CONSOLIDATED FINANCIAL STATEMENTS OF PROCHEM S.A. CAPITAL GROUP

As at and for the period ended 31 December 2012

PROCHEM S.A.
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Consolidated statement of financial position as at 31 December 2012

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 31 December 2012	As at 31 December 2011
A s s e t s			
Non-current assets			
Property, plant and equipment	1	26 275	26 631
Intangible assets	2	296	194
Investment properties	3	70 178	66 904
Shares	4	843	843
Shares in equity-accounted investees	5	1 116	1 344
Deferred tax assets	6	2 013	404
Total non-current assets		**100 721**	**96 320**
Current assets			
Inventories	7	4 512	6 071
Trade and other receivables	8	59 597	75 656
Other financial assets	9	198	435
Other assets	10	14 282	19 668
Cash and cash equivalents	30	6 796	19 350
Assets held for sale	5	-	675
Total current assets		**85 385**	**121 855**
Total assets		**186 106**	**218 175**
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital	11	3 895	3 895
Revaluation reserve		11 063	10 371
Retained earnings	12	95 452	98 620
Owner's equity		**110 410**	**112 886**
Minority shareholders		**13 678**	**14 206**
Total equity		**124 088**	**127 092**
Non-current liabilities			
Provision for deferred income tax	6	5 467	4 674
Provisions for retirement and similar benefits	13	1 876	1 592
Other provisions	14	41	-
Other non-current liabilities	15	367	151
Total non-current liabilities		**7 751**	**6 417**
Current liabilities			
Current bank loans	16	7 526	4 291
Current loans	17	29	29
Trade payables	18	34 983	71 841
Liability for current income tax		101	421
Other liabilties	19	8 065	5 667
Deferred income	20	3 563	2 417
Total current liabilities		**54 267**	**84 666**
Total liabilities		**62 018**	**91 083**

Total equity and liabilities	**186 106**	**218 175**
Book value – parent entity's equity	110 410	112 886
The number of shares (units)	3 895 000	3 895 000
Book value per one share (in PLN)	28.35	28.98

Consolidated statement of comprehensive income for the period from 1 January 2012 to 31 December 2012

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 December 2012	Period ended 31 December 2011
Revenues, including:		136 069	178 423
Revenues from sale of services	21	130 096	173 292
Revenues from sale of goods and materials	22	5 973	5 131
Cost of sales, including:		-123 426	-160 486
Cost of services sold	23	-118 307	-156 082
Cost of merchandise and raw materials		-5 119	-4 404
Gross profit (loss) on sales		**12 643**	**17 937**
General and administrative expense		-14 658	-15 545
Other operating income	24	1 369	6 573
Other operating expenses	25	-3 158	-1 392
Results from operating activities		**-3 804**	**7 573**
Financial income	26	1 416	843
Profit (loss) on disposal of shares in subsidiaries		6	284
Finance expenses	27	-1 672	-1 522
Share in net profit of associated entities		384	384
Profit (loss) before tax		**-3 670**	**7 562**
Income tax expense:	28	-518	1 953
- current tax		430	605
- deferred tax		-948	1 348
Profit for the period		**-3 152**	**5 609**
Net profit attributable to:			
Shareholders of parent company		-3 858	4 982
Minority interest		706	627
Other comprehensive income			
Revaluation of property, plant and equipment		725	-
Income tax on other comprehensive income		-127	-
Other comprehensive income net		**598**	**-**
Total comprehensive income		**-2 554**	**5 609**
Total comprehensive income attributable to:			
Shareholders of parent entity		-3 260	4 982
Minority interest		706	627
Weighted average number of ordinary shares (units)		3 895 000	3 895 000
Profit per ordinary share (in PLN per share) attributable to owners		-0.99	1.28

of parent entity

Total comprehensive income per ordinary share (in PLN per share) attributable to owners of parent entity	-0.84	1.28

Consolidated statement of changes in equity
for the period from 1 January 2012 to 31 December 2012

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
The reporting period from 1 January 2012 to 31 December 2012						
As at the beginning of the period	**3 895**	**10 371**	**98 620**	**112 886**	**14 206**	**127 092**
Net profit of the given period	-	-	-3 858	**-3 858**	706	**-3 152**
Net other comprehensive income	**-**	***465***	-	**465**	133	**598**
Total comprehensive income	**-**	**465**	**-3 858**	**-3 393**	**839**	**-2 554**
Payment of dividend	-	-	-	**-**	-12	**-12**
Change of the structure of non-controlling interest (shares repurchased by Elektromontaż SA for redemption)	-	227	1 024	**1 251**	-1 251	**-**
Repurchase of own shares by Elektromontaż SA for redemption	-	-	-242	**-242**	-104	**-346**
Other changes - including the sale of shares of subsidiaries	-	-	-92	**-92**	-	**-92**
As at the end of the period	**3 895**	**11 063**	**95 452**	**110 410**	**13 678**	**124 088**

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
The reporting period from 1 January 2011 to 31 December 2011						
As at the beginning of the period	**3 895**	**9 689**	**92 042**	**105 626**	**18 021**	**123 647**
Net profit of the given period	-	-	4 982	**4 982**	627	**5 609**
Net other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**4 982**	**4 982**	**627**	**5 609**
Payment of dividend	-	-	-	**-**	-11	**-11**
Change of the structure of non-controlling interest (acquisition of shares by the Issuer)	-	-	70	**70**	-90	**-20**
Change of the structure of non-controlling interest (shares repurchased by Elektromontaż SA for redemption)	-	697	2 656	**3 353**	-3 353	**-**

Repurchase of own shares by Elektromontaż SA for redemption	-	-	-782	**-782**	-394	**-1 176**
Other changes - including the sale of shares of subsidiaries	-	-15	-348	**-363**	-594	**-957**
As at the end of the period	**3 895**	**10 371**	**98 620**	**112 886**	**14 206**	**127 092**

Consolidated statement of cash flows
for the period from 1 January 2012 to 31 December 2012

(all amounts in PLN thousands if not stated otherwise)

	Note No	Period ended 31 December 2012	Period ended 31 December 2011
Cash flows – operating activities			
Profit before tax		-3 670	7 562
Total adjustments		-6 249	-207
Share in net profit of entities accounted with equity method		-384	-384
Amortisation and depreciation	23	2 296	3 007
Interest and profit sharing (dividends)		1 201	412
(Profit) loss on disposal of property, plant and equipment		-201	-374
(Profit) loss on investing activities recognised in the statement of comprehensive income		-1 187	-4 179
Change in provisions		959	-125
Change in inventories		1 560	-866
Change in receivables and other assets	30	23 741	-26 393
Change in current liabilities, except for loans and borrowings	30	-35 267	28 188
Other adjustments (including change in deferred income)		1 033	507
Cash provided by (used in) operating activities		-9 919	7 355
Paid income tax		749	364
Net cash provided by (used in) operating activities		**-10 668**	**6 991**
Cash flows – investing activities			
Inflows		430	7 836
Disposal of intangible assets and property, plant and equipment		403	1 211
Inflows from financial assets including:		27	6 625
a) in related entities		26	6 525
- disposal of financial assets		8	5 720
- dividends and profit sharing		18	-
- repayment of loans granted		-	634
- repayment of interest on loans granted		-	171
b) in other entities		1	100
- other proceeds from financial assets		1	100
Outflows		-4 785	-1 854
Acquisition of intangible assets and property, plant and equipment		-1 056	-1 088
Investment in real estate and intangible assets		-3 646	-165
For financial assets, including:		-83	-601
a) in related entities		-82	-601
- acquisition of financial assets		-82	-601
b) in other entities		-1	-
- loans granted		-1	-

Net cash provided by (used in) investing activities	**-4 355**	**5 982**
Cash flows – financing activities		
Inflows	6 765	2 561
Bank loans	6 512	2 029
Other financial inflows	253	532
Outflows	-4 296	-2 284
Other than payments to shareholders, expenses under profit distribution	-358	-1 187
Repayment of loans	-3 276	-283
Payments of liabilities under finance lease agreements	-51	-369
Interest	-611	-445
Net cash provided by (used in) financing activities	**2 469**	**277**
Total cash flow, net	-12 554	13 250
Net increase /(decrease) in cash and cash equivalents	-12 554	13 250
Cash and cash equivalents at the beginning of the period	19 350	6 100
Cash and cash equivalents at the end of the period	6 796	19 350

Notes on adopted accounting principles (policy) and other explanatory notes to financial statements

1. Establishment of the parent company and principal activity

Company Prochem S.A. (hereinafter called „Prochem", „Company", „Issuer" or „Parent Company") seated in Warsaw, 44C Powązkowska Street. The company is registered in the National Court Register (KRS) by the District Court for the Capital City Warsaw, XII Commercial Department of the National Court Register under KRS number 0000019753. Principal activity according to Polish Business Classification (PKD 2007) determines symbol 7112Z – engineering activities and related technical consulting. According to Warsaw Stock Exchange classification Prochem belongs to construction sector. Prochem S.A. is a Parent Company of the Capital Group and prepares a separate consolidated financial statement. Prochem S.A. was established through transformation of a state-owned enterprise under the name Przedsiębiorstwo Projektowania I Realizacji Inwestycji Przemysłu Chemicznego „Prochem". The notarial deed and Company's Articles of Association were signed on 1 October 1991. Duration of the Company is unlimited.

2. Management Board and Supervisory authorities of the Issuer

As at the date of preparation hereby financial statements the Management Board of Prochem S.A. comprises of:
Jarosław Stępniewski - President of the Management Board
Marek Kiersznicki - Vice President of the Management Board
Krzysztof Marczak - Vice President of the Management Board

As at the date of preparation hereby financial statements the Supervisory Board of Prochem S.A. comprises of:

- Andrzej Karczykowski - Chairman
- Marek Garliński – Vice Chairman
- Dariusz Krajowski-Kukiel
- Krzysztof Obłój
- Adam Parzydeł

3. Employment

In 2012 average employment was 554 FTEs and in 2011, 561 FTEs. Level of employment in persons as at 31 December 2012 was 572 and in 2011 571.

4. Description of the Group, with indication of a consolidated entities.

The Prochem S.A. Capital Group (hereinafter referred to as „Capital Group", „Group"), in addition to data of parent company (hereinafter referred to as „ Issuer") comprises the following subsidiaries directly or indirectly, and associated entities (hereinafter referred to as „entity" or company"):

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- Irydion Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (99.0%);
- Pro-Organika Sp. z o.o. seated in Warsaw – subsidiary directly (91.4%);
- Prochem Serwis Sp. z o.o. seated in Warsaw – subsidiary indirectly (89.1%);
- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.1% of the share in capital and profit, 69.4% of votes);
- Prochem Zachód Sp. z o.o. seated in Słubice – subsidiary directly (60.0%);
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (85.0%, including 70.0% in the 50% share of Elektromontaż Kraków)
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (85.0%, including 70.0% in the 50% share of Elektromontaż Kraków)
- Elektromontaż Kraków S.A. – subsidiary indirectly (70.0%), including: 31.4% of capital and votes belongs to company Prochem Inwestycje 100% subsidiary. Company prepares consolidated financial statements, which contains data of 100% subsidiary: ELMONT-POMIARY Sp. z o.o. seated in Krakow and two associated companies ELPRO Sp. z o.o. and Elmont-Inwestycje Sp. z o.o.
- IRYD Sp. z o.o. seated in Warsaw – 100% indirect subsidiary
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – indirect subsidiary (87.3% belongs to company Prochem Inwestycje Sp. z o.o. 100% subsidiary).
- Prochem RPI Sp. z o.o. seated in Warsaw – 100% subsidiary indirectly and directly,
- PRO PLM Sp. z o.o. seated in Warsaw – 100 % subsidiary directly and indirectly (50% of share belongs to company Prochem Inwestycje Sp. z o.o. 100% subsidiary),

Associated companies valued with equity method:

- PROMIS Sp. z o.o. seated in Warsaw – indirectly associated (29.5% of voting rights and 48.9 % of share capital belongs to company Prochem Inwestycje Sp. z o.o. 100% subsidiary),
- ITEL Sp. z o.o. seated in Gdynia – 42.0% of share (18.7% of voting rights and capitals directly belongs to Prochem S.A. and 23.3% belongs to Prochem RPI Sp. z o.o. 100 subsidiary since 23 February 2010
- TEOMA S.A. seated in Warsaw – 19.5% of share capital and 16.6% of voting rights (12.1% of voting rights belongs directly to Prochem S.A., and 4.4% belongs to Prochem Inwestycje Sp. z o.o. 100% subsidiary).

Consolidated subsidiaries were included into consolidated financial statements from the date of gaining control by the parent company, and associated companies from the date of gaining significant influence. Predom Projektowanie Sp. z o.o. was excluded from consolidation. The Company has not commenced activity. The value of shares was recognized in impairment losses.
For shares of company TEOMA was created write-down for 100% of value.

5. Adopted accounting policies

Principles of presentation

The consolidated c financial statements of Prochem S.A. Capital Group for the period from 1 January to 31 December 2012 and analogous period of the comparable year was prepared according to International Accounting Standards and International Financial Reporting Standards, which were adopted by European Union (EU) and were effective as at 31 December 2012. The scope of consolidated financial statements is compliant with Minister of Finance Regulation of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal no. 33, item 259 with further amendments).

Presented consolidated financial statements are compliant with all requirements of IFRS adopted by EU and present true and fair view of the Group's financial position as at 31 December 2012 and comparable data as at 31 December 2012, as well as results of operations for the year ended 31 December 2012 and comparable data for the year ended 31 December 2011.

The consolidated financial statements of Prochem S.A. Capital Group was prepared assuming that the Group will continue to operate as a going concern in foreseeable future and there is no evidence indicating that the Issuer and companies belonging to Capital Group will not be able to continue its operations as a going concern.

The operations of companies belonging to Prochem S.A. Capital Group are not seasonal. The consolidated financial statements was prepared based on the principle of the historical cost, apart from:

- land, buildings and construction measured at revalued amount,
- investment real property (land), measured at fair value.

Changes in estimates and accounting policies

The preparation of financial statements under IFRS adopted by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the consolidated financial statements set under the estimation are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information or of progressing course of events or of acquiring greater experience. In 2012, the group did not changed the adopted principles of estimates .
Adopted accounting principle (policy) are changed in case of:

1. changes in IFRS,
2. when the change in accounting principles will lead to that information included in the financial statements about the impact of the transaction, of other events and conditions on financial position, financial result or also flows will be more useful and credible for recipients of financial statements.

In case of changes in accounting policies it is assumed that new accounting policies were always applied, except for the ones which aren't anticipating the retrospective change. Adjustments associated with it are recognized as changes in entity. For ensuring the comparability the transformations of financial statements for the period presented earlier are done in such way that the financial statements also include introduced changes, except for situations, when establishing the influence of the change on individual periods or its total influence is in practice impossible.
In 2012, there was no change in the principles and methods of calculation used to establish estimates.

Transactions in foreign currencies

Transactions in foreign currencies initially are recognized at the rate of exchange of the National Bank of Poland being in effect on the day of the conclusion of a transaction. Monetary balance sheet items of assets and liabilities denominated in foreign currencies are valued at the average exchange rate of NBP binding as at the balance sheet date. Profits and losses arising from the settlement of such transactions and measurement of assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except for exchange differences relating to assets under construction, which are included in the cost of these assets and are treated as adjustment to interest costs of loans in foreign currencies.

New standards, interpretations and changes in published IFRS

Standards and interpretations adopted by EU, not yet effective

The Capital Group will apply changes in announced IFRS, not yet effective as at 31 December 2012 in accordance with their effective date. In current reporting period the Group did not make a decision about early adoption of changes in standards and interpretations.

Amendments to IAS 1 – Presentation of Financial Statements. Presentation of Items of Other Comprehensive Income.

The amendmends:

- require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax should be allocated between these sections.
- Change the title of the „Statement of Comprehensive Income" to „Statement of Profit or Loss and Other Comprehensive Income", however, other titles are also allowed to be used.

Amendments are effective for periods beginning on or after 1 July 2012. It is not expected that above amendment will have a significant impact on the Group's financial statements.

Amendments to IAS 19 (2011) – Employee Benefits

Amendments require that the actuarial gains and losses were recognized directly in other comprehensive income:

- amendments require that the actuarial gains and losses were recognized directly in other comprehensive income,
- amendments remove the corridor method previously applicable to recognizing actuarial gains and losses, and
- will eliminate the possibility of recognition of all changes in liabilities from defined benefit obligations and in employee benefit plan assets in financial result, which currently is allowed under the requirements of IAS 19. Amendments also require that the expected return on plan assets recognized in the profit and loss was calculated based on the rate used to discount liabilities from defined benefit obligation.

Amendments to IAS are effective for periods beginning on 1 January 2013.

The Company doesn't expect that the amendments will have significant impact on the financial statements as the provision for retirement benefits is about 0.5% as of total assets.

