The RAFAKO Group

THE PBG GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31ST 2014

with the auditor’s opinion

COPY NO. 1

Table of contents

(PLN '000)

Consolidated statement of comprehensive income
for the 12 months ended December 31st 2014

	Note	12 months ended Dec 31 2014	12 months ended Dec 31 2013 (restated)
Continuing operations			
Revenue		**1,183,472**	**748,103**
Revenue from sale of finished goods	15.1	1,181,452	745,091
Revenue from sale of materials	15.2	2,020	3,012
Costs of sales	15.4	(1,063,363)	(705,134)
Gross profit/(loss)		**120,109**	**42,969**
Other income	15.7	5,342	4,703
Distribution costs	15.4	(31,483)	(39,014)
Administrative expenses	15.4	(45,189)	(34,908)
Other expenses	15.8	(11,060)	(3,470)
Profit/(loss) from continuing operations		**37,719**	**(29,720)**
Finance income	15.9	6,598	15,480
Finance costs	15.10	(9,900)	(31,909)
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	43	–	(94,205)
Pre-tax profit/(loss)		**34,417**	**(140,354)**
Income tax expense	16.1	(5,819)	1,971
Profit/(loss) from continuing operations	20	**28,598**	**(138,383)**
Discontinued operations			
Profit/(loss) from discontinued operations	17	**(4,814)**	**3,735**
Net profit for the year	20	**23,784**	**(134,648)**

Racibórz, March 23rd 2015

Agnieszka Wasilewska-Semail	Krzysztof Burek	Jarosław Dusiło	Edward Kasprzak	Tomasz Tomczak	Jolanta Markowicz
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Chief Accountant

(PLN ‘000)

Consolidated statement of comprehensive income

for the 12 months ended December 31st 2014

	Note	*12 months ended Dec 31 2014*	*12 months ended Dec 31 2013 (restated)*
Other comprehensive income for the period		**(4,004)**	**(764)**
Items to be reclassified to profit/(loss) in subsequent reporting periods			
Exchange differences on translating foreign operations	15.11	56	(328)
Exchange differences on translating foreign operations attributable to non-controlling interests		(5)	–
Other net comprehensive income to be reclassified to profit/(loss) in subsequent reporting periods	15.11	**51**	**(328)**
Items not subject to reclassification to profit/(loss) in subsequent reporting periods			
Other comprehensive income due to actuarial gains/(losses)	15.11	(5,005)	(537)
Tax on other comprehensive income	15.11, 16	950	101
Other comprehensive income not subject to reclassification to profit/(loss) in subsequent reporting periods		**(4,055)**	**(436)**
Total comprehensive income for the period		**19,780**	**(135,412)**
Net profit/(loss) attributable to:	20	**23,784**	**(134,648)**
Owners of the Parent		22,583	(135,349)
Non-controlling interests		1,201	701
Comprehensive income attributable to:		**19,780**	**(135,412)**
Owners of the Parent		18,584	(136,113)
Non-controlling interests		1,196	701
Earnings/(loss) per share:			
Basic earnings/(loss) per share, PLN	20	0.32	(1.94)
Profit/(loss) per share from continuing operations			
Basic earnings/(loss) per share, PLN	20	0.40	(1.99)

Racibórz, March 23rd 2015

Agnieszka Wasilewska-Semail	Krzysztof Burek	Jarosław Dusiło	Edward Kasprzak	Tomasz Tomczak	Jolanta Markowicz
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Chief Accountant

(PLN '000)

Consolidated statement of financial position
as at December 31st 2014

	Note	Dec 31 2014	Dec 31 2013
ASSETS			
Non-current (long-term) assets			
Property, plant and equipment	22	172,199	197,927
Investment property	25	–	–
Intangible assets	26	9,310	11,831
Non-current trade receivables, other receivables and prepayments	29	29,706	4,624
Trade receivables		29,706	3,715
Other receivables and prepayments		–	909
Non-current financial assets		33,770	32,650
Shares in other entities	28	388	338
Non-current loans advanced	30	38	–
Non-current deposits	30	–	905
Other non-current financial assets	30	33,344	31,407
Deferred tax asset	16.3	49,536	44,936
		294,521	**291,968**
Current (short-term) assets			
Inventories	31	21,730	26,884
Current trade receivables, other receivables and prepayments	32	459,451	519,827
Trade receivables	32	248,399	144,199
Income tax receivable	32	13,852	13,587
Other receivables and prepayments	32	197,200	362,041
Gross amount due from customers for contract work	14	257,803	168,211
Current financial assets		38,919	57,490
Derivative instruments	33.1	–	15
Current deposits	33.2	–	892
Current loans advanced		70	–
Other current financial assets	33.3	–	1,863
Cash and cash equivalents	33.4	38,849	54,720
Other current non-financial assets	34	–	–
		777,903	**772,412**
Assets held for sale	17, 24	**74,138**	**1,022**
TOTAL ASSETS		**1,146,562**	**1,065,402**

Racibórz, March 23rd 2015

Agnieszka Wasilewska-Semail	Krzysztof Burek	Jarosław Dusiło	Edward Kasprzak	Tomasz Tomczak	Jolanta Markowicz
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Chief Accountant

(PLN '000)

Consolidated statement of financial position

as at December 31st 2014

	Note	Dec 31 2014	Dec 31 2013
EQUITY AND LIABILITIES			
Equity (attributable to owners of the Parent)			
Share capital	35.1	139,200	139,200
Share premium	35.4	36,778	36,778
Reserve funds	35.5	114,393	252,821
Exchange differences on translating foreign operations	35.6	190	134
Retained earnings / Accumulated losses	35.7	10,700	(145,980)
		301,261	**282,953**
Equity (attributable to non-controlling interests)	35.10	12,193	11,136
Total equity		**313,454**	**294,089**
Non-current liabilities			
Interest-bearing borrowings	36	–	–
Finance lease liabilities	41, 38.1	2,254	1,683
Deferred tax liability	16.3	397	3,067
Provision for employee benefits	37	24,907	22,119
Non-current trade and other payables		24,459	18,807
Trade payables	38.1	20,504	13,631
Capital commitments	38.1	1,762	2,132
Other liabilities	38.1	2,193	3,044
		52,017	**45,676**
Current liabilities			
Current trade and other payables		394,443	269,477
Trade payables	38.2	304,226	206,992
Capital commitments	38.2	8,619	1,396
Income tax payable	38.9	901	45
Other liabilities	38.2	80,697	61,044
Current portion of interest-bearing borrowings	36	128,527	256,816
Other financial liabilities and finance lease liabilities	38.2, 41	776	691
Provision for employee benefits	37	1,896	1,550
Gross amount due to customers for contract work and provisions for contract work		240,609	197,103
Amounts due to customers for construction contract work	14	207,271	110,646
Provisions for construction contract work	14	32,267	85,899
Grants	39	1,071	558
		766,251	**725,637**
Liabilities directly related to assets classified as held for sale	**17**	**14,840**	–
Total liabilities		**833,108**	**771,313**
TOTAL EQUITY AND LIABILITIES		**1,146,562**	**1,065,402**

Racibórz, March 23rd 2015

Agnieszka Wasilewska-Semail	Krzysztof Burek	Jarosław Dusiło	Edward Kasprzak	Tomasz Tomczak	Jolanta Markowicz
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Chief Accountant

(PLN '000)

Consolidated statement of cash flows

for the 12 months ended December 31st 2014

	Note	*12 months ended Dec 31 2014*	*12 months ended Dec 31 2013*
Cash flows from operating activities			
Pre-tax profit/(loss) from continuing operations		34,417	(140,354)
Pre-tax profit/(loss) from discontinued operations	17	(3,874)	4,682
Pre-tax profit/(loss)		30,543	(135,672)
Adjustments for:		**123,562**	**175,640**
Depreciation and amortisation	15.5	12,838	12,645
Foreign exchange gains/(losses)		(485)	(1)
Interest and dividends, net		7,092	5,501
(Gain)/loss from investing activities		(735)	15,236
Increase/(decrease) in financial liabilities/financial assets from valuation of derivative instruments		104	38
Effect of changes in estimates on valuation of receivables from related entities in arrangement bankruptcy	43	–	94,205
Impairment of assets held for sale	17	8,779	–
(Increase)/decrease in receivables	21	28,632	124,163
(Increase)/decrease in inventories		(2,493)	2,231
Increase/(decrease) in employee benefit provisions and obligations, excluding borrowings	21	140,562	(25,441)
Change in prepayments and accruals for construction contracts	21	(51,955)	(49,971)
Income tax paid		(19,068)	(2,351)
Other		291	(615)
Net cash from operating activities		**154,105**	**39,968**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		1,523	1,502
Purchase of property, plant and equipment and intangible assets	21	(7,971)	(10,967)
Sale of financial assets		4,999	11,150
Purchase of financial assets		(5,242)	(5,177)
Interest on loans advanced		216	–
Dividends and interest received		177	627
Loans advanced		(190)	–
Repayment of loans advanced		81	–
Other		408	–
Net cash from investing activities		**(5,999)**	**(2,865)**

Racibórz, March 23rd 2015

Agnieszka Wasilewska-Semail	Krzysztof Burek	Jarosław Dusiło	Edward Kasprzak	Tomasz Tomczak	Jolanta Markowicz
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Chief Accountant

(PLN '000)

Consolidated statement of cash flows - contd.
for the 12 months ended December 31st 2014

	Note	12 months ended Dec 31 2014	12 months ended Dec 31 2013
Cash flows from financing activities			
Proceeds from disposal of shares and contribution to equity		190	–
Payment of finance lease liabilities		(1,735)	(1,140)
Proceeds from borrowings		800	10,064
Repayment of borrowings	21	(128,599)	(44,879)
Dividend paid to non-controlling interests		(605)	–
Interest paid		(6,648)	(13,558)
Bank fees		(1,127)	(1,795)
Other		695	586
Net cash from financing activities		**(137,029)**	**(50,722)**
Net increase/(decrease) in cash and cash equivalents		11,077	(13,619)
Net foreign exchange differences		102	(404)
Cash at the beginning of the period	33.4	**54,720**	**68,743**
Cash at the end of the period, of which:	33.4	**65,899**	**54,720**
- restricted cash	33.4	1,370	1,052

Racibórz, March 23rd 2015

Agnieszka Wasilewska-Semail	Krzysztof Burek	Jarosław Dusiło	Edward Kasprzak	Tomasz Tomczak	Jolanta Markowicz
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Chief Accountant

(PLN '000)

Consolidated statement of changes in equity
for the 12 months ended December 31st 2014

	Share capital	*Share premium*	*Reserve funds*	*Exchange differences on translating foreign operations*	*Retained earnings/ Accumulated losses*	*Total*	*Non-controlling interests*	*Total equity*
As at January 1st 2014	**139,200**	**36,778**	**252,821**	**134**	**(145,980)**	**282,953**	**11,136**	**294,089**
Total comprehensive income for the period	–	–	–	56	18,528	18,584	1,196	19,780
Distribution of prior year profits	–	–	(138,428)	–	138,428	–	–	–
Dividend	–	–	–	–	–	–	(605)	(605)
Change of equity structure at subsidiaries	–	–	–	–	(276)	(276)	466	190
As at December 31st 2014	**139,200**	**36,778**	**114,393**	**190**	**10,700**	**301,261**	**12,193**	**313,454**
As at January 1st 2013	**139,200**	**36,778**	**243,011**	**462**	**(333)**	**419,118**	**10,435**	**429,553**
Total comprehensive income for the period	–	–	–	(328)	(135,837)	(136,165)	701	(135,464)
Distribution of prior year profits	–	–	9,810	–	(9,810)	–	–	–
Dividend	–	–	–	–	–	–	–	–
As at December 31st 2013	**139,200**	**36,778**	**252,821**	**134**	**(145,980)**	**282,953**	**11,136**	**294,089**

Racibórz, March 23rd 2015

Agnieszka Wasilewska-Semail	Krzysztof Burek	Jarosław Dusiło	Edward Kasprzak	Tomasz Tomczak	Jolanta Markowicz
President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Vice-President of the Management Board	Chief Accountant

NOTES

1. General information

The RAFAKO Group (the "Group") is composed of RAFAKO S.A. (the "Parent") and its subsidiaries presented in Note 2.

RAFAKO S.A. ("the Company" or the "Parent") is a publicly-traded joint stock company with its registered office at ul. Łąkowa 33 in Racibórz, Poland. The Company was established under a notary deed of January 12th 1993. On August 24th 2001 it was entered in the Register of Entrepreneurs maintained by the District Court in Gliwice, 10th Commercial Division of the National Court Register, under No. KRS 34143. The Parent's Industry Identification Number (REGON) is 270217865.

The Group companies have been established for an indefinite term.

The Group's consolidated financial statements cover the year ended December 31st 2014 and include comparative data as at and for the year ended on December 31st 2013. The comparative data for the year ended December 31st 2013 have been restated to ensure comparability following the recognition of discontinued operations related to the planned sale of FPM S.A., a subsidiary.

The Group's principal business activities are as follows:

- Production of steam generators, excluding hot water central heating boilers
- Repair and maintenance of finished metal goods;
- Installation of industrial machinery, plant and equipment;
- Manufacture of metal structures and parts thereof;
- Other specialist construction activities n.e.c.;
- Manufacture of industrial cooling and ventilation equipment;
- Manufacture of other metal reservoirs, tanks and containers;
- Machining;
- Metalworking and coating;
- Manufacture of machinery for metalworking;
- Repair and maintenance of machinery;
- Activities in the field of architecture;
- Engineering activities and related technical consultancy;
- Manufacture of ovens, furnaces and furnace burners;
- Wholesale of other machinery and equipment;
- Wholesale of metals and metal ores;
- Manufacture of other general-purpose machinery n.e.c.;
- Manufacture of tools;
- Production of electricity;
- Transmission of electricity;
- Distribution of electricity;
- Trade in electricity;
- Production and supply of steam, hot water and air for air-conditioning systems;
- Wholesale of hardware, plumbing and heating equipment and supplies;
- Rental and management of freehold or leasehold property;
- Other technical testing and analyses;
- Other non-school forms of education n.e.c.;
- Sewage disposal and treatment;
- Hotels and similar accommodation;
- Holiday and other short-stay accommodation;
- Restaurants and other permanent catering facilities;
- Other catering services;

- Activities of cultural facilities;
- Other recreation and entertainment facilities;
- Activities related to organisation of fairs, exhibitions and conventions;
- Scientific research and development work in the field of other natural and technical sciences;
- Forging, pressing, stamping and roll-forming of metal; powder metallurgy;
- Manufacture of instruments and appliances for measuring, testing and navigation;
- Manufacture of electric motors, generators and transformers;
- Manufacture of electricity distribution and control apparatus;
- Manufacture of engines and turbines, except aircraft, vehicle and cycle engines;
- Manufacture of hydraulic and pneumatic drive equipment and accessories;
- Manufacture of other pumps and compressors;
- Manufacture of lifting and handling equipment;
- Repair and maintenance of electrical equipment;
- Treatment and disposal of non-hazardous waste;
- Dismantling of wrecks;
- Remediation activities and other waste management services;
- Construction of residential and non-residential buildings;
- Construction of roads and motorways;
- Construction of railways and underground railways;
- Construction of transmission pipelines and distribution systems;
- Construction of telecommunications lines and power lines;
- Construction of other civil engineering projects n.e.c.;
- Dismantling and demolition of buildings;
- Site preparation;
- Digging, drilling and boring for geological and engineering purposes;
- Installation of electrical wiring and fittings;
- Installation of plumbing, heat, gas and air-conditioning systems;
- Other building installations;
- Erection of roof covering and frames;
- Wholesale of waste and scrap;
- Warehousing and storage of other goods;
- Software related activities;
- Computer consultancy activities;
- IT equipment management activities;
- Other services in the field of information and computer technology;
- Data processing, hosting and related activities;
- Specialist design activities;
- Renting and leasing of cars and vans;
- Renting and leasing of other motor vehicles, except motorcycles;
- Renting and leasing of construction machinery and equipment;
- Renting and leasing of office machinery and equipment, including computers;
- Renting and leasing of other machinery, equipment and tangible goods n.e.c.;
- Repair and maintenance of computers and peripheral equipment;
- Operation of sports facilities;
- Other sports activities;
- Other business and management consultancy activities

The Parent has a self-reporting branch in Turkey which prepares its financial statements in accordance with Turkish law. The functional currency of the branch is EUR.

(PLN '000)

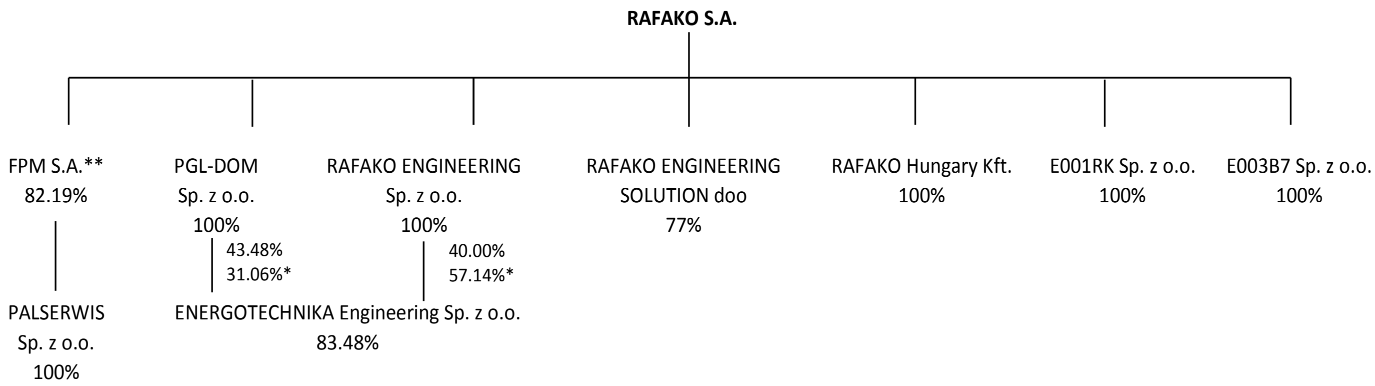
2. Composition of the Group

These consolidated financial statements incorporate the financial statements of RAFAKO S.A. and its subsidiaries.

The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the Parent, with the use of consistently applied accounting policies. These consolidated financial statements have been prepared in accordance with IAS 27/IFRS 10 Consolidated and Separate Financial Statements.

As at December 31st 2014, the RAFAKO Group was composed of the Parent and nine subsidiaries operating in the power construction, services and trade sectors.

