or decreased by loss) on the contract, less progress billings. The carrying amounts of amounts due to and from customers for construction contract work are presented in the table below:

All amounts in PLN thousand (unless otherwise indicated)

The Company performs long-term construction contracts whose valuation as at the reporting date is based on the Management Board's estimates of the contracts' planned results.

Item	As at Dec 31 2014	As at Dec 31 2013
Initial amount of revenue agreed in contract	1,299,586	1,637,791
Variations	(7,403)	(39,631)
Aggregate contract revenue	**1,292,183**	**1,598,160**
Costs incurred to the reporting date	1,094,516	1,196,045
Costs expected to be incurred to complete contract work	239,878	389,617
Aggregate estimated contract costs	**1,334,394**	**1,585,662**
Estimated profits/(losses)	**(42,211)**	**12,498**
Stage of completion as at the reporting date	**82.02%**	**75.43%**
Prepayments received as at the reporting date	-	-
Prepayments that can be set off with amounts due from customers for construction contract work	-	-
Retentions total	27,770	26,909
Aggregate costs incurred to the reporting date	1,104,624	1,208,925
Aggregate profits (losses) recognised to the reporting date	(51,854)	(7,011)
Revenue estimated as at the reporting date	**1,052,770**	**1,201,914**
Progress billings	995,197	1,209,010
Amounts due from customers for construction contracts work as at the reporting date	**57,709**	**17,483**
Amounts due from customers for construction contract work payable to consortium members as at the reporting date	-	-
Amounts due from customers for construction contract work payable to the consortium as a whole as at the reporting date, less prepayments that can be set off	**57,709**	**17,483**
Amounts due to customers for construction contracts work as at the reporting date	**136**	**24,579**

Revenue from construction contract work reflects the Company's best estimates of costs planned to be incurred, the expected results, and the stage of completion of particular construction contracts determined in line with the rules defined in the Company's accounting policies. Revenue amounts presented in the financial statements (in earlier reporting periods) include contractual penalties which have been or may be imposed on the Group for failing to meet the originally agreed delivery deadlines. The Company also recognised provisions for expected losses on running contracts, which as at the reporting date amounted to PLN 10,108 thousand.

The presented revenue amounts account for the effect of termination by PGNiG S.A. (Employer) of the contract for the construction of the Wierzchowice Underground Gas Storage Facility on April 2nd 2014. As at the reporting date, the Company had recognised provisions for cost deficit under settlements with the subcontractors under that contract, and further recognised as revenue, taking a conservative approach, amounts due for the estimated scope of works not yet settled, based on a survey of the construction site carried out by the Employer. The Company's Management Board is of the opinion that the survey carried out by the Employer does not reflect the actual value of completed work and the Company will seek to document a greater progress of work than specified in the Employer's document.

In view of the protracted final phase of construction of the LNG Terminal in Świnoujście, the Company updated the contract budget and adjusted the forecast result to reflect the data submitted by the Consortium implementing the contract. The estimated result on the contract was reduced by more than PLN 22m, which was reflected in the Company's financial statements for 2014. The current progress of work under the contract for construction of the Liquefied Natural Gas Regasification Terminal in Świnoujście is 96%. The process of mechanical completion, commissioning and start-up of completed units is underway. The key reason for failure to meet the contractual completion deadline is change of legal regulations that occurred during contract implementation. The Saipem-Techint-PBG consortium is still conducting negotiations with the Employer regarding the impact of the change in legal regulations and design changes on contract costs and work schedule. The negotiations concern the terms of finalising the contract, in particular the new deadline for placement of the LNG Terminal in service. The talks and exchange of statements between the Employer and the Consortium did not bring any satisfactory result. Thus, a likely scenario is that the dispute will be resolved using instruments provided for in the contract (including arbitration) to determine the liability of the parties for the contract work delays and their financial consequences.
On March 13th 2015, the Employer issued a debit note for a total of PLN 71m (3% of the contract value), charging the Consortium with contractual penalties for the delay in achieving the Key Milestones. The Consortium does not agree with the Employer's position and did not accept the debit note.

If the total costs to be incurred in connection with the running contracts increased by 10% on the Company's current estimates, revenue would theoretically decrease by PLN 10.6m as at the end of the reporting period, provision for expected losses would increase by PLN 3.4m, and net loss would be greater by a total of PLN 14.0m.

In view of the binding confidentiality agreements, the PBG Management Board disclosed the information required under IAS 11 Construction Contracts as aggregate amounts, without itemising the individual contracts.

If the Company, as a consortium leader, considers an agreement executed between the principal and the consortium as a construction contract, such long-terms contracts are settled based on revenue and expense budgets for the portion of the contract completed only by the Company, and expenses received from other consortium members and revenue invoices issued to the principal for work performed by consortium members, are not recognised in the Company's statement of profit or loss.

In 2008, the Company's Management Board signed an agreement as a member of a consortium, considered a joint arrangement under IFRS 11. The Company classifies the agreement as joint operations.
Joint operations:

All amounts in PLN thousand (unless otherwise indicated)

- *Consortium of Saipem SpA, Techint Sp, Snamprogetti Canada INC, PBG S.A., PBG Energia Sp. z o.o. (formerly PBG Export Sp. z o.o.) formed to execute the project "Delivery of the working design, construction and commissioning of the Liquefied Natural Gas Regasification Terminal in Świnoujście"; The contract price is PLN 2,367,751 thousand.*

5.20. NOTES TO SELECTED ITEMS OF THE STATEMENT OF PROFIT OR LOSS

5.20.1. REVENUE

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
- domestic customers	227,031	327,106
- foreign customers	13	9,022
Norway	13	-
Total revenue	**227,044**	**336,108**

5.20.2. COSTS BY TYPE

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
Depreciation and amortisation	5,258	8,364
Raw materials and consumables used	47,574	102,159
Services	175,590	274,783
- lease	509	763
- advisory services	5,701	14,594
- IT services	2,379	2,898
- bank services and commissions	159	1,072
- other LNG	115,979	133,961
- construction services	20,789	23,069
- design services	1,079	2,141
- other	28,995	96,285
Taxes and duties	1,489	1,742
Employee benefits	19,355	25,245
Other expenses	15,040	15,760
Total expenses	**265,306**	**428,053**
Merchandise and materials sold	1,960	1,597
Changes in inventories of finished goods and work in progress (-)	19,360	(6,417)
Cost of sales, distribution costs and administrative expenses	**285,626**	**423,233**

All amounts in PLN thousand (unless otherwise indicated)

5.20.3. OTHER INCOME

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
Gain on disposal of non-financial non-current assets	313	1,440
Reversals of impairment losses and write-downs on assets, including:		
- receivables	125	10,625
- inventories	-	1,588
- loans advanced	-	2,148
Interest related to operating activities, including interest on:		
- on cash in bank accounts	-	-
- on loans advanced	780	309
- other interest	263	576
Reversals of unused provisions	2,068	4,845
Compensation and penalties received	44	270
Grants received	349	3,176
Lease income	1,944	1,469
Gain on disposal of equity instruments	82	1,139
Total fair value and disposal gains on financial instruments at fair value through profit or loss	641	-
Discount (long-term settlements)	9,244	-
Other income, including:		
- court fees refunded	319	22
- reversal of provision for guarantees and sureties	90,046	335,444
- other income	2,958	1,993
Total other income	**109,176**	**365,044**

5.20.4. OTHER EXPENSES

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
Change in fair value of investment property	12,380	11,870
Impairment loss on assets, including:		
- property, plant and equipment and intangible assets	3,444	3,958
- receivables	15,313	8,216
- loans advanced	22,955	16,570
- other assets	-	1,500
Interest related to operating activities, including interest on:		
- trade payables and other liabilities	3,313	1,898
Compensation and penalties paid	44	617
Exchange differences on operating activities	34,479	6,949
Total fair value and disposal losses on financial instruments at fair value through profit or loss	1,022	302
Discount (long-term settlements)	-	351
Other expenses, including:		
- cost of court proceedings	70	1,624
- fair value losses on financial instruments at fair value through profit or loss	380	302
- VAT expense relating to bad debt	3,242	993
- other expenses	412	938
Total other operating expenses	**97,054**	**55,786**

All amounts in PLN thousand (unless otherwise indicated)

5.20.5. FINANCE INCOME

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
Interest income for financial assets not at fair value through profit or loss:		
Cash and cash equivalents (deposits)	832	1,039
Loans and receivables	-	5
Total interest income for financial assets not at fair value through profit or loss	**832**	**1,044**
Gain (loss) (+/-) from exchange differences on:		
Cash and cash equivalents	-	2,106
Loans and receivables	-	-
Financial liabilities at amortised cost	-	-
Total gain (loss) (+/-) from exchange differences	**-**	**2,106**
Interest income on impaired financial assets	-	-
Other finance income	191	2,939
Total finance income	**1,023**	**6,089**