Amendments to IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

Amendments include new disclosure requirements for financial assets and liabilities that:

- are offseted in the statement of financial position orsą kompensowane w sprawozdaniu z sytuacji finansowej, lub
- are subject to master setting agreements.

Amendment is effective for beginning on 1 January 2013. The Group does not expect that the amendment to IFRS 7 will have the significant impact on the financial statements, due to the nature of Group's activities and type of held financial assets.

Amendments to IFRS 13 – Fair Value Measurement

IFRS 13 replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains „how" to measure fair value when it is required or permitted by other IFRS. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the impracticability exceptions to fair value measurements that currently exist in certain standards.

The standard contains an extensive disclosure framework that provides additional disclosures to existing requirements to provide information that enables financial statements users to assess the methods and topics used to develop fair value measurements and for recurring fair value measurements that use significant unobservable inputs, the effect of measurements

on profit or loss or other comprehensive income. Standard is applicable for periods beginning on or after 1 January 2013.
The Group does not expect IFRS 13 to have material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

IFRIC 20: Stripping costs in the Production Phase of a Surface Mine
The interpretation sets all requirements relating to the recognition of production stripping costs, initial and subsequent measurement of stripping activity assets. To the extent that benefits from production stripping are realized in the form of inventories produced, the related production stripping costs are accounted for in accordance with IAS 2 *Inventories*. Production stripping costs that improve access to ore to be mined in the future are recognized as a non-current asset if, and only if , all of the following criteria are met:

- it is probable that future economic benefits will flow to the entity;
- the entity is able to identify the component of the ore body to which access has been improved ;
- costs relating to the stripping activity associated with that component can be measured reliably.

The stripping activity asset shall be accounted for as an addition to, or as an enhancement of an existing asset. The stripping activity asset shall initially be recognized at cost while after initial recognition, while subsequently it shall be carried either at its cost or of its revalued amount less depreciation or amortization and impairment losses in the same way as the existing asset of which it is a part.

The interpretation also requires that when the costs of the stripping activity asset and of the manufactured product are not separately identifiable the entity allocates production stripping costs between the two based on a relevant production measure.

Effective date of interpretation for periods beginning on 1 January and later.

The Group does not expect the interpretation to have any impact on the financial statements since it does not have any stripping activities.

Amendments to IFRS 1 – Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters Amendments add an exemption to IFRS 1 that an entity can apply at the date of transition to IFRS after being subject to severe hyperinflation. The exemption allows an entity to measure assets and liabilities held before the functional currency normalization date at fair value and use that fair value as the assumed cost of those assets and liabilities in the opening IFRS statement of financial position. Amendments are effective for periods beginning on or after 1 January 2013. Amendments are not applicable to the Group’s financial statements.

Amendments to IFRS 1 – First–time Adopters. Government Loans.
The amendments add new exception to retrospective application of IFRS. A first-time adopter of IFRS now applies the measurement requirements of financial instruments standards (IAS 39 or IFRS 9) to a government loan with below-market rate of interest prospectively from the date of transition to IFRS. Alternatively a first-time adopter may elect to apply the measurement valuation requirements retrospectively to government loan, if the information

needed was obtained when it is first accounted for that loan. This election is available on a loan-by loan basis.
The amendments are effective for periods beginning on or after 1 January 2013.
The amendments are not relevant to the Group's financial statements.

Amendments to IAS 12- Income Taxes – Deferred Tax: Recovery of Underlying Assets.
The amendments introduce a presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property *is depreciable* and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted. Amendments are effective for periods beginning on or after 1 January 2013. It is not expected that above amendments will have a significant impact on the Group's financial statements since they do not result in a change to the Group's existing accounting policy. The measurement of deferred tax assets and liabilities relating to investment properties measured using the fair value model in IAS 40, will not change.

Amendments to IFRS 11 – Joint Arrangements
IFRS 11 *Joint arrangements* supersedes and replaces IAS 31 *Interest in Joint Ventures* . *IFRS* 11 does not introduce substantive changes to the overall definition of an agreement subject to joint control, although the definition of control and therefore indirectly joint control, has changed due to IFRS 10. Under the new standard, joint arrangements are divide into 2 types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlled parties, known as the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carries out from IAS 31 those cases in which, although there is a separate subject for the joint arrangement, separation is ineffective in certain ways. Such arrangements are treated similarly to jointly controlled asset/operations in accordance with IAS 31 and are now called common operations. The remainder of IAS 31 jointly controlled entities now called joint ventures, must be accounted for using the equity method. Application of proportionate consolidation is no longer possible. Standard is effective for periods beginning on or after 1 January 2014.
The Group does not expect that IFRS 11 will have a significant impact on the financial statements as the Group as at the balance sheet date is not a party to any joint agreements.

Amendments to 12 – Disclosure of the Interests in Other Entities
IFRS 12 requires additional disclosures relating to significant judgments and assumptions made in determining the type and nature of interests in other entities, joint arrangements, associates and/or unconsolidated structured entities. Standard is effective for periods beginning on or after 1 January 2014.
It is expected that the new standard, when initially applied, will have a significant impact on the level of disclosure in the financial investments. However, until the date of initial application of this Standard, the Group is not able to prepare all analysis of the impact this will have on the financial statements.

Amendments to IAS 27 (2011) – Separate Financial Statements

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for the separate financial statements with some minor clarifications. Also, the existing requirements of IAS 28 (2008) and IAS 31 for the separate financial statements have been incorporated into IAS 27 (2011). The standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been carried over into IFRS 10 Consolidated Financial Statements. Amendments are effective for periods beginning on or after 1 January 2014. The amendments are not applicable to the Group's financial statements.

Amendments to IAS 28 (2011) – Investment in Associates and Joint Ventures

Limited changes made to IAS 28:

- *Associates and joint ventures held for sale. IFRS* 5 *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment in an associate or joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.
- *Changes in interests held in associates and joint ventures*. . Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered re-measurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) requires that in such scenarios the retained interest in the investment is not re-measured.

Amendments are effective for periods beginning on or after 1 January 2014.

The Group does not expect the amendments to standard to have significant impact on the financial statements, since it does not have any investments in associates or joint ventures that will be impacted by these amendments.

Amendments to IAS 32 –Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The Amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The amendments clarify that an entity currently has a legal enforceable right to set-off if that right is:

- not contingent on a future event, and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

Amendments are effective for periods beginning on or after 1 January 2014.

It is not expected that the above amendments will have a significant impact on the Group's financial statements.

Above amendments to the standards have been adopted by the European Union until the date of publication of the foregoing financial statements.

Standards and interpretations not yet endorsed by the EU.

Amendments to International Financial Reporting Standards 2009-2011

Amendments to International Financial Reporting Standards (2009-2011) contain seven amendments to five standards, with consequential amendments to other standards and interpretations. The main changes are:

- repeated application of IFRS 1 – a repeated adopter that elects not to apply IFRS 1 has to apply IFRS retrospectively in accordance with IAS 8, as if the entity had never stopped applying IFRS;
- clarification that first-time adopter of IFRS choosing to apply borrowing costs exemptions should not restate the borrowing cost component capitalized under previously applied accounting principles and should account for borrowing cost incurred on or after the date of transition to IFRS (or an earlier date as permitted by IAS 23) in accordance with IAS 23;
- clarification that only one comparative period, which is the preceding period is required to a complete set of financial statements , however, if additional comparative information is prepared it should be accompanied by related Notes and in accordance with IFRS;
- clarification that the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or reclassification have a material effect upon the information in that statement of financial position, and except for the disclosures required under IAS 8, other Notes related to the opening statement of financial position are no longer required;
- clarification on classification and accounting of spare parts, stand-by equipment and servicing equipment;
- removal of inconsistencies between IAS 32 and IAS 12 in respect of distributions to holders of an equity instrument and transaction costs of an equity transaction, by clarification that IAS 12 applies to the accounting for income taxes relating to those transactions;
- additional disclose required of a measure of total assets and liabilities for a particular reportable segment for interim financial reporting.

The amendments are effective for periods beginning on or after 1 January 2013. The Group does not expect many of above amendments to have a significant impact on its financial statements.

Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements, Disclosures of the Interests in Other Entities

Amendments:

- define the date of initial application of IFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time (i.e. 1 January 2013 unless early adopted). At that date an entity tests whether there is a change in the consolidation conclusion for its investees;
- limit the restatement of comparatives to the period immediately preceding the date of initial application; this applies to the full suite of standards. Entities that provide

comparatives for more than one period have the option of leaving additional comparative periods unchanged;

- require disclosure of the impact of the change in accounting policy only for the period immediately preceding the date of initial application (i.e. disclosure of impact on the current period is not required);
- will remove the requirement to present comparative information related to unconsolidated structured entities for any periods before the first annual period for which IFRS 12 is applied.

Amendments are effective for periods beginning on 1 January 2013..

It is not expected that the amendments will have a significant impact on the Group's financial statements.

The new standard and its amendments – IFRS 9 Financial Instruments

The new standard replaces the guidance in IAS 39 *Financial Instruments:* Recognition and Measurements, about classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. On initial recognition financial assets will be classified into one of two categories: financial assets measured at amortized cost or financial assets measured at fair value. Component of financial assets is measured at amortized cost if the following two conditions are met: the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Gains and loses on measurement of financial assets measured at fair value are recognized in profit or loss, except that for an investment in an equity instrument which is not held for trading, IFRS 9 provides as initial recognition, an election to present all fair value changes through the investment in other comprehensive income. Such decision is irrevocable. This election is available on an individual share-by-share basis. No amounts recognized in other comprehensive income is ever reclassified to profit and loss at a later date.

Amendments to IFRS 9 (2010) replace the guidance in IAS 39 *Financial Instruments:* Recognition and Measurement about classification and measurement of financial liabilities and the derecognition of financial assets and liabilities. The Standard retains almost all of the existing requirements from IAS 39 on the classification and measurement, of financial liabilities and derecognition of financial assets and financial liabilities. The Standard requires the amount of change in fair value attributable to changes in the credit risk of a financial liability designated at initial recognition as fair value through profit or loss to be presented in other comprehensive income. Remaining amount of the total gain or loss from revaluation at fair value is recognized in financial results in the current period. However, they may be transferred within equity.

Derivative financial instruments that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are required to be measured at fair value under IFRS 9.

These Amendments to IFRS 9 Financial instruments and IFRS 7 Financial instruments: Disclosures change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial instruments (2009) and IFRS 9 (2010).

The amended IFRS 7 require to disclose more details about the effect of the initial application of IFRS 9, in a situation when an entity does not restate comparative information in accordance with the requirements of IFRS 9.
Standard is effective for periods beginning on or after 1 January 2015.
The Group does not expect the amendments to IFRS 9 to have a significant impact on the financial statements.

Functional currency and presentation currency of financial statements

The consolidated financial statements is presented in Polish Zloty („zloty" or „PLN") which is the functional currency and presentation currency.

Accounting principles applied by the Group are described below.

The consolidation principles

1. At the preparation of the consolidated financial statements of Prochem Capital Group, were applied the following procedures :
    - data of subsidiaries were included in the financial statements using the full method, consisting in linking the financial statements of the parent and its subsidiaries by adding together separate items of assets, liabilities, equity, income and expenses.
    - shares in associated companies are valued in the consolidated financial statements using the equity method, and upon initial recognition are recognized at cost. The purchase price includes the cost of the transaction.

2. The subsidiaries are entities controlled by the Parent Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date of gaining control over them until it expires.

3. Accounting policies of subsidiaries have been aligned with the principles adopted by the Group.

4. Goodwill of subsidiaries represents the excess of purchase price of financial assets acquired by the parent company over the fair value of the net assets of the subsidiary, in proportion to acquired interest in the entity's equity. Negative goodwill of subsidiaries represents the excess of fair value of net assets of the subsidiary over the purchase price of financial assets borne by the parent entity in proportion to the acquired interest in the equity of the entity. As at the date of acquisition of subsidiary and associated company (gaining the control), assets, liabilities and contingent liabilities of a subsidiary are measured at fair value.

5. At the time of loss of control (e.g. sales), the Group ceases to recognize assets and liabilities of the subsidiary, non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognized in profit or loss of the current period. If the Group retains any interest in the former subsidiary, they are subsequently measured at fair value as at the date when control is lost.

6. Shares of non-controlling interests are accounted for at assigned value, even if it results in arising of a negative balance of non-controlling interests.

7. Prochem SA Capital Group treats transactions with non-controlling interests as transactions with outer entities.

8. Gains or losses arising from the sale of non-controlling interests are recognized in equity.

9. As being the associated companies are recognized entities in which Prochem has between 20% and 50% of the total number of votes in the decisive bodies or otherwise has power to exercise substantial influence over their financial and operating policies.

10. Investments in associates are accounted for using the equity method and are initially recognized at purchase price. Share in profit or loss of the associate is recognized in comprehensive income. If the share of losses of an associate equals or exceeds its interest of Prochem SA Capital Group in the associate, the Group does not recognize further losses, unless it is obliged. Unrealized gains between the Group and the associate are eliminated to the level of the Group's interest in the entity.

11. The purchase price of shares in associated companies is adjusted for any changes in fair value of the net assets attributable to the value of its share from the date of purchase to the date of the financial statements as well as effects of impairment.

12. At preparing the consolidated financial statements shall be done the following adjustments and exemptions:
    - In the scope of exemptions:
        1. shares held by the parent company with the share capital of subsidiaries,
        2. mutual receivables and liabilities and other settlements of a similar nature of consolidated entities,
        3. income and expenses from mutual buying and selling operations in the capital group,
        4. dividends accrued or paid by the subsidiaries to the parent company and to other entities subject to consolidation.
    - In the scope of adjustments:
        1. gains or losses arising as a result of economic transactions between consolidated entities.

Property, plant and equipment and intangible assets

Property, plant and equipment are presented in accordance with IAS 16.
Property, plant and equipment include fixed assets and expenditures on construction in progress which the entity intends to use in their business operations in a period longer than one year, and which will result in future economic benefits to the entity.
Expenditures on property, plant and equipment include incurred investment expenditures as well as incurred expenses on future supply of machinery, equipment and services relating to production of PPE (transferred advance payments).
PPE are initially stated at cost. Measurement after initial recognition:

- land, buildings and construction are carried at revalued amount, being its fair value at the date of revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value will be set by experts regularly every two years.
- Other PPE are carried at their cost increased by possible improvement costs, less any accumulated depreciation and any accumulated impairment losses.

Increase in value resulting from the revaluation of land, buildings and constructions is recognized in other comprehensive income and accumulated in total amount in equity as revaluation surplus unless it represents the reversal of a revaluation decrease previously recognized in the statement of other comprehensive income. A decrease arising as a result of a revaluation of land, buildings and constructions is recognized as an expense to the extent that it exceeds any amount previously credited to the revaluation surplus relating to the same asset and recognized in other comprehensive income. A decrease resulting from revaluation included in other comprehensive income decreases the amount of total surplus arising from the revaluation recognized in the equity.

Value of PPE designated to liquidation, withdrawn from use as a result of the change of technology or other reasons, is being revalued by write down. Write down is recognized in other operating costs.

Expenditures on PPE incurred at a later date are recognized at their carrying amount when it is probable that future economic benefits associated with them will flow to the entity, and this cost could be reliably measured. All other repair and maintenance costs of PPE are recognized in the cost of the period, in which they were incurred.

Profit and loss on sale of PPE are set by comparing the revenue from sales with the carrying amount of the given component of fixed assets and recognized in the statement of comprehensive income. PPE are subject to depreciation since they are available for use. Depreciation allowances on fixed assets are provided by systematic, scheduled allocation of the initial value over established useful life of the component. A straight line depreciation method is applied.

In the consolidated financial statements for the current period and comparative periods the following useful lives are used for PPE:

- Buildings and constructions 10-40 years
- Machinery and equipment 5-12 years
- Vehicles 5 years
- Tools, devices, movables and equipping 5-10 years.

The applied useful lives, depreciation methods are verified at the end of each reporting year and, when necessary, adjusted.

Own land is not subject to depreciation.

PPE in progress arising for the operating activity, as well as for purposes not yet identified, are presented in the financial statements at their cost less recognized impairment losses. The cost of all items comprises all fees and borrowing costs capitalized in accordance with the applied accounting principles. Depreciation of such components of PPE shall begin at the start of their use.

PPE are subject to the impairment tests. If premises for impairment exist, in addition for the construction-in-progress in the period of the realization, possible impairment is determined at each balance sheet day. The effects of the impairment are recognized in other operating costs.

The component of intangible assets is measured at cost less any accumulated depreciation and any accumulated impairment losses.

Intangible assets, except for the goodwill are being amortized. Amortization allowances of intangible assets is made by systematic, planned allocation of the initial value in the established useful life of the component. A straight line of depreciation method is applied.