As at December 31st 2014, the following subsidiaries were consolidated in the Group's consolidated financial statements:



* % share of voting rights at the General Meeting.
** as at December 31st 2014, FPM S.A., a subsidiary, was classified under discontinued operations

The table below lists the consolidated RAFAKO Group companies:

Name and registered office	*Principal business activity*	*Registry court and number in the National Court Register (KRS)*	*Consolidation method used*
RAFAKO S.A. Racibórz	Manufacture of steam generators except central heating hot water boilers	District Court of Gliwice KRS 34143	–
FPM S.A. Mikołów	Manufacture of ovens, furnaces and furnace burners	District Court of Katowice KRS 15844	–
PALSERWIS Sp. z o.o.* Mikołów	Manufacture of ovens, furnaces and furnace burners	District Court of Katowice KRS 166867	–
PGL-DOM Sp. z o.o. Racibórz	Real property activities with own property	District Court of Gliwice KRS 58201	full
RAFAKO Engineering Sp. z o.o. Racibórz	Construction and process design, urban planning	District Court of Gliwice KRS 287033	full
ENERGOTECHNIKA ENGINEERING Sp. z o.o.** Gliwice	Construction and process design, urban planning, engineering consultancy	District Court of Gliwice KRS 417946	full
RAFAKO ENGINEERING SOLUTION doo Belgrade	Process design, construction, industry, and environmental protection consultancy and supervision	Commercial Register Agency of the Republic of Serbia 20320524	full

(PLN '000)

Name and registered office	*Principal business activity*	*Registry court and number in the National Court Register (KRS)*	*Consolidation method used*
RAFAKO Hungary Kft. Budapest	Equipment assembly in the power and chemical industry	Registry Court of the Capital City of Budapest	full
E001RK Sp. z o.o. Racibórz	Development of building projects; construction of roads and highways, railways and subways, bridges and tunnels; engineering activities and technical and scientific consultancy; production, repair and maintenance of machinery and equipment, generation and transmission of and trading in electricity.	District Court of Gliwice KRS 479758	full
E003B7 Sp. z o.o. Racibórz	Development of construction projects, business consultancy and construction design , engineering and technology	District Court of Gliwice KRS 486911	full

* 100% subsidiary of FPM S.A. and indirect subsidiary of RAFAKO S.A.

**40% subsidiary of RAFAKO ENGINEERING Sp. z o. o. and 43% subsidiary of PGL-DOM Sp. z o.o., indirect subsidiary of RAFAKO S.A.

As at December 31st 2014, the Group's share in total voting rights held in the subsidiaries was equal to the Group's interest in the share capital of those entities, except for ENERGOTECHNIKA ENGINEERING Sp. z o.o., in which RAFAKO Engineering Sp. z o.o. holds 40% of preference shares (conferring the right to 57.1% of the total vote); the remaining 43.48% of the shares (conferring the right to 31.06% of the total vote) are held by PGL-DOM Sp. z o.o.

As at December 31st 2013, the Group's share in total voting rights held in the subsidiaries was equal to the Group's interest in the share capital of those entities, except for ENERGOTECHNIKA ENGINEERING Sp. z o.o., in which RAFAKO Engineering Sp. z o.o. holds 34% of preference shares (conferring the right to 50.5% of the total vote); the remaining 66% of the shares (conferring the right to 49.5% of the total vote) are held by PGL-DOM Sp. z o.o.

In the 12 months ended December 31st 2014, the following changes took place in the composition of the RAFAKO Group.

On January 15th 2014, under a resolution of the General Meeting of ENERGOTECHNIKA ENGINEERING Sp. z o.o. the company increased its share capital by a total of PLN 190 thousand (from PLN 755 thousand to PLN 945 thousand). The increase was effected through the issue of 380 new shares with a par value of PLN 500.00 per share and with an aggregate value of PLN 190 thousand. The new shares were taken up for cash contributions by natural persons related to ENERGOTECHNIKA ENGINEERING Sp. z o.o. The share capital was registered by the National Court Register on April 2nd 2014.

Following the increase, the share capital of ENERGOTECHNIKA ENGINEERING Sp. z o.o. was divided into 1,890 shares with a total value of PLN 945 thousand. As a result of taking up of the new shares by related parties, the Parent's share in the share capital of ENERGOTECHNIKA ENGINEERING Sp. z o.o. was reduced.

(PLN '000)

On June 24th 2014, the Extraordinary General Meeting of ENERGOTECHNIKA Sp. z o. o. passed a resolution to increase the company's share capital by issuing 410 new shares with a par value of PLN 500.00 per share; as a result, the company's share capital was increased by PLN 205 thousand, i.e. to PLN 1,150 thousand (National Court Register decision of September 19th 2014). All new shares were acquired by RAFAKO ENGINEERING Sp. z o.o. The current shareholder structure of the subsidiary is as follows:

Entity	*Number of shares*	*Ownership interest*	*Share of voting rights at the General Meeting*
PGL – DOM Sp. z o.o.*	1,000	43.48%	31.06%
RAFAKO ENGINEERING Sp. z o.o.*	510	40.00%	57.14%
Related parties	380	16.52%	11.80%

**subsidiaries of RAFAKO S.A.*

On December 30th 2014, the Parent executed a preliminary conditional agreement for sale of shares in FPM S.A., a subsidiary, to TDJ S.A. for PLN 48m. The transaction was conditional on:

- TDJ S.A. obtaining clearance for the business concentration from the President of the Office of Competition and Consumer Protection (President of UOKiK); or TDJ S.A.'s request for clearance being returned following President of UOKiK's declaration that there was no obligation to request such clearance; or the expiry of the deadline for the clearance without any decision on business concentration issued by the President of UOKiK;
- Approval of the sale of FPM S.A. shares granted by the Supervisory Board of RAFAKO S.A.

On January 12th 2015, the Supervisory Board of RAFAKO S.A. approved the sale of FPM S.A. shares. On February 19th 2015, RAFAKO S.A. was notified by TDJ that the President of UOKiK cleared the business concentration involving takeover of control of FPM S.A. by TDJ. On February 23rd 2015, a share sale agreement was executed for an aggregate amount of PLN 48m. The Sold Assets represent 82.19% of FPM S.A.'s share capital and confer 82.19% of total voting rights at the FPM S.A. General Meeting, i.e. 1,376,508 votes. The carrying amount of the shares in the Parent's accounting books was PLN 35.2m. Following the transaction, RAFAKO S.A. holds no FPM S.A. shares.

There are no links between RAFAKO S.A. or the management or supervisory personnel of RAFAKO S.A. and TDJ or its management personnel.

3. Composition of the Parent's Management and Supervisory Boards

In the 12 months ended December 31st 2014, the following changes took place in the composition of the Parent's Management Board.

On May 6th 2014, the Supervisory Board of RAFAKO S.A. made the following decisions:

- to determine that the Parent's Management Board is to be composed of six persons;
- to appoint Mr Tomasz Tomczak as Member of the Management Board of the Parent with effect as of May 6th 2014.

On June 25th 2014, the Supervisory Board of RAFAKO S.A. made the following decisions:

- to determine that the Parent's Management Board is to be composed of five persons;
- to appoint the following members of the Management Board for a joint three-year term of office as of June 25th 2014: Mr Paweł Mortas, Mr Krzysztof Burek, Mr Jarosław Dusiło, Mr Edward Kasprzak and Mr Tomasz Tomczak. Mr Maciej Modrowski ceased to serve on the Management Board.

On September 8th 2014, the Supervisory Board of the Parent made the following decisions:

- to remove Mr Paweł Mortas from the position of President of the Management Board as of September 8th 2014;
- to appoint Ms Agnieszka Wasilewska-Semail as President of the Management Board as of September 8th 2014.

(PLN '000)

As at the date of these consolidated financial statements, the composition of the Parent's Management Board was as follows:

Agnieszka Wasilewska-Semail	– President of the Management Board
Krzysztof Burek	– Vice President of the Management Board
Jarosław Dusiło	– Vice President of the Management Board
Edward Kasprzak	– Vice President of the Management Board
Tomasz Tomczak	– Vice-President of the Management Board

In the 12 months ended December 31st 2014, the following changes took place in the composition of the Parent's Supervisory Board.

On May 6th 2014, the Supervisory Board of RAFAKO S.A. appointed Mr Jerzy Wiśniewski as Chairman of the Supervisory Board and Mr Agenor Gawrzyał as Deputy Chairman of the Supervisory Board.

On June 25th 2014, RAFAKO S.A. received resignation of Mr Agenor Gawrzyał, Deputy Chairman of the Supervisory Board, from his position on the Supervisory Board of the Company, effective as of June 24th 2014.

On June 25th 2014, the Annual General Meeting of the Parent resolved to:

- to set the number of Supervisory Board Members at six,;
- to appoint Mr Adam Szyszka to the Supervisory Board of the 7th term.

As at the date of these consolidated financial statements, the composition of the Supervisory Board was as follows:

Jerzy Wiśniewski	– Chairman of the Supervisory Board
Dariusz Sarnowski	– Deputy Chairman of the Supervisory Board (independent member)
Piotr Wawrzynowicz	– Secretary of the Supervisory Board
Przemysław Schmidt	– Member of the Supervisory Board
Edyta Senger-Kałat	– Member of the Supervisory Board (independent member)
Adam Szyszka	– Member of the Supervisory Board (independent member)
Małgorzata Wiśniewska	– Member of the Supervisory Board

4. Authorization of the financial statements

These consolidated financial statements for the year ended December 31st 2014 were authorised for issue by the Parent's Management Board on March 23rd 2015.

5. Going concern assumption

The most material factor affecting the RAFAKO Group's ability to continue as a going concern is the financial standing of the Parent. These consolidated financial statements of the Group have been prepared on the assumption that the Group will continue as a going concern for at least 12 months after the end of the reporting period, i.e. December 31st 2014.

To be able to continue its business activities, the RAFAKO Group must maintain its financial liquidity, that is the ability to secure sufficient financing for the current contracts. In view of the above, the Management Board of the Parent has prepared financial projections for 2015 and for the following years, based on a number of assumptions, the most important of which relate to:

- continued financing of the Group's operations with the PLN 150m credit facility subsequent to April 30th 2015 – pursuant to the annex executed on April 29th 2014, the repayment date for the credit facility was extended until April 30th 2015,

- securing financing for the Group's operations in the form of new guarantee lines and new sources of working capital,

- timely delivery and execution of the contracts in the Group's current order book, including in particular the timely generation of cash flows from the contracts,

- execution of contracts on assumption that the margins are positive and the loss already recognised on some contracts would not increase;

- availability of bank/insurance guarantees which would make the performance of new contracts possible and would free the cash tied up in security deposits for the current contracts.

The above assumptions relate to the key risks provided for in the financial projections. Materialisation of these risks/uncertainties, trade payables becoming past due, lower margins on contracts, and the need to commit significant funds by the Group as security for contract guarantees (as at the end of the reporting period, the value of deposits used to secure guarantees was PLN 160m) may significantly affect the Group's ability to continue as a going concern.

In 2014, the Group executed a number of contracts and agreements related to the Jaworzno project; successfully completed negotiations on the Opole project and the settlement of EUR 43.5m receivables from Alstom; reduced its bank debt from ca. PLN 300m to ca. PLN 126m as at December 31st 2014; significantly reduced past due trade payables; secured a significant part of the budgeted revenue; and provided the financing bank with collateral for the current credit facility, as required by the institution.

In 2015, the Group has secured new guarantee limits with a total value of PLN 50m. Moreover, negotiations with financial institutions to establish new guarantee limits are moving into the final stage.

All these developments indicate an improvement of the Group's financial standing, which should positively affect the assessment of the Group's financial standing and risks by the financial institutions.

In view of the above, the Parent's Management Board does not identify any risk of refusal to extend the credit facility for another 12 months. The Parent's Management Board also believes that the Group will obtain new guarantee lines from other financial institutions, will secure new sources of working capital, and will be able to maintain positive margins and deliver the expected cash flows on its contracts, as a result of which the Group will be able to continue its business in line with the assumptions set forth in the financial projections.

Considering the risks discussed above, the improved financial standing of the Group, and the current status of negotiations with the financing bank and other financial institutions, the Parent's Management Board believes that its efforts will prove successful and the Group will be able to meet the targets set forth in the financial projections for the coming year, and has prepared these financial statements based on the assumption that the Group would continue as a going concern.

The Group applied the IFRSs applicable to financial statements prepared for the year beginning on January 1st 2014.

6. Significant judgments and estimates

6.1. Professional judgment

When preparing the consolidated financial statements of the Group, the Management Board of the Parent has to make some judgements, assumptions and estimates which affect the presented revenue, costs, assets, liabilities, as well as related notes and disclosures concerning contingent liabilities. Uncertainties related to these assumptions and estimates may result in material changes to carrying amounts of assets and liabilities in the future.

When applying the accounting policies, the Management Board of the Parent made the following judgements which most significantly affect the presented carrying amounts of assets and liabilities.

Classification of leases where the Group is the lessee

Group companies are parties to lease agreements. They classify 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. The assessment is based on economic substance of each transaction.

Discontinued operations

On December 30th 2014, the Parent's Management Board resolved to sell the Furnaces and Mills segment, which comprises the business of FPM S.A. Given the above, FPM S.A. was recognised in the consolidated financial statements as a group held for sale. In the Management Board's opinion, the entity satisfied the criteria of an entity held for sale, given that:

- FPM S.A. was ready to be sold immediately in its then-current condition to a potential buyer,

(PLN '000)

- the Management Board has carried out the plan to sell FPM S.A.: on December 30th 2014 it executed a conditional preliminary sale agreement, as at the date of these statements, the two conditions precedent under the agreement were fulfilled, and FPM S.A has been sold.

For detailed information on discontinued operations, see Note 17.

Identification of embedded derivatives

At the end of each reporting period the management of the Companies makes an assessment of the contracts signed for whether they contain any embedded foreign currency derivatives whose economic characteristics and risks are closely related to those of the host contract.

Syndicated agreements

Each time after signing a construction contract to be executed as part of a consortium, the Companies evaluate the nature of the contract in order to determine the method of accounting for contract revenue and expenses.

6.2. Uncertainty of estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that carry a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities in the next financial year are discussed below. The Group used the assumptions and estimates concerning the future based on its knowledge as at the time of preparation of these financial statements. The assumptions and estimates contained in these financial statements may change in the future due to market developments or factors beyond the Group's control. Such developments or factors will be reflected in the estimates or assumptions as and when they occur.

Estimates relating to the following items had a critical impact on the net result for the 12 months ended December 31st 2014 and the amounts of assets and liabilities as at December 31st 2014:

- budgeted revenue from and costs of execution of construction contracts, based on which the executed contracts are measured in accordance with IAS 11,
- estimated amount of contractual penalties for late performance of contracts,
- estimated amount of provisions for employee benefits (the Group incurs costs of jubilee bonuses and post-employment benefits),
- impairment of assets, including financial assets (e.g. receivables under arbitration and arrangement proceedings),
- depreciation and amortisation rates applied,
- realisation of a deferred tax asset (including the deferred tax asset on tax loss).

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next reporting period are discussed below.

Impairment of assets

At the end of the reporting period, the Group conducts a test for impairment of goodwill and an analysis of the impairment of property, plant and equipment and intangible assets with defined useful lives for which indications of impairment have been identified. This requires an estimation of the value in use of the cash-generating unit to which these assets 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. The Group made an assessment of whether there are any indications of impairment of assets. The analysis showed that during the 12 months ended December 31st 2014 there were no impairment indicators.

For further information on asset impairment as at the end of the financial year, see Notes 22, 32.1, 33.3 and 43 of these consolidated financial statements.2232.14333.36.2

6.3. Items of other comprehensive income

	12 months ended Dec 31 2014	12 months ended Dec 31 2013 (restated)

Exchange differences on translating foreign operations	56	(328)
Exchange differences on translating foreign operations attributable to non-controlling interests	(5)	–
Actuarial gains/losses	(5,005)	(537)
Income tax on other comprehensive income	950	101
	(4,004)	**(764)**

(PLN '000)

7. Income tax

7.1. Income tax expense

Main components of income tax expense in the statement of comprehensive income:

Continuing operations	*12 months ended Dec 31 2014*	*12 months ended Dec 31 2013 (restated)*
Tax expense relating to continuing operations:		
Current income tax	(9,218)	(9,786)
Current income tax expense	(12,765)	(9,786)
Adjustments to current income tax from previous years	3,547	–
Deferred tax	3,399	11,757
Related to recognition and reversal of temporary differences	3,399	11,757
Adjustments to deferred tax from previous years		–
Income tax expense in the consolidated statement of profit or loss	**(5,819)**	**1,971**
Deferred tax on other comprehensive income	950	101
Related to recognition and reversal of temporary differences	950	101
Income tax expense recognised in other comprehensive income	**950**	**101**

Discontinued operations	*12 months ended Dec 31 2014*	*12 months ended Dec 31 2013 (restated)*
Tax expense relating to discontinued operations:		
Current income tax	(1,312)	(508)
Current income tax expense	(1,312)	(508)
Adjustments to current income tax from previous years	–	–
Deferred tax	372	(439)
Related to recognition and reversal of temporary differences	372	(439)
Adjustments to deferred tax from previous years	–	–
Income tax expense in the consolidated statement of profit or loss	**(940)**	**(947)**
Deferred tax on other comprehensive income		
Related to recognition and reversal of temporary differences	8	12
Income tax expense recognised in other comprehensive income	**8**	**12**

In 2014, the Parent submitted to tax authorities corrected corporate tax returns for 2008−2013, adjusting the taxable income by a total of PLN 18,667 thousand, which resulted in a PLN 3,547 thousand tax overpayment for previous years. The principal reason for the corrections was the use of technological tax relief and adjustment to revenue and expenses on contracts completed in 2012−2013.

(PLN '000)

7.2. Reconciliation of effective income tax rate

The table below presents reconciliation of corporate income tax on pre-tax profit/loss 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:

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013 (restated)*
Profit before tax from continuing operations	34,417	(140,354)
Profit before tax from discontinued operations	(3,874)	4,682
Profit (loss) before tax	30,543	(135,672)
Tax at Poland's statutory tax rate of 19%	5,804	(25,778)
Non-tax-deductible costs (permanent differences)	6,982	29,682
recognition of provision for contractual penalties	1,650	5,934
write-off of receivables, classified as non-tax-deductible	419	953
charitable donations	–	67
cost of entertainment	86	120
recognition of non-taxable provisions	12	12
valuation of receivables from related entities under arrangement proceedings	–	17,899
recognition of impairment loss on assets held for disposal	1,668	–
recognition of provision for disputed receivables	–	3,422
CIT correction	1,012	–
other	2,135	1,275
Non-taxable income (permanent differences)	(2,211)	(4,749)
from contractual penalties	(2,374)	(4,050)
non-deductible VAT on receivables	(840)	(185)
dividends received	(3)	–
other	1,006	(514)
Other	(269)	(179)
Correction of previous years' tax	(3,546)	–
Tax at the effective tax rate of 22.13% (2013: -0.75%)	**6,759**	**(1,024)**
Income tax attributable to continuing operations	(5,819)	1,971
Income tax attributable to discontinued operations	(940)	(947)
Income tax (expense) in the consolidated statement of comprehensive income	**6,759**	**(1,024)**

(PLN '000)

7.3. Deferred income tax calculated as at December 31st 2014

Deferred income tax calculated as at December 31st 2014 and 2013 relates to the following:

	Statement of financial position		*Statement of comprehensive income*	
	Dec 31 2014	*Dec 31 2013*	*Dec 31 2014*	*As at Dec 31 2013 (restated)*
- investment reliefs	(4)	(4)	–	1
difference between tax base and carrying amount of property, plant and equipment and intangible assets	(17,897)	(16,585)	(1,312)	(829)
difference between tax base and carrying amount of assets measured at fair value through profit or loss	1,818	1,841	(23)	(1,441)
- difference between tax base and carrying amount of loans and receivables	598	3,157	(2,559)	244
- different timing of recognition of revenue from sale of goods and services for tax purposes	(27,165)	(30,085)	2,920	9,891
difference between tax base and carrying amount of inventories	1,516	1,264	252	(59)
provisions	22,823	21,946	877	(5,311)
- difference between tax base and carrying amount of financial liabilities measured at fair value through profit or loss	17	–	17	10
- difference between tax base and carrying amount of liabilities under guarantees, factoring and excluded from the scope of IAS 39	55	49	6	(5)
different timing of recognition of cost of sales for tax purposes	50,687	48,195	2,492	715
tax asset related to tax loss	338	1,541	(1,203)	(1,394)
adjustment to costs of unpaid invoices	12,127	9,464	2,663	9,464
other	1,685	1,086	599	145
Deferred tax expense			**4,729**	**11,431**
Net deferred tax asset/liability, including:	**46,598**	**41,869**		
Deferred tax expense – continuing operations			**4,350**	**11,858**
Net deferred tax asset/liability, including:	**46,598**	**41,869**		
Deferred tax asset	49,536	44,936		
Deferred tax liability	(397)	(3,067)		
Deferred tax liability – discontinued operations	(2,541)	–		

(PLN '000)

In the year ended December 31st 2012, the Parent recognised a single deferred tax asset on a tax loss of PLN 15,442 thousand. In 2013, the Parent reduced the asset by PLN 7,721 thousand, following a partial settlement of the tax loss. In the year ended December 31st 2014, the Parent settled the balance of the deferred tax asset following settlement of the remaining amount of tax loss.

