Emperia Holding S.A.

SEPARATE FINANCIAL STATEMENTS
FOR 2013

PREPARED IN ACCORDANCE WITH IFRS
AS ENDORSED BY THE EU

(DATA IN PLN)

LUBLIN, 21 MARCH 2014

TRANSLATORS' EXPLANATORY NOTE
The following document is a free translation of Financial Statements of Emperia Holding S.A.
In the event of any discrepancy in interpreting the terminology, the Polish version is binding.

Contents

(amounts in PLN 000s, unless stated otherwise)

1. Selected financial data

	SELECTED FINANCIAL DATA (current year)	PLN		EUR	
		For the period from 1 Jan to 31 Dec 2013	For the period from 1 Jan to 31 Dec 2012	For the period from 1 Jan to 31 Dec 2013	For the period from 1 Jan to 31 Dec 2012
I.	Net revenue from sale of products, goods for resale and materials	6 395	12 155	1 519	2 912
II.	Operating loss	(3 622)	(8 333)	(860)	(1 997)
III.	Profit before tax	13 825	15 316	3 283	3 670
IV.	Profit for the period	12 177	13 593	2 892	3 257
V.	Net cash flows from operating activities	(9 417)	(2 122)	(2 236)	(508)
VI.	Net cash flows from investing activities	39 045	901 701	9 272	216 049
VII.	Net cash flows from financing activities	(13 372)	(828 917)	(3 175)	(198 610)
VIII.	Total net cash flows	16 256	70 662	3 860	16 931
IX.	Total assets	584 016	585 047	140 822	143 106
X.	Liabilities and liability provisions	3 314	3 149	799	770
XI.	Non-current liabilities	656	813	158	199
XII.	Current liabilities	2 658	2 336	641	571
XIII.	Equity	580 702	581 897	140 023	142 336
XIV.	Share capital	15 115	15 115	3 645	3 697
XV.	Number of shares	15 115 161	15 115 161	15 115 161	15 115 161
XVI.	Weighted average number of shares	14 235 425	14 503 689	14 235 425	14 503 689
XVII.	Earnings per ordinary share, annualised* (in PLN)	0.86	0.94	0.20	0.23
XVIII.	Diluted earnings per ordinary share, annualised** (in PLN/EUR)	0.86	0.94	0.20	0.23
XIX.	Book value per share* (in PLN/EUR)	40.79	40.12	9.84	9.81
XX.	Diluted book value per share** (in PLN/EUR)	40.50	39.89	9.76	9.76
XXI.	Declared or paid out dividend per share (in PLN/EUR)	0.93	56.41	0.21	13.06

* calculated using the weighted average number of the Issuer's shares
** calculated using the weighted average diluted number of the Issuer's shares

Weighted average number of shares:
- for Q1-Q4 2013 (January-December): 14 235 425
- for Q1-Q4 2012 (January-December): 14 503 689

Selected financial data were translated into EUR in the following manner:

1 Items in the statement of profit and loss and statement of cash flows were translated according to the exchange rate established as the average of exchange rates published by the National Bank of Poland on the last day of each month, which for Q1-Q4 2013 was EURPLN 4.2110 and for Q1-Q4 2012: EURPLN 4.1736.

2 Balance sheet items and book value / diluted book value were translated using the average exchange rate published by the National Bank of Poland as at the end of the reporting period, as follows: as at 31 December 2013: EURPLN 4.1472; as at 31 December 2012: EURPLN 4.0882.

3 Dividend paid out was translated using the average rate published by the National Bank of Poland on the dividend payment date, which as at 26 June 2013 was EURPLN 4.3348 and as at 14 June 2012 EURPLN 4.3207.

2. Statement by the Management Board

The Management Board of Emperia Holding S.A. declares that, to the best of its knowledge, the separate financial statements and comparative data were drawn up in accordance with International Financial Reporting Standards and interpretations, published in the form of Commission Regulations, and that they correctly, reliably and clearly reflect the Group's financial and asset position together with its financial performance, and that the annual report on Company operations contains a true depiction of the development, achievements and situation of the Company, including a description of the key threats and risks.

The Management Board of Emperia Holding S.A. further declares that the entity authorised to audit financial statements, which audited the Company's annual financial statements, was selected in accordance with the provisions of law and that the entity and the statutory auditors conducting the audit fulfilled the conditions for issue of an impartial and independent report on audit of the annual financial statements in accordance with the binding regulations and professional standards.