In the consolidated financial statements for the current period and comparative periods the Group applied useful life period of 3-10 years for amortization of intangible assets.
The applied useful lives, amortization methods are verified at the end of each reporting year and when necessary adjusted in the current and in subsequent periods.

Intangible assets are subject to the impairment tests if premises for impairment exist. The effects of the impairment are recognized in other operating costs.

Investment properties – is a property (land or a building or part of a building, or both), which the Group treats as a source of rental income or maintains due to the increase in value, or to benefit from both, and the property is not:

- used in operating activities,
- offered for sale in the ordinary course of investment activity.

Profits or losses arising from the sale/liquidation of a property shall be determined as the difference between the revenue from sale and the carrying amount of the item and are recognized in the statement of the comprehensive income.
In the case of property under construction, which will in future be used as investment property will be applicable IAS 40. This means that they can be measured not only at their cost, but also at fair value, provided that it will be possible to reliably measure the fair value. If not, until the moment at which the Group will be able to reliably measure the fair value of property under construction, property shall be valued at their cost Effects of valuation arising from the difference between the carrying value of property under construction and the fair value of investment property shall be recognized in profit or loss. Prior to the change of investment properties under construction were subject to the provisions of IAS 16 *Property, plant and equipment* - this means that the property had been valued at production cost until the transfer of investment property under construction to investment property. At the time of the transfer shall be determined the fair value of the property. If the fair value differs from the cost, the difference should be recognized directly in profit or loss (in other operating income or other operating expenses).

Lease

The Group as the lessee

Lease, by which substantially all the risks and rewards incidental to ownership of an asset falls to Prochem S.A. Capital Group constitutes the financial lease. Assets under this lease are measured in the financial statements at the lower amount of fixed commencement of use: fair value or present value of minimum lease payments. Each lease payment is divided into the part constituting the liability and the financial part. The liability is presented in statement of financial situation in the position „Other liabilities" with the division into the short-term part (payable up to one year) and long term (payable in the period longer than one year). Finance costs are recognized in the statement of comprehensive income. Principles of the amortization and depreciation of assets being a subject of the financial lease and the principles of determining impairment allowances by assets under finance lease are consistent with principles applied for the Group's assets. PPE held under lease agreements are depreciated over the economic life of assets. Straight-line method of depreciation is used.

Lease payments under an operating lease and subsequent lease installments are recognized in current costs using straight-line method over the lease term.

Group as the lessor

Lease agreements, such as rent agreements according to which the Group retains substantially all the risks and all rewards resulting from having a leased object, are classified as operating lease. Leasing costs are recognized in current costs while income from the leased object are recognized in income of the period.

Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except for costs that are directly attributable to the acquisition, construction or production of an asset (PPE, intangible assets).
Capitalization of borrowing costs commences when:

1. borrowing costs are incurred,
2. expenditures are incurred for the asset,
3. the activities necessary to prepare the asset for its intended use or sale are undertaken.

Capitalization of borrowing costs shall be suspended during extended periods in which the entity suspends active development of a qualifying asset. Borrowing costs are capitalized until the designation of the asset for use or sale.

Current assets

Inventories – in the item of inventories - materials, goods, semi-finished products and work-in-process are shown.

Inventories are measured initially at cost. As at the balance sheet day the measurement is done with the principle of prudence, that is categories are valued at the lower of: purchase price, the production cost or the net realizable value.
Stock of goods and materials slowly-rotating is covered by the write-down set by individual evaluation of the net realizable value as at the balance sheet day.
The cost of inventories shall be shall be assigned by using the first-in, first out (FIFO) method.
Write-downs concerning inventory and their reversals are recognized in the other operating expenses and revenues.

Loans granted - arise when the entity is transferring financial means directly to the debtor, not intending to enter the receivable into trade. They are classified as current assets, provided the date if their maturity does not exceed 12 months from the balance sheet day. Loans with the maturity date exceeding 12 months starting from the balance sheet day are classified as non-current assets. Loans are initially recognized at their fair value. The measurement of loans after initial recognition is at amortized cost, using the effective interest rate method, less impairment losses.

Receivables are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest rate method less impairment allowances. Impairment allowance of receivables is identified when there is objective evidence that the entity will not receive all amounts due according to the original terms of receivables and it is recognized in other operating expenses. The amount of write-down is a difference between the carrying amount due and present value of estimated future cash flows, discounted using the effective interest rate.

Cash and cash equivalents include cash in hand and on bank accounts, bank deposits with the original maturity date up to three months and financial assets measured at fair value through profit or loss and meeting the requirements of the definition of the cash equivalent. Cash is measured at nominal value. Cash equivalents classified as financial assets are measured at fair value through financial result (profit or loss).

Fixed assets held for sale

Fixed assets held for sale are assets meeting the following criteria:

- is committed to a plan to sell,
- an active program to locate a buyer is initiated,
- an asset is available for immediate sale,
- the sale is highly probable within 12 months from classification as held for sale,
- the selling price is rational in relation to the current fair value,
- it is unlikely that the sales plan will be significantly changed.

Change of classification is reflected in the reporting period in which the criteria are met.

Immediately prior to reclassification to the group held for the sale or the disposal, these assets are measured according to accounting principles. Non-current assets held for the sale (excluding financial assets and investment properties) are recognized in the financial statements in lower of two values: the carrying amount of the fair value less costs to sell.

In case of increase of value, at a later date, of fair value less costs to sell, the income is recognized, however, at the value not higher than previously recognized impairment allowance.

Upon allocating the given component of assets as held for sale, the calculation of depreciation allowances is stopped.

Measurement of assets and liabilities - at initial recognition the entity shall measure component of assets or liabilities at fair value, in case of the component of assets or financial liabilities not classified as measured at fair value through profit or loss, increased by transaction costs, which should be directly attributable to the purchase or issue of the component of financial asset such as: fees and commissions paid to advisers or agents, payments imposed by regulatory agencies and the stock exchange and taxes. Transaction costs does not include premium or discount on debt instruments, financing costs or internal administrative or holding costs.
For measurement at the end of the reporting period or any other date after initial recognition the Group classifies financial assets into one of four categories:

1. measured at fair value through profit or loss,
2. investments held to maturity date,
3. loans and receivables,
4. available for sale financial assets.

Component of assets measured at fair value through profit or loss means such component of financial assets which was destined at initial recognition as measured at fair value through profit or loss or was classified as held for trading since:

- was purchased or contracted mainly for sale or repurchase in short term,
- is a part of portfolio of determined financial instruments jointly managed and for which there is evidence of a recent actual pattern of short-term profits, or
- is a derivative instrument (except for derivatives that are effective hedging instruments).

Held-to-maturity investments are non-derivative financial assets with fixed or determinable terms of payment or maturity which the Group intends and is able to held to its maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which aren't quoted on the active market.

Available-for-sale financial assets are non-derivative financial assets which were classified as available for the sale or not being loans or other receivables, or investments held-to-maturity and financial assets measured at fair value through profit or loss.

Measurement of financial assets at fair value

The Group measures financial assets measured at fair value through the profit or loss, including derivatives being assets and financial assets available-for-sale, not reducing by the transaction costs which can be incurred in relation to the sale or in other way of disposal of assets. Fair value of financial assets is measured as follows:

- for instruments quoted on the active market based on the last quotes available at the end of the reporting period,
- for debt instruments unquoted on the active market based on discounted cash flows analysis,
- for futures derivatives (forward) and swap contracts based on discounted cash flows analysis.

Investments in equity instruments (shares) that do not have quoted market price on active market and which fair value cannot be measured credibly, are valued at cost by the Group , i.e. at purchase price less possible impairment losses.

Financial assets designated as hedged items are valued in accordance with principles of hedge accounting.

Profits or losses arising from the measurement of the component of financial assets, classified as measured at fair value through profit or loss, are recognized in financial result (profit or loss).

Profit or loss arising from measurement of the component of financial assets classified as available - for - sale is recognized in other comprehensive income, except for impairment losses and exchange differences which are recognized in profit or loss. For debt financial instruments, interest calculated using the effective interest rate method is recognized in profit or loss.

Measurement of financial assets according to amortized cost

Companies belonging to Capital Group measure loans and other receivables, including trade receivables and assets held-to-maturity according to amortized cost using the effective interest rate method. Group used simplified methods of the measurement of financial assets measured at amortized cost if it doesn't cause distortions of information included in the statement of financial position in particular when the period up to the moment of repayment of amount due isn’t long. Financial assets measured at amortized cost and to which the company applies simplifications are measured at initial recognition in the amount due, and later at the end of the reporting period in the amount due less impairment losses.

Measurement of financial liabilities at fair value

Companies belonging to Capital Group measure financial liabilities classified as measured at fair value through profit or loss (in particular including derivatives which are not hedging instruments), as at the last day of the reporting period or any time after the initial recognition at fair value. Irrespectively of the nature and purpose of the purchase, the Company, at the initial recognition, classifies selected financial liabilities as measured at fair value through profit or loss, if it leads to obtaining more useful information. The fair value of the obligation is based on the current selling price for instruments quoted on the active market.
In the absence of the active market, the fair value of financial liabilities is measured:

- using the last market transactions conducted directly between well informed, willing parties, or

- reference to the current fair value of the other instrument which is almost the same, or
- discounted cash flows analysis

Measurement of financial liabilities at amortized cost

The Group measures other financial liabilities at amortized cost using the effective interest rate method.
Financial guarantee contracts that are contracts under which the Group (the issuer) is obliged to make specified payments to reimburse the holder for a loss incurred since a specified debtor failed to make payment when due in accordance with the original or modified terms of a debt instrument, not classified as a liability measured at fair value through profit or loss, are measured at the higher of:

- the amount determined in accordance with the principles of valuation of reserves,
- initial amount less, when appropriate, accumulated depreciation allowances.

Reclassifications

The Group:

- shall not reclassify a derivative from the category measured at fair value through profit or loss from the acquisition or issue;
- shall not reclassify financial instrument from the category measured at fair value through profit or loss if at initial recognition financial instrument was designed by Group to be measured at fair value through profit or loss and
- may, if the financial asset is no longer held for sale or repurchase in the near time (notwithstanding that the financial asset may have been acquired or incurred mainly for the purpose of selling or repurchasing in the near time), reclassify that financial asset from the category of measured at fair value through profit or loss only in exceptional circumstances, and in the case of loans and receivables (if at initial recognition of the financial asset does not have to be classified as held for trading) if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity,
- shall not reclassify any financial instrument as measured at fair value through profit or loss upon initial recognition.

Impairment of financial assets

At the end of the reporting period, the Group assesses if there is objective evidence of impairment of a financial asset or group of financial assets.
If there is objective evidence of an impairment of loans and other receivables as well as investments held to maturity which are measured at amortized cost, then Group will recognize impairment loss of value of estimated future cash flows discounted using the original effective interest rate of a financial instrument.
If in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss will be reversed and recognized in profit or loss as revenue.

If there is objective evidence of an impairment of an unquoted equity instrument not measured at fair value since its fair value cannot be reliably measured, the amount of impairment losses will be determined as the difference between the book value of financial assets and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

If there is objective evidence of an impairment of financial assets available for sale, then accumulated losses arising from valuation recognized in the statement of comprehensive income, in accordance with the principles of measurement of financial assets, will be derecognised from equity and recognized in profit or loss. If, in a subsequent period, the fair value of a debt instrument available for sale increases and the increase can be objectively related to an event occurring after the recognition of impairment loss in profit or loss, the amount of the reversal will be recognized in profit or loss.
The impairment loss for an investment in an equity instrument classified as available for sale is not reversed in profit or loss.

Payment of dividends to shareholders of the Company is recognized as liability in the financial statements of the Company, when the appropriate resolution was passed at the General Meeting of Shareholders of the Company.

Provisions are created in a reasoned, reliably assessed value. Provisions are created when the Group has a present obligation (legal or customary) as a result of a past event and it is probable that an outflow of means will be required to settle that obligation and a reliable estimate of the obligation can be made.

Employee Benefits - Group makes contributions to the obligatory pension scheme depending on the amount of gross wages paid in accordance with applicable law**.** The Group has no other pension programs. In order to determine the present value of future retirement obligations and the related current employment cost shall be used the actuarial valuation.
Accrued liabilities are equal to discounted payments to be made in the future, including among other staff turnover, planned increase of salaries and relate to the period up to the date ending the reporting year.
The provision for pension and retirement gratuity shall be established in order to allocate costs to the periods to which they relate.

Equity
Equity is recognized in the accounting records by type, in accordance with the legal regulations and the Statutes of the Company. Equity covers :

- Share capital - shown in the nominal value of the issued and registered shares.
- Revaluation reserve comprises the difference between the fair value and the acquisition cost, less deferred tax among others buildings and land measured at fair value.
- Retained earnings which include:
    - spare capital that is created from the surplus of sale of shares above their nominal value, with the impairment allowance for annual net profit and impairment of property, plant and equipment in previous years
    - reserve capital which arose from the profit allocated to equity
    - advance payments on account of dividends.

Revenues from sale comprises the fair value of revenue from the sale of services, goods and materials**.**

Revenues from contracts for construction services (construction management) and design services and engineering services is determined in proportion to the degree of completion of the service. The stage of completion of the service is measured by the share of costs incurred from the date of the contract to the date of recognition of income in the total cost of the service.

The correctness of the determining the progress of service and expected total expenses and revenues relating to the service is verified at the end of each quarter.

Revenue from sale of goods and materials is recognized in the statement of comprehensive income, when the Companies belonging to the Group had transferred the significant benefits of ownership of these assets to the buyer and ceased to be permanently involved in the management of the transferred assets and does not exercise effective control over them.

Income tax - fiscal charges comprise the current taxation by corporate income tax and the change in reserves or assets from the deferred income tax.

Current tax liabilities are established on the basis of current tax regulations and the established taxable income. Current tax liabilities in the current period and previous periods are recognized as the liability in the amount, in which it wasn't paid.

Provision to deferred income tax is recognized using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates in force as at the balance sheet date. Temporary differences relate to different measurement of assets and liabilities for tax objectives and balance sheet purposes.

Deferred tax assets are recognized if it is probable that in future will be achieved taxable income that enables use of temporary differences.

Deferred tax assets are also recognized from tax losses that can be deducted in the next years.

6. Explanatory notes to financial statements as at and for the period ended 31 December 2013

Note No. 1 –Property, Plant and Equipment

	As at 31 December 2012	**As at 31 December 2011**
Fixed assets including:	26 260	26 619
- land	4 978	4 541
- buildings, premises and civil engineering objects	18 405	19 043
- machinery and equipment	1 333	1 144
- vehicles	851	1 171
- other fixed assets	693	720
Construction in progress	15	12
Total property, plant and equipment	26 275	26 631

Property, plant and equipment - ownership structure	**As at 31 December 2012**	**As at 31 December 2011**
a) own	11 966	11 745

b) used under rental, lease or other agreement, including lease agreements, including:	14 309	14 886
- lease of fixed assets	356	194
- lease and rental	13 350	13 967
- the value of perpetual usufruct	603	725
Total carrying amount of property, plant and equipment	26 275	26 631

Pursuant to an agreement dated July 23, 2004, the Group leases the property comprising three buildings with a total area of 6 227.5 m2 on a plot of 3 311 m2 located in Warsaw at 18 Emilia Plater Street and at 76/78 Hoża Street. The duration of the agreement is 30 years.

In 2012, based on the decision of the Mayor of Świecie of 25 September 2012 the right of perpetual usufruct of land owned by the State Treasury, located in the village Tleń, municipality Osie was transformed in ownership.

In the current financial year, the land and buildings were valued as at 31 December 2012 by an independent property valuer. Appraisal was prepared in accordance with the Generally Accepted National Principles of Valuation. To establish property rights including ownership of the land and the right of perpetual usufruct and ownership of buildings and structures was accepted the value of the property as determined by the income.