8. Discontinued operations

On December 30th 2014, RAFAKO S.A., the Parent, executed a preliminary conditional agreement for sale of shares in FPM S.A., a subsidiary, to TDJ S.A. for PLN 48m. The transaction was conditional on:

- TDJ S.A. obtaining clearance for the business concentration from the President of the Office of Competition and Consumer Protection (President of UOKiK); or TDJ S.A.'s request for clearance being returned following President of UOKiK's declaration that there was no obligation to request such clearance; or the expiry of the deadline for the clearance without any decision on business concentration issued by the President of UOKiK;
- Approval of the sale of FPM S.A. shares granted by the Supervisory Board of RAFAKO S.A.

On January 12th 2015, the Supervisory Board of RAFAKO S.A. approved the sale of FPM S.A. shares. On February 19th 2015, RAFAKO S.A. was notified by TDJ that the President of UOKiK cleared the business concentration involving takeover of control of FPM S.A. by TDJ. On February 23rd 2015, a share sale agreement was executed for an aggregate amount of PLN 48m. The Sold Assets represent 82.19% of FPM S.A.'s share capital and confer 82.19% of total voting rights at the FPM S.A. General Meeting, i.e. 1,376,508 votes. The carrying amount of the shares in the Parent's accounting books was PLN 35.2m. Following the transaction, RAFAKO S.A. holds no FPM S.A. shares.

The operations of FPM S.A. represented a separate important line of the Groups' business. Accordingly, in accordance with IFRS 5, the results of FPM S.A. was classified as discontinued operations. The revenue generated by FPM S.A. exceeded PLN 71 thousand, which represented approximately 6% of the Group's revenue. RAFAKO S.A. sold the shares held for PLN 48m; additional transaction cost amounted to PLN 1,440 thousand. The value of FPM S.A.'s net assets sold was PLN 55.3m (following recognition of impairment loss of FPM's net assets); the value of non-controlling interest was PLN 11.5m.

As at December 31st 2014, FPM S.A. was classified as a group held for sale and as discontinued operations. FPM S.A.'s results of operations for the year ended December 31st 2014 are as follows:

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Revenue	71,309	87,941
Expenses	(66,631)	(83,917)
Pre-tax profit/(loss)	**4,678**	**4,024**
Finance income	493	899
Finance costs	(266)	(241)
Impairment of assets held for sale	(8,779)	–
Profit/(loss) before tax from discontinued operations	**(3,874)**	**4,682**
Income tax, including:	(940)	(947)
- current income tax	1,312	508
- deferred income tax	(372)	439
Profit/(loss) for the year from discontinued operations	**(4,814)**	**3,735**

(PLN '000)

As at December 31st 2014, FPM S.A. had the following key groups of assets and liabilities classified as held for sale:

	Dec 31 2014
ASSETS HELD FOR SALE	
Non-current (long-term) assets	**34,228**
Property, plant and equipment	28,670
Intangible assets	88
Goodwill	3,832
Non-current trade receivables	33
Non-current financial assets	1,605
Current (short-term) assets	**47,458**
Inventories	7,647
Trade receivables, other receivables and prepayments	7,046
Prepayments relating to valuation of construction contracts	5,308
Current financial assets	27,457
Impairment of assets held for sale	**(8,779)**
TOTAL ASSETS	**72,907**
Liabilities directly related to assets classified as held for sale	
Actuarial gains/(losses)	(34)
Non-current liabilities	**4,473**
Finance lease liabilities	1,020
Deferred tax liability	2,541
Provision for employee benefits	912
Current liabilities	**10,401**
Trade and other payables	9,682
Other financial liabilities	610
Provision for employee benefits	62
Amounts due to customers and provisions for construction contract work and deferred income	47
Total liabilities	**14,840**
TOTAL EQUITY AND LIABILITIES	**14,840**

(PLN '000)

Net cash flows of FPM S.A.:

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
From operating activities	4,993	(929)
From investing activities	(1,076)	4,703
From financing activities	(4,024)	(1,085)
Total net cash inflow/(outflow)	**(107)**	**2,689**

Earnings per share

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Earnings/(loss) per share from discontinued operations		
Basic earnings/(loss) per share from discontinued operations	(0.07)	0.05

Immediately before FPM S.A. was classified as discontinued operations, the recoverable amount of its net assets attributable to the Parent was determined. The assets were found to be impaired. After the company's classification as discontinued operations, in order to recognize the assets comprised in the disposal group at fair value less costs to sell, it was necessary to recognize an impairment loss of PLN 8,779 thousand. This loss was accounted for in the statement of profit or loss in 'Net profit/(loss) for the year from discontinued operations'.

9. Proposed distribution of profit for 2014

The Parent's Management Board recommends that the Parent's net profit for 2014, of PLN 23,515 thousand, be transferred to the Parent's reserve funds.

10. Social assets and liabilities of the Company Social Benefits Fund

The Act on Company Social Benefits Fund of March 4th 1994, as amended, stipulates that each employer with more than 20 full-time employees is obliged to create a Company Social Benefits Fund. Group companies create such funds and make periodic contributions thereto (the basic contribution and post-employment contributions). The Fund is designed to finance the Group companies' social activities, loans advanced to their employees and other social costs.

	Dec 31 2014	*Dec 31 2013*
Assets of the Group Companies' Social Benefits Funds	3,481	3,367
Cash of the Group Companies' Social Benefits Funds	3,051	2,946
Loans advanced to employees from the Company Social Benefits Funds	430	421
Liabilities of the Company Social Benefits Funds	(3,324)	(3,162)
Net balance	**157**	**205**

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Contributions to the Company Social Benefits Fund during the financial period	2,651	2,804
	2,651	**2,804**

(PLN '000)

11. Earnings /(loss) per share

Earnings/(loss) per share is calculated as the quotient of net consolidated profit/(loss) for the given accounting period attributable to ordinary shareholders of the Parent and the weighted average number of ordinary shares of the Parent outstanding in the period.

Presented below is data on the net profit/(loss) and shares applied to calculate earnings per share:

	12 months ended Dec 31 2014	*12 months ended As at December 31st 2013 (restated)*
Net profit/(loss) from continuing operations	28,598	(138,383)
Profit/(loss) from discontinued operations	(4,814)	3,735
Net profit/(loss)	23,784	(134,648)
Net profit/(loss) attributable to ordinary shareholders, applied to calculate earnings per share	22,583	(135,349)
Weighted average number of outstanding ordinary shares, applied to calculate basic earnings per share	69,600,000	69,600,000
Dilutive effect:	–	–
Stock options	–	–
Cancellable preference shares	–	–
Adjusted weighted average number of ordinary shares applied to calculate diluted earnings per share	69,600,000	69,600,000
Earnings/(loss) per share, PLN		
– basic earnings from profit attributable to ordinary shareholders for the period	0.32	(1.94)
Earnings/(loss) per share from discontinued operations, PLN		
– basic earnings from profit attributable to ordinary shareholders for the period	(0.08)	0.05

The weighted average number of ordinary shares outstanding used to calculate basic and diluted earnings per share from discontinued operations (Note 8) is presented in the table above. The table below presents the profit/(loss) amounts used to calculate earnings per share from discontinued operations:

	12 months ended Dec 31 2014	12 months ended Dec 31 2013
Profit/(loss) from discontinued operations	(5,520)	3,062
Net profit/(loss) from discontinued operations, attributable to ordinary shareholders, applied to calculate earnings per share	(5,520)	3,062

In the period between the end of the reporting period and the date of these consolidated financial statements, there were no transactions that would affect the number of ordinary shares or potential ordinary shares of the Parent.

The Group does not present diluted earnings/(loss) per share for the 12 months ended December 31st 2014 as it does not have any dilutive financial instruments.

12. Significant items disclosed in the statement of cash flows

The PLN 28,632 thousand decrease in receivables disclosed in the consolidated statement of cash flows for the 12 months ended December 31st 2014 resulted mainly from:

- PLN (130,191) thousand increase in trade receivables,
- PLN (3,071) increase in receivables from the state budget (including VAT),
- PLN (9,232) thousand decrease in prepayments made,
- PLN 79,336 thousand decrease in deposits receivable,
- PLN 53 thousand decrease in Company Social Benefits Fund receivables,
- PLN 1,229 thousand decrease in prepayments under bank and insurance guarantees,
- PLN (16) thousand increase in receivables from sale of debt,
- PLN (6,927) increase relating to discontinued operations,
- PLN 78,987 thousand decrease in other receivables.

For a detailed description of changes in security deposits and disputed receivables in 2014, see Note 23.

The PLN 140,562 thousand increase in liabilities disclosed in the consolidated statement of cash flows was mainly caused by:

- PLN 104,107 thousand increase in trade payables,
- PLN 3,134 thousand increase in the provision for retirement benefits (net of actuarial gains/(losses)),
- PLN 346 thousand increase in the provision for warranty repairs,
- PLN 7,748 thousand increase in the provision for bonuses,
- PLN 717 thousand increase in the provision for uninvoiced services and materials,
- PLN 1,383 thousand increase in the provision for unused holidays,
- PLN 10,522 thousand increase relating to discontinued operations,
- PLN 12,605 thousand increase in other liabilities.

The PLN 51,955 thousand change in accruals and deferrals as shown in the consolidated statement of cash flows was mainly caused by:

- PLN (89,592) thousand increase in gross amounts due from customers for contract work,
- PLN 96,625 thousand increase in gross amount due to customers for contract work,
  including:
  PLN 61,270 thousand increase in prepayments
- PLN (53,632) thousand decrease in provisions for contract work,
- PLN (5,356) decrease attributable to discontinued operations.

For a detailed description of the decrease in provisions, see Notes **Błąd! Nie można odnaleźć źródła odwołania.** and **Błąd! Nie można odnaleźć źródła odwołania.**.

The PLN 61,270 thousand change in prepayments in 2014 resulted primarily from:

- a PLN 46m prepayment received from TAURON Wytwarzanie S.A. in connection with performance of the contract for 'Construction of a power unit at the Jaworzno Power Plant';
- accounting for the PLN 4,500 thousand prepayment received in connection with performance of the contract for 'Upgrading and overhaul of generation unit No. 11 rotary air pre-heaters and auxiliary installations at the Bełchatów power plant operated by PGE Elektrownia Bełchatów S.A.' for PGE Górnictwo i Energetyka Konwencjonalna S.A.;
- accounting for the PLN 9,202 thousand prepayment received in connection with performance of the contract for 'Supply of the high-pressure part of a steam generator (for the municipal waste incineration facility) along with the steel structure, kitting, erection and start-up in Denmark' for Martin GmbH,
- accounting for the PLN 4,127 thousand prepayment received in connection with performance of the contract for 'Installation of the Selective Catalytic Reduction System' at the Połaniec Power Plant for GDF SUEZ Energia Polska;

The amount of PLN 7,971 thousand related to the acquisition of property, plant and equipment and intangible assets comprises capital expenditure on property, plant and equipment of PLN 2,487 thousand and capital expenditure on intangible assets of PLN 5,484 thousand. The expenditure on property, plant and equipment was primarily related to the modernisation of the Group's buildings and structures as well as purchase of plant and equipment.

The PLN 800 thousand increase in borrowings disclosed under financing activities in the consolidated statement of cash flows was attributable to the PLN 800 thousand loan contracted in the period.

The PLN 128,599 thousand decrease in borrowings disclosed under financing activities in the consolidated statement of cash flows was caused by:

- PLN 400 thousand decrease in borrowings,
- PLN 128,199 thousand decrease in the credit facility extended by PKO BP S.A.

The Group's cash from financing activities was also affected by interest of PLN 6,435 thousand paid on the credit facility extended by PKO BP S.A. (December 31st 2013 PLN 13,374 thousand).

(PLN '000)

13. Property, plant and equipment

Dec 31 2014	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2014	**28,371**	**107,438**	**56,297**	**4,172**	**325**	**1,324**	**197,927**
Transfers from property, plant and equipment under construction	–	666	4,015	138	–	(4,756)	63
Acquisitions	–	444	578	3,809	85	9,601	14,517
Liquidation/sale	(54)	(187)	(47)	(191)	–	–	(479)
Exchange differences on translating foreign operations	–	–	1	(2)	–	–	(1)
Depreciation for the period	–	(3,107)	(6,822)	(849)	(53)	–	(10,831)
Assets held for sale associated with discontinued operations (Note 8)	(4,559)	(15,643)	(7,895)	(433)	–	(140)	(28,670)
Other, including reclassification of property, plant and equipment to/from assets held for sale	15	(82)	13	(274)	1	–	(327)
Net carrying amount as at Dec 31 2014	**23,773**	**89,529**	**46,140**	**6,370**	**358**	**6,029**	**172,199**
As at Jan 1 2014							
Gross carrying amount	28,371	130,307	116,356	8,288	2,923	1,378	287,623
Accumulated amortisation and impairment		(22,869)	(60,059)	(4,116)	(2,598)	(54)	(89,696)
Net carrying amount	**28,371**	**107,438**	**56,297**	**4,172**	**325**	**1,324**	**197,927**
as at December 31st 2014							
Gross carrying amount	23,773	112,761	104,266	9,560	2,965	6,082	259,407
Accumulated amortisation and impairment	–	(23,232)	(58,126)	(3,190)	(2,607)	(53)	(87,208)
Net carrying amount	**23,773**	**89,529**	**46,140**	**6,370**	**358**	**6,029**	**172,199**

(PLN ‘000)

Dec 31 2013	*Land*	*Buildings*	*Plant and equipment*	*Vehicles*	*Other*	*Property, plant and equipment under construction*	*Total*
Net carrying amount as at Jan 1 2013	**28,289**	**103,471**	**57,438**	**3,697**	**268**	**8,696**	**201,859**
Transfers from property, plant and equipment under construction	–	7,604	5,500	1,014	–	(14,118)	–
Acquisitions	97	8	711	90	100	6,746	7,752
Acquisition of subsidiary	–	–	–	–	–	–	–
Loss of control of a subsidiary	–	–	–	–	–	–	–
Liquidation/sale	(9)	(437)	(325)	(57)	–	–	(828)
Exchange differences on translating foreign operations	–		(4)	1	–	–	(3)
Depreciation for the period	–	(3,082)	(7,018)	(623)	(43)	–	(10,766)
Impairment losses (recognised)/reversed	–	–	3	52	–	–	55
Other, including reclassification of property, plant and equipment to/from assets held for sale	(6)	(126)	(8)	(2)	–	–	(142)
Net carrying amount as at Dec 31 2013	**28,371**	**107,438**	**56,297**	**4,172**	**325**	**1,324**	**197,927**
As at Jan 1 2013							
Gross carrying amount	28,289	124,874	112,834	7,171	3,007	8,750	284,925
Accumulated depreciation and impairment	–	(21,403)	(55,396)	(3,474)	(2,739)	(54)	(83,066)
Net carrying amount	**28,289**	**103,471**	**57,438**	**3,697**	**268**	**8,696**	**201,859**
As at Dec 31 2013							
Gross carrying amount	28,371	130,307	116,356	8,288	2,923	1,378	287,623
Accumulated depreciation and impairment	–	(22,869)	(60,059)	(4,116)	(2,598)	(54)	(89,696)
Net carrying amount	**28,371**	**107,438**	**56,297**	**4,172**	**325**	**1,324**	**197,927**

Security created over property, plant and equipment

As at December 31st 2014, property, plant and equipment pledged as security for liabilities was PLN 136,825 thousand. The assets serve as security in respect of liabilities under the multi-purpose credit facility agreement with PKO BP S.A. (the mortgage) and in respect of the repayment of BGK’s, PKO BP’s and PZU’s claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

As at December 31st 2013, a mortgage for the total amount of ca. PLN 300,000,000.00 was created over properties owned or held in perpetual usufruct by the Parent, to secure the repayment of liabilities under the overdraft facility from PKO BP S.A.

(PLN '000)

	Dec 31 2014	Dec 31 2013
Property, plant and equipment secured with mortgage, including:	90,156	92,079
land	9,268	9,248
buildings	80,888	82,831
Property, plant and equipment encumbered with registered pledge, including:	46,669	–
plant and equipment	44,120	–
motor vehicles	2,549	–
	136,825*	**92,079**

*the disclosed amounts include property, plant and equipment classified as held for sale, unrelated to discontinued operations, of PLN 266 thousand.

14. Property, plant and equipment held under leases

As at December 31st 2014, the Parent and the subsidiaries held and used under finance lease assets with a gross value of PLN 7,406 thousand as at their acquisition date.

The economic useful lives of those assets are consistent with the lease terms, ranging from 35 to 60 months. Leased assets are depreciated by Group companies using the straight-line depreciation method.

As at December 31st 2013, the Parent and the subsidiaries held and used under finance lease assets with a gross value of PLN 3,867 thousand as at their acquisition date.

15. Assets held for sale, unrelated to discontinued operations

As at December 31st 2014, Group companies classified property, plant and equipment worth PLN 1,231 thousand (December 31st 2013: PLN 1,022 thousand) as assets held for sale, unrelated to discontinued operations.

	Dec 31 2014	Dec 31 2013
Non-current assets held for sale, including:		
land	68	66
buildings	872	886
plant and equipment	52	68
motor vehicles	239	2
	1,231	**1,022**

16. Investment property

As at December 31st 2014 and December 31st 2013, the Group held no investment property.