5.20.6. FINANCE COSTS

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
Interest expenses for financial liabilities not at fair value through profit or loss:		
Finance lease liabilities	-	263
Bank borrowings	966	1,102
Bank overdrafts	-	291
Trade and other payables	41	66
Total interest expenses for financial liabilities not at fair value through profit or loss	**1,007**	**1,722**
Gain (loss) (-/+) from exchange differences on:		
Cash and cash equivalents	204	286
Loans and receivables	-	-
Financial liabilities at amortised cost	-	-
Gain (loss) (-/+) from exchange differences	**204**	**286**
Losses on available-for-sale financial assets recycled from equity	-	-
Impairment loss on loans (financial portion)	-	11
Impairment losses on held-to-maturity investments	-	84,983
Impairment losses on available-for-sale financial assets	818	12,097
Other finance costs	-	485
Total finance costs	**2,029**	**9,984**

All amounts in PLN thousand (unless otherwise indicated)

6. INCOME TAX EXPENSE

6.1. CURRENT TAX EXPENSE

The table below presents reconciliation of corporate income tax on profit/(loss) before tax computed at the statutory tax rate with corporate income tax computed at the effective tax rate for the years ended December 31st 2014 and December 31st 2013:

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
Profit/(loss) before tax	**(54,458)**	**128,658**
Tax rate applied by the Company	19%	19%
Tax calculated at the Company's domestic tax rate	**(10,347)**	**24,445**
Reconciliation of income tax due to:		
- application of a different tax rate in the Group companies (+/-)		
- non-taxable income (-)	(28,649)	(64,379)
- expenses which are permanently non-tax-deductible (+)	2,038	264
- use of previously unrecognised tax losses (-)	-	-
- unrecognised deferred tax asset on negative temporary differences (+)	22,205	28,081
- unrecognised deferred tax asset on tax losses (+)	16,446	11,589
- unrecognised deferred tax liability on positive temporary differences (-)	-	-
- adjustment to tax expense for previous periods (+/-)	(1,693)	
- other		
Income tax expense	**(0)**	**0**
Average tax rate applied	0%	0%

In 2014, the Company recognised a tax loss of PLN 72,335 thousand (2013: PLN 60,993 thousand), which it intends to utilise by 2018. The Company did not recognise any deferred tax assets.

All amounts in PLN thousand (unless otherwise indicated)

6.2. DEFERRED TAX

The table below presents deferred tax assets and liabilities disclosed in the financial statements:

Item	As at Dec 31 2014	As at Dec 31 2013
Balance at beginning of period:		
Deferred tax assets	30,588	39,574
Deferred tax liabilities	30,588	39,574
Net deferred tax at beginning of period	**-**	**-**
Changes in the period recognised in:		
Profit and loss (+/-)	-	-
Other comprehensive income (+/-)	-	-
Other	-	-
Net deferred tax at end of period, including:	**-**	**-**
Deferred tax assets	31,439	30,588
Deferred tax liabilities	31,439	30,588

DEFERRED TAX ASSETS

Temporary differences	Balance at beginning of period	Change in:		Balance at end of period
		Statement of profit or loss	Other comprehensive income	
As at Dec 31 2014				
Deferred tax asset				
- retirement benefits	38	(7)		31
- accrued holiday entitlements	96	7		103
- warranty repairs	2,332	(720)		1,612
- unpaid salaries and wages during the period		18		18
- unpaid social security contributions	106	(14)		92
- interest accrued on loans	287	(28)		259
- interest accrued on liabilities	1,057	(21)		1,036
- interest accrued on bonds and other securities	2,617			2,617
- liabilities on borrowings measured at adjusted acquisition cost (using effective interest rate method)	6			6
- costs related to accrued but uninvoiced revenue	3,120	2,408		5,528
- over-invoicing	1,573	(1,547)		26
- impairment loss on receivables	13,553	(360)		13,193
- impairment loss on property, plant and equipment	-	961		961
- allowance for credit losses on loans	20,958	3,524		24,482
- unrealised foreign exchange losses	1	(1)		-
- audit provision	12	1		13
- discount		2		2
- restructuring provision	3,390	153		3,543
- provision for IT services		8		8
- interest accrued on borrowings	9	-		9

All amounts in PLN thousand (unless otherwise indicated)

- write-down of deferred tax asset to the amount of deferred tax liability	(18,567)	(631)		(19,198)
Total	**30,588**	**851**	**-**	**31,439**
As at Dec 31 2013				
Deferred tax assets				
- retirement benefits	37	1		38
- accrued holiday entitlements	93	3		96
- warranty repairs	2,619	(287)		2,332
- provision for losses on contract				-
- unpaid salaries and wages during the period				-
- unpaid social security contributions	130	(24)		106
- interest accrued on loans	628	(341)		287
- interest accrued on liabilities	1,043	14		1,057
- interest accrued on bonds and other securities	2,617			2,617
- liabilities on borrowings measured at adjusted acquisition cost (using effective interest rate method)	6			6
- fair value measurement of financial instruments	4,040	(4,040)		-
- costs related to accrued but uninvoiced revenue	11,378	(8,258)		3,120
- over-invoicing	1,946	(373)		1,573
- impairment loss on receivables	5,136	8,417		13,553
- impairment loss on property, plant and equipment	-	-		-
- allowance for credit losses on loans	-	20,958		20,958
- unrealised foreign exchange losses	369	(368)		1
- audit provision	16	(4)		12
- discount	-	-		-
- restructuring provision	6,085	(2,695)		3,390
- other (over-invoicing related to LNG joint venture)	3,431	(3,431)		-
- interest accrued on borrowings	-	9		9
- write-down of deferred tax asset to the amount of deferred tax liability	-	(18,567)		(18,567)
Total	**39,574**	**(8,986)**	**-**	**30,588**

DEFERRED TAX LIABILITIES

Temporary differences	Balance at beginning of period	Change in:		Balance at end of period
		Statement of profit or loss	Other comprehensive income	
As at Dec 31 2014				
Deferred tax liability				
- unrealised interest accrued on borrowings	20,957	3,524		24,481
- unrealised interest accrued on deposits and own cash		1		1
- revenue recognised during the current period – subsequent period for tax purposes	3,322	(789)		2,524
- difference between net carrying amount of own tangible assets and tax base of assets	2,591	(701)		1,890
- difference between net carrying amount of leased tangible assets and tax base of assets	88	51		139

All amounts in PLN thousand (unless otherwise indicated)

- unrealised foreign exchange gains	9	1		10
- discount	3,621	(1,227)		2,394
- other				-
Total	**30,588**	**851**	**-**	**31,439**
As at Dec 31 2013				
Deferred tax liability				
- unrealised interest accrued on borrowings	16,413	4,544		20,957
- unrealised interest accrued on deposits and own cash	12	(3)		9
- revenue recognised during the current period – subsequent period for tax purposes	17,875	(14,553)		3,322
- difference between net carrying amount of own tangible assets and tax base of assets	3,531	(940)		2,591
- difference between net carrying amount of leased tangible assets and tax base of assets	50	38		88
- fair value measurement of financial instruments	434	(434)		-
- unrealised foreign exchange gains	328	(328)		-
- discount	402	3,219		3,621
- income from the sale of shares	529	(529)		-
Total	**39,574**	**(8,986)**	**-**	**30,588**
As at Dec 31 2013				

The estimate of the deferred tax calculation is chiefly related to the recognition of deferred tax assets up to the amount of the accrued deferred tax liabilities.

The Company estimated deferred tax assets as at the reporting date at PLN 50,637 thousand (2013: PLN 49,155 thousand) and wrote off the amount up to the amount of deferred tax liability by PLN 19,198 thousand (2013: PLN 18,567 thousand).

In the year ended December 31st 2014, the Company recognised tax losses of PLN 86,556 thousand, which will be carried forward to future reporting periods.

Because there was no certainty whether tax losses of PLN 513,947 thousand incurred in 2012−2014 would be utilised in subsequent years, the Management Board decided not to recognise a deferred tax asset relating to tax losses of PLN 97,650 thousand.

The Management Board also decided not to recognise a deferred tax asset relating to other temporary differences in an amount exceeding deferred tax liabilities.

7. EARNINGS PER SHARE

Earnings per share are computed as the quotient of net profit attributable to owners to the weighted average number of ordinary shares outstanding during the period.