Group	Net value in the report prior to the revaluation (in PLN thousands)	Net value after the revaluation (in PLN thousands)	Revaluation surplus (in PLN thousands)
Land, including the right of perpetual usufruct	6 577	7 074	497
Buildings and constructions	11 897	12 020	123
Total	**18 474**	**19 094**	**620**
Revaluation surplus recognized in other comprehensive income			**725**
Revaluation surplus recognized in profit or loss			**-105**

Changes in property, plant and equipment – in 2012

	Land including the right of perpetual usufruct	Buildings, premises and civil engineering objects	Machinery and equipment	Vehicles	Other fixed assets	Construction in progress	Total property, plant and equipment
Gross value							
As at 1 January 2012	**5 148**	**22 672**	**6 345**	**4 509**	**5 312**	**12**	**43 998**
Increase (due to)	522	409	428	434	273	5	2 071
- purchase of fixed assets	-	-	547	442	273	5	1 267
- other changes (including revaluation of property, plant and equipment)	522	409	-119	-8	-	-	804
Decrease (due to)	-179	-	-66	-1 435	-1 406	-	-3 086
- disposal of fixed assets	-	-	-2	-1 435	-92	-	-1 529

- liquidation of fixed assets	-	-	-64	-	-1 314	-	-1 378
- other changes (including transformation of the right of perpetual usufruct into ownership)	-179	-	-	-	-	-	-179
As at 31 December 2012	**5 491**	**23 081**	**6 707**	**3 508**	**4 179**	**17**	**42 983**
Deprectiation and impairment							
Accumulated depreciation as at 1 January 2012	**607**	**3 629**	**5 201**	**3 338**	**4 592**	**-**	**17 367**
Depreciation for the period (due to)	-94	1 047	173	-681	-1 106	2	-659
- increase (accrued depreciation)	119	866	360	566	283	2	2 196
- decrease due to disposal of fixed assets	-	-	-2	-1 239	-90	-	-1 331
- decrease due to liquidation of fixed assets	-	-	-66	-	-1 251	-	-1 317
- other changes (including revaluation of property, plant and equipment)	-213	181	-119	-8	-48	-	-207
Accumulated depreciation as at 31 December 2012	**513**	**4 676**	**5 374**	**2 657**	**3 486**	**2**	**16 708**
Net value of property, plant and equipment as at 31 December 2012	**4 978**	**18 405**	**1 333**	**851**	**693**	**15**	**26 275**

Comparative data

Change in property, plant and equipment – in 2011

	Land including the right of perpetual usufruct	Buildings, premises and civil engineering objects	Machinery and equipment	Vehicles	Other fixed assets	Construction in progress	Total property, plant and equipment
Gross value							
As at 1 January 2011	**5 452**	**25 442**	**7 805**	**7 971**	**5 821**	**6**	**52 497**
Increase (due to)	-	-	216	300	117	6	639
- purchase of fixed assets	-	-	201	278	132	10	621
- other changes	-	-	15	22	-15	-4	18
Decrease (due to)	-304	-2 770	-1 676	-3 762	-626	-	-9 138
- disposal of fixed assets	-	-	-8	-2 532	-55	-	-2 595
- liquidation of fixed assets	-	-	-255	-14	-24	-	-293
- disposal of subsidiaries consolidated with full method	-304	-2 770	-1 413	-1 216	-547	-	-6 250
As at 31 December 2011	**5 148**	**22 672**	**6 345**	**4 509**	**5 312**	**12**	**43 998**
Depreciation and inmpairment							
Accumulated depreciation as at 1 January 2011	**482**	**2 871**	**6 033**	**5 380**	**4 623**	-	**19 389**
Depreciation for the period (due to)	125	758	-832	-2 042	-31	-	-2 022
- increase (accrued depreciation)	125	876	396	897	586	-	2 880
- decrease due to disposal of fixed assets	-	-	-8	-2 115	-55	-	-2 178
- decrease due to liquidation of fixed assets	-	-	-255	-13	-24	-	-292
- disposal of subsidiaries consolidated with full method	-	-119	-997	-796	-521	-	-2 433

- other changes	-	1	32	-15	-17	-	1
Accumulated depreciation as at 31 December 2011	**607**	**3 629**	**5 201**	**3 338**	**4 592**	**-**	**17 367**
Net value of property, plant and equipment as at 31 December 2011	**4 541**	**19 043**	**1 144**	**1 171**	**720**	**12**	**26 631**

Note No. 2 –intangible assets

	As at 31 December 2012	As at 31 December 2011
Concessions, patents, licenses and similar assets including computer software	296	194
Total intangible assets	**296**	**194**
Intangible assets – ownership structure		
own	296	194
Total intangible assets	**296**	**194**

Change in intangible assets – in 2012

	Concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value as at 1 January 2012	**3 812**	**3 812**
Increase (due to)	202	202
- acquisition	202	202
Gross value as at 31 December 2012	**4 014**	**4 014**
Amortization and impairment		
Accumulated amortization as at 1 January 2012	**3 618**	**3 618**
Amortization for the period (due to)	100	100
- increase (accrued amortization)	100	100
Accumulated amortization as at 31 December 2012	**3 718**	**3 718**
Net value as at 31 December 2012	**296**	**296**

Comparative data

Change in intangible assets – in 2011

	Concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value as at 1 January 2011	**3 993**	**3 993**
Increase (due to)	125	125
- acquisition	125	125
Decrease (due to)	-306	-306
- disposal/liquidation	-306	-306
Gross value as at 31 December 2011	**3 812**	**3 812**
Amortization and impairment		

Accumulated amortization as at 1 January 2011	**3 723**	**3 723**
Amortization for the period (due to)	-105	-105
- increase (accrued amortization)	127	127
- decrease disposal/liquidation	-232	-232
Accumulated amortization as at 31 December 2011	**3 618**	**3 618**
Net value as at 31 December 2011	**194**	**194**

Note No. 3 –investment properties

	As at 31 December 2012	As at 31 December 2011
Construction in progress	16 587	12 303
Buildings and constructions	4 754	5 861
Land	48 837	48 740
Total investment properties	**70 178**	**66 904**

Investment properties by types	**Change in investment properties for the period from 1 January 2012 to 31 December 2012**	**Change in investment properties for the period from 1 January 2011 to 31 December 2011 (restated)**
Investment properties - land		
As at the opening balance sheet	48 740	45 247
- net increase due to revaluation of fair value	97	3 493
As at the closing balance sheet	48 837	48 740
Investment properties under construction		
As at the opening balance sheet	12 303	14 111
a) accrued interest on loans	-	587
b) property tax	-	15
c) acquisition of permit design	3 250	-
d) revaluation of fair value	-15	-
e) other fees	-	150
f) reclassification of the property and buildings	1 049	
Total increase	4 284	752
g) impairment of investment property under construction	-	-2 560
As at the closing balance sheet	16 587	12 303
Property - buildings and constructions		
As at the opening balance sheet	5 861	5 861
- increase due to:		
- impairment of of fair value	-58	-
- reclassification of property and buildings	-1 049	-
Total increase	-1 107	-
As at the closing balance sheet	4 754	5 861
Total investment properties by types – as at the balance sheet date	**70 178**	**66 904**

The presentation of the opening balance sheet of investment property under construction has been restated - the line concerning consolidation adjustments was removed. The change in presentation has no effect on the values presented in the statement of financial position.

Note No. 4 - Shares

Shares	**As at 31 December 2012**	**As at 31 December 2011**
In other entities	843	843
Net value of shares	843	843
impairment of financial fixed assets/long term investment	-	-
Gross value of shares	**843**	**843**

Change in sharers	**As at 31 December 2012**	**As at 31 December 2011**
a)as at the beginning of the period	843	1 518
b) decrease (due to)	-	675
- shares in other entities held for sale	-	675
c) as at the end of the period	843	843

Change in impairment of shares	**As at 31 December 2012**	**As at 31 December 2011**
As at the beginning of period	-	1 160
Decrease (due to)	-	1 160
- reversal of write-down of shares	-	1 160
As at the end of period	**-**	**-**

In 2012 the subsidiary Elektromontaż Kraków S.A. repurchased 13 831 own shares with the aim of redemption for a total of PLN 346 thousand. As a result of share repurchase for cancellation by the Company Elektromontaż Krakow the structure of participation has changed. As at 31 December 2012, direct and indirect share of Parent Company increased by 3.5 percentage points up to 70.0%
Jointly from the date of the starting of the shares buy-back by December 31, 2012 were purchased 60 886 shares for a total amount of PLN 1.5 million. W trzecim kwartale 2012 roku na podstawie uchwały nr 15 Zwyczajnego Walnego Zgromadzenia spółki Elektromontaż Kraków S.A. z dnia 15 czerwca 2012 roku w sprawie umorzenia akcji własnych, dokonano obniżenia kapitału zakładowego spółki o 257,8 tys. zł (umorzono 51 563 szt. akcji o wartości nominalnej 5 zł każda). Na dzień 31 grudnia 2012 roku pozostaje 9 383 szt. akcji skupionych w celu umorzenia, a nie umorzonych.

On 25 June 2012 on the basis of contract of sale, Prochem S.A. sold shares of subsidiary Elektromontaż Kraków seated in Krakow. Subject of the transaction was 81 455 shares with the nominal value of PLN 5 each, for a total of PLN 8 145 500 which acquired company Prochem Inwestycje Sp. z o.o. seated in Warsaw, 100% subsidiary of the Issuer. The book value of these assets in the accounting books of the Issuer as at the date of sale amounted to PLN 600 thousand.

On 21 December 2012 company Prochem S.A. purchased from company IRYDION Sp. z o.o., 100% subsidiary of the Issuer, 40 shares of company Elmont- Inwestycje Sp. z o.o. based in Krakow with the nominal value of PLN 100 thousand each, for a total of PLN 5 000 thousand.

The company Prochem Investments Sp. z o.o. sold 2 shares in the company Prochem Services Sp. z o.o. with the nominal value of PLN 1 thousand each, for a total of PLN 7.7 thousand

Note No. 5 – shares valued under equity method

Shares in equity-accounted investees	**As at 31 December 2012**	**As at 31 December 2011**
-Shares – net value	1 116	1 344
- write-down of shares	2 073	1 493
Gross value of shares	**3 189**	**2 837**

Change in shares valued under the equity method	**As at 31 December 2012**	**As at 31 December 2011**
a) as at the beginning of the period	1 344	765
- shares at cost	1 344	765
b) increase (due to)	384	964
- profit or loss sharing in the current year	384	384
- purchase of shares in associated entity	-	580
c) decrease (due to)	612	385
- limitation of the participation in losses up to the value of the shares held	14	221
- payment of dividend	18	-
- disposal of shares in associated entity	-	164
- impairment of shares	580	-
d) Net value as at the end of the period	1 116	1 344
e) write-down	2 073	1 493
f) Gross value as at the end of the period	3 189	2 837

Change in write-downs of shares in subsidiaries under the equity method	**As at 31 December 2012**	**As at 31 December 2011**
As at the beginning of the period	1 493	1 513
Increase in write-down	580	-
Reversal of write-down	-	20
As at the end of the period	2 073	1 493

In 2012, the Group set up write-downs of shares in associate Teoma SA for a total amount of PLN 580 thousand.

Shares in subsidiaries

Item No	a	b	c	d	e	f	g	h	i	j	k
	Name of the entity and legal form	Registered office	Scope of company's activity	type of relationship (a subsidiary, jointly controlled entity or associate, details of direct and indirect)	The method of consolidation /equity method, or an indication that the entity is not subject to consolidation/equity method	date of obtaining control / joint control / and gaining significant influence	The value of shares at cost	revaluation adjustments	The carrying amount of shares	percent of share capital held	participation in the total number of votes at the General Meeting
1	IRYDION Sp. z o.o.	Warsaw	rental of real estate on own account	subsidiary	full	24 March 2000	4 500	-	4 500	100.0	100.0
2	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	consulting in the scope of business activity and management	subsidiary	full	22 June 1992	2 999	-	2 999	100.0	100.0
3	PROCHEM SERWIS Sp. z o.o.	Warsaw	Management and maintenance of technical installations in housing estates and office buildings	Subsidiary indirectly (company Prochem Inwestycje sp. z o.o. holds 89.1%)	full	24 June 1999	196	-	196	89.1	8.1
4	PREDOM Sp. z o.o.	Wrocław	structural design, urban planning, process engineering	Subsidiary indirectly (company Prochem Inwestycje sp. z o.o. holds 64,5% of votes)	full	19 July 2002	764	-	764	81.1	69.4
5	PRO-INHUT Sp. z o.o.	Dąbrowa Górnicza	structural design, urban planning, process engineering	Subsidiary indirectly(company Prochem inwestycje sp. z o.o. holds 99%)	full	04 October 2001	65	-	65	99.0	99.0
6	PRO-ORGANIKA S.A.	Warsaw	structural design, urban planning, process engineering	subsidiary	full	28 June 1996	320	160	160	91.4	91.4
7	PROCHEM ZACHÓD Sp. z o.o.	Słubice	marketing activities, construction work, design and engineering, commercial activity and forwarding	subsidiary	full	18 March 1998	960	-	960	60.0	60.0
8	ELEKTROMONTAŻ KRAKÓW S.A.***)**	Kraków	assembly of electrical installations and equipment	indirect subsidiary (Prochem Inwestycje Sp. z o.o. holds 31.4%)	full	10 Dec. 2001	8 963	-	8 963	70.0	70.0

9	ELMONT INWESTYCJE sp. z o.o.	Kraków	development and sale of property and rental of property, management of non-residential property	indirect subsidiary (Elektromontaż Kraków S.A. holds 50%)	full	05 April 2007	9 000	-	9 000	85.0	85.0
10	ELPRO sp. z o.o.	Kraków	development and sale of property and rental of property, management of non-residential property	indirect subsidiary (Prochem Inwestycje Sp. z o.o. holds 50%, Elektromontaż Kraków S.A. holds 50%)	full	17 April 2002	3 234	-	3 234	85.0	85.0
11	IRYD sp. z o.o.	Warsaw	development and sale of property and rental of property,	indirect sibsidiary (Prochem Inwestycje Sp. z o.o. holds 100%)	full	13 July 2000	150	150	-	100.0	100.0
12	ATUTOR INTEGRACJA CYFROWA Sp. z o.o	Warszawa	manufacture and sale of computer software, computer systems integration, data communication services	indirect subsidiary (Prochem Inwestycje holds 87.3%)	full	28 September 2000	308	-	308	97.2	97.2
13	PROCHEM RPI S.A.	Warszawa	development activity	subsidiary (Prochem Inwestycje holds 3.33%)	full	08 April 1998	513	-	513	100.0	100.0
14	PRO-PLM Sp. z o.o.	Warszawa	services: maintenance of the premises, administration of premises, engineering services associated with the provision of the aforementioned services for Polish banks, financial institutions, insurance companies and other	indirect subsidiary (Prochem Inwestycje holds 50%)	full	07 January 2000	25	25	-	100.0	100.0
15	Elmont Pomiary Sp. z o.o.	Kraków	development activity	indirect subsidiary (Elektromontaż Kraków S.A. holds 100%)	full	20 April 2004	190	-	190	70.0	70.0
16	PREDOM PROJEKTOWANIE sp. z o.o.**)	Wrocław	engineering and design	indirect subsidiary (PKI Predom sp. z o.o.)	not consolidated	01 May 2002	53	53	-	81.0	69.3

** participation in capital and voting rights as after the redemption of the shares repurchased by Elektromontaż Krakow SA for redemption*

***** company has not commenced activity***

Shares in subsidiaries - cont..

Item no.	a	b						c			d			e	f
	Name of entity	Equity, including:						Liabilities and provisions to liabilities including:			Trade and other receivables including:			Total assets	Total revenues from sale
			Share capital	Own shares (negative value)	Retained earnings, including:										
						Profit (loss) brought forward	Net profit (loss)		Non-current liabilities	Current liabilities		Non-current	current		
1	IRYDION Sp. z o.o.	23 065	4 500	-	18 565	-	-339	14 459	13 334	1 125	878	-	878	37 524	15
2	PROCHEM INWESTYCJE Sp. z o. o.	4 671	3 000	-	1 671	-	229	20 240	12 683	7 557	85	-	85	24 911	3 932
3	PROCHEM SERWIS Sp. z o.o.	1 062	220	-	842	-	208	1 865	272	1 593	1 713	-	1 713	2 927	7 019
4	PREDOM Sp. z o.o.	9 082	600	-	8 482	-	101	2 388	1 698	690	1 162	-	1 162	11 470	4 675
5	PRO-INHUT Sp. z o.o.	696	50	-	646	-	-112	1 403	33	1 370	1 769	-	1 769	2 099	3 318
6	PRO-ORGANIKA S.A.	401	350	-	51	-67	118	1 207	-	1 207	793	-	793	1 608	3 600
7	PROCHEM ZACHÓD Sp. z o.o.	1 947	1 600	-	347	-326	673	755	209	546	1 875	-	1 875	2 702	-
8	ELEKTROMONTAŻ KRAKÓW S.A.***)**	28 631	1 342	-47	27 336	2 453	1 472	13 743	1 690	12 053	19 606	-	19 606	42 374	35 730
9	ELMONT INWESTYCJE sp. z o.o.	11 171	8 000	-	3 171	-	-375	10 180	9 932	248	1	-	1	21 351	33
10	ELPRO sp. z o.o.	5 042	3 290	-	1 752	-	-1	383	376	7	21	-	21	5 425	113
11	IRYD Sp. z o.o.	-164	150	-	-314	-303	-11	213	-	213	7	-	7	49	-
12	ATUTOR Sp. z o.o.	120	355	-	-235	-244	9	140	-	140	153	-	153	260	1 080
13	PROCHEM RPI Sp. z o.o.	458	600	-	-142	-141	-1	1	-	1	20	-	20	459	-
14	PRO-PLM Sp. z o.o.	1	50	-	-49	-48	-1	2	-	2	-	-	-	3	-
15	Elmont Pomiary Sp. z o.o.		company consolidated by Elektromontaż Krakow SA-financial data of the company are included in a financial statements of Elektromontaż Krakow SA												
16	PREDOM PROJEKTOWANIE sp. z o.o.)		not consolidated												

- ***data from the consolidated financial statements of the Elektromontaż Krakow SA, presented after elimination of profits of associates, which are indirect subsidiaries of the Parent Company***

Shares in subsidiaries - cont..