(PLN '000)

17. Intangible assets

Dec 31 2014	*Goodwill*	*Patents and licenses*	*Other intangible assets*	*Intangible assets under development*	*Total*
Net carrying amount as at Jan 1 2014	**4,209**	**6,979**	**643**	**–**	**11,831**
Transfers from intangible assets under development	–	3,779	–	(3,815)	(36)
Acquisitions	–	–	223	3,815	4,038
Liquidation/sale	–	(172)	(423)	–	(595)
Assets held for sale associated with discontinued operations (Note 8)	(3,833)	–	(88)	–	(3,921)
Amortisation for the year	–	(1,799)	(208)	–	(2,007)
Other	–	–	–	–	–
as at December 31st 2014	**376**	**8,787**	**147**	**–**	**9,310**
As at Jan 1 2014					
Gross carrying amount	4,209	20,075	1,642	173	26,099
Accumulated amortisation and impairment		(13,096)	(999)	(173)	(14,268)
Net carrying amount	**4,209**	**6,979**	**643**	**–**	**11,831**
as at December 31st 2014					
Gross carrying amount	376	23,054	381	3,779	27,590
Accumulated amortisation and impairment	–	(14,267)	(234)	(3,779)	(18,280)
Net carrying amount	**376**	**8,787**	**147**	**–**	**9,310**

(PLN '000)

Dec 31 2013	*Goodwill*	*Patents and licenses*	*Other intangible assets*	*Intangible assets under development*	*Total*
Net carrying amount as at Jan 1 2013	**4,209**	**8,507**	**657**	**–**	**13,373**
Transfers from intangible assets under development	–	172	37	(209)	–
Acquisitions	–	–	132	209	341
Liquidation/sale	–	–	(4)	–	(4)
Amortisation for the year	–	(1,700)	(179)	–	(1,879)
As at Dec 31 2013	**4,209**	**6,979**	**643**	**–**	**11,831**
As at Jan 1 2013					
Gross carrying amount	4,209	19,903	1,485	1,699	27,296
Accumulated amortisation and impairment	–	(11,396)	(828)	(1,699)	(13,923)
Net carrying amount	**4,209**	**8,507**	**657**	**–**	**13,373**
As at Dec 31 2013					
Gross carrying amount	4,209	20,075	1,642	173	26,099
Accumulated amortisation and impairment	–	(13,096)	(999)	(173)	(14,268)
Net carrying amount	**4,209**	**6,979**	**643**	**–**	**11,831**

Intangible assets included patents, licences and software. The largest items were as follows:

- a licence for BENSON supercritical boilers, with a carrying amount of PLN 3,452 thousand as at December 31st 2014 (December 31st 2013: PLN 1,675 thousand); the remaining licence amortisation period was ten years from December 31st 2014;
- a licence for catalytic flue gas denitrification, with a carrying amount of PLN 891 thousand as at December 31st 2014 (December 31st 2013: PLN 1,066 thousand); the remaining licence amortisation period was five years from December 31st 2014;

Security over intangible items

As at December 31st 2014, intangible assets worth PLN 8,788 thousand served as security in respect of the Group's liabilities. The intangible assets secure repayment of BGK's, PKO BP's and PZU's claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

As at December 31st 2013, none of the Group's intangible assets were pledged as security for liabilities.

Intangible assets held for sale

As at December 31st 2014 and December 31st 2013, the Group carried no intangible assets held for sale unrelated to discontinued operations.

(PLN '000)

Goodwill

As at December 31st 2014, the Group disclosed goodwill of PLN 376 thousand, which had arisen in connection with accounting for the acquisition by the Parent in 2007 of Wyrskie Zakłady Urządzeń Przemysłowych NOMA INDUSTRY Sp. z o.o. w upadłości (in bankruptcy) of Wyry – PLN 376 thousand.

As at December 31st 2014, the Parent tested goodwill for impairment and found that no impairment indicators.

Amortisation of patents and licences

During the 12 months ended December 31st 2014 and the 12 months ended December 31st 2013, patents and licences were amortised on a straight line basis over their economic useful lives of 2 to 10 years.

Development work

In the 12 months ended December 31st 2014 and the 12 months ended December 31st 2013, the Group made no expenditure on development work.

Business combinations

In the 12 months ended December 31st 2014 and the 12 months ended December 31st 2013, none of the Group companies was engaged in any business combination with another entity.

18. Participation in joint venture

In the 12 months ended December 31st 2014 and the 12 months ended December 31st 2013, the Group was not engaged in any joint operations with other business entities.

19. Shares in other entities

	Dec 31 2014	*Dec 31 2013*
Shares in other listed companies	369	319
Shares in other non-listed companies	19	19
	388	**338**

As at December 31st 2014, shares in all other companies held by the Parent and worth PLN 25,420 thousand were encumbered with a registered pledge under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement providing for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with implementation of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

(PLN '000)

20. Non-current trade receivables, other receivables and prepayments

	Dec 31 2014	Dec 31 2013
Trade receivables, including:	29,706	3,715
Trade receivables from related entities	–	–
Trade receivables from other entities	29,706	3,715
Other receivables and prepayments, including:	–	909
Prepayments under bank and insurance guarantees	–	909
Total receivables (net)	**29,706**	**4,624**
Impairment loss on receivables	–	–
Gross receivables	**29,706**	**4,624**

21. Other non-current financial assets

	Dec 31 2014	Dec 31 2013
Loans advanced	38	–
Non-current deposits, including:	–	905
- deposits securing bank guarantees provided to the Group	–	905
Other non-current financial assets, including:	33,344	31,407
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) related to the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A.	27,717	25,786
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) in connection with a loan advanced to HYDROBUDOWA S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation)	5,627	5,612
Other non-current financial assets	–	9
	33,382	**32,312**

In the 12 months ended December 31st 2014, the Group remeasured the receivable arising from the return of shares in ENERGOMONTAŻ-POŁUDNIE S.A. and the receivable arising from a loan granted to HYDROBUDOWA S.A. due to changes in estimates and assumptions, as discussed in Note 3443.

The change in the receivables relative to the amount disclosed as at December 31st 2013 follows from the measurement of the receivables at amortised cost, taking into account the assumptions and estimates specified in Note 6.

(PLN '000)

22. Inventories

	Dec 31 2014	*Dec 31 2013*
Materials (at cost)	21,730	25,038
At cost	29,523	31,602
At net realisable value	21,730	25,038
Work in progress	–	–
At cost	–	–
Merchandise	–	1,453
At cost	–	1,453
At net realisable value	–	1,453
Finished products:	–	393
At cost	–	400
At net realisable value	–	393
Total inventories, at the lower of cost and net realisable value	**21,730**	**26,884**
- including: inventories pledged as security for liabilities	21,715	5,000

As at December 31st 2014, inventories worth PLN 21,715 thousand served as security in respect of the Group's liabilities. Inventories secure repayment of BGK's, PKO BP's and PZU's claims towards RAFAKO S.A. under the Surety Agreement executed in order to secure the liabilities of E003B7 Sp. z o.o. arising in connection with the agreement for issuance of guarantees for the benefit of TAURON Wytwarzanie S.A. in connection with execution of the Jaworzno III 910 MW unit Project (a registered pledge over a set of movables and rights).

Inventory write-downs

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
At the beginning of the period	(6,571)	(6,964)
Write-down recognised	(1,751)	(812)
Write-down reversed	331	1,205
Transfer to assets held for sale	198	–
Balance at end of period	**(7,793)**	**(6,571)**

(PLN '000)

23. Current trade receivables, other receivables and prepayments

	Dec 31 2014	*Dec 31 2013*
Trade receivables, including:	248,399	144,199
Trade receivables from related entities	–	21
Trade receivables from other entities	248,399	144,178
Income tax receivable	13,852	13,587
Other receivables and prepayments, including:	197,200	362,041
Receivables under prepayments made	20,991	30,223
Receivables from the state budget	9,312	6,241
Settlement of property insurance costs	975	942
Settlements with the Company Social Benefits Fund	160	213
Disputed receivables	300	–
Prepaid expenses	1,351	1,039
Security deposits	162,277	241,613
Receivables sold	683	667
Contractual penalties receivable	–	2,738
Prepayments under bank and insurance guarantees	–	1,229
Other receivables	–	76,386
Other	1,151	750
Other receivables from related entities	–	–
Total receivables (net)	**459,451**	**519,827**
Impairment loss on receivables	40,862	58,253
Gross receivables	**500,313**	**578,080**

Receivables from the state budget include chiefly domestic and foreign VAT receivable.

Trade receivables bear no interest and are usually payable within 30 days. However, in the case of some trading partners, the final due dates for payment are set by way of individual arrangements and fall between one and three months of the invoice date.

The Group follows a policy pursuant to which it sells its products exclusively to customers who have successfully passed a credit verification procedure. As a result, Management believes there is no additional credit risk that would exceed the uncollectible debt allowance made for trade receivables.

Current trade receivables of PLN 248,399 thousand recognised in the consolidated statement of financial position as at December 31st 2014 relate to trading contracts with domestic and foreign contractors. The largest items in this group of receivables include receivables from:

- PGE Górnictwo i Energetyka Konwencjonalna S.A. - PLN 55,551 thousand,
- Mostostal Warszawa S.A. - PLN 55,212 thousand,
- Synthos Dwory 7 Sp. z o.o. Sp. j. - PLN 37,306 thousand,
- EDF Polska S.A. - PLN 35,296 thousand,
- Hitachi Inova AG - PLN 25,780 thousand,
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. - PLN 23,616 thousand.

In 2014, the Group's current trade receivables rose considerably, by PLN 104,200 thousand, mostly due to the increase in revenues generated by the Group companies in 2014.

The amount of security deposit receivables as at December 31st 2014 changed mostly in connection with payments and repayments of security deposits under the following business transactions:

- repayment of the cash deposit related to the contract with PGE Elektrownia Opole S.A. for turn-key construction of power unit no. 5 and power unit no. 6 in PGE Elektrownia Opole S.A. together with equipment, devices and related buildings and structures – the value of security deposits repaid in the 12 months ended December 31st 2014 was PLN 127,361 thousand;
- payment of the cash deposit related to implementation of the contract with TAURON Wytwarzanie S.A. related to 'Construction of supercritical 800-910 MW generating unit at the Jaworzno III Power Plant'; the value of security deposits paid in the 12 months ended December 31st 2014 was PLN 40m.

A significant item of other receivables was prepayments, which amounted to PLN 20,991 thousand as at December 31st 2014 and included:

(PLN '000)

- prepayments to Wallstein Ingenieur Gesellschaft GmbH – PLN 2,357 thousand,
- prepayments to Termokimik Corporation SPA – PLN 2,224 thousand,
- prepayments to Veolia Water Technologies Sp. z o.o. - PLN 1,752 thousand.

Claims under dispute, recognised at PLN 76,386 thousand in the statement of financial position as at December 31st 2012, related to disputes with the Alstom Group. Following the execution of the arrangement, described in more detail in Note 33 of these consolidated financial statements, as at December 31st 2013 these receivables were presented as 'Other receivables' and were paid and accounted for in the first quarter of 2014.

Trade receivables with a carrying amount of PLN 17,406 thousand were pledged as security in respect of guarantees and borrowings received by the Group as at December 31st 2014 (December 31st 2013: PLN 53,207 thousand).

23.1. Impairment losses on trade and other receivables

	Dec 31 2014	*Dec 31 2013*
At the beginning of the period, including:	(58,253)	(45,133)
- on receivables from related entities	–	–
Recognition of impairment loss on trade receivables	(18,202)	(12,977)
Recognition of impairment loss on other receivables	(47)	(10,179)
Reversal of impairment loss on trade receivables, including:	14,704	4,300
- on receivables from related entities	–	–
Use of impairment loss on other receivables	5,280	5,623
Use of impairment loss on trade receivables	15,314	113
Decrease in impairment losses due to recognition of discontinued operations as assets held for sale	342	–
Balance at end of period	**(40,862)**	**(58,253)**
- on receivables from related entities	–	–

In 2014, the Parent recognised a PLN 5,261 thousand impairment loss on accrued contractual penalties. In 2013, the Parent recognised a PLN 10,139 thousand impairment loss on accrued contractual penalties and, following receipt of payments, reversed PLN 3,779 thousand of the impairment loss. In addition, it reversed PLN 1,836 thousand of impairment losses on disputed receivables.

Presented below is a breakdown of current trade and other financial receivables which were past due as at December 31st 2014 and December 31st 2013, but were not considered to be irrecoverable and therefore no impairment was recognised in respect of them.

			Past due but recoverable				
	Total	***Not past due***	*< 30 days*	*30 – 90 days*	*90 – 180 days*	*180 – 360 days*	*>360 days*
Dec 31 2014	441,365	413,752	21,598	657	655	2,878	1,825

			Past due but recoverable				
	Total	***Not past due***	*< 30 days*	*30 – 90 days*	*90 – 180 days*	*180 – 360 days*	*>360 days*
Dec 31 2013	469,318	442,610	5,398	1,596	1,152	18,562	–

(PLN '000)

24. Current financial assets

24.1. Derivative instruments

	Dec 31 2014	*Dec 31 2013*
Forward contracts	–	15
Currency options	–	–
	–	**15**

As at December 31st 2014, the Group carried no open FX forward contracts with a positive fair value. The fair value of FX forwards, as estimated by banks, as at December 31st 2013 amounted to PLN 15 thousand.

The FX forward contracts were executed in connection with contracts denominated in the euro, based on terms commonly applied in such financial transactions.

Group companies do not apply hedge accounting, but the transactions are not speculative and their purpose is to hedge foreign currency-denominated purchase/sale contracts. As a result, the Group recognises the effects of fair-value measurement/ realisation of such instruments similarly as exchange differences, i.e. in other income or expenses.

24.2. Current deposits

	Dec 31 2014	*Dec 31 2013*
Current deposits, including:	–	892
- deposits securing payments under a letter of credit	–	–
- deposits securing claims of guarantee beneficiary	–	851
	–	**892**

Current deposits comprise the Group's cash deposited with banks for various periods, ranging from three months to one year. The Group classifies its deposits as non-current or current assets, depending on their maturities.

24.3. Other current financial assets

	Dec 31 2014	*Dec 31 2013*
Other current financial assets, including:	–	1,863
Advance payment to acquire the right to a loan	10,500	10,500
Impairment loss on advance payment to acquire the right to a loan	(10,500)	(10,500)
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) related to the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A.	–	1,549
Receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) in connection with a loan advanced to HYDROBUDOWA S.A. w upadłości likwidacyjnej (in bankruptcy by liquidation)	–	314
	–	**1,863**

In the 12 months ended December 31st 2014, based on the adopted assumptions the Group recognised under other financial assets a short-term receivable on from the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A. and a receivable under a loan granted to HYDROBUDOWA S.A.

In view of new arrangement proposals put forward by PBG S.A. w upadłości układowej (in company voluntary arrangements), published on November 3rd 2014, which assume, among other things, that the final payment date for the first instalment would be June 30th 2016, the Group did not recognize the current portion of the receivable on the return of shares in ENERGOMONTAŻ – POŁUDNIE S.A. and the receivable under the loan provided to HYDROBUDOWA S.A.

(PLN '000)

On April 18th 2012, the Parent and Olenia Ltd entered into a preliminary agreement for the purchase of 50% of shares in Bioelektrownia Szarlej sp. z o.o. and assignment of rights to receivables in the form a loan granted to that company. The total amount of a prepayment paid by the Parent under the agreement was PLN 16,176 thousand (of which PLN 5,676 thousand was paid for shares recognised as other non-financial assets and PLN 10,500 thousand was paid for the loan recognised as other financial assets). Bioelektrownia Szarlej sp. z o.o. is a special purpose vehicle established for the purpose of construction of a biogas power plant, to be financed from internally-generated funds, a loan from investors, and a subsidy awarded to the project. Bioelektrownia Szarlej sp. z o.o. terminated its agreement with the contractor, which caused delays in the performance of work and termination of the project subsidy agreement. Bioelektrownia Szarlej sp. z o.o.'s efforts to resume the project were unsuccessful.
Due to the status of the project as described above, the Parent's Management Board concluded that the risk of non-recoverability of the assets is significant and upheld its decision to recognise an impairment loss for the full value of the project.

24.4. Cash and cash equivalents

	Dec 31 2014	*Dec 31 2013*
Cash in hand and at banks	26,891	15,823
Current deposits for up to 3 months, including:	11,958	38,897
- deposits securing contingent liabilities	–	–
	38,849	**54,720**
including: restricted cash	1,317	1,052
Cash in hand and at banks allocated to discontinued operations (Note 8)	13,353	–
Current deposits for up to 3 months, allocated to discontinued operations (Note 8, including:	13,697	–
- securing contingent liabilities, allocated to discontinued operations	53	–
Cash in hand and at banks allocated to discontinued operations (Note 8)	**27,050**	–
including: restricted cash allocated to discontinued operations	53	–
Total cash	**65,899**	**54,720**

Cash at banks earns interest at variable rates linked to the interest rates for overnight deposits. Current deposits, classified as cash, are placed for various periods, usually of one day to one month, depending on Group companies' immediate cash requirement, and earn interest at rates agreed with the bank.

Group companies carry restricted cash, including cash from subsidies (held in separate bank accounts), which may be used to make payments under current contracts.

25. Other current non-financial assets

As at December 31st 2014, in the consolidated statement of financial position the Group separately disclosed 'Other current non-financial assets', which consisted of a PLN 5,676 thousand gross advance paid in connection with the acquisition of shares, as discussed in detail in Note 24.3. As at December 31st 2013, the Group recognised a PLN 5,676 thousand impairment loss on other current non-financial assets. Due to the status of the project as described in Note 33.3, the Parent's Management Board concluded that the risk of non-recoverability of the assets is significant and upheld its decision to recognise an impairment loss for the full value of the prepayment.

26. Equity

26.1. Share capital

In the 12 months ended December 31st 2014, the Parent's share capital amounted to PLN 139,200,000 and was divided into 69,600,000 ordinary shares with a par value of PLN 2.00 per share, of the following series:

Share capital	*Number of shares*	*Value of shares PLN '000*
Series A shares	900,000	1,800
Series B shares	2,100,000	4,200
Series C shares	300,000	600
Series D shares	1,200,000	2,400
Series E shares	1,500,000	3,000
Series F shares	3,000,000	6,000
Series G shares	330,000	660
Series H shares	8,070,000	16,140
Series I shares	52,200,000	104,400
	69,600,000	**139,200**

26.2. Par value per share

All the shares have a par value of PLN 2.00 per share and have been taken up for cash contributions.

26.3. Shareholders' rights

Shares of all series carry equal rights as to dividend payment and return on equity.

26.4. Share premium

The share premium comprises the excess of issue price over the par value of the shares, amounting to PLN 77,947 thousand. On May 15th 2000, the Parent's General Meeting resolved to allocate PLN 41,169 thousand to cover accumulated deficit from previous years. In the 12 months ended December 31st 2014, there were no events which would result in any changes in the share premium, which amounted to PLN 36,778 thousand at December 31st 2014 (December 31st 2013: PLN 36,778 thousand).

26.5. Reserve funds

Reserve funds have been created from statutorily required transfers from profits generated by Group companies in previous financial years, as well as from profit appropriations in excess of the statutorily required transfers. As at December 31st 2014, the reserve funds amounted to PLN 114,393 thousand (December 31st 2013: PLN 252,821 thousand).

26.6. Translation reserve

The balance of translation reserve is adjusted for exchange differences arising from translation of the financial statements of a foreign subsidiary and a foreign branch of the Parent. As at December 31st 2014, translation reserve amounted to PLN 190 thousand (December 31st 2013: PLN 134 thousand).

26.7. Retained earnings / accumulated deficit and dividends paid

As at December 31st 2014, following the recognition of a PLN 18,528 thousand net profit for the 12 months ended December 31st 2014, transfer of PLN 138,428 of profit brought forward to reserve funds, and a PLN (-) 276 thousand change in the equity structure of subsidiaries, the Group's retained earnings amounted to PLN 10,700 thousand (December 31st 2013: (-) 145,980 thousand.

In the 12 months ended December 31st 2014, subsidiary FPM S.A. paid to its minority shareholders dividend of PLN 605 thousand (the dividend paid to all shareholders of FPM S.A. amounted to PLN 3,400 thousand).

(PLN '000)

26.8. Capital management

The purpose of capital management by the Group is to ensure a high level of security for its operations while minimising the costs of raising financing. To ensure stable development, the Group needs to maintain an appropriate relationship between its own and external capital and effectively manage free cash. The Group analyses its capital structure using the capitalisation ratio (which measures the share of the Group's equity in its total equity and liabilities).