While computing both basic and diluted earnings (loss) per share, the Company substitutes the amount of net profit (loss) attributable to its owners in the numerator, thus avoiding the dilutive effect on profit (loss).

All amounts in PLN thousand (unless otherwise indicated)

The table below presents the computation of the basic and diluted earnings (loss) per share, with the reconciliation of the diluted weighted average number of shares.

Item	Jan 1–Dec 31 2014	Jan 1–Dec 31 2013
Continuing operations		
Net profit/(loss) from continuing operations	(54,458)	128,658
Weighted average number of ordinary	14,295,000	14,295,000
Dilutive effect of options		
Diluted weighted average number of ordinary shares	14,295,000	14,295,000
Basic earnings per share (PLN)	(3.81)	9.00
Diluted earnings per share (PLN)	(3.81)	9.00

8. CASH FLOWS

The PLN 51,114 thousand increase/(decrease) in trade and other receivables disclosed in the separate statement of cash flows for the 12 months ended December 31st 2014 was caused by:

- PLN 63,733 thousand decrease in trade receivables,
- PLN 3,300 thousand increase in public charges (including VAT),
- PLN 2,824 thousand decrease in prepayments made,
- PLN 1,348 thousand increase in security deposits receivable,
- PLN 10,795 thousand increase in other receivables.

The PLN 14,049 thousand change in liabilities disclosed in the separate statement of cash flows was mainly caused by:

- PLN 31,122 thousand increase in trade payables,
- PLN 219 thousand increase in retentions and security deposits,
- PLN 718 thousand decrease in other liabilities,
- PLN 16,574 thousand decrease in public charges.

The PLN 92,107 thousand change in accruals and deferrals as shown in the separate statement of cash flows was mainly caused by:

- PLN 4,118 thousand increase in the restructuring provision,
- PLN 641 thousand decrease in prepayments and accrued income,
- PLN 301 thousand decrease in deferred income,
- PLN 362 thousand decrease in the provision for employee benefits,
- PLN 3,385 thousand decrease in the provision for provided guarantees,
- PLN 2,772 thousand decrease in the provision for losses on construction contracts,
- PLN 90,046 thousand decrease in the provision for provided guarantees and sureties.

All amounts in PLN thousand (unless otherwise indicated)

The PLN 64,669 thousand change in settlements under construction contracts shown in the separate statement of cash flows was mainly caused by:

– PLN 40,226 thousand increase in receivables on valuation of construction work contracts,
– PLN 24,443 thousand decrease in liabilities on account of contract over-invoicing.

In the statement of cash flows the Company showed positive cash flows from investing activities of PLN 44,218 thousand, which were mainly attributable to the repayment of loans advanced and interest on loans of PLN 41,340 thousand. The balance of cash flows from investing activities was also impacted by proceeds from disposals of property, plant and equipment (PLN 3,090 thousand), purchase of property, plant and equipment (PLN 200 thousand), expenses related to investment property (PLN 86 thousand), and other inflows/outflows (PLN 74 thousand).

In its statement of cash flows, the Company disclosed negative cash flows from financing activities of PLN 25,949 thousand. This negative balance was a result of repayment of borrowings (PLN 24,249 thousand), interest on borrowings and interest on finance leases (PLN 1,368 thousand), and repayment of finance lease liabilities (PLN 939 thousand).

Interest on deposits of PLN 607 thousand had a positive effect on the balance of cash flows from investing activities.

9. CONTINGENT ASSETS AND LIABILITIES

Off-balance-sheet receivables	**Dec 31 2014**
Receivables under bank and insurance guarantees received mainly as security for performance of contracts, including:	21,478
- from related entities	
Receivables under sureties received, including:	
- from related entities	
Promissory notes received as security, including:	17,017
- from related entities	
Letters of credit	
Funds blocked in subcontractors' bank accounts	
Total off-balance-sheet receivables, including:	**38,495**
- from related entities	

Off-balance-sheet liabilities	**Dec 31 2014**
Commitments under bank guarantees issued mainly as security for performance of contracts, including:	131,197
- to related entities	
Liabilities under sureties, including:	1,221,245
- to related entities	
Promissory notes issued as security, including:	1,620
- to related entities	
Letters of credit	
Guarantee claims paid	359,342
Total off-balance-sheet liabilities, including:	**1,713,404**
- to related entities	

In these financial statements as at December 31st 2014, the Company discloses contingent liabilities of **PLN 1,713,404 thousand** as off-balance-sheet items. The contingent liabilities pertain to liabilities under sureties issued for credit facilities and trade payables, sureties issued to third parties by the Company, as well as liabilities under guarantees issued at the request of the Company to third parties and liabilities under promissory notes.

The Company has acknowledged the liabilities and once the arrangement is approved by vote and the court's decision approving the arrangement becomes final the liabilities will be paid in compliance with the arrangement. As at December 31st 2012, the Company estimated and recognised a provision for contingent liabilities of PLN 780 thousand. As at December 31st 2014, the Company adjusted the provision to PLN 354,510 thousand. Less the amount of recognised provision, the contingent liabilities disclosed by the Company as at December 31st 2014 amounted to PLN **1,358,894** thousand.

As at December 31st 2014, the Company disclosed contingent receivables of **PLN 38,495 thousand** as off-balance-sheet liabilities. The contingent receivables are related mainly to performance bonds of PLN 21,478 thousand and promissory notes of PLN 17,017 thousand.

The Company does not have any information regarding the amount of off-balance-sheet receivables and liabilities for the comparative period, i.e. as at December 31st 2013. The Company would have to incur disproportionately high costs and make undue effort to obtain the comparative data, therefore the Company decided to present the data for the current period only.

10. LITIGATIONS AND DISPUTES

As at the reporting date, the Company was involved in litigations in which it acted as the defendant or the plaintiff.

10.1. Key litigation and other disputes instigated by the Company

1. PBG S.A. w upadłości układowej (in company voluntary arrangement) against the State Treasury – General Director for National Roads and Motorways (GDDKiA), court docket No. IC 1022/12

The case concerns a Court amendment to Contract No. 2811/30/2010 (construction of the A4 motorway). The party requested a PLN 270,100 thousand rise in the VAT-exclusive remuneration payable to the Consortium due to a sharp increase in the prices of construction materials and services (the prices of steel, aggregate, concrete, bitumen, and fuels, including transport costs).
The case is pending.

2. PBG S.A. w upadłości układowej (in company voluntary arrangement) against Control Process S.A. – a case for payment including petition for exemption from court fees and a petition for a temporary injunction order

The Company is pursuing claims against Control Process S.A. in connection with the provision of general contracting services related to the 'LMG Project - Central Facility, Well Areas, Pipelines and Other Infrastructure.' In a payment order issued on January 10th 2014, the Regional Court of Poznań ordered the Defendant to pay the Plaintiff an amount of PLN 996 thousand with interest and cost of proceedings within 14 days, or to lodge an objection. In a letter of April 18th 2014, the Plaintiff's attorney responded to the objection to payment order, and addressed all arguments raised by the Defendant in their objection to payment order. The date of the next hearing of the parties was set for March 19th 2015.

3. PBG S.A. w upadłości układowej (in company voluntary arrangement) against Marian Siska for payment

Action for payment of PLN 1,200 thousand in connection with disposal of shares in GasOil Engineering As. By virtue of a payment order, the Regional Court of Poprad ordered the defendant to make the payment as demanded in the statement of claim. In pleadings of February 18th 2014, Marian Siska appealed against the payment order. The case is pending.

4. PBG S.A. w upadłości układowej (in company voluntary arrangement) against Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. ("MWiK"), court docket No. VIII KC 282/12/K

Proceedings brought before the Regional Court in Bydgoszcz by the Company against Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. ("MWiK") for determining that:

a) the termination notice served by MWiK on June 5th 2012, dissolving contract No. 2004PL16CPE003-12/3 "Rainwater discharge from the water intake protection zone areas of Las Gdański and Czyżkówko and extension of the rainwater system in Bydgoszcz. Part 3", concluded on April 3rd 2008 (the "Contract") with PBG and Hydrobudowa Polska S.A. (currently in bankruptcy by liquidation) as a Consortium member, is ineffective;

b) MWiK is not entitled to claim payment for non-performance or improper performance of the Contract by the Company and Hydrobudowa Polska;

c) MWiK is not entitled to claim any contractual penalty for dissolution of the Contract for reasons attributable to the Company and Hydrobudowa Polska

together with a request to secure the said claims by imposing an injunction on MWiK prohibiting the use of advance payment guarantee No. GZo/329/08-081 granted on May 27th 2008 by Powszechny Zakład Ubezpieczeń S.A. of Warsaw ("PZU"), in particular by demanding any payments under the advance payment guarantee, until the final conclusion of the proceedings; and if any amounts have already been paid by PZU to MWiK under the said guarantee, also by ordering that MWiK returns to the Guarantor any such amounts without delay. The first hearing was scheduled for October 8th 2013.