SHARES IN OTHER ENTITIES								
	a	b	c	d	e		f	g
Lp.	Name of the entity and legal form	Registered office	Principal activity of the company	Carrying amount of shares	Equity, including:		% of share capital	Participation in total number of votes at the General Meeting of Shareholders
						Share capital		
1	Kostrzyńsko-Słubicka Specjalna Strefa Ekonomiczna SA	Kostrzyn nad Odrą	consultancy in the scope of business and management	825	102 456	27 184	3.0%	1.6%

On 5 January 2012 company Prochem Zachód Sp. z o.o. seated in Warsaw (60% subsidiary) Has entered into an agreement with Kostrzyńsko -Słubicka Special Economic Zone (hereinafter called "KSSSE") seated in Kostrzyń to acquire own shares for redemption on the basis of which has sold 6 750 registered shares with a nominal value of PLN 675 thousand, for a total amount of PLN 1 856 thousand.

Shares in equity-accounted investees

Item No.	a	b	c	d	e	f	g	h	i	j	k
	Name of the entity and legal form	Registered office	Principal activity of the company	Type of relation (subsidiary, jointly controlled entity or associate, details of direct and indirect)	Method of consolidation	date of obtaining control/joint control/gaining significant influence	Value of shares at cost	Revaluating adjustments (total)	Carrying amount of shares	% of share capital	Participation in total number of votes at the General Meeting of Shareholde

											rs
1	TEOMA S.A.	Warsaw	other specialized wholesale	associated indirectly (a subsidiary 100% Prochem Investycje Sp. z o.o. has 4.4% share)	Equity method	30 September 2000	2 073	2 073	-	19.5	16.6
2	PROMIS Sp. z o.o.	Warsaw	development and implementation of innovative technologies for flue gas desulphurization	associated indirectly (a subsidiary 100% Prochem Investycje has 29. 5%)	Equity method	18 September 2000	110	-	110	48.9	29.5
3	ITEL sp. z o.o.	Gdynia	Other electrical installations	associated indirectly Prochem RPI Sp. z o.o. has 23.3%)	Equity method	13 September 2005	708	-	708	42.0	42.0

Shares in equity-accounted – cont..

Item No.	a	b					c			d			e	f
	Name of the entity	Equity including:					Liabilities and provisions to liabilities including:			Trade and other receivables including:			Total assets	Total revenues from sale
			Share capital	Retained earnings, including:										
					Profit (loss) brought forwardh	Net profit (loss)		non-current	current		non-current	currrent		
1	TEOMA S.A.	lack of data, the value of the shares covered by the write-down of 100%												
2	ITEL Sp. z o.o.	1 315	1 292	23	-411	339	1 930	122	1 808	1 551	-	1 551	3 245	5 950
3	PROMIS sp. z o.o.	1 902	225	1 677	-	812	50	-	50	92	-	92	1 952	3 415

Note No. 6 – deferred income tax

- deferred tax assets

Change in deferred tax assets	As at 31 December 2012	As at 31 December 2011
1. Deferred tax assets as at the beginning of the period including:	**3 675**	**4 525**
a) recognized in profit or loss	**3 675**	**4 525**
- provisions for future costs	465	491
- write-down of receivables	18	161
- unpaid remuneration under contract of mandate and specific task contract	27	54
- deferred income	121	146
- interest on loans	346	131
- provision for retirement benefit	362	427
- provision for holiday benefits	199	189
- unpaid social security contributions	-	29
- unpaid employee benefits	56	5
- tax loss	1 994	2 672
- write-down of inventories	54	108
- write-down of shares	-	9
- revaluation of property	10	62
- provision for costs - adjustment of income	-	39
- the difference between the assets depreciation and tax depreciation	16	-
- exchange differences	7	2
2. Increase	**2 316**	**670**
a) recognized in the financial result of the period in respect of deductible temporary differences (due to)	**2 316**	**670**
- provisions for future costs	83	116
- write-down of receivables	281	8
- unpaid remuneration under contract of mandate and specific task contract	41	25
- deferred income	482	121
- interest on loans	198	219
- provision for retirement benefit	127	44
- provision for holiday benefits	46	35
- unpaid employee benefits	47	56
- tax loss	996	11
- revaluation of property	-	10
- the difference between the assets depreciation and tax depreciation	-	16
- exchange differences	15	9
3. Decrease	**1 495**	**1 520**
a) recognized in the financial result of the period in respect of deductible temporary differences (due to)	**1 495**	**1 520**
- the use of the provision for costs	99	142
- impairment of receivables	22	151
- paid remuneration under contract of mandate and specific task contract	25	52
- deferred income	121	146
- interest on loans	113	4
- the use of provision for retirement benefit	66	109

- the use of provision for holiday benefits	72	25
- paid social security contributions	-	29
- paid employee benefits	55	5
- the use of tax loss asset	899	689
- impairment of inventories	-	54
- impairment of shares	-	9
- revaluation of property	-	62
- provision for costs - adjustment of income	-	38
- the difference between the assets depreciation and tax depreciation	16	-
- exchange differences	7	5
4. deferred tax assets at the end of the period, including:	**4 496**	**3 675**
a) recognized in profit or loss	**4 496**	**3 675**
- provision for costs	449	465
- write down of receivables	277	18
- unpaid remuneration under contract of mandate and specific task contract	43	27
- deferred income	482	121
- interest on loans	431	346
- provision for retirement benefit	423	362
- provision for holiday benefits	173	199
- unpaid employee benefits	48	56
- tax loss	2 091	1 994
- write-down of inventories	54	54
- revaluation of property	10	10
- the difference between the assets depreciation and tax depreciation	-	16
- exchange differences	15	7

The date of expiry of the temporary differences is determined as at 31 December 2013 with the exception of provisions for retirement benefits and tax losses brought forward, for which the expiry date shall be laid down respectively in 2030 year and 2014 year.

- provision for deferred income tax

Change in provision for deferred income tax	**As at 31 December 2012**	**As at 31 December 2011**
1. Provision for deferred income tax, including:	**7 945**	**7 374**
a) recognized in profit or loss	**6 426**	**5 842**
- accrued interest on loans	249	478
- revaluation of non-current financial assets	136	136
- revaluation of current financial assets	3	5
- accrued interest on debt	43	44
- accrued income from an uncompleted service	795	867
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	40	173
- exchange differences	-	11
- surplus of depreciation of assets over tax depreciation	192	91
- rental income constituting the taxable income in the next year	-	6
- revaluation of non-financial investments	4 964	4 029
- other	4	2
b) recognized in equity	**1 519**	**1 532**

- revaluation to fair value of long-term investments	1 471	1 479
- revaluation of non-financial investments	44	43
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	4	10
2. Increase	**1 541**	**1 657**
a) recognized in profit or loss for the period due to positive temporary differences (due to)	**1 507**	**1 656**
- interest accrued on loans	76	59
- revaluation of current financial assets	-	1
- interest accrued on receivables	-	4
- received and accrued income from an uncompleted service	882	808
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	1	11
- surplus of depreciation of assets over tax depreciation	95	101
- revaluation of non-financial investments	235	664
-unrealized gains from disposal of financial assets	209	-
- other	9	8
b) recognized in equity period due to positive temporary differences (due to)	**34**	**1**
- revaluation to fair value of long-term investments	31	-
- revaluation of non-financial investments	2	1
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	1	-
3. Decrease	**1 536**	**1 085**
a) recognized in financial result in the given period due to positive temporary differences (due to)	**1 535**	**1 085**
- paid interest on loans	79	17
- the use of revaluation of current financial assets	3	3
- paid interest accrued on receivables	3	5
- received and accrued income from an uncompleted service	808	880
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	33	144
- exchange differences	-	11
- rental income constituting the taxable income in the next year	-	6
- the use of revaluation of non-financial investments	608	-
- other	1	19
b) recognized in equity period due to positive temporary differences (due to)	**1**	**14**
- revaluation to fair value of long-term investments	1	-
- revaluation of non-financial investments	-	8
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	-	6
4. Total provision to deferred tax assets at the end of period	**7 950**	**7 945**
a) recognized in financial result	**6 398**	**6 426**
- accrued interest on loans	246	249
- revaluation of non-current financial assets	136	136
- revaluation of current financial assets	-	3
- accrued interest on receivables	40	43
- received and accrued income from an uncompleted service	869	795
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	8	40
- surplus of depreciation of assets over tax depreciation	209	192

- revaluation of non-financial investments	4 591	4 964
- unrealized gains from disposal of financial assets	287	-
- other	12	4
b) recognized in equity	**1 552**	**1 519**
- revaluation to fair value of long-term investments	1 502	1 471
- revaluation of non-financial investments	45	44
- the difference between an operating lease installment and depreciation of leased fixed assets recognized in the costs	5	4

Presentation in statement of financial position:

	As at 31 December 2012	As at 31 December 2011
Deferred tax assets	**2 013**	**404**
Provision to deferred tax assets	**5 467**	**4 674**
Deferred tax assets (provision to)	**-3 454**	**-4 270**

Note No. 7 – inventories

Inventories	As at 31 December 2012	As at 31 December 2011
Materials	3 598	5 109
Semi-finished products and work-in-process	297	280
goods	617	682
Total inventories	**4 512**	**6 071**
Write-down of inventories	285	285

Amount for materials recognized in the cost of the given period is PLN 1 511 thousand, in the corresponding period of the previous year the amount of PLN 300 thousand was recognized in the costs.

Note No. 8 – trade and other receivables

Trade and other receivables	As at 31 December 2012	As at 31 December 2011
Trade receivables	59 844	75 847
Impairment of trade receivables	4 003	3 136
Net trade receivables	**55 841**	**72 711**
Including:		
- due within 12 months	42 547	58 498
- due in more than 12 months	13 294	14 213
Receivables from taxes, subsidies, social security and health insurance and other benefits	1 048	551
Other receivables	4 985	4 671
Impairment of receivables	2 277	2 277
Net other rteceivables	**2 708**	**2 394**

Total net receivables	59 597	75 656

Trade and other receivables from related entities	As at 31 December 2012	As at 31 December 2011
Trade receivables , including:	-	3
- from associated entities	-	3
Total net trade and other receivables from related entities	**-**	**3**
Impairment of receivables from related entities	-	-
Total gross trade and other receivables from related entities	**-**	**3**

Change in write-down for trade and other receivables	**As at 31 December 2012**	**As at 31 December 2011**
As at the beginning of the period	5 413	7 105
a) increase (due to)	1 588	955
- reclassification of write-down of other receivables	-	278
- provision for receivables	1 588	677
b)decrease (due to)	721	2 647
- payment received	91	1 074
- the use of provision established in prior periods	213	5
- impairment loss on the opening balance for receivables of sold company ASI Sp. z o.o.	-	51
- dissolution	417	1 517
Total	**6 280**	**5 413**

In most of the contracts signed by the Group the payment term for services is determined in the range from 14 to 60 days. As at 31 December 2012 and 31 December 2011, receivables include deposits under the statutory warranty for construction and assembly work, respectively, in the amount of PLN 23 132 thousand and PLN 30 774 thousand.

Trade receivables due from the balance sheet day	**As at 31 December 2012**	**As at 31 December 2011**
a) up to 1 month	12 426	15 866
b) more than 1month up to 3 months	7 759	16 487
c) more than 3 months up to 6 months	98	909
d) more than 6 months up to 1 year	2 639	6 128
e) more than 1 yerar	9 147	7 647
f) overdue	27 775	28 810
Total receivables for supplies and services (gross)	59 844	75 847
g) impairment of receivables for supplies and services	4 003	3 136
Total receivables from supplies and services (net)	**55 841**	**72 711**

The aging analysis of trade receivables overdue (gross), gross overdue - broken down into receivables not paid in the period:	**As at 31 December 2012**	**As at 31 December 2011**
a) up to 1 month	3 269	3 859
b) more than 1 month up to 3 months	1 609	2 024
c) more than 3 months up to 6 months	611	965
d) more than 6 months up to 1 year	890	1 080
e) more than 1 year	21 396	20 882
Total receivables from supplies and services overdue (gross)	**27 775**	**28 810**

f) impairment of overdue receivables for supplies and services	4 003	3 136
Total receivables from supplies and services overdue (net)	**23 772**	**25 674**

Balance of receivables from supplies and services includes receivables overdue with carrying amount of PLN 17 364 thousand as guarantee deposit of statutory warranty, for which the Group has not established a reserve, because there has been no significant change in the quality of the debt in relation to previous accounting periods, and thus are considered as to be recoverable. The Group is secured in the form of seized guarantee deposits from statutory warranty from subcontractors in the amount of PLN 6 586 thousand. For more information, see Note 38 - Legal proceedings pending before the court.

Note No. 9 – other financial assets

Other financial assets	As at 31 December 2012	As at 31 December 2011
From other entities:	198	435
- short-term loans	198	198
- other non-current financial assets	-	237
Total other financial assets	**198**	**435**
Impairment of other financial assets	-	-
Gross other finacial assets	**198**	**435**

Loans granted as at 31 December 2012

- Loan to the Civil Committee of Building of the Cardiological Hospital of the name of Marshal Józef Piłsudski in Warsaw PLN 198 thousand, including: amount of a loan PLN 133 thousand, amount of the accrued interest PLN 65 thousand, interest rate set at the statutory rate, maturity date 30 June 2008. Receivables secured by a mortgage on the right of perpetual usufruct of the land under land register – KW No 136324..

Increase

- Loan granted to Fundacja Czysta Woda seated in Warsaw in the amount of PLN 1 thousand.

Decrease

- Repayment of a loan with accrued interest in the amount of PLN 1 thousand by Fundacja Czysta Woda

Loans granted as at 31December 2011

- Loan to the Civil Committee of Building of the Cardiological Hospital of the name of Marshal Józef Piłsudski in Warsaw PLN 198 thousand, including: amount of a loan PLN 133 thousand, amount of the accrued interest PLN 65 thousand, interest rate set at the statutory rate, maturity date 30 June 2008. Receivables secured by a mortgage on the right of perpetual usufruct of the land under land register – KW No 136324..

Note No. 10 - other assets

Other assets by type:	As at 31 December 2012	As at 31 December 2011
a) prepayments	824	1 020
- cost of property and personal insurance	376	332
- software maintenance costs	268	332
- subscriptions,	34	34
- deferred costs	128	203
- initial rent under lease agreements	11	36
- other	7	83
b) other accrued costs and prepayments	13 458	18 648
- surplus of receivables from work-in-progress over advances	13 458	18 586
- other	-	62
Total other assets	**14 282**	**19 668**

In item – *other accrued costs and prepayments* – recognized valuation of contracts for construction services that are in progress at the balance sheet date.

Note No. 11 – share capital

SHARE CAPITAL (THE STRUCTURE)							
Series / issue	Type of the share	Type of preference of shares	Number of shares	Value of series / issue in nominal value	Coverage of capital	Registration date	Right to dividend (from)
Founding	incribed	3 votes for 1 share	830	830	cash	23July1991	01 October1991
Founding	inscribed	-	1 004	1 004	cash	23July1991	01 October1991
Founding a	bearer	-	1 815 666	1 815 666	cash	23July1991	01 October1991
B	inscribed	-	4 750	4 750	cash	29July1993	01 January1993
B	bearer	-	677 750	677 750	cash	29July1993	01 January1993
C	bearer	-	530 000	530 000	cash	20April1994	01 January1994
D	bearer	-	865 000	865 000	cash	05September1994	01 January1994
Total number of shares			3 895 000				
Total share capital				3 895 000			
Nominal value of 1 share = PLN 1.00							

The share capital of the Company amounts to PLN 3 895 thousand and is divided into 3 895 000 shares with the nominal value of PLN 1 each. Total number of votes from all shares is 3 896 660.

The capital structure of Prochem S.A. is as follows:

- founding series – 1 817 500
- series B – 682 500
- series C – 530 000
- series D – 865 000

Total equity 3 895 000

On 20 February 2012 6 250 common inscribed shares of PROCHEM S.A., and 1 010 preference inscribed shares of PROCHEM S.A. were converted to bearer shares.

After changing the amount of the share capital is PLN 3 895 thousand and has not changed. The total number of votes from all shares of PROCHEM S.A. at the General Meeting of Shareholders after the change is 3 896 660.