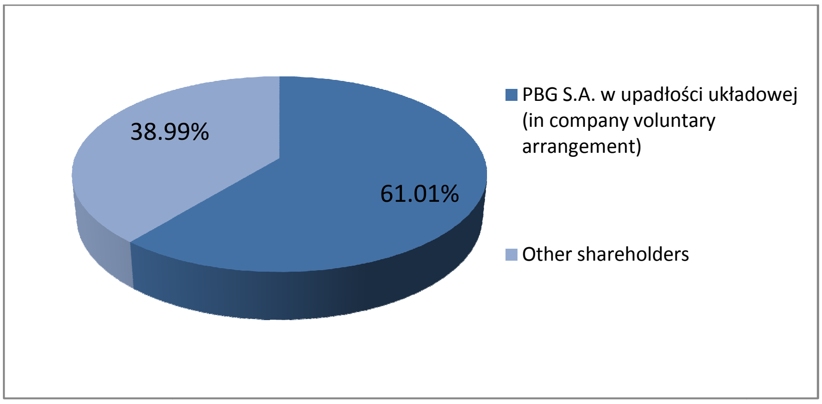
	Dec 31 2014	*Dec 31 2013*
Share of debt in equity		
Equity attributable to owners of the Parent	301,261	282,953
External capital (bank credit facility and loan)	128,527	256,816
Total equity and liabilities	1,146,562	1,065,402
Capitalisation ratio	**0.26**	**0.27**

26.9. Shareholders holding 5% or more of the total vote at the General Meeting of RAFAKO S.A. (the Parent) at the end of the reporting period

Shareholder	*NUMBER OF SHARES (pcs.)*	*Number of votes attached to the shares held*	*Ownership interest*	*% of the total vote at GM*
PBG S.A. w upadłości układowej (in company voluntary arrangement)[1], including	42,466,000	42,466,000	61.01%	61.01%
held directly	7,665,999	7,665,999	11.01%	11.01%
held indirectly through Multaros Trading Company Limited [2] (a subsidiary of PBG S.A.)	34,800,001	34,800,001	50% + 1 share	50% + 1 share

1 – based on the notification of August 8th 2012
2 – based on the notification of November 15th 2011

Shareholder structure as at December 31st 2014



(PLN '000)

On March 10th 2015, the Company received from ING Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of its investment funds, a notification that following the acquisition of RAFAKO S.A. shares the number of votes at the General Meeting of RAFAKO S.A., held jointly by the funds managed by ING TFI, increased above the threshold of 5% of total vote. As at the date of issue of these consolidated financial statements, the holdings of RAFAKO S.A. shares by ING Towarzystwo Funduszy Inwestycyjnych S.A. were as follows:

Shareholder	*Number of shares (pcs.)*	*Number of votes attached to the shares held*	*Ownership interest*	*% of the total vote at GM*
Investment funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A.***	3,508,403	3,508,403	5.04%	5.04%

*** based on the notification of March 10th 2015

In accordance with the notification received from BZ WBK Towarzystwo Funduszy Inwestycyjnych S.A. (the Fund), following the sale of RAFAKO S.A. shares on October 17th 2013 the Fund held shares representing less than 5% of total voting rights at the General Meeting of RAFAKO S.A.

26.10. Non-controlling interests

	Dec 31 2014	*Dec 31 2013*
Opening balance	11,136	10,435
Share in profit of subsidiaries	1,196	701
Dividend	(605)	–
Changes of equity structure at subsidiaries	466	–
Closing balance	**12,193**	**11,136**

(PLN '000)

27. Interest-bearing borrowings

As at December 31st 2014, Group companies carried liabilities under borrowings of PLN 128,527 thousand. As at December 31st 2014, the bank debt ratio, calculated as the sum of borrowings to total equity, was 43%.

Current borrowings	*Security*	*Other*	*Currency*	*Effective interest rate*	*Maturity date*	*Dec 31 2014*	*Dec 31 2013*
PKO BP S.A.	blank promissory note with a promissory note declaration, assignment of receivables under contracts,* clause providing for debt set-off against RAFAKO S.A.'s cash held in bank accounts, mortgage**, statement of submission to enforcement, registered pledge over a set of movables and rights comprising the entire business of the Company	Renewable overdraft agreement of PLN 150 million***	PLN	1M WIBOR + margin	Apr 30 2015	128,127	256,816
DZIERŻAWCA SP. Z O.O.****	a blank promissory note with a 'protest waived' clause		PLN	3.5% per annum	Dec 31 2015	400	–
						128,527	**256,816**

* The facility is secured with receivables under contracts performed by the Company, including assignment of receivables under contracts for modernisation and repair of components at the Bełchatów Power Plant and the Kielce CHP Plant (performed for PGE Górnictwo i Energetyka Konwencjonalna S.A.), as well as receivables under the contract performed for the Połaniec Power Plant.

** As at the date of these financial statements, the Parent established mortgages on its properties (other than flats and residential buildings) for a total amount of approximately PLN 300m, serving as additional security for the credit facility from PKO BP S.A.

*** As at the issue date of these consolidated financial statements, in accordance with the annex of April 29th 2014 to the credit facility agreement, the multi-purpose credit facility limit amounted to PLN 200,000,000.00, including an overdraft facility of PLN 150,000,000.00, and the facility repayment date was postponed to April 30th 2015.

**** Entity related through personal links.

The Parent plans to extend the credit facility agreement for subsequent periods. The Group's credit standing should be analysed taking into account the information included in Note 5, relating to continuation of the Group's operations.

28. Employee benefit obligations

28.1. Post-employment and other employee benefits

Based on a valuation forecast made at the end of the accounting period by a professional actuary, the Group recognises a provision for the present value of its obligation related to payment of retirement gratuity benefits, jubilee benefits and the Company Social Benefits Fund. The provision amount and a reconciliation showing movements in the provision during the financial year are presented in the table below:

	Dec 31 2014	*Dec 31 2013*
As at Jan 1 2012	23,669	24,133
Interest expense	947	972
Current service costs	628	528
Actuarial (gains)/losses	5,048	601
Cost of benefits paid	(2,515)	(2,565)
Presentation change in connection with discontinued operations	(974)	–
Closing balance	**26,803**	**23,669**
Non-current provisions	24,907	22,119
Current provisions	1,896	1,550

The main assumptions adopted by the actuary as at December 31st 2014 and for the 12 months then ended to determine the amount of the obligation were as follows:

	Dec 31 2014	*Dec 31 2013*
Discount rate (%)	2.5	4.0
Anticipated inflation rate (%)*	–	–
Employee turnover rate	5	5
Anticipated salary growth rate (%)	5.0	1.83

**No data in the actuary's report.*

Sensitivity analysis

Change of the discount rate by half percentage point:

	Increase (PLN '000)	*Decrease (PLN '000)*
Dec 31 2014		
Effect on the defined benefit obligation	(1,301)	1,403
Dec 31 2013		
Effect on the defined benefit obligation	(1,090)	1,189

(PLN '000)

29. Trade and other payables

29.1. Non-current trade and other payables

	Dec 31 2014	*Dec 31 2013*
Trade payables, including:		
Trade payables to related entities	6	73
Trade payables to other entities	20,498	13,558
	20,504	**13,631**
Financial liabilities, including:		
Finance lease liabilities	2,254	1,683
	2,254	**1,683**
Other liabilities, including:		
Unpaid bonus accrual	333	355
Capital commitments	1,762	2,132
Provisions for warranty repairs	1,860	2,689
	3,955	**5,176**

29.2. Current provisions, trade and other payables

	Dec 31 2014	*Dec 31 2013*
Trade payables, including:		
Trade payables to related entities	4,813	265
Trade payables to other entities	299,413	206,727
	304,226	**206,992**
Capital commitments, including:		
Trade payables to related entities	–	–
Trade payables to other entities	8,619	1,396
	8,619	**1,396**

In 2014, the Group's current trade payables increased considerably, by PLN 97,234 thousand, mostly due to the increase in revenues generated by the Group companies in 2014.

(PLN '000)

	Dec 31 2014	*Dec 31 2013*
Other liabilities		
VAT	4,580	872
Personal income tax	2,414	2,371
Social security liabilities	9,522	9,934
Amounts payable to the Tax Office	220	–
Other taxes, customs duties and insurance payable	349	17
Settlements with the Company Social Benefits Fund	3	8
Salaries and wages payable	8,842	9,758
Accrued holiday entitlements	3,780	2,397
Unpaid bonus accrual	9,121	1,351
Provisions for warranty repairs	9,988	8,813
Provision for uninvoiced services and materials	21,571	20,854
Audit provision	113	126
Liabilities under financial guarantees and sureties issued	745	882
Prepaid deliveries	–	1,463
Other amounts payable to employees	–	729
Other current accruals and deferred income	1,525	48
Provisions for other liabilities and disputed claims	5,667	500
Security deposits	613	–
Other	1,644	921
	80,697	**61,044**

Other financial liabilities		
Valuation of derivatives	–	–
Finance lease liabilities	776	660
Other financial liabilities	–	31
	776	**691**

In "Provisions for other liabilities and disputed claims" the Group included a provision for claims by the Group's customers.

29.3. Liabilities under financial derivatives

As at December 31st 2014, Group companies carried no open currency forward contracts with a negative fair value. As at December 31st 2013, Group companies carried no open currency forward contracts with a negative fair value.

29.4. Capital commitments

As at December 31st 2014, Group companies had commitments related to purchase of property, plant and equipment of PLN 10,381 thousand.

As at December 31st 2014, the Group also had signed agreements for planned capital expenditure totalling PLN 1,102 thousand, which were not disclosed in the accounting books as at the end of the reporting period.

(PLN '000)

29.5. Accrued holiday entitlements

The amount of accrued holiday entitlements is calculated on a monthly basis based on the actual number of days of unused holidays as at the end of each month. One twelfth of the holiday leave due for the whole year, increased by any unused days of holiday leave due for prior periods, is allocated to each individual month of the financial year. The number of days thus calculated is then multiplied by the average daily rate applicable to a given employee, determined on the basis of their salary for the month for which the accrual is made, plus amounts due to the Social Insurance Institution.

	Dec 31 2014	*Dec 31 2013*
Opening balance	2,397	2,669
Acquisition of subsidiary		–
Recognition of provision for liability	3,963	208
Presentation change in connection with discontinued operations	(263)	–
Cost of benefits paid	(2,317)	(480)
Reversal of provision for liability	–	–
Closing balance	**3,780**	**2,397**
Current as at	3,780	2,397
Non-current as at	–	–
	3,780	**2,397**

29.6. Unpaid bonus accrual

The Parent pays to its employees an annual bonus, the amount of which depends on the achievement of the Company's operating profit target. In accordance with the provisions of the Collective Bargaining Agreement (CBA), within 30 days of the date of authorisation of the annual financial statements of Group companies, the Management Board, upon consultation with the Trade Unions, makes a decision as to the payment of a discretionary bonus to the companies' employees. During the financial year, Group companies recognise an accrual for the annual bonus in the amount provided for in the CBA, unless their Management Boards decide not to recognise the accrual. The Parent additionally recognises an accrual for bonuses to project managers, which are paid after completion of contracts.

	Dec 31 2014	*Dec 31 2013*
Opening balance	1,706	9,341
Recognition of provision for liability	9,722	4,849
Cost of benefits paid	(230)	(4,785)
Reversal of provision for liability	(1,392)	(7,699)
Presentation change in connection with discontinued operations	(352)	–
Closing balance	**9,454**	**1,706**
Current as at	9,121	1,351
Non-current as at	333	355
	9,454	**1,706**

(PLN '000)

29.7. Provision for warranty repairs

Provisions for warranty repairs are recognised as a result of estimating the expected and measurable costs of oversight, repairs and warranty works related to contractual liabilities of Group companies, arising from the completion of a construction contract.

	Dec 31 2014	*Dec 31 2013*
Opening balance	11,502	12,796
Acquisition of subsidiary	–	–
Recognition of provision for liability	13,950	7,906
Presentation change in connection with discontinued operations	(528)	–
Costs of warranty repairs incurred	(13,076)	(9,200)
Reversal of provision for liability	–	–
Closing balance	**11,848**	**11,502**
Current as at	9,988	8,813
Non-current as at	1,860	2,689
	11,848	**11,502**

29.8. Liabilities under bank guarantees and sureties issued

The Parent recognised a provision for the expected costs arising from a surety granted in respect of bank guarantees issued by ING Bank Śląski S.A. at the request of Fabryka Elektrofiltrów ELWO S.A. w upadłości (in bankruptcy). The Bank's claim against RAFAKO S.A. arises under the Loan Agreement of June 25th 2008, announced by the Group in its previous reports. The Parent reversed a part of the provision in 2011 and, at the same time, recognised an impairment loss for the receivable under dispute.

	Dec 31 2014	*Dec 31 2013*
Opening balance	882	854
Acquisition of subsidiary	–	–
Recognition of provision for liability	195	137
Presentation change in connection with discontinued operations	(213)	–
Costs incurred	(119)	(109)
Reversal of provision for liability	–	–
Closing balance	**745**	**882**
Current as at	745	882
Non-current as at	–	–
	745	**882**

(PLN '000)

29.9. Income tax payable

	Dec 31 2014	*Dec 31 2013*
Corporate income tax	901	45
	901	**45**

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by administrative bodies, which are authorised to impose high penalties and sanctions. As the legal regulations regarding these issues in Poland are relatively new, they are often ambiguous and inconsistent. Differences in the interpretation of tax legislation are frequent, both within public administration bodies and between those bodies and businesses, leading to uncertainty and conflicts. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements may be subject to inspection for a period of five years from the end of the calendar year in which the tax payment was made. Such inspections may result in additional tax liabilities for the Group.

In 2014, no tax audits were carried out at the Parent. A tax audit was carried out at E001RK Sp. z o.o. with respect to VAT. The audit did not reveal any irregularities which would result in penalties being imposed on the company.

In the period of 12 months ended December 31st 2013, a tax audit was carried at the Parent with respect to VAT for February 2013. The tax audit did not reveal any irregularities which would result in tax penalties being imposed on the Company. In the 12 months ended December 31st 2013, no tax audits were held at the Group's subsidiaries.

30. Grants

As at December 31st 2014, grants received amounted to PLN 1,071 thousand. Grants received pertain to:

- Prevention activities of Powszechny Zakład Ubezpieczeń S.A., under which it co-financed the design, delivery and installation of natural gas detection and signalling systems for two gas furnaces at RAFAKO S.A.; the grant was made in cash,
- Research project 'Development of technologies for high performance zero emission coal-fired units integrated with CO_2 capture from flue gas,' carried out under the 'Advanced power generation technologies' strategic scientific research and development programme of the National Centre for Research and Development of Warsaw; the grant was made in cash,
- Research and development project 'Innovative after-treatment system for marine diesel engine emission control,' carried out by an international consortium coordinated by Brunel University; the grant was made in cash,
- Research and development project 'Materials for high performance zero emission power generation units fired with fossil fuel,' carried out in cooperation with the Department of Physical Metallurgy and Powder Metallurgy of the AGH University of Science and Technology of Kraków; the grant was made in cash,
- Research and development project 'Development of design guidelines for the SCR technology with a view to reducing the SO_2 to SO_3 conversion, decomposition of residual (unreacted) ammonia – ammonia content in ash, gypsum and waste water. The probability of formation of ABS (ammonium bisulfate) and AS (ammonium sulfate),' carried out in cooperation with the Institute of Power Engineering and Turbomachinery of the Silesian University of Technology of Gliwice; the grant was made in cash,
- Research project 'Innovative low-emission technologies (DUO-BIO) for reconstruction of coal-fired power plants comprising 200 MW generating units' funded by the National Centre for Research and Development as part of the Applied Research Programme; the grant was made in cash.

(PLN '000)

Settlements relating to grants:

Purpose of the grant	*As at Jan 1 2014*	*Increase in the period*	*Grants posted to other income in the period*	*Grants returned in the period*	*Transfer to discontinued operations*	*As at Dec 31 2014*
Modernisation of property, plant and equipment	23	–	(2)	–	–	21
Partial performance of a research project	535	698	(172)	–	(11)	1,050
	558	**698**	**(174)**	–	**(11)**	**1,071**

31. Issue, redemption and repayment of debt and equity securities

In the 12 months ended December 31st 2014 and the 12 months ended December 31st 2013, the consolidated entities did not issue, redeem, or repay any debt or equity securities.

32. Liabilities under finance leases and lease agreements with a purchase option

As at December 31st 2014, future minimum lease payments under finance leases and lease agreements with a purchase option and the net present value of minimum lease payments were as follows:

	Dec 31 2014		*Dec 31 2013*	
	Minimum payments	*Present value*	*Minimum payments*	*Present value*
up to 1 year	758	758	660	660
from 1 to 5 years	2,265	2,265	1,878	1,683
over 5 years	–	–	–	–
Total minimum lease payments	**3,023**	**3,023**	**2,538**	**2,343**
Less finance costs	7	7	(195)	–
Present value of minimum lease payments, including:	**3,030**	**3,030**	**2,343**	**2,343**
current	776	776	660	660
non-current	2,254	2,254	1,683	1,683

33. Litigations and disputes

Below are described the key litigations and disputes in which the Group is involved.

On November 3rd 2009, the Parent brought an action for payment with the Regional Court of Warsaw, 20th Commercial Division, against ING Bank Śląski S.A. ("ING"). In the action, RAFAKO S.A. demanded a refund of approximately PLN 9m unlawfully enforced from its accounts by ING Bank Śląski S.A. On November 29th 2010, the court of first instance issued a ruling in which it awarded PLN 8,996,566.00, plus statutory interest and litigation costs, to be paid by ING Bank Śląski S.A. to RAFAKO S.A. The attorney of ING Bank Śląski S.A. filed an appeal against the ruling of the court of first instance. On October 12th 2011, the Court of Appeals in Warsaw, having completed hearings, did not find the claims raised in the appeal by ING Bank Śląski S.A. justified, but resolved ex officio that the court of first instance failed to consider the substance of the dispute, reversed the ruling and remanded the case for re-examination by the court of first instance. In its ruling of April 1st 2014, the Regional Court of Warsaw ordered ING to pay RAFAKO S.A. PLN 3,646,699.59 plus statutory interest for the period from November 3rd 2009 until the payment date. The court dismissed the remaining part of the claim. Both parties lodged appeals against the ruling. The date of the hearing has not been set.

In another material litigation, the Parent is seeking compensation of USD 11,500 thousand (PLN 38,151 thousand) from Donetskoblenergo of Ukraine. RAFAKO demands the compensation following the customer's final decision to abandon a steam-generator construction project. In 2009, courts of the first and second instance ruled in favour of RAFAKO S.A. However, the High Commercial Court, having examined a cassation appeal, reversed the rulings and remanded the case for re-examination. On August 6th 2010, the Parent received a decision issued by the Judicial Chamber for business cases of the Supreme Court of Ukraine granting a cassation appeal lodged by RAFAKO S.A. on March 2nd 2010 and upholding the ruling of the Donetsk Commercial Court of Appeals of December 23rd 2008, whereby RAFAKO was awarded UAH 56.7m (approximately USD 11.5m as at the date of filing the claim) in compensation, default interest, court expenses and legal representation costs. As the recovery of the awarded receivable is uncertain, the Company did not recognise that amount as revenue. RAFAKO's attorney reported that in July 2012 the Commercial Court for the Donetsk region resumed the examination of the case having received Donetskoblenergo's petition to declare the agreement of May 16th 1994 invalid. According to the attorney, there are no new arguments or evidence to grant the petition. Due to the current situation in Ukraine, no date for the next hearing has been set.