Signatures of all Management Board members:

2014-03-21 Dariusz Kalinowski President of the Management Board

....
Signature

2014-03-21 Cezary Baran Vice-President of the Management Board

....
Signature

Signatures of the persons responsible for book-keeping

2014-03-21 Elżbieta Świniarska Economic Director

....
Signature

(amounts in PLN 000s, unless stated otherwise)

3. Separate statement of financial position

	Note	31 Dec 2013	31 Dec 2012
Total non-current assets		**321 401**	**286 019**
Property, plant and equipment	Note 1,2	51 167	14 373
Investment property	Note 3	-	-
Intangible assets	Note 4,5	3 582	4 693
Financial assets	Note 6	266 493	266 022
Non-current receivables	Note 7	56	757
Deferred income tax assets	Note 8	99	114
Other non-current prepayments	Note 9	4	60
Total current assets		**262 615**	**299 028**
Inventory	Note 10	-	20
Current receivables	Note 11	11 337	3 124
Income tax receivables		-	-
Short-term securities	Note 12	152 131	193 408
Current prepayments	Note 13	84	676
Cash and cash equivalents	Note 14	89 555	73 300
Other financial assets	Note 15	6 496	28 500
Current assets classified as held-for-sale	Note 16	3 012	-
Total assets		**584 016**	**585 047**
Total equity		**580 702**	**581 897**
Share capital	Note 17	15 115	15 115
Share premium		549 559	549 559
Supplementary capital		2 526	2 526
Management options provision		3 145	3 145
Reserve capital		63 200	62 979
Buy-back provision		-	-
Own shares		(65 020)	(65 020)
Retained earnings	Note 18	12 177	13 593
Total non-current liabilities		**656**	**813**
Credit facilities, loans, debt instruments and other non-current financial liabilities	Note 19	-	-
Non-current liabilities	Note 20	15	-
Provisions	Note 21	21	29
Deferred income tax provision	Note 22	620	784
Total current liabilities		**2 658**	**2 337**
Credit facilities, loans, debt instruments and other current financial liabilities	Note 23	-	-
Current liabilities	Note 24	1 534	1 154
Income tax liabilities		199	725
Provisions	Note 21	909	456
Deferred revenue	Note 25	16	2
Total equity and liabilities		**584 016**	**585 047**

Book value	**580 702**	**581 897**
Number of shares	15 115 161	15 115 161
Diluted number of shares	14 338 927	14 503 689
Book value per share (in PLN)	40.79	40.12
Diluted book value per share (in PLN)	40.50	39.89

Signatures of all Management Board members:

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Signature

2014-03-21 Cezary Baran Vice-President of the Management Board

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Signature

Signatures of the persons responsible for book-keeping

2014-03-21 Elżbieta Świniarska Economic Director

....
Signature

2014-03-21 Urszula Baczewska Chief Accountant

....
Signature

(amounts in PLN 000s, unless stated otherwise)

4. Separate statement of profit and loss and statement of comprehensive income

	Note	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Revenue		**6 396**	**12 155**
- from subsidiaries		*4 122*	*4 601*
Revenue from sale of products and services	Nota 26	6 362	11 414
Revenue from sale of goods for resale and materials	Note 27	34	741
Cost of sales		**(6 415)**	**(11 192)**
- to subsidiaries		*(3 961)*	*(4 158)*
Manufacturing cost of products and services sold	Note 29	(6 398)	(10 613)
Value of goods for resale and materials sold		(17)	(579)
Profit from sales		**(19)**	**963**
Other operating revenue	Note 28	972	2 351
Distribution costs	Note 29	-	-
Administrative expenses	Note 29	(3 802)	(9 128)
Other operating expenses	Note 30	(773)	(2 519)
Operating profit		**(3 622)**	**(8 333)**
Finance income	Note 31	17 450	23 748
Finance costs	Note 32	(3)	(99)
Profit before tax		**13 825**	**15 316**
Income tax		(1 648)	(1 723)
- current	Note 33	(1 798)	(1 152)
- deferred	Note 34	150	(571)
Profit for the period		**12 177**	**13 593**

Profit for the period (annualised)	**12 177**	**13 593**
Weighted average number of shares	14 235 425	14 503 689
Earnings per share, annualised	0.86	0.94