Value of the claim: PLN 30,849 thousand.

On November 6th 2014, the Court issued a decision dismissing the action. The Company decided not to file an appeal.

5. **PBG S.A. w upadłości układowej (in company voluntary arrangement) against the Bankruptcy Administrator of Maxer S.A. w upadłości (in bankruptcy) – court docket No. IX GNc 1254/13/7**

On September 2nd 2013, the Company filed a claim for payment with the Regional Court of Poznań, 9th Commercial Division, against the Bankruptcy Administrator of Maxer S.A. (in bankruptcy). Value of the claim: PLN 820 thousand. On February 3rd 2015, the Company received a notification regarding a mediation hearing. The case is pending.

6. **PBG S.A. in company voluntary arrangement against the State Treasury, Regional Water Management Authority of Wrocław – court docket No. I Nc 704/13**

On August 28th 2013, the Company filed a claim for payment with the Regional Court of Poznań, 9th Commercial Division, against the State Treasury, Regional Water Management Authority of Wrocław. Value of the claim: PLN 4,092 thousand. The case is pending.

10.2. Disputes pending against the Company:

1. **Litigation concerning construction of the National Stadium in Warsaw**

The Company was a member of the consortium ("the Consortium") selected in a tender as the general contractor for the National Stadium project in Warsaw. On June 1st 2012, the NCS called on the Consortium to pay a penalty of PLN 308,832 thousand for delay in completion of the National Stadium project. On July 5th 2012, the NCS demanded payment of PLN 152,479 thousand from the Guarantor under the insurance guarantee. According to the Consortium (including the Company), the claim for payment of the penalty was unfounded as the delay was caused by reasons for which the Consortium could not be held liable.

As a result, on March 1st 2013 the Consortium (including the Company) brought an action before the Regional Court in Warsaw against the NCS and the State Treasury – the Minister of Sport and Tourism (i) for determining that the defendants are not entitled to claim payment of penalty for delay in the completion of the National Stadium construction project, and (ii) for ordering the defendants to cease the unlawful use of the guarantee issued by Zurich. In addition, the Consortium filed a request for an injunctive relief with respect to the above claims by prohibiting the defendants from accepting any payments under the guarantee provided by the NCS until the final conclusion of the proceedings. By its decision of March 22nd 2013, the Regional Court in Warsaw dismissed the request for injunctive relief. On April 9th 2013, the Consortium filed a complaint against the decision to the Court of Appeals in Warsaw.

On April 22nd 2013 Zurich received the NCS' demand for payment from the performance bond. Then, the Court of Appeals dismissed the appeal. By its decision of September 25th 2013, the District Court of Warsaw suspended the proceedings ex-officio following declaration of bankruptcy of two other plaintiffs, i.e. Alpine Bau Deutschland AG and Alpine Bau GmbH. Pursuant to a representation of December 4th 2013, the administrator of Alpine Bau Deutschland AG and the administrator of Alpine Bau GmbH acceded to the proceedings and moved for resumption of the proceedings. So far, the District Court has not yet issued a decision to resume the proceedings.

Notwithstanding the foregoing, it needs to be emphasised that during performance of the Contract, the Consortium completed a large number of additional works ordered by the NCS in the course of the project, for which it has not received any consideration. Currently, the Consortium (including PBG) is demanding payment for the additional works. Moreover, the Consortium also suffered financial losses in connection with the non-performance or improper performance of the Contract by the NCS. Therefore, the Consortium is planning to bring one or several actions, as the need may be, concerning the claims it has against the NCS and the State Treasury. The exact value of the litigation has not yet been determined. Alpine eliminated formal defects indicated in the decision issued by the Regional Court on May 27th, and the court resumed the proceedings. However, on February 3rd 2015 the parties filed a joint request to suspend the proceedings due to negotiations initiated by the defendant. On February 3rd 2015, the Court suspended the proceedings for 3 months.

In the meantime, on June 18th 2013, PBG and Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation) (another Consortium member) filed a call for a conciliation hearing at the District Court of Warsaw against the State Treasury – the Minister of Sport and Tourism, concerning an amount of PLN 162,984 thousand in payment for the auxiliary work specified above plus damages. The conciliation hearing was held on October 10th 2013, but the parties failed to reach an agreement (court docket No. VIII GCo 552/13).

On April 22nd 2013, the NCS lodged a claim demanding payment by Zurich of a relevant amount under the insurance policy provided as a performance bond (court docket No. XX GC 211/13). On December 16th 2013, the Company filed a defendant-side intervention. On December 18th 2013, a defendant-side

intervention was also filed by the bankruptcy administrator of Hydrobudowa. The date of hearing has not yet been determined. Value of the claim: PLN 152,479 thousand. The parties filed a joint request to suspend the proceedings due to negotiations initiated by the plaintiff.
On September 20th 2013, Imtech Polska sp. z o.o. (one of the main subcontractors working for the Warsaw National Stadium Construction Consortium) filed a claim for payment of PLN 115,037 thousand against PBG S.A., Alpine Construction Polska sp. z o.o., the NCS and the State Treasury – the Minister of Sport and Tourism. Imtech demands payment for the work performed during the construction of the National Stadium in Warsaw and compensation for damages it sustained as a result of its inability to perform the work within the original schedule. On December 12th 2013, the Company received the claim, and filed its response on March 28th 2014 (court docket No. XXVI GC 762/13). By virtue of the court's decision of July 8th 2014, the dispute was referred to mediation (the mediation hearing date was set for September 3rd 2014). Mediation proceedings − no ruling On December 23rd 2014, the Consortium of PBG/HBP filed a counterclaim with the Regional Court of Warsaw (court docket No. XXVI GC 1208/14) against Imtech. Thus, case No. XXVI GC 762/13 Imtech vs Consortium of PBG and the above counterclaim will be considered jointly by the court. The date has not been determined. The case is pending.

Notwithstanding the foregoing, on July 25th 2014 PBG filed with the District Court for the Capital City of Warsaw a petition requesting a call for conciliation hearing (the court docket number has not yet been assigned). In this case, the mediation and the court proceedings have been suspended until the claim filed by Imtech against the State Treasury is resolved. Imtech does not accept the terms set forth in the call for a conciliation hearing filed by PBG. In view of the above, the proceedings before the District Court of Warsaw have been postponed.

2. **Przemysław Rzodkiewicz Agencja MINT against PBG S.A. w upadłości układowej (in company voluntary arrangement), court docket No. XX GC 619/1**

Action for payment of PLN 2,217 thousand before the Regional Court of Warsaw − date of filing the statement of claim: September 17th 2012. The Company filed its response to the claim. The hearing took place on December 17th 2014 and on December 30th 2014 the court awarded PLN 1,644 thousand from the Company to the Plaintiff. The Company appealed against the above decision.

3. **SAN-BUD Sp. z o.o. against PBG S.A. w upadłości układowej (in company voluntary arrangement), court docket No. IX GC 206/13/**

Action for payment of PLN 1,572 thousand before the Regional Court of Wrocław, 10th Commercial Division; date of filing the statement of claim: March 28th 2013. The response to the statement of claim was submitted on June 27th 2013. To date, three hearings have been held, and the date of the next hearing was scheduled by the Court for March 27th 2015. The case is pending.

4. **Towarzystwo Ubezpieczeń Euler Hermes S.A. of Warsaw against PBG S.A. w upadłości układowej (in company voluntary arrangement), court docket No. XVI GNc 1157/13**

On October 9th 2013, Towarzystwo Ubezpieczeń Euler Hermes brought a claim against the Company with reference to a PLN 5,075 thousand payment order on the basis of a promissory note.
Towarzystwo Ubezpieczeń Euler Hermes provided to Hydrobudowa Polska S.A. general insurance in connection with various construction contracts. By way of providing security in respect of potential recourse claims against TU Euler Hermes, Hydrobudowa issued a blank promissory note, for which the Company provided its surety. Following the bankruptcy of Hydrobudowa Polska S.A., the bankruptcy administrator withdrew Hydrobudowa Polska S.A. from a contract performed for the Municipality of Poznań. The Municipality of Poznań demanded satisfaction of its claims from TU Euler Hermes (as the insurer). TU Euler Hermes satisfied the Municipality of Poznań's claim, and then filled in the promissory note and brought an action for payment against the Company (as the entity that backed the promissory note with surety). Based on the information obtained from the Regional Court of Warsaw on July 23rd 2014 it was determined that Nakano Sp. z o.o. acceded to the proceedings as purchaser of TU Euler Hermes' debt claim. In an order issued by the Regional Court of Warsaw on July 3rd 2014, Nakano Sp. z o.o. was requested to demonstrate by means of an official document that the disputed debt claim was transferred to it, which is why the Company had not been officially notified of the changes in the parties to the proceedings.