An action brought by Steinmüller Babcock Environment GmbH (formerly FISIA BABCOCK ENVIRONMENT GmbH.) against RAFAKO S.A. is pending before the International Court of Arbitration at the International Chamber of Commerce in Vienna. The proceedings were initiated following the filing of a claim for payment of ca. EUR 3.8m in connection with a licence agreement relating to a wet flue gas desulfurisation unit. The principal claim concerns payment of an allegedly outstanding licence fee. In RAFAKO S.A.'s opinion, the claim is groundless. RAFAKO S.A.'s stance is that the contract for the upgrade of four desulfurisation units, in relation to which the dispute arose, had been performed based RAFAKO's proprietary technological solutions, without any licensed know-how. In its response to the statement of claim, RAFAKO S.A. also argues that the claim has become time-barred. The Court of Arbitration will address the matter of the claim being time-barred in the first place.

In connection with the arbitration proceedings, the Parent has recognised a provision for arbitration costs of ca. PLN 586 thousand. The provision was partially used in 2014 and its balance as at December 31st 2014 was PLN 477 thousand. In the opinion of the Parent's Management Board, as at December 31st 2014 there were no circumstances which would justify the recognition of any provisions for the claim.

On December 9th 2014, RAFAKO S.A. received a claim for payment of EUR 644.5 thousand from ESPD Environmental Solutions and Project Development GmbH of Vienna (ESPD). The Company's liability is alleged to arise out of the cooperation agreement signed between the parties, under which ESPD agreed to provide support for RAFAKO S.A.'s efforts to win contracts for flue gas denitration (DeNOx) units. RAFAKO S.A.'s stance is that the fee claimed by ESPD is not due since no services have been provided. The proceedings are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw.

34. Receivables from related entities in company voluntary arrangement

At the reporting date, in the statement of financial position the Group recognised net receivables of PLN 33.3m from related entities in company voluntary arrangement.

On December 20th 2011, RAFAKO S.A. and PBG S.A. ("indirect parent") of Wysogotowo concluded an agreement (the "Agreement"), under which RAFAKO S.A. acquired an interest in ENERGOMONTAŻ-POŁUDNIE Spółka Akcyjna ("EP") with its registered office at ul. Mickiewicza 15, Katowice. Under the Agreement, RAFAKO S.A. acquired 46,021,520 ordinary bearer shares in EP with a par value of PLN 1 per share and a total par value of PLN 46,021,520, representing 64.84% of the share capital and 64.84% of total voting rights at the General Meeting of the company, carrying the right to 46,021,520 votes attached to the shares. PBG S.A. sold the shares for PLN 160,154,889.60 (PLN 3.48 per share). The purchase price was paid on December 30th 2011. Following an analysis and taking into account the likelihood of RAFAKO S.A.'s additional payments and claims, the Company's Management Board determined the purchase price at PLN 160,154,889.60, plus transaction costs of PLN 557,363.40.

As a result of the above-mentioned transactions, ENERGOMONTAŻ-POŁUDNIE S.A. became a subsidiary of the RAFAKO Group.

The acquisition of shares in ENERGOMONTAŻ-POŁUDNIE S.A. was disclosed in the Group's financial statements for the financial year ended December 31st 2011 under cost of an investment in a subsidiary. The carrying amount of the investment as at December 31st 2011 was PLN 160,712.3 thousand. In accordance with the Group's accounting policy, the shares in the subsidiary were recognised at historical cost (net of impairment, if any).

On June 4th 2012, PBG S.A. filed a petition for insolvency. On June 13th 2012, the court granted the petition and PBG S.A. was declared to be insolvent in company voluntary arrangement.

On July 16th 2012, the Parent's Management Board received a letter from the Court Supervisor of PBG S.A. w upadłości układowej (in company voluntary arrangement) addressed to that company ("PBG"), informing PBG that the sale of 46,021,520 shares in ENERGOMONTAŻ-POŁUDNIE S.A. by PBG to RAFAKO S.A. on December 20th 2011 "as a legal transaction executed by the Bankrupt (PBG) for a consideration, within six months before the date of submitting the bankruptcy petition (i.e. June 4th 2012), with a related party in respect of which the Bankrupt (PBG) was a parent, is ineffective against its bankruptcy estate", in accordance with Art. 128.2 of the Bankruptcy and Restructuring Law ("Letter"). The Court Supervisor requested the PBG Management Board to immediately take steps under Art. 134 of the Bankruptcy and Restructuring Law to effect a return transfer of 46,021,520 shares in ENERGOMONTAŻ-POŁUDNIE S.A. to PBG's account.

On August 7th 2012, the Parent's Management Board entered into an agreement with PBG S.A. w upadłości układowej (in company voluntary arrangement) of Wysogotowo for the transfer of shares in ENERGOMONTAŻ-POŁUDNIE Spółka Akcyjna of Katowice. The agreement provided for the transfer of 46,021,520 ordinary bearer shares in the company, with a par value of PLN 1 per share, representing 64.84% of the share capital and 64.84% of total voting rights at the General Meeting of ENERGOMONTAŻ-POŁUDNIE S.A., carrying the right to 46,021,520 votes. The share transfer was registered in the brokerage account on August 7th 2012.

In accordance with the legal analyses available to the Parent's Management Board, as a result of PBG S.A.'s insolvency declared on June 13th 2012, the sale of shares in ENERGOMONTAŻ-POŁUDNIE S.A. by PBG S.A. to RAFAKO S.A. under the agreement signed on December 20th 2011 has become legally ineffective against the bankruptcy estate as of the date of the court's decision to declare PBG S.A. insolvent, i.e. as of June 13th 2012 (the date of loss of control). This means that the Parent is required to return the shares in ENERGOMONTAŻ-POŁUDNIE S.A. to PBG S.A. to include them in PBG S.A.'s bankruptcy estate, i.e. to procure that they are recorded in PBG S.A.'s securities account. This requirement arose by operation of law upon the declaration of PBG S.A.'s insolvency. Considering the above, having analysed the legal opinions on the ineffectiveness of the acquisition of ENERGOMONTAŻ-POŁUDNIE S.A. shares from PBG S.A. w upadłości układowej (in company voluntary arrangement), the Parent's Management Board resolved to submit to the procedure involving the return of the shares.

Given the ineffectiveness of PBG S.A.'s disposal of the shares in ENERGOMONTAŻ-POŁUDNIE S.A. to RAFAKO S.A., the Parent is entitled to claim a refund of the price paid for the shares. RAFAKO S.A.'s right to the refund of the price paid for the shares of ENERGOMONTAŻ-POŁUDNIE S.A. results in the recognition, in the consolidated statement of financial position, of a receivable which was initially recognised at fair value by reference to the present value of the expected inflows. Accordingly, the fair value of the receivable was estimated taking into account the expected cash inflows to the Company, taking into consideration PBG S.A.'s arrangement proposals providing for a 31% reduction of the debt (for which no deferred tax asset was recognised) and the expected timing of the inflow of the first instalment of cash to the Company, assessed by the Management Board as June 30th 2015.

In the 12 months ended December 31st 2014, the Group remeasured the asset based on updated arrangement proposals of November 3rd 2014, put forward by PBG S.A. w upadłości układowej (in company voluntary arrangement), providing with respect to the first group of creditors (which includes RAFAKO S.A.'s claim) for repayment of PLN 500 thousand and an 80% reduction of the receivable in excess of PLN 500 thousand. The receivable will be repaid in semi-annual instalments over a period of five years beginning on June 30th 2016. The Parent's Management Board estimates that the first instalment will be paid by June 30th 2016. The value of the receivable determined based on the assumptions discussed above as at December 31st 2014, recognised under 'Other non-current financial assets' amounts to PLN 27.7m. The full amount of the claim, i.e. PLN 160,154,889.60, has been included in the proof of the Parent's claim to the bankruptcy estate of PBG S.A. and is on the list of claims acknowledged by the Court Supervisor (publication in Monitor Sądowy i Gospodarczy official gazette of June 4th 2013).

In addition, on January 10th 2012, the Parent entered into a loan agreement with Hydrobudowa Polska S.A. of Wysogotowo, under which RAFAKO S.A. granted Hydrobudowa Polska S.A. a cash loan of PLN 32m maturing in 12 months (i.e. on January 9th 2013) to finance the company's day-to-day operations. To secure the repayment of the loan, Hydrobudowa Polska S.A. issued a blank promissory note with a 'protest waived' clause to RAFAKO S.A., guaranteed by PBG S.A. and Multaros Trading Company Ltd., together with relevant promissory note declarations.84 RAFAKO S.A. is entitled to fill in the note with the amount of any overdue balance of the loan with interest, up to PLN 35,000,000 (thirty-five million złoty). The loan bears interest at an annual rate of 1M WIBOR plus margin. By the date of these financial statements, RAFAKO S.A. had not received any amounts from Hydrobudowa Polska S.A., either as repayment of the loan principal or interest.

On June 4th 2012, PBG S.A. and Hydrobudowa Polska S.A. filed petitions with the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, for declaring PBG S.A. and Hydrobudowa Polska S.A. insolvent in voluntary arrangement. On June 13th 2012, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declared PBG S.A. insolvent in voluntary arrangement. On June 11th 2012, the District Court for Poznań-Stare Miasto of Poznań, 11th Commercial Insolvency and Arrangement Division, declared the bankruptcy of Hydrobudowa Polska S.A. by liquidation of its assets. Pursuant to Art. 124.2 of the Bankruptcy and Restructuring Law, following the declaration of bankruptcy of Hydrobudowa Polska S.A., RAFAKO S.A. is entitled to seek the return of the actually advanced loan, in accordance with the Bankruptcy and Restructuring Law. On October 26th 2012, the Parent's Management Board filed a proof of the claim in respect of the loan in the bankruptcy proceedings against Hydrobudowa Polska S.A. The loan is included in the list of claims acknowledged by the Official Receiver.

(PLN '000)

Taking into consideration the process of bankruptcy liquidation of Hydrobudowa Polska S.A., in order to seek the return of the loan amount, on September 21st 2012 the Management Board of the Parent filed the claim with the register of claims maintained as part of the PBG S.A. bankruptcy arrangement proceedings. In the 12 months ended December 31st 2014, taking into consideration current arrangement proposals (dated November 3rd 2014), the fair value of the receivable was estimated taking into account the expected cash inflows to RAFAKO S.A., assuming the repayment of PLN 500 thousand per one creditor and the 80% reduction of the receivable in excess of PLN 500 thousand (for which no deferred tax asset was recognised) as well as the expected timing of the first inflow of cash to RAFAKO S.A., assessed by the Company's Management Board as at June 30th 2016 (arrangement proposals provide for the repayment of the debt on a semi-annual basis over the period of five years). The value of the receivable determined based on the assumptions discussed above as at December 31st 2014, recognised under 'Other non-current financial assets', amounts to PLN 5.6m. The full amount of the claim, PLN 32,915,787.40, has been included in the proof of the Company's claim to the bankruptcy estate of PBG S.A. and is on the list of claims acknowledged by the Court Supervisor (publication in Monitor Sądowy i Gospodarczy official gazette of June 4th 2013).

The total amount of receivables from the related entity (PBG S.A.) subject to bankruptcy proceedings with an arrangement option, which results from the above-mentioned titles and is recognised in the statement of financial position, is PLN 33.3 million. The recoverable amount of the claims depends on the terms of the arrangement with PBG S.A.'s creditors, which had not been signed by the date of authorisation of these consolidated financial statements, as well as on the possibility of fulfilment of that arrangement by PBG S.A. in the future.

In the 12 months ended December 31st 2014, the measurement of the receivable contributed PLN 83 thousand (December 31st 2013: PLN -94,205 thousand) to the Group's net profit/(loss).

35. Changes in off-balance sheet items

	Dec 31 2014	*Dec 31 2013*
Off-balance sheet items under bank guarantees received mainly as security for performance of contracts, including:	505,928	272,728
- from related entities	–	–
Receivables under sureties received, including:	7,600	7,600
- from related entities	–	–
Promissory notes received as security, including:	14,208	45,806
- from related entities	980	–
Letters of credit	19,180	2,127
	546,916	**328,261**

	Dec 31 2014	*Dec 31 2013*
Off-balance sheet items under bank guarantees issued mainly as security for performance of contracts, including:	243,232	280,701
- to related entities	–	–
Liabilities under sureties, including:	1,046,000	–
- to related entities	–	–
Promissory notes issued as security, including:	27,612	23,725
- to related entities	–	–
Letters of credit	–	1,733
	1,316,844	**306,159**

In the 12 months of 2014, the RAFAKO Group recorded a PLN 1,010,685 thousand increase in contingent liabilities, including a PLN 37,469 thousand drop in liabilities under guarantees, PLN 1,733 thousand decrease in liabilities under letters of credit, and a PLN 3,887 thousand increase in promissory notes issued as security. In this category of liabilities, the largest item is a PLN 1,046m surety issued by the Parent for the benefit of financial institutions. The surety relates to bank and insurance guarantees of PLN 523m granted to E003B7 Sp. z o.o. in connection with the project 'Development of new coal-fired generation capacities at Tauron Wytwarzanie SA. – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II'. The Group presents this liability in the maximum amount of potential claim of PLN 1,046m. In the 12 months of 2014, guarantees of PLN 89,337 thousand, including performance bonds of PLN 46,564 thousand, were issued upon RAFAKO S.A.'s instruction to its trading partners by banks and insurance companies. The largest of guarantees which expired in the 12 months of 2014 was a bid bond of PLN 20m thousand relating to a tender for the construction of a power generation unit.

In the 12 months of 2014, the RAFAKO Group recorded an increase of PLN 218,655 thousand in contingent receivables related mainly to performance bonds, including an increase of PLN 233,200 thousand in receivables under received bank and insurance guarantees, and a decrease of PLN 31,598 thousand in receivables under promissory notes. The largest item among received guarantees which expired in the 12 months of 2014 was a payment guarantee of PLN 85,715, and the largest item among guarantees received in the 12 months of 2014 was a performance bond of PLN 218,460 thousand. In the 12 months of 2014, the Group also recorded a PLN 17,053 thousand increase in receivables under letters of credit opened for the Company .

(PLN '000)

36. Guarantees

As at December 31st 2014, the Group carried contingent liabilities under bank and insurance guarantees with a total value of PLN 766,232 thousand, including:

No.	*Bank/insurer issuing a guarantee*	*Guarantee amount*	*Type of guarantee*	*Security*
1.	BOŚ S.A.	3,437	warranty bond	power of attorney over bank accounts, blank promissory note with a promissory note declaration, assignment of receivables under a contract 87
2.	BRE Bank S.A.	2,584	performance bond, warranty bond	blank promissory note with a promissory note declaration, assignment of receivables87 under a contract
3.	BZ WBK S.A.	63,009	performance bond, warranty bond, advance payment guarantee	blank promissory note with a promissory note declaration, representation on submission to enforcement, assignment of receivables under a contract, power of attorney over bank accounts, security deposit 87
4.	DEUTSCHE Bank Polska S.A.	2,180	performance bond, warranty bond	representation on submission to enforcement, assignment of receivables under a contract, security deposit
5.	T.U. Euler HERMES S.A.	7,507	performance bond, warranty bond	blank promissory note with a promissory note declaration87
6.	STU ERGO HESTIA S.A.	16,795	performance bond, warranty bond	blank promissory notes with87 promissory note declarations
7.	PKO BP S.A.	111,981	performance bond, warranty bond, advance payment guarantee, bid bond, retention	representation on submission to enforcement, deduction from bank accounts, assignment of receivables under a contract, blank promissory note with a promissory note declaration, security deposit87
8.	PZU S.A.	8,472	performance bond, warranty bond	blank promissory notes with promissory note declarations, representation on submission to enforcement under Art. 777 of the Polish Code of Civil Procedure87
9.	UNIQA TU S.A.	2,938	performance bond, warranty bond, bid bond	blank promissory notes with promissory note declarations87
10.	TuiR WARTA S.A.	22,079	performance bond, warranty bond	blank promissory notes with promissory note declarations, representation on submission to enforcement under Art. 777 of the Polish Code of Civil Procedure87
11.	Generali TU S.A.	2,250	performance bond	blank promissory note with a promissory note declaration87
12.	Bank Gospodarstwa Krajowego	48,000	advance payment guarantee	registered pledges, financial pledges, ordinary pledges, surety for payment, assignment of claims, bank enforcement order representation, assignment of claims to secure future recourse claims, subordination of claims
13.	Bank Gospodarstwa Krajowego	126,333	performance bond	
14.	PZU S.A.	48,000	advance payment guarantee	
15.	PZU S.A.	126,333	performance bond	
16.	PKO BP S.A.	48,000	advance payment guarantee	
17.	PKO BP S.A.	126,334	performance bond	
	TOTAL	**766,232**		

(PLN '000)

37. Related parties

In the 12 months of 2014 and the 12 months of 2013, the Group did not enter into any material transactions with related parties on non-arm's length terms.

Total amounts of transactions with related parties in the 12 months ended December 31st 2014 and December 31st 2013 were as follows:

Related party	*12 months ended Dec 31*	*Sale to related parties*	*Purchase from related parties*	*Receivables from related entities*	*Liabilities to related parties*
Parent: PBG S.A. w upadłości układowej (in company voluntary arrangement)*	*2014*	–	5,057	33,344*	1
	2013	–	516	33,261*	129
PBG Group companies**: GasOil Engineering a.s.	*2014*	–	–	–	–
	2013	–	338	–	313
PBG Oil and Gas Sp. z o.o. (formerly HBP DROGI Sp. z o.o.)	*2014*	–	4,448	–	4,473
	2013	–	–	–	–
Hydrobudowa Polska S.A. w upadłości likwidacyjnej (in liquidation bankruptcy)	*2014*	–	–	–	–
	2013	–	–	–	–
PBG Avatia Sp. z o.o.	*2014*	–	4	–	4
	2013	–	3	–	–
EGBP MANAGEMENT Sp. z o.o. (formerly PBG Energia Sp. z o.o.***	*2014*	–	–	–	–
	2013	12,378	–	–	–
ENERGOMONTAŻ-POŁUDNIE Sp. z o.o.**	*2014*	–	–	–	–
	2013	522	13,633	–	–
ENERGOMONTAŻ-POŁUDNIE S.A.**	*2014*	–	–	–	–
	2013	5	274	–	–
SWGK CONSULTING Sp. z o.o.	*2014*	–	46	–	–
SWGK KSIĘGOWOŚĆ Sp. z o.o.	*2014*	–	560	–	344

**The receivables from PBG S.A. w upadłości układowej (in company voluntary arrangement) described in Note 43*34
***Related entity until June 30th 2013*
****Related entity until December 4th 2013*

38. Group's Parent

RAFAKO S.A. is the Parent of the RAFAKO Group.

As at the date of these consolidated financial statements, the parent of the RAFAKO Group is PBG S.A. w upadłości układowej (in company voluntary arrangement).

As at December 31st 2014, PBG S.A. of Wysogotowo held 61.01% of the Company's ordinary shares (11.01% of shares held directly, and 50% + 1 share held indirectly).

(PLN '000)

39. Joint ventures in which Group companies are partners

Group companies are not engaged in any joint ventures.