STATEMENT OF COMPREHENSIVE INCOME	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Profit for the period	**12 177**	**13 593**
Other comprehensive income	**-**	**-**
Cash flow hedges	-	-
Deferred tax on other comprehensive income	-	-
Other net comprehensive income	**-**	**-**
Comprehensive income for the period	**12 177**	**13 593**

(amounts in PLN 000s, unless stated otherwise)

Signatures of all Management Board members:

2014-03-21	Dariusz Kalinowski	President of the Management Board	.... Signature
2014-03-21	Cezary Baran	Vice-President of the Management Board	.... Signature

Signatures of the persons responsible for book-keeping

2014-03-21	Elżbieta Świniarska	Economic Director	.... Signature
2014-03-21	Urszula Baczewska	Chief Accountant	.... Signature

(amounts in PLN 000s, unless stated otherwise)

5. Separate statement of changes in equity

STATEMENT OF CHANGES IN EQUITY	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Buy-back provision	Retained earnings	Own shares	Total equity
As at the beginning of period: 1 January 2013	**15 115**	**549 559**	**2 526**	**3 145**	**62 979**	**-**	**13 593**	**(65 020)**	**581 897**
Changes in accounting standards and policies	-	-	-	-	-	-	-	-	-
As at the beginning of period, corrected	**15 115**	**549 559**	**2 526**	**3 145**	**62 979**	**-**	**13 593**	**(65 020)**	**581 897**
Profit for the period	-	-	-	-	-	-	12 177	-	12 177
Prior-year profit distribution - transfer to equity	-	-	-	-	221	-	(221)	-	-
Dividend for shareholders from prior-year profit distribution	-	-	-	-	-	-	(13 372)	-	(13 372)
Purchase of own shares	-	-	-	-	-	-	-	-	-
Management options provision	-	-	-	-	-	-	-	-	-
Release of buy-back provision	-	-	-	-	-	-	-	-	-
Use of reserve capital to purchase own shares	-	-	-	-	-	-	-	-	-
As at the end of period: 31 December 2013	**15 115**	**549 559**	**2 526**	**3 145**	**63 200**	**-**	**12 177**	**(65 020)**	**580 702**

STATEMENT OF CHANGES IN EQUITY	Share capital	Share premium	Supplementary capital	Management options provision	Reserve capital	Buy-back provision	Retained earnings	Own shares	Total equity
As at the beginning of period: 1 January 2012	**15 115**	**50 559**	**2 526**	**3 145**	**62 845**	**499 000**	**817 805**	**(53 774)**	**1 397 221**
Changes in accounting standards and policies	-	-	-	-		-	-	-	-
As at the beginning of period, corrected	**15 115**	**50 559**	**2 526**	**3 145**	**62 845**	**499 000**	**817 805**	**(53 774)**	**1 397**
Profit for the period	-	-	-	-	-	-	13 593	-	**13 593**
Prior-year profit distribution - transfer to equity	-	-	-	-	134	-	(134)	-	-
Dividend for shareholders from prior-year profit distribution	-	-	-	-	-	-	(817 671)	-	**(817 671)**
Purchase of own shares	-	-	-	-	-	-	-	(11 246)	**(11 246)**
Management options provision	-	-	-	-	-	-	-	-	-
Release of buy-back provision	-	499 000	-	-	-	(499 000)	-	-	-
Use of reserve capital to purchase own shares	-	-	-	-	-	-	-	-	-
As at the end of period: 31 December 2012	**15 115**	**549 559**	**2 526**	**3 145**	**62 979**	**-**	**13 593**	**(65 020)**	**581 897**

(amounts in PLN 000s, unless stated otherwise)

Signatures of all Management Board members:

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Signatures of the persons responsible for book-keeping

2014-03-21	Elżbieta Świniarska	Economic Director	.... Signature
2014-03-21	Urszula Baczewska	Chief Accountant	.... Signature

(amounts in PLN 000s, unless stated otherwise)