5. **Dimark Sp. z o.o. against PBG S.A. w upadłości układowej (in company voluntary arrangement), court docket No. IX GC855/14/6**

Action for payment of PLN 1,644 thousand before the Regional Court of Poznań – date of filing of the statement of claim: July 31st 2014.
The Company filed its response to the claim. The hearing took place on December 17th 2014 and on December 30th 2014 the court awarded PLN 1,644 thousand from the Company to the Plaintiff. The Company appealed against the above decision.

10.3. ADMINISTRATIVE PROCEEDINGS

Administrative proceedings instigated ex officio by the Polish Financial Supervision Authority are currently pending against the Company. The proceedings seek the imposition of an administrative sanction on the Company under Art. 96.1c of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, of July 29th 2005.

The Polish Financial Supervision Authority is planning to close the case in March 2015.

11. RISK RELATED TO FINANCIAL INSTRUMENTS

As at the date of authorisation of these financial statements, the Company was in the process of company voluntary arrangement. Going-concern assumption is based on the conviction that the Company will be able to negotiate and reach arrangement with its creditors.
The objectives of the financial risk management at the Company are the following:

- hedging short- and medium-term cash flows and limiting cash flow volatility,

- preventing volatility of the Company's financial result,
- implementing debt and asset restructuring measures.

The key financial instruments used by the Company in 2014 included:

- cash,
- current deposits,
- a lease agreement.

The main purpose of these instruments is to support and secure financially the day-to-day operations of the Company by stabilising and neutralising liquidity risk, and to ensure safe and effective management of free cash.

The Company's other financial instruments, such as trade receivables and payables, arise in the course of the Company's day-to-day operations and are an inherent part thereof.

The policy that the Company presently applies and applied during the entire reporting period is not to trade in financial instruments. The role of all financial instruments discussed in this section is to support the Company's core business processes. The Company does not permit the use of financial instruments for speculative or other purposes not directly related to its core operations.

The key financial risk to which the Company is exposed is liquidity risk.

Liquidity risk

The Company is exposed to liquidity risk, i.e. the loss of ability to timely meet its financial liabilities. The Company monitors the risk of losing operating cash flows by means of a periodic liquidity planning tool. The tool is used to control both maturities of financial assets (mainly receivables) and projected cash flows from operating and investing activities.

As at December 31st 2014, the Company did not use external sources of financing in the form of credit facilities. Borrowings and other debt instruments presented in the statement of financial position are subject to procedures under the Bankruptcy and Restructuring Law.

As at December 31st 2014 and as at the date of authorisation of these financial statements for issue, the Company was focusing its efforts on maintaining financial liquidity necessary to ensure uninterrupted execution of running contracts in the gas and oil segment.

The table below presents the Company's financial liabilities by maturity as at December 31st 2014 and December 31st 2013, based on contractual undiscounted payments.

(*) Part of the liabilities which arose before the date of the court's decision declaring the Company's arrangement bankruptcy is not allocated to relevant periods in which the liabilities fall due because they arose before the announcement of the Company's bankruptcy and are included in the list of claims. The liabilities have been acknowledged by the Company and once the arrangement is approved by vote and the court's decision approving the arrangement becomes final they will be paid in compliance with the arrangement. For such liabilities, it is currently impossible to determine the value of relevant contractual undiscounted payments based on their contractual maturity dates.

All amounts in PLN thousand (unless otherwise indicated)

Item	Current:		Non-current:			Total undiscounted liabilities	Carrying amount of liabilities
	up to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	over 5 years		
As at Dec 31 2014							
Bank borrowings (*)						-	363,015
Bank overdrafts (*)						-	1,299
Liabilities under closed forwards (*)						-	4,179
Non-bank borrowings (*)						-	1,549
Debt instruments (*)						-	838,772
Finance lease liabilities	323	328	1,417	1,600	1,505	5,173	5,173
Trade and other payables	127,400	686	938	10	29	129,063	482,219
Total exposure to liquidity risk	**127,723**	**1,014**	**2,355**	**1,610**	**1,534**	**134,236**	**1,696,206**
As at Dec 31 2013							
Bank borrowings (*)		-	-	-	-	-	374,672
Bank overdrafts (*)		-	-	-	-	-	14,037
Liabilities under closed forwards (*)		-	-	-	-	-	4,179
Non-bank borrowings (*)		-	-	-	-	-	1,549
Debt instruments (*)		-	-	-	-	-	838,772
Finance lease liabilities	526	495	1,803	1,973	2,530	7,327	5,848
Derivative financial instruments	641	-	-	-	-	641	641
Trade and other payables	97,248	950	-	-	-	98,198	452,015
Total exposure to liquidity risk	**98,415**	**1,445**	**1,803**	**1,973**	**2,530**	**106,166**	**1,691,713**

In the case of derivative instruments, fair values are presented as at the respective reporting dates.

As at December 31st 2014, the Company did not have any overdraft facilities.

Interest rate risk

Management of interest rate risk focuses on minimising the impact of fluctuations in interest cash flows on financial assets and liabilities bearing variable rate interest.

On June 13th 2012, the District Court for Poznań–Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declared the Company in arrangement bankruptcy.

The Company stopped accruing interest on bank borrowings, except for the secured bonds in issue and trade liabilities contracted prior to the court's decision declaring the Company insolvent in voluntary arrangement. The amount of liabilities on which the Company stopped accruing interest is PLN 1,541,970 thousand. The above amount may be reduced and the interest terms may change once the Creditors approve the arrangement.

1.1. Currency risk

The Company is exposed to currency risk in connection with transactions it enters into. Currency risk arises when the Company executes sell or buy transactions in currencies other than the transactions' valuation currency.

All amounts in PLN thousand (unless otherwise indicated)

The Company is exposed to risk related to fluctuations in exchange rates due to the fact that raw materials for high unit-value contracts are imported. The contract for construction of the LNG Terminal in Świnoujście exposes the Company to risk related to fluctuations in foreign exchange rates, including the EUR/PLN and USD/PLN rates.

In the reporting period, 22% of the Company's cost of sales was expressed in foreign currencies.

The financial risk management strategy followed by the Company provides for the use of natural hedging to the largest possible extent. The Company also employs hedging strategies based on derivative instruments. The strategy also provides for the use of forward derivative instruments.

The Company tries to negotiate the terms of hedge derivatives so that they match the terms of the hedged position to ensure maximum hedging effectiveness.

As at December 31st 2014, the Company had no open positions hedging currency risk.

The sensitivity analysis assumes a 10% increase or decrease in the EUR/PLN, USD/PLN, and UAH/PLN exchange rates vs. the mid exchange rates quoted by the National Bank of Poland for the reporting dates.

Mid exchange rate of the National Bank of Poland	Dec 31 2014	Dec 31 2013
EUR/PLN	4.2623	4.1472
USD/PLN	3.5072	3.0120
UAH/PLN	0.2246	0.3706

The table below presents sensitivity of the Company's profit/(loss) before tax and total comprehensive income to reasonable fluctuations primarily in the EUR, USD, and UAH exchange rates, on a ceteris paribus assumption.