40. Related-party transactions

In the 12 months of 2014, the Parent and its subsidiaries did not enter into any material transactions with related parties on non-arm's length terms. All transactions with related parties are executed on terms applied by the Group in its business relations with non-related parties. Consideration is generally determined by way of a tender and standard payment terms are agreed. The related party must ensure that a contract is performed in accordance with the documentation, give a warranty for a specified period and provide security in the form of a performance bond issued by a bank. Related parties are also subject to standard contractual penalties, non-disclosure agreements, provisions protecting industrial property rights, and provisions regarding contract insurance, force majeure and dispute resolution.

41. Transactions with other members of the Management Board and Supervisory Board

In the reporting and comparable periods, no loans were granted to members of the management or supervisory boards of Group companies.

In the reporting and comparable periods, Group companies did not enter into any transactions with members of their management boards.

42. Shares held by members of management and supervisory bodies

The table below presents the number of shares in the Parent or Parent's related parties held by the management and supervisory staff as at December 31st 2014:

	Company name	*Total number of shares*	*Par value of shares (PLN)*
Member of the management staff			
Edward Kasprzak	RAFAKO S.A.	2,000	4,000
Jarosław Dusiło	PBG S.A. w upadłości układowej (in company voluntary arrangement)	100	100
Tomasz Tomczak	PBG S.A. w upadłości układowej (in company voluntary arrangement)	3,250	3,250
Member of the supervisory staff			
Małgorzata Wiśniewska	PBG S.A. w upadłości układowej (in company voluntary arrangement)	3,279	3,279
Jerzy Wiśniewski	PBG S.A. w upadłości układowej (in company voluntary arrangement)	3,881,224	3,881,224

43. Shares held by senior management staff under employee stock option plan

Group companies do not have any employee stock option plans.

44. Remuneration of the Group's senior management staff

	12 months ended Dec 31 2014	*12 months ended Dec 31 2013*
Short-term employee benefits (salaries and overheads)	10,733	13,437
Length-of-service awards	17	81
Post-employment benefits	–	–
Termination benefits	–	120
Other employee benefits	–	–
Total cost of remuneration paid to key management staff*	**10,750**	**13,638**

**Including members of management and supervisory boards of the Parent and subsidiaries.*

The remuneration paid to members of the Parent's Management and Supervisory Boards for the year ended December 31st 2014 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**2,904**	**1,205**	**665**
Agnieszka Wasilewska-Semail	226	–	3
Krzysztof Burek	542	192	–
Jarosław Dusiło	542	240	–
Edward Kasprzak	542	199	–
Maciej Modrowski	234	199	140
Paweł Mortas	438	375	492
Tomasz Tomczak	380	–	30
Supervisory Board	**1,020**	–	**1,330**
Jerzy Wiśniewski	236	–	600
Dariusz Sarnowski	146	–	180
Piotr Wawrzynowicz	144	–	360
Małgorzata Wiśniewska	108	–	–
Agenor Gawrzyał	114	–	33
Edyta Senger-Kałat	108	–	–
Przemysław Schmidt	108	–	157
ADAM SZYSZKA	56	–	–
Total	**3,924**	**1,205**	**1,995**

The remuneration paid to members of the Parent's Management and Supervisory Boards for the year ended December 31st 2013 was as follows:

PLN '000

	Base pay	Awards	Other
Management Board	**2,314**	**510**	**112**
Paweł Mortas	600	150	27
Krzysztof Burek	480	–	–
Jarosław Dusiło	480	120	16
Edward Kasprzak	377	120	11
Maciej Modrowski	377	120	58
Supervisory Board	**1,038**	–	**577**
Piotr Wawrzynowicz	144	–	101
Jerzy Wiśniewski	228	–	476
Małgorzata Wiśniewska	108	–	–
Agenor Gawrzyał	240	–	–
Przemysław Cieszyński	51	–	–
Ryszard Wojnowski	51	–	–
Edyta Senger-Kałat	108	–	–
Przemysław Schmidt	54	–	–
Dariusz Sarnowski	54	–	–
Total	**3,352**	**510**	**689**

The remuneration paid to members of the Management and Supervisory Boards of DOM Sp. z o.o. (a subsidiary) for the year ended December 31st 2014 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**99**	**30**	**–**
Mirosław Dziedzic	99	30	–
Supervisory Board	**123**	**–**	**–**
Mariusz Łożyński	47	–	–
Jolanta Markowicz	38	–	–
Adam Górnicki	38	–	–
Total	**222**	**30**	**–**

The remuneration paid to members of the Management and Supervisory Boards of DOM Sp. z o.o. (a subsidiary) for the year ended December 31st 2013 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**86**	**28**	**–**
Mirosław Dziedzic	86	28	–
Supervisory Board	**120**	**–**	**–**
Mariusz Łożyński	46	–	–
Jolanta Markowicz	37	–	–
Adam Górnicki	37	–	–
Total	**206**	**28**	**–**

The remuneration paid to members of the Management and Supervisory Boards of RAFAKO Engineering Sp. z o.o. (a subsidiary) for the year ended December 31st 2014 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**175**	**–**	**–**
Alan Beroud	132	–	–
Tomasz Tomczak	–	–	–
Agnieszka Jaksik	43	–	–
Supervisory Board	**92**	**–**	**–**
Roman Karbasz	38	–	–
Maciej Modrowski	15	–	–
Grzegorz Podsiadło	34	–	–
Paweł Mortas	5	–	–
Total	**267**	**–**	**–**

The remuneration paid to members of the Management and Supervisory Boards of RAFAKO Engineering Sp. z o.o. (a subsidiary) for the year ended December 31st 2013 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**69**	–	**–**
Alan Beroud	23	–	
Norbert Lejeune	23	–	–
Justyna Mirek	23	–	–
Supervisory Board	**104**	**–**	**–**
Grzegorz Podsiadło	32	–	–
Maciej Modrowski	36	–	–
Roman Karbasz	36	–	–
Total	**173**	–	–

The remuneration paid to members of the Management and Supervisory Boards of ENERGOTECHNIKA ENGINEERING Sp. z o.o. (a subsidiary) for the year ended December 31st 2014 was as follows:

PLN '000

	Base pay	Awards	Other
Management Board	**432**	**–**	**62**
Jan Miodek	184	–	30
Justyna Mirek	248	–	32
Supervisory Board	**38**	**–**	**–**
Maciej Kaczorowski	11	–	–
Maciej Modrowski	5	–	–
Joanna Zwolak	11	–	–
Tomasz Tomczak	11	–	–
Total	**470**	**–**	**62**

The remuneration paid to members of the Management and Supervisory Boards of ENERGOTECHNIKA ENGINEERING Sp. z o.o. (a subsidiary) for the year ended December 31st 2013 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**328**	**–**	**–**
Justyna Mirek	184	–	–
Jan Miodek	144	–	–
Total	**328**	**–**	**–**

The remuneration paid to members of the Management and Supervisory Boards of FPM S.A. (a subsidiary) for the year ended December 31st 2014 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**611**	**239**	**86**
Piotr Dzierzęga	276	110	16
Marian Januszkiewicz	180	90	41
Maciej Solarczyk	155	39	29
Supervisory Board	**294**	**–**	**–**
Piotr Wawrzynowicz	72	–	–
Krzysztof Matysek	63	–	–
Krzysztof Jeremicz	63	–	–
Tomasz Tomczak	48	–	–
Edward Kasprzak	48	–	–
Total	**905**	**239**	**86**

The remuneration paid to members of the Management and Supervisory Boards of FPM S.A. (a subsidiary) for the year ended December 31st 2013 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**533**	**1,870**	**174**
Piotr Dzierżęga	276	1,062	8
Marian Januszkiewicz	180	808	150
Maciej Solarczyk	77	–	16
Supervisory Board	**264**	**–**	**–**
Michał Kajzerek	41	–	–
Krzysztof Matysek	61	–	–
Piotr Wawrzynowicz	64	–	–
Dariusz Karwacki	2	–	–
Tomasz Tomczak	45	–	–
Edward Kasprzak	45	–	–
Krzysztof Jeremicz	6	–	–
Total	**797**	**1,870**	**174**

The remuneration paid to members of the Management and Supervisory Boards of PALSERWIS Sp. z o.o. (an indirect subsidiary) for the year ended December 31st 2014 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**96**	**18**	**950**
Andrzej Bies	96	18	950
Supervisory Board	**83**	–	–
Piotr Dzierżęga	25	–	–
Marian Januszkiewicz	28	–	–
Józef Wojtuszek	30	–	–
Total	**179**	**18**	**950**

The remuneration paid to members of the Management and Supervisory Boards of PALSERWIS Sp. z o.o. (an indirect subsidiary) for the year ended December 31st 2013 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**96**	**–**	**–**
Andrzej Bies	96	–	–
Supervisory Board	**83**	**–**	**–**
Piotr Dzierżęga	25	–	–
Marian Januszkiewicz	28	–	–
Józef Wojtuszek	30	–	–
Total	**179**	**–**	**–**

The remuneration paid to members of the Management and Supervisory Boards of E001RK Sp. z o.o. (a subsidiary) for the year ended December 31st 2014 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**105**	–	–
Anna Wiktor	23	–	–
Jakub Sitek	62	–	–
Rafał Damasiewicz	20	–	–
Supervisory Board			
Agnieszka Wasilewska-Semail	–	–	–
Krzysztof Burek	–	–	–
Jerzy Wiśniewski	–	–	–
Rafał Damasiewicz	–	–	–
Jakub Sitek	–	–	–
Total	**105**	–	–

The remuneration paid to members of the Management and Supervisory Boards of E003B7 Sp. z o.o. (a subsidiary) for the year ended December 31st 2014 was as follows:

PLN '000

	Base pay	*Awards*	*Other*
Management Board	**780**	–	–
Edward Kasprzak	301	–	–
Jarosław Dusiło	241	–	–
Alfred Seń	238	–	–
Supervisory Board	**605**	–	–
Paweł Mortas	71	–	–
Tomasz Tomczak	141	–	–
Jerzy Wiśniewski	207	–	–
Krzysztof Burek	115	–	–
Agnieszka Wasilewska-Semail	71	–	–
Total	**1,385**	–	–

45. Management Board's position on the feasibility of meeting previously published forecasts

The Group did not publish forecasts for 2014.

46. Information on agreement with qualified auditor or auditing firm qualified to audit financial statements

On April 11th 2012, acting on the basis of the authorisation provided for in the Parent's Articles of Association, the Parent's Supervisory Board resolved to appoint Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly Ernst & Young Audit Sp. z o.o.), with its registered office at Rondo ONZ 1, Warsaw, Poland, entered in the list of entities qualified to audit financial statements maintained by the National Board of Statutory Auditors under No. 130, to audit the Company's financial statements for 2012, 2013 and 2014. The auditor was appointed in accordance with the applicable regulations and professional standards. In the past, Ernst & Young performed reviews and audits of separate financial statements and consolidated financial statements of the RAFAKO Group for 2002-2005 and 2011.

On June 15th 2012, the Company entered into an agreement with Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly Ernst & Young Audit Sp. z o.o.) of Warsaw for the review and audit of the separate and consolidated financial statements for 2012, 2013 and 2014. The total remuneration payable to the auditor for the review and audit of the financial statements was agreed at PLN 537 thousand.

On September 16th 2014, the Supervisory Board of FPM S.A., a subsidiary, acting on the basis of the authorisation provided for in the company's Articles of Association, resolved to appoint REWIDO Spółka z ograniczoną odpowiedzialnością sp. k., entered in the list of entities qualified to audit financial statements maintained by the National Board of Statutory Auditors under No. 2302, to audit the company's financial statements. The auditor was appointed in accordance with the applicable regulations and professional standards. On November 6th 2014, the Company entered into an agreement with REWIDO Spółka z ograniczoną odpowiedzialnością sp. k. for the review and audit of the separate and consolidated financial statements for 2014. The total remuneration payable to the auditor for the review and audit of the financial statements was agreed at PLN 21 thousand.

On December 12th 2014, the Extraordinary General Meeting of ENERGOTECHNIKA Engineering Sp. z o.o., a subsidiary, acting on the basis of the authorisation provided for in the company's Articles of Association, resolved to appoint DORADCA Zespół Doradców Finansowo - Księgowych Sp. z o.o. of Lublin, entered in the list of entities qualified to audit financial statements maintained by the National Board of Statutory Auditors under No. 232, to audit the company's financial statements. The auditor was appointed in accordance with the applicable regulations and professional standards. In the past, DORADCA provided the company with services consisting in the review and audit of separate financial statements for 2013 and 2012. On December 17th 2014, the company entered into an agreement with DORADCA Zespół Doradców Finansowo - Księgowych Sp. z o.o. for the review and audit of the company's separate financial statements for 2014. The total amount of remuneration payable to the auditor for the audit of the financial statements was agreed at PLN 5.5 thousand.

(PLN '000)

On December 19th 2014, the Supervisory Board of RAFAKO Engineering Sp. z o.o., a subsidiary, acting on the basis of the authorisation provided for in the company's Articles of Association, resolved to appoint AUDYTORZY I DORADCY Spółka z o.o. of Katowice, entered in the list of entities qualified to audit financial statements maintained by the National Board of Statutory Auditors under No. 3130, to audit the company's financial statements. The auditor was appointed in accordance with the applicable regulations and professional standards. In the past, DORADCA Zespół Doradców Finansowo-Księgowych Sp. z o.o. of Lublin, entered in the list of entities qualified to audit financial statements maintained by the National Board of Statutory Auditors under No. 232, provided the company with services consisting in the review and audit of separate financial statements for 2009–2013.
On January 12th 2015, the company entered into an agreement with AUDYTORZY I DORADCY Spółka z o.o. for the review and audit of the company's separate financial statements for 2014. The total amount of remuneration payable to the auditor for performing the audit of financial statements was agreed at PLN 3.9 thousand.

On December 9th 2014, the Supervisory Board of PGL–DOM Sp. z o.o., a subsidiary, acting on the basis of the authorisation provided for in the company's Articles of Association, resolved to appoint DORADCA Zespół Doradców Finansowo - Księgowych Sp. z o.o. of Lublin, entered in the list of entities qualified to audit financial statements maintained by the National Board of Statutory Auditors under No. 232, to audit the company's financial statements. The auditor was appointed in accordance with the applicable regulations and professional standards. In the past, DORADCA provided the company with services consisting in the review and audit of separate financial statements for 2006–2013. On December 30th 2014, the company entered into an agreement with DORADCA Zespół Doradców Finansowo - Księgowych Sp. z o.o. to audit the company's separate financial statements for 2014. The total amount of remuneration payable to the auditor for the audit of the financial statements was agreed at PLN 7.5 thousand.

On December 22nd 2014, acting on the basis of the authorisation provided for in the company's Agreement and the Polish Commercial Companies Code (Dz.U. of 2000, No. 94, item 1037, as amended), the Extraordinary General Meeting of E003B7 Sp. z o.o., a subsidiary, resolved to appoint Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością sp. k. of Warsaw, entered in the list of entities qualified to audit financial statements maintained by the National Board of Statutory Auditors under No. 130, to audit the company's financial statements. The auditor was appointed in accordance with the applicable regulations and professional standards. On December 23rd 2014, the Company entered into an agreement with Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. of Warsaw for the audit of the separate financial statements for 2014. The total amount of remuneration payable to the auditor for performing the audit of financial statements was agreed at PLN 174 thousand (VAT-exclusive).

The table below presents the remuneration paid or payable to the qualified auditors of financial statements for the year ended December 31st 2014 and December 31st 2013, broken by type of service:

Type of service	*Year ended Dec 31 2014**	*Year ended Dec 31 2013**
Mandatory audit of the separate and consolidated financial statements of the Parent	179	179
Other attestation services	–	–
Tax advisory services	–	–
Other services	30	19
Total	**230**	**198**

**Refers to Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. (formerly Ernst & Young Audit Sp. z o.o.).*

47. Objectives and policies of financial risk management

The objective of the RAFAKO Group's financial risk management policy is to limit the volatility of the Group's cash flows and results of its core business operations to acceptable levels. The key financial instruments used by the Group include cash, current deposits, advanced loans, currency exchange transactions, overdraft facilities and leases. The main purpose of these instruments is to support and secure financially the day-to-day operations of Group companies by stabilising and neutralising liquidity, exchange rate and interest rate risks, and to ensure safe and effective investment of free cash. Other financial instruments, such as trade receivables and payables, arise in the course of Group companies' day-to-day operations and form their inherent part.

Group companies are not engaged in trading in financial instruments. The role of all financial instruments discussed in this section is to support the core business processes. Group companies do not permit the use of financial instruments for speculative or other purposes not directly related to their core operations.

The key financial risk to which the Group is exposed is liquidity risk, discussed at length in Note 5.

(PLN '000)

In 2014, the Parent was party to a PLN 150m overdraft facility agreement with PKO BP S.A., exposing it to interest rate risk that will have an effect on the amount of finance costs paid by the Company in the following periods. However, the Company's exposure to interest rate risk has decreased following the drop in the nominal amount of the credit facility. The base interest rate, determining the cost of the credit facility, remained relatively low and constant.

Currency risk and interest rate risk are other types of risk to which Group companies were exposed in the reporting period and continue to be exposed. An overview of this risk is provided in Note 47.2.

The accounting policies pursued by Group companies with respect to derivative instruments are discussed in Note **Błąd! Nie można odnaleźć źródła odwołania.**.

47.1. Interest rate risk

As at December 31st 2014, the Group was party to a credit facility agreement, therefore its operations were exposed to credit risk and the risk associated with potential changes in interest rates. Changes in market interest rates may trigger changes to the interest charged on the credit facility, as well as the interest earned by the Group companies on their deposits.

Sensitivities to such changes are analysed in the table below.

Sensitivity to interest rate risk

The table below presents sensitivity of pre-tax profit to reasonable movements in interest rates, assuming that other factors remain constant (deposits, advanced loans, bank credit facility, amounts payable under leases).

The effect on the Group's equity is not presented.

	Increase/ decrease (percentage points)	*Effect on pre-tax profit/loss*
Period ended Dec 31 2014		
PLN	+1%	668
EUR	+1%	753
GBP	+1%	43
PLN	- 1%	(668)
EUR	- 1%	(753)
RSD	- 1%	(43)
Period ended Dec 31 2013		
PLN	+1%	(1,472)
EUR	+1%	377
RSD	+1%	1
PLN	- 1%	1,472
EUR	- 1%	(377)
RSD	- 1%	(1)

47.2. Currency risk

The most significant type of financial risk to which the Group is exposed is currency risk, which arises in connection with exchange rate movements, causing uncertainty as to future cash flows denominated in foreign currencies. The Group's exposure to currency risk stems from the fact that a significant portion of its cash flows is denominated in foreign currencies. Changes in PLN exchange rates, especially if frequent and significant, may materially affect both profitability of contracts denominated in foreign currencies and the amount of currency translation differences on assets and liabilities denominated in foreign currencies and translated into PLN.

In the reporting period, more than 16.5% of the Group's invoiced revenue was denominated in foreign currencies, primarily in EUR.

The currency risk management strategy followed by Group companies provides for the use of natural hedging to the largest possible extent. Group companies strive to achieve the highest possible level of structural matching of income and expenses denominated in the same currency and related to the running contracts. From 30% to 70% of the estimated net exposure to currency risk which is not covered by natural hedging is hedged at the time of transaction execution, exclusively with accepted types of derivative instruments.

(PLN '000)

As at December 31st 2014, Group companies did not have any open hedging positions.