According to information in the Company's possession as at the day of the statements the following shareholders have more than 5% of the votes at the General Meeting of Shareholders.

Description	**Number of shares (units)**	**% of votes in total number of votes**	**% of share capital**
1. Prochem Holding M. Garliński Spółka Komandytowa	941 213	24.15	24.17
2. Steve Tappan	382 751	9.82	9.83
3. Otwarty Fundusz Emerytalny PZU „Złota Jesień"	369 000	9.47	9.46
4. Legg Mason Parasol Fundusz Inwestycyjny Otwarty („Legg Mason Parasol FIO") i Fundusz Własności Pracowniczej PKP Specjalistyczny Fundusz Inwestycyjny Otwarty ora Leeg Mason Akcji Skoncentrowany Fundusz Inwestycyjny Zamknięty - total, including:	610 138	15.66	15.67
- Legg Mason Parasol FIO"	284 054	7.29	7.29

In the period from the last annual financial statement a change in the ownership structure concern:

- At the General Meeting of Shareholders the Issuer was informed about the change in shares by Otwarty Fundusz Emerytalny PZU „Złota Jesień". The Fund increased its number of shares held by 43 479 units and as at the date of financial statement holds 369 000 shares, representing 9.47% of the total number of votes at the General Meeting of Shareholders and 9.47% of the share capital.
- Issuer received notice from Legg Mason Towarzystwo Funduszy Inwestycyjnych S.A. the legal successor of Legg Mason Zarządzanie Aktywami S.A. that on 2 January 2013 expired agreement for the management of investment portfolios entitling to exercise the right to vote attached to company's shares at the General Meeting of Shareholders on behalf of customers. As a result of changes the above mentioned

funds (item 5 of the statement) are entitled to exercise voting rights attached to shares held by them. The notice indicates that Funds Legg Mason increased number of shares of the Issuer by 6 456 shares and as at the date of this report hold 610 138 shares, representing 15.66% of the total number of votes at the General Meeting of Shareholders and 15.67% of share capital.

- Issuer received from Prochem Holding M. Garliński Spółka Komandytowa the notice of resignation of one of the limited partners, who received 21 128 shares of company Prochem S.A. at price PLN 16,14 by way of dismissal from the obligation laid down in the Art. 65§3 of the Commercial Companies Code. The total amount of the transaction was PLN 341 thousand. After the transaction company Prochem Holding holds 941 213 shares of the Issuer, representing 24.14% of total number of votes at the General Meeting of Shareholders and 24.17% of the share capital.
- On 12 March 2013 the Issuer received a notice from ING Towarzystwo Funduszy Inwestycyjnych S.A. acting on behalf on ING Parasol Funduszu Inwestycyjnego Otwartego o about decrease of less than 5% of the total number of votes at the General Meeting of Shareholders. The reason for the change in share was the sale of 4 500 shares. As at the date of the statement ING Parasol Fundusz Inwestycyjny holds 190 515 shares, representing 4.89% of total number of votes and 4.89% of the share capital.

Note No. 12 – retained earnings

	As at 31 December 2012	As at 31 December 2011
Spare capital	53 524	51 980
Other capital reserves	45 030	42 136
Profit brought forward	756	-478
Net profit assigned to shareholders of parent entity	-3 858	4 982
Total	**95 452**	**98 620**

Note No. 13 – provisions for retirement and similar benefits

The Company operates a post-employment benefits plan, which include retirement gratuity for employees. Provisions for retirement gratuity payments are calculated on an individual basis for every employee. The basis for calculating provision for the employee is the expected amount of the benefit that the Company is obligated to pay under the current remuneration policy. Retirement gratuity is paid once at the time of retirement or disability pension. Current value of these obligations is determined by an independent actuary and revalued. The level of provisions corresponds to discounted payments to be made in the future, taking into account staff turnover, and relate to the period until the date ending the reporting year. The financial discount rate to calculate the current value of retirement benefit obligations has been determined based on market yields on government bonds on government bonds, whose currency and maturity are similar to currency and estimated term of employee benefit obligations.

The principal actuarial assumptions at the end of the reporting period:

data in percentage (%)	The year 2012	The year 2011
Discount rate	4.8%	5.8%
Average annual increase in the assumed basis for the calculation of retirement gratuity in the years 2013-2022; the year 2011 in the years 2012-2021	from 0.3% to 4.6%	from 0% to 3.9%

Weighted average rate of employee mobility	from 5.31%to 9.75%	from 0.89% to 7.27%
The increase in retirement gratuity basis:		
- in the years 2013 and 2012	from 0% to 6.1%	from 0% to 5%
- in the years 2014-2022; the year 2011 in the years 2013-2021	from 0% to 2.5%	from 0% to 2.5%
- in other years	2.5%	2.5%

Post-employment benefits, retirement gratuity

(in PLN thousands)	The year 2012	The year 2011
Liabilities at the beginning of period	**1 904**	**2 299**
Current employment cost	70	82
Cost of interest	97	106
Net actuarial gains and loss	633	7
Benefits paid	-474	-590
Liabilities at the end of period, including:	**2 230**	**1 904**
- current liabilities Note No 19	354	312
- non-current liabilities	1 876	1 592

Book value of employee benefit obligations as at 31 December 2012 and 31 December 2011 is the same as current value.

Historical information

As at	Current value of liabilities arising from above benefits
31 December 2012	2 230
31 December 2011	1 904
31 December 2010	2 299
31 December 2009	2 295
31 December 2008	1 089

Employee benefit costs are recognized in general and administrative expenses. In 2012 the provision for employee benefits have changed as a result of updated assumptions, primarily the discount rate and change in planned salary increase index.
Total amount of expenses recognized in the financial result:

In PLN thousands	Year ended 31 December 2012	Year ended 31 December 2011
Current employment cost	-29	-83
Cost of interest	-54	-116
Actuarial gains (losses)	-640	-17
Total costs	**-723**	**-216**

Note No. 14- other provisions

Other provisions	As at 31 December 2012	As at 31 December 2011
other due to	41	-
- provision for costs	41	-
Total other provisions	**41**	**-**

Note No. 15- other non-current liabilities

Other non-current liabilities	As at 31 December 2012	As at 31 December 2011
a) to subsidiaries	50	50
- principal outstanding	50	50
b) to other entities	317	101
- finance lease agreements	243	46
- conversion of rights of use in ownership	27	-
- retained deposits	47	55
Total non-current liabilities	**367**	**151**

Note No. 16 – current bank loans

	As at 31 December 2012	As at 31 December 2011
- loans	7 526	4 291

Information on bank loans

Name of the bank	Registered office	Loan limit	The amount engaged	The repayment date	Terms of interest	Security
By Prochem S.A.						
BRE Bank Polska SA	Warsaw	6,000 Credit in overdraft on current account	347	28 June 2013	WIBOR for O/N deposits in PLN + margin	Blank promissory note
BRE Bank Polska SA	Warsaw	6,000 Operating credit	6 000	28 June 2013	WIBOR for O/N deposits in PLN + margin	Blank promissory note
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft on current account	-	15 November 2013	WIBOR for 1 month deposits in PLN + margin	Statement on submission to execution
By Elektromontaż Kraków S.A.						
Deutsche Bank	Kraków	500	76	30 August 2013	WIBOR for 1 month deposits in PLN + margin	Mortgage of up to PLN 750 thousand on real estate in Zakopane
ING BANK Śląski	Kraków	2 500	-	21 July 2013	WIBOR for 1 month deposits in PLN + margin	Mortgage of up to PLN 3750 thousand on real estate in Krakow at 7, Czysta Street
Kredyt Bank S.A.	Kraków	1 000	839	22 June 2013	WIBOR for O/N deposits in PLN + margin	Assignment of a debt
By Pro-Organika sp. z o.o.						

BRE Bank S.A.	Warsaw	100 Credit in overdraft on current account	100	30 April 2013	WIBOR for 1 month deposits in PLN + margin	Assignment of amount due
BRE Bank S.A.	Warsaw	65 Operating credit	64	31 January 2013	WIBOR for 1 month deposits in PLN + margin	lack of loan security
BRE Bank S.A.	Warsaw	100 Credit in overdraft on current account	100	28 june 2013	WIBOR for O/N deposits in PLN + margin	lack of loan security
By Atutor Integracja Cyfrowa sp. z o.o.						
Kredyt Bank S.A.	Warsaw	6 Credit in overdraft on current account	-	Not applicable	12.91% at the time of account opening	lack of loan security

Note No. 17 – current loans

loans	As at 31 December 2012	As at 31 December 2011
To other entities	29	29
Total liabilities from loans	**29**	**29**

The loan by the subsidiary Prochem West Sp. z o.o. (60% subsidiary) from Interbud-West Sp. of o.o. in the amount of PLN 29 thousand, including the amount of a loan of PLN 15 thousand and interest in the amount of PLN 14 thousand.

Note No. 18 – trade payables

	As at 31 December 2012	As at 31 December 2011
To associated entities:	-	3
- from deliveries and services with maturity:	-	3
- up to 12 months	-	3
To other entities	34 983	71 838
- from deliveries and services with maturity:	34 983	71 838
- up to 12 months	27 770	66 669
- more than 12 months	7 213	5 169
Total trade payables	**34 983**	**71 841**

Note No. 19 – other liabilities

	As at 31 December 2012	As at 31 December 2011
a) to other entities	5 073	3 689
- financial liabilities, including:	-	19
• other	-	19
- from taxes, duties, insurance and other benefits	4 661	3 186

- from remuneration	265	348
- other (by type):	147	136
• liabilities to employees	27	36
• to shareholders	5	12
• lease liability	80	47
• other	35	41
b) other non-current provisions	2 986	1 877
- provision for costs accrued for the current year on the basis of invoices received in the following year	477	414
- provision for costs accrued for in the previous year and concerning long-term contracts	495	-
- provision for bonuses	642	-
- audit costs	103	100
- non-current provisions for retirement benefits	354	312
- provision for unused annual leave	915	1 051
c) special funds	6	101
Total other liabilities	**8 065**	**5 667**

Lease liabilities

	Future minimum lease payments	Interest	Present value	Future minimum lease payments	Interest	Present value
In PLN thousands	**2012**	**2012**	**2012**	**2011**	**2011**	**2011**
Up to one year	66	14	80	39	8	47
From 1 year up to 5 years	205	38	243	39	7	46
	271	**52**	**323**	**78**	**15**	**93**

Note No. 20 – deferred income

	As at 31 December 2012	As at 31 December 2011
Accrued income, including:	2 902	2 417
- received and accrued deferred income	18	18
- advance payments received and prepayments	2 884	2 399
other	661	-
Total deferred income	**3 563**	**2 417**

Note No. 21- revenues from sale of services

Revenue from sale of services (type of service and type of activity)	Period ended 31 December 2012	Period ended 31 December 2011
- revenues from sale of services, including:	130 096	173 292

Revenue from sale of services (territorial structure)	Period ended 31 December 2012	Period ended 31 December 2011
Domestic	130 096	173 292

Revenues from contracts for construction services (general contracting), and other services are presented in Note 31.
The gross amount due from the ordering parties / customers for the work under the contract is presented in Note 10.

Note No. 22 – revenues from sale of goods and materials

Revenues from sale of goods and materials (structure and type of activities)	Period ended 31 December 2012	Period ended 31 December 2011
- revenues from sale of goods and materials	5 973	5 131

Revenues from sale of goods and materials (territorial structure)	Period ended 31 December 2012	Period ended 31 December 2011
Domestic	5 973	5 131

Note No. 23 – cost of services

Total costs by type	Period ended 31 December 2012	Period ended 31 December 2011
a) depreciation and amortization	2 296	3 007
b) materials and energy consumptions	17 464	17 279
c) outsorcing	71 344	110 905
d) taxes and charges	676	655
e) remunerations	31 117	31 361
f) social security and other benefits	5 429	5 174
g) other costs by type	3 741	3 630
- property and personal insurance	771	864
- business trips	976	982
- PFRON (State Fund for Rehabilitation of Disabled Persons)	232	227
- other	1 762	1 557
Total costs by type	132 067	172 011
Change in inventory, goods and accruals and prepayments	898	-358
Cost of production for own needs (negative value)	-	-26
General and administrative expense (negative value)	-14 658	-15 545
Costs of services	**118 307**	**156 082**

Note No. 24 – other operating income

	Period ended 31 December 2012	Period ended 31 December 2011
a) profit from disposal of non-financial non-current assets	199	378
b) subsidies	22	40
c)reversal of impairment allowance (due to)	276	1 335
- for receivables	230	1 112
- other	46	223
d) other, including:	872	4 820
- reimbursement of costs of legal proceedings	21	157
- received compensation, fines and penalties	83	53
- revenues from rental of cars	94	100
- revaluation of investment property	482	3 493
- accounting for inventory	3	-
- write-off of overdue receivables	10	898
- other	179	119
Total operating income	**1 369**	**6 573**

Note No. 25 – other operating expenses

	Period ended 31 December 2012	Period ended 31 December 2011
a) loss from disposal of non-financial non-current assets	-	4
b) revaluation of non-financial assets	458	-
c)impairment allowance (due to)	1 607	685
- the value of receivables	1 607	685
d) other, including:	1 093	703
- donations	5	5
- costs of legal proceedings	106	342
- write-off of overdue receivables	20	-
- actuarial valuation of pension benefit	5	7
- liquidation of non-financial non-current assets	6	166
- paid penalties, fines and compensation	82	10
- revaluation of materials/accounting for inventory	56	-
- provision for costs	201	173
- others, including the cost of renting office space warranties arising from contract for sale of office building	612	-
Total operating expenses	**3 158**	**1 392**

Note No. 26 – financial income

	Period ended 31 December 2012	Period ended 31 December 2011
a) interest on granted loans	-	33
- from associated entities	-	16
- from other entities	-	17
b) other interest	204	222
- from other entities	204	222

c) surplus of foreign exchange gains	9	-
d) released reserves (due to)	-	402
- write up of financial operations	-	402
e) other,including:	22	186
- other	22	186
f) gain on sale of investments	1 181	-
Total financial income	**1 416**	**843**

Note No. 27 – finance costs

	Period ended 31 December 2012	Period ended 31 December 2011
a) interest on loans	482	273
- to other entities	482	273
b) other interest	168	539
- to other entities	168	539
c) surplus of foreign exchange losses	85	215
d) other, due to:	937	495
- commission on bank guarantees	165	89
- commissions on loans	144	172
- commissions on letter of credit	12	168
- initial rent from lease agreements	17	8
- impairment of shares	580	-
- impairment of interest	-	14
- other	19	44
Total finance costs	**1 672**	**1 522**

Note No. 28 – income tax

Current income tax	**Period ended 31 December 2012**	**Period ended 31 December 2011**
1. Gross profit	**-3 670**	**7 562**
2. The difference between gross profit and taxable income (by category)	**5 935**	**-4 377**
a) income, not classified in the tax revenue	**-7 809**	**-23 026**
- accrued interest on loans and bank deposits	-10	-18
- revenues from the sale of shares for redemption purposes	-1 181	-
- received and accrued income from an uncompleted service	-13 458	-19 311
- revenue from revaluation of investment property	-737	-3 439
- rental income constituting the taxable income in the next year	-	-16
- exchange differences from valuation as at the balance sheet day	-4	-
- released reserves for receivables which are not tax deductible expenses in previous periods	-230	-1 738
- income relating to a branch in Hungary in 2010	-	-42
- other expenses not classified as tax deductible expenses in previous periods	-201	-69
- revenues relating to property tax overpayment	-82	-
- profit sharing in associated entities	-384	-384

- received dividends	-66	-
- tax revenues from the sale of shares and dividends	8 544	1 991
b) tax revenues which were not recognized as tax revenues in prior periods	**21 479**	**9 781**
- received interest recognized in income in previous years	2 903	207
- revenue from contracts completed in part, which in the previous year did not constitute an income	18 587	9 507
- realized exchange differences, which in previous periods were not recognized in the revenue	2	20
- income from rental accrued in the previous year, and constituting tax revenues for the current year	16	37
- revenue classified according to the accounting principles to revenue in the current year	-29	10
c) costs not being tax deductible expenses	**372**	**12 525**
- amortization and depreciation of non-current assets not classified as tax deductible expenses i.e. amortization and depreciation of non-current assets is not classified as tax deductible expenses such as depreciation of revalued amount, amortization of right of perpetual usufruct, depreciation of fixed assets co-financed from EU funds	536	697
- PFRON (State Fund for Rehabilitation of Disabled Persons)	370	355
- membership fees	52	50
- car insurance in excess of the limit	15	14
- other costs not classified as income tax expenses	409	765
- other costs not classified as income tax expenses (loss on activity of consolidated companies)	516	-
- write-down of receivables	312	-
- inventory shortages	23	-
- donations	5	5
- other supplementary payroll expenses (BFP) paid in next month	214	133
- write-down of receivables	1 296	193
- the difference between depreciation expense and tax depreciation	-460	-432
- provision for balance sheet audit	86	100
- provision for employee benefits (retirement, unused annual leaves)	283	
- provision for future costs	1 327	655
- work-in-progress in the country taxed in the previous years	-15 295	-6 017
- work-in-progress in the country at the end of the period – is not tax deductible expense in the current year, to be taxable in future periods	10 767	15 930
- costs not being tax deductible expenses in previous periods	-1 203	-
- dues on social insurance not paid to Social Security (ZUS)	-	21
- expenses from revaluation of investment property	353	
- accrued interest	149	5
- write-down of financial assets (value of shares)	580	-
- other rounding	10	-
- costs of not paid benefits to employees	27	-
- exchange differences from valuation as at the balance sheet day	-	51
d) deductions from income	**8 107**	**3 657**
Loss brought forward	8 107	3 657
3. Tax base	**2 265**	**3 185**

4. Income tax at the rate of 19% in Poland	430	605

Deferred income tax recognized in the statement of comprehensive income	Period ended 31 December 2012	Period ended 31 December 2011
- decrease (increase) due to arising and reversal of temporary differences	948	1 348
Total deferred income tax	**948**	**1 348**

The effective tax rate

(in PLN thousands)	Tax rate	31 December 2012	31 December 2011
Net profit		-3 152	5 609
Income tax		-518	1 953
Profit before tax		-3 670	7 562
Income tax at the applicable rate 19%		-697	1 437
tax-exempt income		-73	-73
Revenues not being tax revenues		-	339
Cost not being tax deductible expense		263	-39
Utilization of tax losses in the current period for which deferred tax was not created		-643	-
Deferred tax asset on tax losses, which were not included in previous years		-694	-
Deferred tax asset in the write-downs of shares created in the previous years		-174	-
Tax revenue from the sale of shares in Elektromontaż Kraków S.A. and Elmont Inwestycji Sp. z o.o.		1 623	-
other		-123	289
Income tax		**-518**	**1 953**

Note No. 29 – factors and events which have a significant impact on the financial result achieved in the current reporting period

In 2012, there were no significant events affecting the Group's financial result.