Sensitivity analysis at Dec 31 2014	Increase in exchange rate								Decrease in exchange rate							
	10%								-10%							
	Effect on profit/(loss) before tax for the year (PLN '000)				Effect on other comprehensive income for the year (PLN '000)				Effect on profit/(loss) before tax for the year (PLN '000)				Effect on other comprehensive income for the year (PLN '000)			
	EUR	USD	UAH	Total	EUR	USD	UAH	Total	EUR	USD	UAH	Total	EUR	USD	UAH	Total
	4.69	3.86	0.25		4.69	3.86	0.25		3.84	3.16	0.20		3.84	3.16	0.20	
Financial assets	346	176	5,300	5,822	0	0	0	0	-346	-176	-5,300	-5,822	0	0	0	0
Financial liabilities	-2,073	-150	0	-2,223	0	0	0	0	2,073	150	0	2,223	0	0	0	0
Effect on profit/(loss) for the year	-1,727	26	5,300	3,599					1,727	-26	-5,300	-3,599				
Effect on other comprehensive income for the year					0	0	0	0					0	0	0	0

Sensitivity analysis at Dec 31 2013	Increase in exchange rate								Decrease in exchange rate							
	10%								-10%							
	Effect on profit/(loss) before tax for the year (PLN '000)				Effect on other comprehensive income for the year (PLN '000)				Effect on profit/(loss) before tax for the year (PLN '000)				Effect on other comprehensive income for the year (PLN '000)			
	EUR	USD	UAH	Total	EUR	USD	UAH	Total	EUR	USD	UAH	Total	EUR	USD	UAH	Total
	4.56	3.31	0.42		4.56	3.76	0.41		3.73	2.71	0.34		3.98	3.08	0.33	
Financial assets	6,441	1,534	8,745	16,721	0	0	0	0	-6,441	-1,534	-8,745	-16,721	0	0	0	0
Financial liabilities	-2,159	0	0	-2,159	0	0	0	0	2,159	0	0	2,159	0	0	0	0
Effect on profit/(loss) for the year	4,282	1,534	8,743	14,559					-4,282	-1,534	-8,743	-14,5559				
Effect on other comprehensive income for the year					0	0	0	0					0	0	0	0

Exposure to the foreign currency risk varies over the year, depending on the volume of transactions executed in foreign currencies. Nevertheless, the sensitivity analysis can be regarded as a representative measure to quantify the Company's exposure to the foreign currency risk.

Credit risk

Credit risk is understood as the inability of the Company's debtors to meet their obligations towards the Company. The following are the key aspects of credit risk:

- creditworthiness of customers with whom the Group companies enter into transactions for physical delivery of products;
- creditworthiness of entities in which the Company invests or whose securities it acquires.

The following are the areas of credit risk exposures with different credit risk profiles:

- cash and bank deposits,
- trade receivables,
- loans advanced,

The Company's maximum exposure to credit risk is measured through the carrying amounts of financial assets.

The Company monitors clients' and creditors' outstanding payments by analysing the credit risk individually, or for the individual asset classes according to credit risk (e.g. by industry, region or structure of customers).

Credit risk related to cash and cash equivalents

With respect to such financial assets as cash and cash equivalents, the Company's exposure to credit risk arises from its counterparty's inability to make payments as they fall due. However, considering that in this case the Company's counterparties are banks registered in Poland, the related credit risk is immaterial. The maximum exposure to credit risk is equal to the carrying amount of these instruments, and as at December 31st 2014 amounted to PLN 40,421 thousand (2013: PLN 99,806 thousand).

Credit risk of loans advanced

As at December 31st 2014, the outstanding balance of loans advanced by the Company was PLN 270,027 thousand, of which PLN 270,011 thousand was advanced to related parties. To limit the risk, the Company monitors, on an ongoing basis, the assets and financial performance of its borrowers.
Credit risk of loans is significant.

Credit risk inherent in trade receivables and other financial receivables

The Company's credit risk exposure is closely related to its core business. The exposure results from outstanding trade contracts and is related to the risk of occurrence of such credit events as the contractor's insolvency, only partial collection of receivables or material delays in repayment of receivables. Providing trade credit to trade partners is an essential part of the Company's business. However, the Company undertakes a number of measures to mitigate the risk of entering into trade relations with potentially unreliable customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

Customers who are deemed financially unreliable, based on the results of credit verification procedures performed by the Company, are required to provide appropriate financial security to limit the risk of insolvency of such customers to the Company.

As at December 31st 2014, the total amount of the Company's net trade receivables, excluding the fair value of accepted security, up to which the Company may be exposed to credit risk, was PLN 44,323 thousand (December 31st 2013: PLN 107,411 thousand). Concentration of credit risk at the Company is related to its key contracts. As at December 31st 2014, receivables from the Company's four largest customers represented 82% of total trade receivables (81% as at December 31st 2013).

With respect to trade receivables, the Company is exposed to credit risk related to a single major partner or a group of similar partners.

12. CAPITAL MANAGEMENT

Because the Company is in voluntary arrangement, it cannot manage capital so as to ensure the rate of return expected by the market and its shareholders. Currently, the Company's key objective is to enter into and execute arrangement with its creditors, which would enable the Company to continue its operations and rebuild its shareholder value in the future.

13. DISCONTINUED OPERATIONS

Not applicable.

14. RELATED PARTY TRANSACTIONS

The Company's related parties include key management personnel, associates, subsidiaries and the other related parties (entities controlled by the owners of the Company, as well as by members of the Management or Supervisory Board).

Transactions with related parties are executed on an arm's-length basis, with the nature and terms of those transactions determined by day-to-day operations.

14.1. TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

The Company's key management personnel includes members of the Company's Management Board. During the reviewed periods, members of the key management personnel received the following compensation:

All amounts in PLN thousand (unless otherwise indicated)

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
Key management personnel compensation		
Short-term employee benefits	1,935	1,840
Termination benefits	-	-
Post-employment benefits	-	-
Share-based payments	-	-
Other benefits	-	-
Total	**1,935**	**1,840**

For detailed information on the compensation of members of the Company's Management Board, see Note 18.

The Company advanced no loans to the key management personnel in the reporting period or in comparative periods.

As at December 31st 2014, the balance of the Company's non-current receivables from its key management personnel was PLN 0 thousand (December 31st 2013: PLN 2,731 thousand).

All amounts in PLN thousand (unless otherwise indicated)

RELATED-PARTY TRANSACTIONS IN JAN 1–DEC 31 2014 (audited)

Related entities	Receivables	Liabilities	Financial assets	Impairment losses on financial assets	Borrowings	Inventories	Financial liabilities	Revenue	Purchases	Operating income	Operating expenses
CONSOLIDATED ENTITIES											
INVEST WSCHODNI Sp. z o.o.	-	-	22,680	22,680	-	-	-	-	-	1,735	1,735
AVATIA Sp. z o.o. w upadłości układowej (in company voluntary arrangement)	-	500	-	-	-	-	-	143	1,187	-	-
Brokam Sp. z o.o.	8	-	834	-	-	-	-	3	-	51	-
PBG OPERATOR Sp. z o.o.	1	1	-	-	-	-	-	3	6	-	-
PBG Dom Group	86	1,801	336,144	147,377	-	-	-	229	952	18,089	17,672
RAFAKO Group	1	160,155	-	-	-	-	-	5,060	-	-	-
PBG Oil and Gas Sp. z o.o. (formerly HBP DROGI)	3,810	215	-	-	-	-	-	4,282	11,285	-	-
BATHINEX Sp. z o.o.	790	-	47,776	20,376	-	-	-	4	-	3,144	3,144
Multaros	14	-	20	11	-	-	-		-	-	-
Total	**4,710**	**162,672**	**407,454**	**190,444**	**-**	**-**	**-**	**9,724**	**13,430**	**23,019**	**22,551**
NON-CONSOLIDATED RELATED ENTITIES (PERSONAL LINKS)											
Total	**1,997**	**588**	**-**					**427**	**1,517**	**-**	**-**

All amounts in PLN thousand (unless otherwise indicated)

RELATED-PARTY TRANSACTIONS IN Jan 1−Dec 31 2013 (audited)

Related entities	Receivables	Liabilities	Financial assets	Impairment losses on financial assets	Borrowings	Inventories	Financial liabilities	Revenue	Purchases	Finance income	Finance costs
CONSOLIDATED ENTITIES											
PBG ENERGIA Sp. z o.o.	-	-	-	-	-	-	-	76	2,725	-	-
INVEST WSCHODNI Sp. z o.o.	-	-	45,559	45,559	-	-	-	-	-	-	-
AVATIA Sp. z o.o. w upadłości układowej (in company voluntary arrangement)	41	1,025	-	-	-	-	-	55	12	-	-
Brokam Sp. z o.o.	4	-	783	-	-	-	-	-	-	-	-
PBG OPERATOR Sp. z o.o.	-	1	-	-	-	-	-	-	6	-	-
PBG Dom Group	111	1,795	351,770	138,021	-	-	-	247	-	-	-
KWG S.A. w upadłości układowej (in company voluntary arrangement)	21	-	747	747	-	-	-	39	-	-	-
RAFAKO Group	129	160,154	-	-	-	-	-	-	-	-	-
PBG Oil and Gas Sp. z o.o. (formerly HBP DROGI)	441	1,067	-	-	-	-	-	1,397	4,633	-	-
BATHINEX Sp. z o.o.	6	-	44,631	17,232	-	-	-	-	-	-	-
Metorex Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-
Strateg Capital Sp. z o.o.	-	-	-	-	-	-	-	42	-	-	-
Energomontaż Południe S.A. w upadłości likwidacyjnej (in liquidation bankruptcy)	-	-	-	-	-	-	-	-	6,270	-	-
Multaros	-	-	11	11	-	-	-	-	-	-	-
Total	**753**	**164,042**	**443,501**	**201,570**	**-**	**-**	**-**	**1,856**	**13,646**	**-**	**-**
NON-CONSOLIDATED RELATED ENTITIES (EQUITY LINKS)											
GAS & OIL ENGINEERING A.S.	-	-	-	-	-	-	-	976	870	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**976**	**870**	**-**	**-**