6. Separate statement of cash flows

	Note	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Profit (loss) for the period		**12 177**	**13 593**
Adjusted by:		**(21 594)**	**(15 715)**
Depreciation		1 706	1 658
Interest and shares of profit (dividend)		(14 599)	(17 648)
Income tax		1 648	1 723
Profit (loss) on investing activities		(694)	(1 968)
Change in provisions	Note 38	445	(1 015)
Change in inventory	Note 38	20	25
Change in receivables	Note 38	(8 189)	18 520
Change in prepayments	Note 38	664	1 321
Change in liabilities	Note 38	(271)	(14 870)
Other corrections	Note 38	-	-
Income tax paid		(2 324)	(3 461)
Net cash from operating activities		**(9 417)**	**(2 122)**
Inflows		**2 395 857**	**2 539 588**
Disposal of property, plant and equipment and intangible assets		2 042	11 227
Disposal of financial assets		2 353 328	2 478 984
Disposal of interests in subsidiaries		-	-
Dividends received		5 774	7 880
Interest received		696	1 306
Repayment of borrowings		34 017	40 040
Other inflows		-	151
Outflows		**(2 356 812)**	**(1 637 887)**
Purchase of property, plant and equipment and intangible assets		(40 405)	(13 842)
Purchase of subsidiaries and associates		(471)	(50 200)
Purchase of financial assets		(2 303 923)	(1 532 805)
Borrowings granted		(12 013)	(41 040)
Expenditures on maintenance of investment properties		-	-
Other outflows		-	-
Net cash from investing activities		**39 045**	**901 701**
Inflows		**-**	**-**
Proceeds from loans and borrowings incurred		-	-
Issue of short-term debt instruments		-	-
Proceeds from equity issuance		-	-
Other inflows		-	-
Outflows		**(13 372)**	**(828 917)**
Repayment of borrowings		-	-
Buy-back of short-term debt instruments		-	-
Payment of finance lease liabilities		-	-
Interest and fees paid		-	-
Dividends paid		(13 372)	(817 671)
Purchase of own shares		-	(11 246)
Other outflows		-	-
Net cash flows from financing activities		**(13 372)**	**(828 917)**
Change in cash and cash equivalents		**16 255**	**70 662**
Exchange differences			-
Cash and cash equivalents at the beginning of period	Note 39	**73 300**	**2 638**
Cash and cash equivalents at the end of period	Note 39	**89 555**	**73 300**

(amounts in PLN 000s, unless stated otherwise)

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2014-03-21	Elżbieta Świniarska	Economic Director	.... Signature
2014-03-21	Urszula Baczewska	Chief Accountant	.... Signature

7. Additional information

7.1 Information about the Company

Company name, registered office and main economic activities

The Company, which uses the trading name Emperia Holding S.A., was registered under KRS no. 0000034566 by the District Court in Lublin, 11th Commercial Division of the National Court Register.

The Company's registered office is located in Lublin, ul. Projektowa 1 (formerly ul. Mełgiewska 7-9 - change of street name).

Since 1 April 2007, the principal economic activity of Emperia Holding S.A. is activities of holding companies (PKD 7415Z). The company is a VAT payer, with NIP no. 712-10-07-105.

The financial statements were prepared for the period from 1 January 2013 to 31 December 2013, and the comparative financial data covers the period from 1 January 2012 to 31 December 2012.

The financial statements were drawn up on the assumption that the business will continue as a going concern and that there are no circumstances that would indicate a threat to the continuing operations of Company in the future.

Information on consolidation

Emperia Holding S.A. is the Group's parent and prepares the Group's consolidated financial statements.

As at 31 December 2013, consolidation includes Emperia Holding S.A. and 13 subsidiaries: Stokrotka Sp. z o.o., Infinite Sp. z o.o., Elpro Ekon Sp. z o.o. S.K.A., Maro Markety Sp. z o.o., Społem Tychy S.A., P3 EKON Sp. z o.o. S.K.A., EMP Investment Limited, Ekon Sp. z.o.o., IPOPEMA 55 FIZ AN, P1 Sp. z o.o., Eldorado Sp. z o.o.(formerly P4 Sp. z o.o.), P5 EKON Sp. z o.o. S.K.A., "PILAWA" Kuczek, Skarba, Szydełko Spółka z o.o.

During 2013, Emperia Group's structure was subject to changes (compared with the 2012 year-end). On 2 January 2013, subsidiaries Infinite Sp. z o.o., Emperia Info Sp. z o.o. and Tradis S.A. merged. In addition, on 3 October 2013, Stokrotka Sp. z o.o. purchased a 100% interest in "PILAWA" Sp. z o.o.