Note No. 30 – additional disclosures to the statement of cash flows

As cash and cash equivalents recognized in statement of cash flows is classified cash recognized in the balance sheet in item Cash and cash equivalents.
Structure of cash shows the table below (in PLN thousands)

	Period ended 31 December 2012	Period ended 31 December 2011	Change
Csah in hand	94	90	4
Cash on bank accounts	6 702	19 260	-12 558
	6 796	**19 350**	**-12 554**

Operating activities include basic and turnover of other operating activity.

Investing activities include the turnover in the scope of investments in plant, property and equipment, intangible assets, equity investments and security held for trading.

Dividends received are recognized in cash flows from investing activities. Loans granted and repaid together with accrued interest are presented in cash flows - investing activities.

Paid interest and commission on borrowings, loans and leases are recognized in cash flows - financing activities. Financial activity include also received and repaid bank loans and borrowings.

Differences between the amounts directly from the statement and presented in the statement of cash flows result from a transfer of specified amounts from operating activity to investing activity and financing activity.

These relate to the following balance sheet items (in PLN thousands)

Changes in current receivables	**23 741**
Receivables as at 1 January 2012	75 656
Other assets as at 1 January 2012	19 668
Receivables from disposal of fixed assets	-79
Opening balance sheet5 after adjustments	**95 245**
Receivables as at 31 December 2012	59 597
Other assets as at 31 December 2012	14 282
Receivables from disposal of fixed assets	-123
Receivables from disposal of assets	-2 252
Closing balance sheet after adjustments	**71 504**

Change in current liabilities (except for borrowings and loans and special funds)	**-35 267**
Liabilities as at 1 January 2012	71 841
Other liabilities as at 1 January 2012	5 667
Deferred income as at 1January 2012	2 417
Current provision for retirement benefit obligations	-312
Provision for unused annual leaves	-1 051
Provision for audit of statement	-100
Current provision for costs	-414
Investment liabilities	-10
Liabilities under operating leases	-47
Liabilities to shareholders	-1
Deferred income (presentation other adjustments)	-2 417
Opening balance sheet after adjustments	**75 573**
Liabilities as at 31 December 2012	34 983
Other liabilities as at 31 December 2012	8 065
Current provision for retirement benefit obligations	-354
Provision for unused annual leaves	-915
Provision for audit of statement	-103
Investment liabilities	-109
Current provision for other costs	-1 180
Liabilities under operating leases	-80
Liabilities to shareholders	-1
Closing balance sheet after adjustments	**40 306**

Note No. 31– operating segments

Operating segment is a component part of the entity:
• that engages in business activity from which it can obtain income and incur expenses,
• whose operating results are regularly reviewed by the body responsible for making operating decisions of the company,
• for which are available separate financial information.
Income of the segment constitute income from sale to external customers.
Segment expenses are expenses that include costs relating to the sale to external customers.
Segment result is determined on the level of as operating income.

For the managing purpose the activity of the Group is divided into eleven main operating divisions such as: contracting services (general contractor), engineering and design (supervisions along with the function of contract engineer), rental of construction equipment, electrical installations, rental of office space and real estate, property management, maintenance, commercial activity, IT services and other activities. As assets of the segment are classified assets used by the segment which comprise mainly receivables, inventories and property, plant and equipment less provisions and impairment losses.
Some of the assets in the common use are assigned to the segments based on reasonable weights.

As a result of realized losses on the underlying operations (segments) in the amount of PLN 2 015 thousand, a large impact on the loss incurred on basic operations, had the performance of the parent company, the parent company has analyzed its assets for any indications of impairment.
Assets allocated to the individual segments are mainly trade and other receivables and other current assets, including the gross amount payable by orderers for work under contracts on construction services that are in progress as at the balance sheet date. The Group has analyzed these assets as at the balance sheet date and for all receivables which have been recognized as doubtful had created impairment losses, which have been presented and described in Note 8.
Unallocated assets to segments are primarily shares in associates. With respect to the above-mentioned assets there is no evidence of the possible loss of value on the balance sheet date except for shares in the company TEOMA SA, for which write-downs have been created (see Note 4).
In addition, the Group has carried out the analysis as at the balance sheet date of contracts on construction works for the budgeted results For all contracts in which the budgeted costs exceeded the budgeted income, as at the balance sheet date the Group has recognized provisions to cover losses (see note 19).

Detailed information on the activities of the companies belonging to the Group in the various sections are shown in the following tables.

The reporting period from 1 January to 31 December 2012

For the period from 1 January 2012 to 31 December 2012	General contracting	Design and engineering services,	Rental of construction equipment	Electrical instakllations	Rental of office space and real estate	Property management	Maintenance	Commercial activity	Development activity	Other IT services	Other	Items not assigned	Total
Revenues from external customers	59 961	19 971	4 036	31 333	4 978	5 742	1 072	5 975	-	482	2 519	-	136 069
Total revenues of the segment	**59 961**	**19 971**	**4 036**	**31 333**	**4 978**	**5 742**	**1 072**	**5 975**	**-**	**482**	**2 519**	**-**	**136 069**
Result													
Gain (loss) of the segment	**3**	**-6 640**	**1 792**	**1 733**	**850**	**313**	**112**	**281**	**-**	**-**	**-459**	**-**	**-2 015**
Financial income												1 422	1 422
Finance costs												-1 672	-1 672
Net financial income												-250	-250
Profit sharing in associated entities												384	384
Results from other operating activities												-1 789	-1 789
Profit (loss) before tax												**-3 670**	**-3 670**
Income tax												-518	-518
Profit (loss) for the current period												**-3 152**	**-3 152**
Profit (loss) assigned to non-controlling interest												**-706**	**-706**
Net profit (loss)												**-3 858**	**-3 858**
Assets													
Segment assets (related to the activity)	30 031	6 755	3 117	17 569	19 366	1 673	216	1 290	36 576	91	3 935	-	120 619
Assets unallocated (among others shares and other financial assets)												65 487	65 487
Total asasets	**30 031**	**6 755**	**3 117**	**17 569**	**19 366**	**1 673**	**216**	**1 290**	**36 576**	**91**	**3 935**	**65 487**	**186 106**
Liabilities of the segment	23 650	3 849	101	4 889	631	1 858	45	1 024	-	-	3 454	22 517	62 018
Equity												110 410	110 410
Non-controlling interest												13 678	13 678
Total equity and liabilities	**23 650**	**3 849**	**101**	**4 889**	**631**	**1 858**	**45**	**1 024**	**-**	**-**	**3 454**	**146 605**	**186 106**
Other information related to segment													
Depreciation of property, plant and equipment	146	117	263	336	36	762	62	-	-	-	25	449	2 196
Amortization of intangible assets	-	14	-	13	-	2	3	-	-	-	-	68	100

Impairment of segment assets (receivables for goods and services)	66	21	2 973	27	229	77	1	-	-	-	609	-	4 003

The comparative period from 1 January to 31 December 2011

For the period from 1 January 2011 to 31 December 2011	**General contracting**	**Design and engineering services**	**Rental of construction equipment**	**Electrical instakllation**	**Rental of office space and real estate**	**Zarządzanie nieruchomo ściami**	**Maintenance**	**Commercial activity**	**Development activity**	**Other IT services**	**Other**	**Items not assigned**	**Total**
Revenues from external customers	99 148	25 121	7 432	25 965	5 083	5 702	2 500	5 131	-	462	1 879	-	178 423
Total revenues of the segment	**99 148**	**25 121**	**7 432**	**25 965**	**5 083**	**5 702**	**2 500**	**5 131**	**-**	**462**	**1 879**	**-**	**178 423**
Result				0									
Gain (loss) of the segment	**2 262**	**-6 634**	**4 325**	**5 558**	**1 103**	**421**	**44**	**152**	**-**	**127**	**-150**	**-4 816**	**2 392**
Financial income												1 127	1 127
Financve costs												1 522	1 522
Net financial income												-395	-395
Profit sharing in associated entities												384	384
Results from other operating activities												5 181	5 181
Profit (loss) before tax												**7 562**	**7 562**
Income tax												1 953	1 953
Profit (loss) for the current period												**5 609**	**5 609**
Profit (loss) assigned to non-controlling interest												**-627**	**-627**
Net profit (loss												**4 982**	**4 982**
Assets													
Segment assets (related to the activity)	50 006	8 732	4 062	13 607	19 721	1 847	-	1 782	54 381	278	475	-	154 891
Assets unallocated (among others shares and other financial assets)												63 284	63 284
Total assets	**50 006**	**8 732**	**4 062**	**13 607**	**19 721**	**1 847**	**-**	**1 782**	**54 381**	**278**	**475**	**63 284**	**218 175**
Liabilities of the segment	56 964	1 234	398	11 046	70	921	-	1 396	-	180	629	-	72 838
Unallocated liabilities												18 245	18 245
Equity												112 886	112 886

Non-controlling interest												14 206	14 206
Total equity and liabilities	**56 964**	**1 234**	**398**	**11 046**	**70**	**921**	**-**	**1 396**	**-**	**180**	**629**	**145 337**	**218 175**
Depreciation of property, plant and equipment	148	154	512	455	652	160	-	-	-	44	-	755	2 880
Amortization of intangible assets	-	16	-	13	-	6	-	-	1	1	-	90	127
Impairment of segment assets (receivables for goods and services)	-482	-309	-1 926	-28	-	-78	-	-	-	-	-313	-	-3 136

Note No. 32 – profit per one share

Net loss for one share remaining in trading as at the balance sheet date December 31 2012 amounts to PLN (0.99) (in 2011 net profit was PLN 1.28).

Note No. 33 – allocation of profit

Group's net income is not subject to distribution
Issuer's net profit for 2011 of PLN 3 209 886.28 by the Resolution No. 5 of the Annual General Meeting on June 2, 2012 was allocated to capital reserves.

Proposed distribution of profit of the Issuer for the year 2012

Net profit for the year 2012 in the amount of PLN 3 056 thousand is proposed to allocate for:
- the dividend (0.78 PLN per share) - PLN 3 038 thousand,
- the capital reserve - PLN 18 thousand.

For the year 2011 the Issuer did not pay any dividend.

Note No. 34 - financial instruments and financial risk management

34.1 Categories and classes of financial instruments

Financial assets

As at 31 December 2012		**Categories of financial instruments**	
(in PLN thousands)		**Loans, receivables and other**	**Total**
Classes of financial instruments	**Note No.**		
Receivables for supplies and services	8	55 841	55 841
Cash	30	6 796	6 796
Loans granted	9	198	198
Total		**62 835**	**62 835**

As at 31 December 2011		**Categories of financial instruments**	
(in PLN thousands)		**Loans, receivables and other**	**Total**
Classes of financial instruments	**Note No.**		
Receivables for upplies and services	8	72 711	72 711
Cash	30	19 350	19 350
Loans granted	9	435	435
Total		**92 496**	**92 496**

Financial liabilities

As at 31 December 2012		Categories of financial instruments		
(in PLN thousands)		Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
Classes of financial instruments	**nota**			
Loans	16	7 526	-	7 526
Borrowings received	17	29		29
Leases	19	-	323	323
Liabilities for supplies and services	18	34 983	-	34 983
Total		**42 538**	**323**	**42 861**

As at 31 December 2011		Categories of financial instruments		
(in PLN thousands)		Financial liabilities measured at amortized cost	Liabilities excluded from IAS 39	Total
Classes of financial instruments	**nota**			
Loans	16	4 291	-	4 291
Borrowings received	17	29		29
Leases	19	-	93	93
Liabilities for supplies and services	18	71 841	-	71 841
Total		**76 161**	**93**	**76 254**

Impairment losses on financial assets by class of financial instruments

(in PLN thousands)	As at	
	31 December 2012	31 December 2011
Receivables from supplies and services	(4 003)	(3 136)

Impairment of financial assets is disclosed in notes 8 and 9

Fair value of financial instruments

		As at 31 December 2012		As at 31 December 2011	
(in PLN thousands)		Fair value	Book value	Fair value	Book value
Financial assets	**Note No.**				
Receivables from deliveries and services	8	55 841	55 841	72 711	72 711
Cash	30	6 796	6 796	19 350	19 350
Other financial assets	9	198	198	435	435
Total		**62 835**	**62 835**	**92 496**	**92 496**
Financial liabilities					
Loans	16	7 526	7 526	4 291	4 291
Borrowings received	17	29	29	29	29
Leases	19	323	323	93	93
Liabilities for supplies and services	18	34 983	34 983	71 841	71 841
Total		**42 861**	**42 861**	**76 254**	**76 254**

As at 31 December 2012, the Group owns shares in companies which are not quoted on the stock market (in active markets), for which it is not possible to determine a reliable fair value. Value of shares are presented in the statement of financial position at cost less impairment losses in the amount of PLN 1 959 thousand. In the comparative period, the value of shares amounted to PLN 1 493 thousand.

Granted loans, financial liabilities from loans and other financial instruments are measured at fair value using discounted cash flows. Determined the fair value of these financial instruments is approximate to the book value.
The fair value of receivables from supplies and services is estimated as the present value of future cash flows discounted using a market interest rate as at the reporting date. Book value is the fair value of these values.

Operating leases

The Group is party to the agreement on lease of office space. This agreement has been classified as operating leases. It has been concluded for a period of 10 years. It includes additional fees for additional services that are settled once a year. Rent under the contract once a year is valorized by the Harmonised Index of Increase of Consumer Goods Prices in the European Union (index), published two months before the date of indexation.
Part of leased office space is subleased. The lease and sublease agreements expire in 2014, 2015 and in August 2034 or are concluded for an indefinite period. Rent under the the agreements once a year is indexed according to the Harmonized Index of Consumer Goods Prices Growth in the European Union (index), published two months before the date of indexation or other indicator. Rental agreements include extra charges for additional services that are settled according to the contract once a year, or two months after the end of the quarter.
During the year, in the statement of comprehensive income in 2012, was recognized an amount of PLN 4 555 thousand as the cost of fees, in 2011 the amount was PLN 4 948 thousand.
Revenue from sublease are recognized in operating income.
During the year 2012 in the statement of comprehensive income was recognized an amount of PLN 4 500 thousand as revenue from the sublease, and in 2011 the amount was PLN 4 391 thousand.
Since 18 January 2011, the Group is party to an agreement with Toyota Motor Poland Ltd., on hire of cars. As at 31 December 2012 lease agreements covered 46 company cars.
During the year, in the statement of comprehensive income in 2012 , was recognized an amount of PLN 688 thousand as the cost of the rental of cars, and in 2011 PLN 439 thousand.