NON-CONSOLIDATED RELATED ENTITIES (PERSONAL LINKS)											
Total	**10,588**	**655**	**25,290**	**23,476**	**-**	**-**	**-**	**27**	**112**	**-**	**-**

15. OTHER MATERIAL CHANGES

Termination of the contract dated November 19th 2008, providing for execution of the project "Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bn m3, sub-phase: 1.2bn m3"

On April 2nd 2014, the Company received a letter from PGNiG S.A. containing PGNiG's notice of termination of the contract of November 19th 2008 for the "Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bn m3, sub-phase: 1.2bn m3" project, under which the Company had been engaged as the general contractor. In the notice, the Employer also called for payment by the Consortium of contractual penalties of PLN 133.4m, or 10% of the gross remuneration payable to the Contractor, which may be demanded by the Employer in accordance with the contract terms if the contract is terminated for causes attributable to the Contractor.

Moreover, on April 2nd 2014 the Consortium received a debit note from the Employer for the amount of PLN 10.3m under interest accrued (of which PLN 3.3m was attributable to the Company). The note was not recognised in the Company's books and was sent back to the Employer as groundless.

The Consortium, including the Company as its leader, considers the Employer's representation on contract termination to be ineffective, and thus considers the contractual penalties of PLN 133.4m assessed by PGNiG S.A. to be ineffective, too. The Employer was notified accordingly in the letter of April 7th 2014 and also on April 18th, when the Employer's note specifying the contractual penalties assessed on the Consortium, was sent back to the Employer as ungrounded. In the Company's opinion, until April 2nd 2014 the Project had been nearly 100% completed, as the Employer itself admitted in its current report and as was demonstrated in the project status report prepared as at the end of March 2014. Moreover, by April 2nd 2014 the Employer had confirmed full operational availability of the Wierzchowice Underground Storage Facility's installations, as well as conformity of the USF's functionality with the requirements. The required occupancy permits for the Wierzchowice USF facilities had been obtained by December 2013, while the applicable permits for operation of the individual installations – by March 2014. The Consortium is of the opinion that the Contractor retains the right to continue to perform the Contract and deliver the Project to the Employer as specified in the Contract.

If the Company accepted the contractual penalties and included them in these condensed consolidated financial statements, the Company's net profit for H1 2014 would have been lower by PLN 56.5m. The effect on the statement of financial position would include a PLN 13.2m reduction in amounts due from customers for construction contract work, and a PLN 43.3m increase in amounts due to customers for construction contract work.

On February 27th 2015, the Company's Management Board was notified that on November 21st 2014 Polskie Górnictwo Naftowe i Gazownictwo S.A. filed with the District Court for Poznań-Stare Miasto of Poznań, 10th Commercial Division, a request to summon the companies of the Consortium comprising PBG S.A. w upadłości układowej (in company voluntary arrangement), Tecnimont S.p.A., TCM FR (formerly Société Française d'Etudes et de Réalisations d'Equipements Gaziers SOFREGAZ), Plynostav

All amounts in PLN thousand (unless otherwise indicated)

Pardubice Holding a.s., and Plynostav – Regulace Plynu a.s., performing the project 'Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bcm, sub-phase: 1.2bcm', to a conciliation hearing. The Company reiterates its position with regard to the contractual penalty, as stated in

Current Reports No. 7/2014 of April 2nd 2014 and No. 8/2014 of April 8th 2014, and will uphold this position during the conciliation talks.

For more information, see

PBG's Current Report No. 7/2014:

http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/7-2014-oswiadczenie-pgnig-o-odstapieniu-od-znaczacej-umowy.html

PBG's Current Report No. 8/2014:

http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/8-2014-stanowisko-konsorcjum-odnosnie-skutecznosci-oswiadczenia-pgnig-o-odstapieniu-od-znaczacej-umowy.html

16. EVENTS SUBSEQUENT TO THE REPORTING DATE REQUIRING DISCLOSURE

After the reporting date certain events occurred which did not need to be disclosed in the separate financial statements for 2014.

The table below presents events which occurred after the balance-sheet date until March 23rd 2015.

Date	Event	Key terms
Feb 10 2015	The Court stays proceedings instituted by the Consortium against Narodowe Centrum Sportu Sp. z o.o. and the State Treasury – the Minister of Sport and Tourism (Employer) in the case related to the construction of the National Stadium in Warsaw	The Consortium was composed of: • HYDROBUDOWA POLSKA S.A. (currently in liquidation bankruptcy) – the Consortium Leader since June 14th 2011 (Consortium Partner prior to that date), • PBG S.A. (currently in company voluntary arrangement) – Consortium Partner, • ALPINE Bau Deutschland AG – Consortium Partner since June 14th 2011 (Consortium Leader prior to that date), • ALPINE Bau GmbH – Consortium Partner, • ALPINE Construction Polska sp. z o.o. – Consortium Partner. The decision was issued by the Court upon a joint motion of the parties to the proceedings and opened the way for settlement negotiations between the parties.

All amounts in PLN thousand (unless otherwise indicated)

For more information, see PBG Current Report No. 2/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/2-2015-zawieszenie-przez-sad-postepowania-wszczetego-z-powodztwa-konsorcjum-dotyczacego-budowy-stadionu-narodowego-przeciwko-narodowemu-centrum-sportu-sp-z-o-o-skarbowi-panstwa-ministrowi-spor.html

Date	Event	Key terms
Feb 17 2015	Decision by Judge Commissioner concerning the List of Claims	The decision was corrected by replacing the number "478,041,627.52" with "462,081,772.58", and the words "four hundred and seventy-eight million, forty-one thousand, six hundred and twenty-seven złoty, 52/100" with "four hundred and sixty-two million, eighty-one thousand, seven hundred and seventy-two złoty, 58/100".
For more information, see PBG Current Report No. 3/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/3-2015-postanowienie-sedziego-komisarza-dotyczace-listy-wierzytelnosci.html		
Feb 23 2015	Decision of the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, to set voting dates for the Meeting of PBG Creditors.	The voting dates are as follows: • for Creditors with the right to vote, classified in Groups 1 and 2, the Meeting will be held at 10.00 am on April 27th 2015, Room 201, and at 10.00 am on April 28th 2015 • for Creditors with the right to vote, classified in other groups, the Meeting will be held at 10.00 am on April 29th 2015.
For more information, see PBG Current Report No. 4/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/4-2015-postanowienie-sedziego-komisarza-w-sprawie-wyznaczenia-terminu-zgromadzenia-wierzycieli-pbg.html		
Feb 27 2015	Notification that on November 21st 2014 Polskie Górnictwo Naftowe i Gazownictwo S.A. filed with the District Court for Poznań-Stare Miasto of Poznań, 10th Commercial Division, a request to summon the companies of the Consortium comprising PBGS.A. w upadłości układowej (in company voluntary arrangement), Tecnimont S.p.A., TCM FR (formerly Société Française d'Etudes et de Réalisations d'Equipements Gaziers SOFREGAZ), Plynostav Pardubice Holding a.s., and Plynostav – Regulace Plynu a.s. performing the project 'Construction of the Wierzchowice Underground Gas Storage Facility, phase: 3.5bcm, sub-phase:	PGNiG summoned the companies to enter into a settlement whereby they would agree to pay PGNiG, within 14 days of the settlement date, the amount of PLN 143,662 thousand, comprising a contractual penalty of PLN 133,399 thousand and accrued interest of PLN 10,263 thousand.
For more information, see PBG Current Report No. 5/2015: http://www.pbg-sa.pl/relacje-inwestorskie/raporty-biezace/5-2015-zawezwanie-konsorcjum-realizujacego-zadanie-budowy-pmgw-przez-zamawiajacego-do-proby-ugodowej.html		

17. KEY ITEMS TRANSLATED INTO THE EURO

During the periods covered by the financial statements and the comparative financial information, average and mid-exchange rates quoted by the National Bank of Poland were used to translate the złoty into the euro, and in particular:

All amounts in PLN thousand (unless otherwise indicated)

a) net revenue from sale of finished goods, merchandise, and materials, operating profit, profit before tax, net profit, as well as net cash generated by operating activities, net cash from (used in) investing activities, net cash from financing activities, and net increase/(decrease) in cash and cash equivalents for 2014 were translated at the average EUR exchange rate based on the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of the individual months, i.e. **4.1893 PLN/EUR.**

b) net revenue from sale of finished goods, merchandise, and materials, operating profit, profit before tax, net profit, as well as net cash from (used in) operating activities, net cash from (used in) investing activities, net cash from (used in) financing activities, and net increase/(decrease) in cash and cash equivalents for 2013 were translated at the average EUR exchange rate based on the arithmetic mean of mid rates quoted by the National Bank of Poland for the last day of the individual months, i.e. **4.2110 PLN/EUR.**

d) total assets, liabilities and provisions for liabilities, current liabilities, non-current liabilities, equity and share capital as at December 31st 2014 were translated at the EUR mid rate exchange effective for that date, i.e. **4.2623 PLN/EUR**.

e) total assets, liabilities and provisions for liabilities, long-term liabilities, short-term liabilities, equity and share capital as at December 31st 2013 were translated at the EUR mid rate effective for that date – the exchange rate of December 30th 2013, i.e. **4.1472 PLN/EUR.**

Item	As at Dec 31 2014	As at Dec 31 2013
Exchange rate effective for the last day of the period	4.2623	4.1472
Average exchange rate for the period, calculated based on the arithmetic mean of exchange rates effective for the last day of each individual month during the period	4.1893	4.2110
Highest exchange rate during the period	4.2368 of Jan 31 2014	4.3432 of Jun 24 2013
Lowest exchange rate during the period	4.1602 of Feb 28 2014	4.0671 of Jan 2 2013

The table below presents key items of the interim condensed statement of financial position, interim condensed statement of profit or loss and interim condensed statement of cash flows, translated into the euro.

All amounts in PLN thousand (unless otherwise indicated)

Item	for the period Jan 1–Dec 31 2014 PLN	for the period Jan 1–Dec 31 2013 PLN	for the period Jan 1–Dec 31 2014 EUR	for the period Jan 1–Dec 31 2013 EUR
Statement of profit or loss				
Revenue	227,044	336,128	54,196	79,821
Operating profit/(loss)	(53,453)	222,153	(12,759)	52,755
Profit/(loss) before tax	(54,458)	128,658	(12,999)	30,553
Net profit/(loss) from continuing operations	(54,458)	128,658	(12,999)	30,553
Net profit/(loss)	(54,458)	128,658	(12,999)	30,553
Comprehensive net profit (loss)	-	-	-	-
Basic earnings per share (PLN/EUR)	(3.81)	9.00	(0.91)	2.14
Diluted earnings per share (PLN/EUR)	(3.81)	9.00	(0.91)	2.14
Average PLN/EUR exchange rate	x	x	4.1893	4.2110
Statement of cash flows				
Net cash generated by operating activities	(77,740)	(13,526)	(18,557)	(3,212)
Net cash from (used in) investing activities	44,304	32,505	10,576	7,719
Net cash from financing activities	(25,949)	(14,404)	(6,194)	(3,421)
Net increase/(decrease) in cash and cash equivalents	(59,385)	4,575	(14,175)	1,086
Average PLN/EUR exchange rate	x	x	4.1893	4.2110

Item	As at Dec 31 2014 PLN	As at Dec 31 2013 PLN	As at Dec 31 2014 EUR	As at Dec 31 2013 EUR
Statement of financial position				
Assets	1,118,988	1,302,774	262,531	314,133
Non-current liabilities	367,514	460,620	86,224	111,068
Current liabilities	1,734,105	1,770,327	406,847	426,873
Equity attributable to owners of the Parent	(982,631)	(928,173)	(230,540)	(223,807)
Share capital	14,295	14,295	3,354	3,447
Number of shares	14,295,000	14,295,000	14,295,000	14,295,000
Weighted average number of ordinary	14,295,000	14,295,000	14,295,000	14,295,000
Diluted weighted average number of ordinary shares	14,295,000	14,295,000	14,295,000	14,295,000
Book value per share (PLN/EUR)	(68.74)	(64.93)	(16.13)	(15.66)
Dividend per share declared or paid (PLN/EUR)	-	-	-	-
PLN/EUR exchange rate at end of period	x	x	4.2623	4.1472

All amounts in PLN thousand (unless otherwise indicated)

18. REMUNERATION OF THE MANAGEMENT BOARD MEMBERS

REMUNERATION OF MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICE IN THE COMPANY FROM JANUARY 1ST TO DECEMBER 31ST 2014

Item	Base pay	Other benefits	Total
Remuneration of the Management Board members			
Jerzy Wiśniewski	515	-	515
Paweł Mortas	220	-	220
Tomasz Tomczak	158	-	158
Mariusz Łożyński	360	-	360
Kinga Banaszak-Filipiak	384	-	384
Bożena Ciosk	288	10	298
Total	**1,925**	**10**	**1,935**
Remuneration of the Supervisory Board members			
Jerzy Wiśniewski	38	-	38
Maciej Bednarkiewicz	112	-	112
Małgorzata Wiśniewska	85	-	85
Przemysław Szkudlarczyk	36	-	36
Dariusz Sarnowski	36	-	36
Andrzej Stefan Gradowski	52	-	52
Norbert Słowik	36	-	36
Total	**395**	**-**	**395**

REMUNERATION OF MEMBERS OF MANAGEMENT AND SUPERVISORY BOARDS FOR HOLDING OFFICE IN THE COMPANY FROM JANUARY 1ST TO DECEMBER 31ST 2013

Item	Base pay	Other benefits	Total
Remuneration of the Management Board members			
Tomasz Tomczak	455	-	455
Mariusz Łożyński	387	-	387
Kinga Banaszak-Filipiak (maternity benefit)	330	101	431
Paweł Mortas	390		390
Bożena Ciosk (sick leave + director's remuneration of PLN 137 thousand)	248	3	251
			-
Total	**1,810**	**104**	**1,914**
Remuneration of the Supervisory Board members			
Maciej Bednarkiewicz	96		96
Dariusz Sarnowski	36		36
Wiśniewska Małgorzata (reimbursement of travel expenses)	60	1	61
Przemysław Szkudlarczyk	36		36
Wiśniewski Jerzy (reimbursement of travel expenses)	120	5	125
Andrzej Gradowski	19		19
Norbert Słowik	19		19
Total	**386**	**6**	**392**

*SOCIAL SECURITY INSTITUTION (ZUS)

All amounts in PLN thousand (unless otherwise indicated)

AVERAGE EMPLOYMENT

Item	for the period Jan 1–Dec 31 2013	for the period Jan 1–Dec 31 2013
White-collar employees	242	284
Manual employees	11	13
Total	**253**	**297**

19. AUDITOR'S CONSIDERATION

In 2013, Ernst &Young Audyt Polska Sp. z o.o. audited and reviewed the financial statements of the Company. Sp. k.

On June 16th 2014, the PBG Supervisory Board, on recommendation from its Audit Committee, passed a resolution to appoint Ernst & Young Audyt Polska Sp. z o.o. ("E&Y") as the auditor to review the Company's and the Group's H1 2014 financial statements and to audit the separate financial statements of the Company and the consolidated financial statements of the Group for 2014.

Consideration paid to the auditor for the provision of its services is presented below.

Item	for the period Jan 1–Dec 31 2014	for the period Jan 1–Dec 31 2013
Audit of full-year financial statements	312	407
Review of interim financial statements	-	-
Tax consultancy	-	-
Other services	38	-
Total	**350**	**407**

MATERIAL EVENTS RELATING TO PREVIOUS YEARS AND DISCLOSED IN THE FINANCIAL STATEMENTS FOR THE CURRENT REPORTING PERIOD

No events relating to previous years are disclosed in the full-year financial statements of the Company.

All amounts in PLN thousand (unless otherwise indicated)

20. AUTHORISATION FOR ISSUE

These separate financial statements for the twelve months ended December 31st 2014 (including the comparative information) have been authorised for issue by the Company's Management Board on March 23rd 2015.

Signatures of all Management Board members

Date	Full name	Position	Signature
March 23rd 2015	Jerzy Wiśniewski	President of the Management Board	
March 23rd 2015	Kinga Banaszak-Filipiak	Vice-President of the Management Board	
March 23rd 2015	Mariusz Łożyński	Vice-President of the Management Board	
March 23rd 2015	Bożena Ciosk	Member of the Management Board	

Signature of the person responsible for the preparation of the separate financial statements

Date	Full name	Position	Signature
March 23rd 2015	Małgorzata Jankowska	Independent accountant	