In view of the best bid choices made by Employers in material tenders and the expectation that the Group will evolve from net exporter to net importer in terms of its currency exposure, the Group did not enter into any new foreign currency sale contracts under its currency risk hedging policy. Once the final tender awards are known, Group companies will revise their currency positions and decide on entering into any hedging transactions.

The table below presents the sensitivity of the pre-tax profit/loss (due to changes in the value of monetary assets and liabilities) to reasonable movements in the EUR, GBP, RSD, and DKK exchange rates, with all the other factors unchanged.

	Exchange rate increase/ decrease	*Effect on pre-tax profit/loss*	*Effect on net profit/loss*
Dec 31 2013 – EUR	+10%	392	318
	-10%	(392)	(318)
Dec 31 2013 – GBP	+10%	366	296
	-10%	(366)	(296)
Dec 31 2013 – RSD	+10%	(11)	(9)
	-10%	11	9
Dec 31 2013 – DKK	+10%	(4)	(3)
	-10%	4	3
Dec 31 2013 – EUR	+10%	(899)	(728)
	-10%	899	728
Dec 31 2013 – CHF	+10%	(7)	(6)
	-10%	7	6
Dec 31 2013 – RSD	+10%	(34)	(28)
	-10%	34	28
Dec 31 2013 – DKK	+10%	(3)	(2)
	-10%	3	2

47.3. Commodity price risk

The Group is exposed to price risk, particularly the risk of increase in the prices of materials of strategic importance to its operations. The level of this risk is greatly determined by the conditions prevailing in the global commodities markets (including steel, precious metals, fuel and energy markets), which are affected by both exchange rate movements and producers' consolidation efforts intended to achieve joint control of prices. The commodity price risk management strategy envisages entering into contracts with sub-suppliers of materials and services in the master contract currency, arranging for procurement of materials by the customer, and entering into procurement contracts providing for fixed prices. Group companies do not enter into long-term contracts with sub-suppliers. The scope of supplies is determined and suppliers selected on an individual basis depending on requirement.

(PLN '000)

47.4. Credit risk

The RAFAKO Group's credit risk exposure is closely related to the core business conducted by Group companies. The exposure results from outstanding trade contracts and is related to the risk of occurrence of such credit events as the contractor's insolvency, partial payment of receivables, and material delays in payment of receivables. Providing trade credit to trade partners is an essential part of the Group's business. However, Group companies undertake a number of measures to mitigate the risk of entering into trade relations with potentially unreliable customers. Each customer who wishes to trade on credit terms is subject to credit verification procedures.

Customers who − based on the results of credit verification procedures performed by Group companies − are deemed financially unreliable, are required to provide appropriate financial security to mitigate the risk of their insolvency borne by the Group.

47.5. Liquidity risk

The Group is exposed to liquidity risk arising from the mismatch of cash flow maturities under ongoing contracts. The Group seeks to ensure positive cash flows, which − assuming timely payment of receivables − significantly reduces liquidity risk. The nominal amount of credit facilities available to the Group is sufficient to effectively prevent any negative consequences of potential delays in payment of receivables. Since 2013, the Parent has used external sources of financing. The credit limits available at banks, used to a significant extent, were sufficient to finance the Group's operating activities.

The question of the Group's financial liquidity (continuation of operations) with respect to 2014 is discussed at length in Note 5 to the consolidated financial statements.

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

Dec 31 2014	*payable on demand*	*up to 3 months*	*from 3 to 12 months*	*from 1 year to 5 years*	*over 5 years*	*Total*
Interest-bearing borrowings	–	–	128,527	–	–	128,527
Lease liabilities	–	165	611	2,254	–	3,030
Derivative instruments	–	–	–	–	–	–
Trade and other payables	57,747	222,082	34,606	20,009	667	335,111
Discount on liabilities	–	–	–	1,489	173	1,662
	57,747	**222,247**	**163,744**	**23,752**	**840**	**468,330**

Dec 31 2013	*payable on demand*	*up to 3 months*	*from 3 to 12 months*	*from 1 year to 5 years*	*over 5 years*	*Total*
Interest-bearing borrowings	–	256,816*	–	–	–	256,816
Lease liabilities	–	54	119	2,365	–	2,538
Derivative instruments	–	–	15	–	–	15
Trade and other payables	67,825	124,789	15,288	15,310	939	224,151
Discount on liabilities	–	–	–	1,312	328	1,640
	67,825	**381,659**	**15,422**	**18,987**	**1,267**	**485,160**

*According to the annex of December 20th 2013 to the credit facility agreement.

(PLN '000)

48. Financial instruments

48.1. Carrying amounts of various classes and categories of financial instruments

The following tables show the carrying amounts of various classes and categories of financial instruments as at December 31st 2014 and December 31st 2013.

The Group presents the particular classes and categories of its financial instruments at carrying amounts (their fair values approximate their carrying amounts).

Classes and categories of financial assets	*Carrying amount Dec 31 2014*	*Carrying amount Dec 31 2013*
Assets at fair value through profit or loss	–	**15**
Investment fund units	–	–
Derivative instruments	–	15
Available-for-sale financial assets	**369**	**319**
Long-term shareholdings	369	319
Loans and receivables	**474,134**	**503,718**
Trade receivables	278,105	147,914
Other receivables	162,577	320,737
Loans advanced	108	–
Non-current deposits	–	905
Current deposits	–	892
Other non-current financial assets	33,344	31,407
Other current financial assets	–	1,863
Cash and cash equivalents	**38,849**	**54,720**
	513,352	**558,772**

Classes and categories of financial liabilities	*Carrying amount Dec 31 2014*	*Carrying amount Dec 31 2013*
Financial liabilities at fair value through profit or loss	–	–
Derivative instruments	–	–
Financial liabilities at amortised cost	**463,638**	**480,967**
Borrowings	128,527	256,816
Trade payables (including capital commitments)	335,111	224,151
Other financial liabilities		
Liabilities under guarantees, factoring and excluded from the scope of IAS 39	**3,030**	**2,343**
Liabilities under leases and lease agreements with a purchase option	3,030	2,343
	466,668	**483,310**

(PLN '000)

As at December 31st 2014 and December 31st 2013, the Group held the following financial instruments measured at fair value:

Dec 31 2014	*Level 1*	*Level 2*	*Level 3*
Assets at fair value through profit or loss	–	–	–
Investment fund units	–	–	–
Derivative instruments	–	–	–
Available-for-sale financial assets	**369**	–	–
Long-term shareholdings	369	–	–
Financial liabilities at fair value through profit or loss			
	–	–	–
Derivative instruments	–	–	–

Dec 31 2013	*Level 1*	*Level 2*	*Level 3*
Assets at fair value through profit or loss	–	**15**	–
Investment fund units	–	–	–
Derivative instruments	–	15	–
Available-for-sale financial assets	**319**	–	–
Long-term shareholdings	319	–	–
Financial liabilities at fair value through profit or loss	–	–	–
Derivative instruments	–	–	–

(PLN '000)

48.2. Items of income, expenses, gains and losses recognised in the consolidated income statement, by category of financial instruments

12 months ended December 31st 2014	*Category in accordance with IAS 39*	*Interest income/ (expense)*	*Foreign exchange gains/(losses)*	*Reversal/ (recognition) of impairment losses*	*Gains/(losses) on remeasurement*	*Gains/(losses) on sale of financial instruments*	*Other*	*Total*
Financial assets								
Available-for-sale financial assets (non-current), including:	Available for sale	–	–	–	–	–	14	14
- shares	Available for sale	–	–	–	–	–	14	14
Other financial assets (non-current), including:		–	–	–	79	–	–	79
- receivables from related entities in company voluntary arrangement	Receivables and loans	–	–	–	83	–	–	83
- non-current loans	Receivables and loans	–	–	–	(4)	–	–	(4)
- non-current deposits	Receivables and loans	–	–	–	–	–	–	–
Other financial assets (current), including:		9	(78)	–	–	–	–	(69)
- current deposits	Receivables and loans	9	(78)	–	–	–	–	(69)
– certificates of deposit	At fair value through profit or loss	–	–	–	–	–	–	–
- receivables from related entities in company voluntary arrangement	At fair value through profit or loss	–	–	–	–	–	–	–
- advance payment to acquire the right to a loan	At fair value through profit or loss	–	–	–	–	–	–	–
Trade and other receivables	Receivables and loans	5,426	416	1,735	(1,349)	–	–	6,228
Financial derivatives, including:	At fair value through profit or loss	–	–	–	–	–	–	–
- currency forwards	At fair value through profit or loss	–	–	–	–	–	–	–
Cash and cash equivalents	Receivables and loans	453	756	–	–	–	–	1,209
Total		**5,888**	**1,094**	**1,735**	**(1,270)**	**–**	**14**	**7,461**

(PLN '000)

12 months ended December 31st 2014	*Category in accordance with IAS 39*	*Interest income/ (expense)*	*Foreign exchange gains/ (losses)*	*Reversal/ (recognition) of impairment losses*	*Gains/ (losses) on remeasurement*	*Gains/(losses) on sale of financial instruments*	*Other*	*Total*
Financial liabilities								
Interest-bearing borrowings, including:	Other financial liabilities at amortised cost	(5,795)	–	–	–	–	(1,246)	(7,041)
- non-current, bearing interest at variable rates	Other financial liabilities at amortised cost	–	–	–	–	–	–	–
- overdraft facilities bearing interest at variable rates	Other financial liabilities at amortised cost	(5,795)	–	–	–	–	(1,246)	(7,041)
- other current credit facilities bearing interest at variable rates	Other financial liabilities at amortised cost	–	–	–	–	–	–	–
Other financial liabilities, including:	Other financial liabilities at amortised cost	(41)	–	–	–	–	–	(41)
- liabilities under finance leases and lease agreements with a purchase option	Other financial liabilities at amortised cost	(41)	–	–	–	–	–	(41)
Trade and other payables	Other financial liabilities at amortised cost	(1,314)	(1,875)	–	24	–	–	(3,165)
– trade payables		(324)	(1,844)	–	25	–	–	(2,143)
– other liabilities		(990)	(31)	–	(1)	–	–	(1,022)
– currency forwards	At fair value through profit or loss	–	–	–	–	–	–	–
Total		**(7,150)**	**(1,875)**	**–**	**24**	**–**	**(1,246)**	**(10,247)**

(PLN '000)

12 months ended December 31st 2013 *Financial assets*	*Category in accordance with IAS 39*	*Interest income/ (expense)*	*Foreign exchange gains/ (losses)*	*Reversal/ (recognition) of impairment losses*	*Gains/ (losses) on remeasurement*	*Gains/(losses) on sale of financial instruments*	*Other*	*Total*
Available-for-sale financial assets (non-current), including:	Available for sale	–	–	–	(28)	–	15	(13)
- shares	Available for sale	–	–	–	(28)	–	15	(13)
Other financial assets (non-current), including:	Receivables and loans	9,520	(25)	–	(88,899)	–	–	(79,394)
- receivables from related entities in company voluntary arrangement	Receivables and loans	9,192	–	–	(88,928)	–	–	(79,736)
- non-current deposits	Receivables and loans	328	(25)	–	–	–	–	303
- non-current loans		–	–	–	29	–	–	29
Other financial assets (current), including:		3	–	(10,500)	(5,277)	–	–	(15,774)
- current deposits	Receivables and loans	3	–	–	–	–	–	3
– certificates of deposit	At fair value through profit or loss	–	–	–	–	–	–	–
- receivables from related entities in company voluntary arrangement	At fair value through profit or loss	–	–	–	(5,277)	–	–	(5,277)
- advance payment to acquire the right to a loan	At fair value through profit or loss	–	–	(10,500)	–	–	–	(10,500)
Trade and other receivables	Receivables and loans	6,639	(826)	(13,233)	(374)	–	–	1,398
Financial derivatives, including:	At fair value through profit or loss	–	–	–	178	460	–	638
- currency forwards	At fair value through profit or loss	–	–	–	178	460	–	638
Cash and cash equivalents	Receivables and loans	644	137	–	–	–	–	781
Total		**16,806**	**(714)**	**(23,733)**	**(94,400)**	**460**	**15**	**(101,566)**

12 months ended December 31st 2013 *Financial liabilities*	*Category in accordance with IAS 39*	*Interest income/ (expense)*	*Foreign exchange gains/ (losses)*	*Reversal/ (recognition) of impairment losses*	*Gains/ (losses) on remeasurement*	*Gains/(losses) on sale of financial instruments*	*Other*	*Total*
Interest-bearing borrowings, including:	Other financial liabilities at amortised cost	(13,237)	–	–	(29)	–	(1,513)	(14,779)

(PLN '000)

- non-current, bearing interest at variable rates	Other financial liabilities at amortised cost	(129)	–	–	(29)	–	–	(158)
- overdraft facilities, bearing interest at variable rates	Other financial liabilities at amortised cost	(13,108)	–	–	–	–	(1,513)	(14,621)
- other current credit facilities bearing interest at variable rates	Other financial liabilities at amortised cost	–	–	–	–	–	–	–
Other financial liabilities, including:	Other financial liabilities at amortised cost	(148)	–	–	–	–	–	(148)
- liabilities under finance leases and lease agreements with a purchase option	Other financial liabilities at amortised cost	(148)	–	–	–	–	–	(148)
Trade and other payables	Other financial liabilities at amortised cost	(881)	(952)	–	(429)	–	–	(2,262)
Hedging instruments – bank insurance		–	–	–	–	–	–	–
Financial derivatives, including:	At fair value through profit or loss	–	–	–	(216)	–	–	(216)
- currency forwards	At fair value through profit or loss	–	–	–	(216)	–	–	(216)
Total		**(14,266)**	**(952)**	–	**(674)**	–	**(1,513)**	**(17,405)**

(PLN '000)

48.3. Interest rate risk

The tables below present the carrying amounts of the Group's financial instruments exposed to the interest rate risk, broken by maturity.

Dec 31 2014

Fixed interest	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Non-current deposits	–	–	–	–	–	–	–
Current deposits	–	–	–	–	–	–	–

Variable interest	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash and cash equivalents	38,849	–	–	–	–	–	38,849
Loans advanced	70	38	–	–	–	–	108
Liabilities under finance leases and lease agreements with a purchase option	777	849	728	524	152		3,030
Bank overdrafts	128,127	–	–	–	–	–	128,127
Loans	400	–	–	–	–	–	400

Dec 31 2013

Fixed interest	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Non-current deposits	–	888	17	–	–	–	905
Current deposits	892	–	–	–	–	–	892

Variable interest	*<1 year*	*1-2 years*	*2-3 years*	*3-4 years*	*4-5 years*	*>5 years*	*Total*
Cash and cash equivalents	54,720	–	–	–	–	–	54,720
Liabilities under finance leases and lease agreements with a purchase option	173	222	1 948	–	–	–	2,343
Bank overdrafts	256,816	–	–	–	–	–	256,816

Interest on financial instruments earning interest at variable rates is updated in periods of less than one year. Interest on financial instruments earning interest at fixed rates remains unchanged until the maturity of the instruments. Other financial instruments held by the Group, not included in the above tables, earn no interest and are therefore not exposed to the interest rate risk.

49. Employment

Between January and December 2014, the average headcount within the Group was 2,256.
For a detailed description of changes to the employment structure, see Section III.4 in Directors' Report on the Operations of the RAFAKO Group in 2014.

50. Events after the reporting date

On December 30th 2014, the Parent executed a preliminary conditional agreement for sale of shares in FPM S.A. to TDJ S.A. of Katowice. On January 12th 2015, the Supervisory Board of RAFAKO S.A. approved the sale of FPM S.A. shares. Thus, one of the two conditions precedent of the Preliminary Agreement was fulfilled. On February 19th 2015, RAFAKO S.A. was notified by TDJ that the President of the Office for Competition and Consumer Protection (UOKiK) gave TDJ clearance for business concentration involving takeover of control of FPM S.A. by TDJ. Thus, the second condition precedent of the Preliminary Agreement was fulfilled. On February 23rd 2015, a share sale agreement was executed for an aggregate amount of PLN 48m. The sold assets represent 82.19% of FPM S.A.'s share capital and confer 82.19% of total voting rights at the FPM S.A. General Meeting, i.e. 1,376,508 votes. Following the transaction, RAFAKO S.A. holds no FPM S.A. assets.

On January 20th 2015, E003B7 Sp. z o.o. ("SPV") and UNISERV-PIECBUD Spółka Akcyjna executed an agreement for the performance of works related to the supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II, in connection with the 'Development of new coal-fired generation capacities at Tauron Wytwarzanie S.A. – Construction of supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II' project implemented by RAFAKO and the SPV.

The Agreement was executed on the following terms:

1. Subcontractor will design, deliver and assemble for the SPV a cooling tower along with the related equipment, to be used at the supercritical 910 MW generating unit at the Jaworzno III Power Plant – Power Plant II.
2. The value of the Agreement for the performance of the full scope of works is PLN 164,800,000 (VAT-exclusive).
3. The Agreement caps the aggregate value of contractual penalties at 25% of its value (VAT-exclusive).
4. If the cost of damage resulting from non-performance or improper performance of works under the Agreement exceeds the amount of contractual penalties, the SPV may seek additional compensation on general terms, in compliance with the Polish Civil Code.
5. The Subcontractor's total liability (compensation, claims and demands) may not exceed 100% of the value of the Agreement.

The Agreement will become effective provided it is approved by:

a) the guarantors (PKO BP S.A., BGK and PZU S.A.),
b) the Employer (with respect to the terms and conditions of the Agreement),
c) RAFAKO S.A.

As at the issue date of these consolidated financial statements, all conditions precedent for the Agreement had been fulfilled and the Agreement became effective.

(PLN '000)

On March 10th 2015, the Company received from ING Towarzystwo Funduszy Inwestycyjnych S.A., acting on behalf of its investment funds, a notification that following the acquisition of RAFAKO S.A. shares the number of votes at the General Meeting of RAFAKO S.A., held jointly by the funds managed by ING TFI, increased above the threshold of 5% of total vote.

According to the notification, ING TFI's share in the total vote at the General Meeting of RAFAKO S.A. changed following the acquisition of Company shares on March 5th 2015 by ING Specjalistyczny Fundusz Inwestycyjny Otwarty Akcji 2, Fundusz Własności Pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty, and by one subfund, ING Parasol Funduszu Inwestycyjnego Otwartego.

Prior to the change, ING TFI Funds held jointly 3,478,023 shares in RAFAKO S.A. and the same number of votes at its General Meeting, representing 4.99% of RAFAKO S.A.'s share capital and the same percentage of votes at its General Meeting.

As at the date of exceeding the threshold, the Funds held jointly 3,508,403 shares in RAFAKO S.A. and the same number of votes at its General Meeting, representing 5.04% of RAFAKO S.A.'s share capital and the same percentage of votes at its General Meeting.

These consolidated financial statements of the RAFAKO Group were authorised for issue on March 23rd 2015 by virtue of Resolution No. 23/2015 of RAFAKO S.A. Management Board dated March 23rd 2015.

Signatures:

March 23rd 2015	Agnieszka Wasilewska-Semail	President of the Management Board	....
March 23rd 2015	Krzysztof Burek	Vice-President of the Management Board	....
March 23rd 2015	Jarosław Dusiło	Vice-President of the Management Board	....
March 23rd 2015	Edward Kasprzak	Vice-President of the Management Board	....
March 23rd 2015	Tomasz Tomczak	Vice-President of the Management Board	....
March 23rd 2015	Jolanta Markowicz	Chief Accountant	....