Minimal payments under non-cancellable operating leases are as follows:

Operating lease agreement in which the Company is the lessee

In PLN thousands	**2012**	**2011**
Up to one year	4 544	4 906
1-5 years	9 830	12 542
More than 5 years	14 603	12 960

Operating lease agreement in which the Company is the lessor

In PLN thousands	2012	2011
Up to one year	4 424	4 669
1-5 years	7 445	11 404
More than 5 years	3 539	6 307

34.2. Financial risk management

The Group's operations are exposed to the following financial risks:
- credit risk;
- liquidity risk;
- market risk (including currency risk, interest rate risk).

Credit risk

Group conducts its commercial activity, through sale of services to economic subjects with deferred payments, which may result in the risk of non-payment from customers for the services provided. The company, in order to minimize the credit risk manages the risk by obligatory procedure of gaining hedging.
The accepted period of the repayment of amount due associated with the normal course of the sale is 14 - 60 days..
Amounts due from contracting parties are regularly monitored by the financial services. In case of overdue amounts due procedures of the vindication are started.
The aging analysis of trade receivables that are past due at the end of the reporting period but for which no impairment has been stated, are shown in Note No. 8
In order to lower the risk of not recovering receivables for supplies and services the Company receives security from its clients in the form among others: bank and insurance guarantees, of mortgages and bills of exchange and the security deposits.
For the improvement of current liquidity, with the objective of the release the receivables which were seized by investors on account of the proper securing of implemented agreements and the statutory warranty for construction and assembly work, the Group grants bank guarantees and insurance warranties within guarantee lines which were launched for that purpose.
Credit risk associated with cash and bank deposits is considered by the Group to be low.
All entities in which the Company invests available funds operate in the financial sector. These include domestic banks and branches of foreign banks with current loan credibility of the highest quality.
The risk of impaired financial assets is reflected by impairment allowance.

Liquidity risk

The Group is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at 31 December 2012 and 31 December 2011, the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.57 and 1.44.
Detailed information regarding loans is disclosed in Note 16
Analysis of liabilities by maturity in notes 15, 16, 17, 18 and 19.

Exchange rate risk

Part of the contracts for the sale of services is concluded with foreign companies in foreign currencies (EUR, USD). In the event of a significant strengthening of the domestic currency it may adversely affect the Group's results. Partly this risk is eliminated naturally through the purchase of equipment and services necessary for the execution of these contracts abroad, as well as through the purchase of the relevant financial instruments.

Exposure to currency risk as at 31 December 2012

(in PLN thousands)	EUR	USD	NOK	GBP	Total converted into PLN
Financial assets					
Receivables from deliveries and services	83	-	-	-	339
Cash	286	2	88	-	1 226
Total	**369**	**2**	**88**	**-**	**1 565**
Financial liabilities					
Liabilities from deliveries and services	171	-	-	29	843
Total	**171**	**-**	**-**	**29**	**843**

Exposure to currency risk as at 31 December 2011

(in PLN thousands)	EUR	USD	NOK	Total converted into PLN
Financial assets				
Receivables from deliveries and services	33	5	-	155
Cash	99	24	88	578
Total	**132**	**29**	**88**	**733**
Financial liabilities				
Liabilities from deliveries and services	469	-	-	2 071
Total	**469**	**-**	**-**	**2 071**

Analysis of sensitivity to currency risk as at 31 December 2012

(in PLN thousands)	Increase in currency rate	Total impact on profit before tax	Decrease in the currency rate	Total impact on profit before tax
EUR/PLN	15%	121	15%	-121
USD/PLN	15%	1	15%	-1
NOK/PLN	15%	7	15%	-7
GBP/PLN	15%	-22	15%	22
Total impact		**107**		**-107**

Analysis of sensitivity to currency risk as at 31 December 2011

(in PLN thousands)	Increase in currency rate	Total impact on profit before tax	Decrease in the currency rate	Total impact on profit before tax
EUR/PLN	15%	-223	15%	223
USD/PLN	15%	15	15%	-15
NOK/PLN	15%	7	15%	-7
Total impact		**-201**		**201**

Exposure to currency risk of revenues and expenses during the reporting period

Revenues and expenses of Prochem SA Capital Group are expressed mainly in Polish currency. Income in a foreign currency achieved in the currency in 2012 and 2011 were as follows

currency	Income		Average exchange rate for sales		Expenses		average exchange rate for purchases	
(in PLN thousands)	2012	2011	2012	2011	2012	2011	2012	2011
EUR	2 231	3 170	4.2211	4.2656	1 821	4 975	4.2624	4.1352
USD	-	-	-	-	5	5	3. 2094	2.9984
GBP	-	-	-	-	29	-	5.2810	-
CHF	-	-	-	-	18	-	3.5575	-

The main foreign currency in the reporting period is EUR.
Analysis of the impact of the possible change in value of financial instruments as at 31 December 2012, on the gross profit in relation to hypothetical changes in foreign currency exchange rates in relation to Polish Zloty / functional currency.
These variations were measured based on historical volatility of various currencies and forecasts.
Sensitivity of financial instruments to currency risk is measured as the difference between the initial book value of financial instruments and their possible book value measured at using assumed increases / decreases in currency rates.
For other currencies the sensitivity of financial instruments is unessential.

Interest rate risk

The Group is exposed to risk of volatility in cash flows arising from interest rate arising from bank loans based on floating interest rate WIBOR ON (overnight) and granted loans based on variable WIBOR 6M and rediscount rate. The Group does not take into account in its analysis of the decline in interest rates.

Analysis of financial instruments with variable interest rates

	WIBOR		bill of exchange rediscount	
(in PLN thousands)	As at 31 December 2012	As at 31 December 2011	As at 31 December 2012	As at 31 December 2011
Financial liabilities				
Loans	7 526	4 291	-	-
Borrowings	-	-	29	29

Analysis of sensitivity of cash flow of financial instruments with variable interest rate on profit before tax

	Assumed deviations		inflow (in PLN thousand)	
	As at 31 December 2012	**As at 31 December 2011**	**As at 31 December 2012**	**As at 31 December 2011**
Financial assets				
WIBOR	+50 base points	+50 base points	(38)	(10)
Rediscount rate	+50 base ponts	+50 base points	(1)	-
Finnacial liabilities				
Loans	+50 base points	+50 base points	(38)	(10)
Borrowings	+50 base points	+50 base points	(1)	-

As at 31 December 2012 the Group has no financial instruments (loans) with a fixed interest rate.

Liquidity risk associated with the litigation with PERN SA

In view of the substantial extension of legal proceeding in a dispute with PERN SA which began in 2006, and currently is conducted before the District Court in Warsaw on the accounting for the contract interrupted on 10 November 2005 for the general implementation of an investment project under the name "Pipeline in a section from the ST-1 Adamowo –to Plebanka raw material base" exists the need to fulfill in 2013 by Prochem the commitments concerning seized guarantee deposits of subcontractors, which as at balance sheet date amount to PLN 6 586 thousand before recovery of the security deposit retained by PERN SA. Amounts due under the deposit of Prochem SA from PERN SA as at 31 December 2012 amount to PLN 17 364 thousand.

Board of Prochem SA considers the need to accumulate adequate funds for this purpose. A detailed description of the proceedings is set out in note 38

Note No. 35- related party transactions

In 2012 members of the Supervisory Board and Management Board didn’t conclude contracts with companies belonging to PROCHEM SA Capital Group
Transactions with affiliated entities as below were concluded on market conditions and relate to sale and purchase of services among others construction services, assembly services and rental as well as loans granted mutually.
Settlements with affiliated entities include receivables and trade and financial liabilities.
Guarantees and sureties granted to affiliated entities are presented in Note 36.

Transactions with associated entities

The reporting period

In the period from 1 January 2012 to 31 December 2012, were transactions with affiliates under financial income - the guarantee fee - in the amount of PLN 3 thousand.

As at 31 December 2012 the settlement of accounts with associates directly or indirectly under trade payables and receivables did not occur.

Share in net profit (loss) for the year 2012 of entities accounted for using the equity method amounted to PLN 384 thousand.

Comparative data

In the period from 1 January 2011 to 31 December 2011, were the following transactions with associates under:

- revenues from interest on loans - amounted to PLN 18 thousand,
- financial income from reversal of allowance for impairment of borrowing PLN 240 thousand and interest on loans in the amount of PLN 148 thousand,
- Profit on sale of shares for redemption - PLN 160 thousand,

Share in net profit (loss) for the year 2011 of entities accounted for using the equity method amounted to PLN 384 thousand.

Note No. 36- contingent liabilities and contingent assets

Contingent liabilities include – bank guarantees of good performance, of repayment of the advance, of payment, the tender guarantee as well as bill of exchange surety of the good performance of the contract, which as at balance sheet date are as follows:

Contingent liabilities

	Capital Group as at 31 December		**Including Issuer as at 31 December**	
From the title of	**2012**	**2011**	**2012**	**2011**
Bank guarantees of good performance	18 542	13 481	12 774	8 353
Guarantee of payment	1 035	832	1 035	832
B/e surety of the good performance of the contract	35	-	-	-
The tender guarantee	-	450	-	450
Warranty for obligations under the warranty and guarantee - on behalf of an associated company	286	-	286	-
Total guarantees	**19 898**	**14 763**	**14 095**	**9 635**
Letter of Credit for deliveries	-	1 719	-	1 719
Total contingent liabilities	**19 898**	**16 482**	**14 095**	**11 354**

Contingent assets

Contingent assets of the Group include bank guarantees of good performance which as at the balance sheet date amount to:

	As at 31 December	
Title	**2012**	**2011**
Bank guarantees of good performance	2 078	3 768
B/e surety of the good performance of the contract	577	4 198
Total contingent assets	**2 655**	**7 966**

Contingent assets concern only the Issuer.

Note No. 37 – events after the reporting date

On 7 January 2013 pursuant to a resolution of the General Assembly of Pro-INHUT Sp. z o.o. seated in Dąbrowa Górnicza, the share capital was increased by PLN 3 thousand from PLN 50 thousand to PLN 53 thousand through the creation of six new shares with a nominal value of PLN 500 each. After changing the articles of association the Issuer's indirect interest in the share capital and the voting rights decreased by 5.6% to 93.4%.

On 13 February 2013, the company Prochem Investments Sp. z o.o. (100% subsidiary) entered into an agreement to sell the share that the company had in PROMIS Sp. z o.o. with its registered office in Warsaw. The nominal value of the redeemed share is PLN 110 thousand, selling price PLN 270 thousand. After the transaction, the company Prochem Investments is not a shareholder in the company PROMIS Sp. z o.o.

On 28 February 2013, the Assembly of Shareholders adopted a resolution on the dissolution and the liquidation of the company PRO-PLM Sp. z o.o. dependent directly and indirectly 100%. Liquidation of the company will have no impact on the financial results of the Issuer.

On April 3, 2013, the Assembly of Shareholders of the subsidiary IRYDION Sp. z o.o. resolved to increase the share capital by PLN 4 500 thousand through the issue of 4 500 new shares with a nominal value of PLN 1 000 each. The new shares were subscribed as follows::

- 4 499 shares at the issue price of PLN 14 996.5 thousand had been covered by Look Financing Investment SA based in Wroclaw,

1 share at an issue price of PLN 3.5 thousand was covered by Prochem S.A.
After the increase, the share capital of the company Irydion Sp. z o.o. is PLN 9 000 thousand. After changing the articles of association, the Issuer's share in capital and the voting rights decreased to 50%.

On April 3, 2013, the company IRIDION Sp. z o.o. entered into a loan agreement with a shareholder Look Finansowanie Inwestycji S.A. seated in Wrocław, under which Look Finansowanie Inwestycji S.A. before 30 September 2013 will provide a loan of PLN 15 000 thousand, with repayment to 30 September 2018. The interest rate on loan does not differ from market conditions. Cash and cash equivalents acquired both through the issue of new shares and the loan will be used for the implementation of a joint investment project of the shareholders of the company IRYDION Sp. z oo, ie a development project - under the name Astrum Business Park in Warsaw. This project involves the construction in two phases, of an office building on the land property, owned by the Company IRYDION

Note No. 38- information on significant proceedings pending before the court

PROCHEM S.A. is still a party to the proceedings before the court for settlement of the interrupted on 10 November 2005 contract for construction management of an investment project under the name "Pipeline in a section from the ST- 1 Adamowo - to raw material base Plebanka" concluded with PERN S.A. PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41,301 thousand for a final settlement of contract, of which PLN 17 364 thousand were presented in the statement of financial position as receivable from the seized deposits, and remaining amount as contingent receivables. On 18 January 2008 District Court in Warsaw issued a judgment in this case considering claim of Prochem S.A. as to be right in principle, while stating that this obligation is not yet due.

On 26 August 2008 the Court of Appeal in Warsaw issued a final judgment on the appeal lodged by PROCHEM S.A. from the a/m judgment of the District Court, recognizing in it that the claim filed by Prochem S.A. regarding accounting for the contract is not premature and at the same time ordered the District Court to make accounting for the mentioned above contract pursuant to the provisions of the contract. This finding is in compliance with position in a case of PROCHEM S.A.

On 12 August 2010 the hearing was held before the District Court in Warsaw, where the Court decided to appoint an expert- Warsaw University of Technology – Department of Civil Engineering, who according to the recommendations of Court of Appeal will ultimately settle the disputed contract. In April 2011, the case file was forwarded to the expert witness, who in an opinion published in May 2012 confirmed the amount of the claim of Prochem S.A. By order of May 31, 2012, the District Court granted the Warsaw University of Technology a remuneration for opinion in the case, as to which the defendant PERN lodged a complaint. According to PERN SA the prepared opinion could not be the basis of the facts of the Court, because it is contrary to the thesis of the Court, which indicated the basis and scope of the opinion.

The Court of Appeal in Warsaw, I Civil Division annuls the decision of the District Court contested by PERN SA and the request for remuneration of an expert for the drafting of an opinion has submitted to the District Court for reconsideration.

On 5 February 2013 before the District Court in Warsaw, a hearing was held with the participation of experts, after which the court decided to oblige the parties to submit the pleadings clarifying the final conclusions of evidence to complement the expert opinions and postponed the hearing until 16 May 2013.

By order dated February 25, 2013, the District Court in Warsaw XXVI Economic Department upheld the previous decision of the Court, and finally awarded a remuneration for the expert for drafting the opinion. In grounds for the judgment the Court determined that, at the hearing on 5 February 2013, the certified carefully explained the methodology that has been adopted for the preparation of the legal opinion and it is not inconsistent with the thesis of the Court, and there are no legitimate grounds to complaints that the methodology adopted by the experts is not correct.

The value of this procedure exceeds 10% of the equity of the Issuer.

Furthermore, the total value of other proceedings separately for liabilities and for the debts does not exceed 10% of the equity of the Capital Group.

Note No. 39- approval of the financial statements

Consolidated financial statements of Prochem S.A. Capital Group for 2012 was approved by the Management Board of Prochem S.A. on 24 April 2013.

Other supplementary data to financial statements

Remuneration of Management Board and Supervisory Board

The amount of remuneration which was paid in 2012 in the Issuer's enterprise to the

Members of the Management Board:

1. Jarosław Stępniewski	PLN 427 thousand: including remuneration established on profit achieved in 2011.-PLN 37 thousand,
2. Marek Kiersznicki	PLN 247 thousand : including remuneration established on profit achieved in 2011.- PLN 29 thousand,
3. Krzysztof Marczak	PLN 247 thousand : including remuneration established on profit achieved in 2011.- PLN 29 thousand.

The amount of remuneration which was paid in 2012 in the Issuer's enterprise to the Members of the Supervisory Board:

1. Karczykowski Andrzej	PLN 56 thousand : including remuneration established on profit achieved in 2011 – PLN 26 thousand,
2. Marek Garliński	PLN 128 thousand: including remuneration established on profit achieved in 2011 – PLN 26 thousand,
3. Dariusz Krajowski-Kukiel	PLN 56 thousand : including remuneration established on profit achieved in 2011 – PLN 26 thousand,
4. Krzysztof Obłój	PLN 56 thousand : including remuneration established on profit achieved in 2011 – PLN 26 thousand
5. Adam Parzydeł	PLN 56 thousand : including remuneration established on profit achieved in 2011 – PLN 26 thousand.

Remuneration paid to the members of the Board in 2012 for performing the function in the Management and Supervisory Boards of companies belonging to the Capital Group:

1. Jarosław Stępniewski	PLN 59 thousand
2. Marek Kiersznicki	PLN 152 thousand
3. Krzysztof Marczak	PLN 175 thousand

Signatures of the Members of Management Board

24 April 2013	Jarosław Stępniewski	Chairman of the Board	....
date	first name and surname	position	signature
24 April 2013	Marek Kiersznicki	Vice Chairman of the Board	....
date	first name and surname	position	signature
24 April 2013	Krzysztof Marczak	Vice Chairman of the Board	....
date	first name and surname	position	signature

Signature of person responsible for bookkeeping

24 April 2013	Barbara Auguścińska-Sawicka	Chief Accountant	....
date	first name and surname	position	signature