(amounts in PLN 000s, unless otherwise stated)

Emperia Holding S.A. subsidiaries subject to consolidation within the Group, included in the consolidated financial statements as at 31 December 2013

	Entity name	Company logo	Registered office	Main economic activity	Registration authority	Type of control	Means of consolidation	Acquisition date/ date from which significant control is exerted	% of share capital held	Share of the total number of votes at general meeting
1	Stokrotka Sp. z o.o. (1)		20-209 Lublin, ul. Projektowa 1	Retail sale of food, beverages and tobacco	16977, District Court in Lublin, 11th Commercial Division of the National Court Register	Subsidiary	Full	1999-01-27	100.00%	100.00%
2	Infinite Sp. z o.o.		20-209 Lublin, ul. Projektowa 1	IT operations	16222, District Court in Lublin, 11th Commercial Division of the National Court Register	Subsidiary	Full	1997-03-11	100.00%	100.00%
3	ELPRO EKON Sp. z o.o. S.K.A. (2)		20-209 Lublin, ul. Projektowa 1	Property development	946, District Court in Lublin, 11th Commercial Division of the National Court Register	Subsidiary	Full	2001-02-15	100.00%	100.00%
4	Społem Tychy S.A. (7)		43-100 Tychy, Damrota 72	Retail sale of food, beverages and tobacco	389530, District Court in Katowice, 8th Commercial Division of the National Court Register	Subsidiary	Full	2007-07-06	100.00%	100.00%
5	Maro-Markety Sp. z o.o.(7)		61-615 Poznań, Skwierzyńska 20	Retail sale of food, beverages and tobacco	102596, District Court in Poznan, 20th Commercial Division of the National Court Register	Subsidiary	Full	2007-09-12	100.00%	100.00%
6	P3 EKON Sp. z o.o. S.K.A. (3)		20-209 Lublin, ul. Projektowa 1	Property management	71049, District Court in Czestochowa, 17th Commercial Division of the National Court Register	Subsidiary	Full	2007-11-29	100.00%	100.00%
7	P1 Sp. z o.o.		20-209 Lublin, ul. Projektowa 1	Activities of head offices; management consultancy activities	365614, District Court in Lublin, 11th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%

(amounts in PLN 000s, unless otherwise stated)

8	EKON Sp. z o.o.	20-209 Lublin, ul. Projektowa 1	Property management	367597, District Court in Lublin, 11th Commercial Division of the National Court Register	Subsidiary	Full	2010-09-06	100.00%	100.00%
9	EMP Investment Ltd.(6)	Themistokli Dervi 3, JULIA HOUSE, P.C. 1066; Nicosia, Cyprus	Investments in property	HE 272278, Ministry of Commerce, Industry and Tourism, Company Registration Department Nicosia, Cyprus	Subsidiary	Full	2010-09-03	100.00%	100.00%
10	Ipopema 55 FIZAN (4)	00-850 Warsaw, Waliców 11	Trusts, funds and similar financial instruments	RFI 591, Investment Fund Register maintained by the District Court in Warsaw	Subsidiary	Full	2010-12-09	100.00%	100.00%
11	Eldorado Sp. z o.o. (formerly P4 Sp. z o.o.)	20-209 Lublin, ul. Projektowa 1	Activities of head offices; management consultancy activities	400637, District Court for Lublin-Wschód based in Swidnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	03-10-2011	100.00%	100.00%
12	P5 EKON Sp. z o.o. S.K.A. (formerly P5 Sp. z o.o.) (5)	20-209 Lublin, ul. Projektowa 1	Renting and operating of own or leased real estate	403506, District Court for Lublin-Wschód based in Swidnik, 6th Commercial Division of the National Court Register	Subsidiary	Full	24-11-2011	100.00%	100.00%
13	"PILAWA" Kuczek, Skarba, Szydełko Spółka z o.o. (7)	37-300 Leżajsk, ul. Kopernika 5A	Retail sale of food, beverages and tobacco	414358, District Court in Rzeszów, 12th Commercial Division of the National Court Register	Subsidiary	Full	10-12-2013	100.00%	100.00%

(1) directly by Emperia Holding (125 475 shares, 96.78%) and Stokrotka (4 181 shares, 3.22%)
(2) indirectly by IPOPEMA 55 FIZAN (80 825 shares), EKON Sp. z o.o. (contribution)
(3) indirectly by IPOPEMA 55 FIZAN (138 427 shares; 99.95%), EKON Sp. z o.o. (contribution)
(4) indirectly by EMP Investment Limited
(5) indirectly by IPOPEMA 55 FIZAN (56 047 shares), EKON Sp. z o.o. (contribution)
(6) directly by Emperia Holding S.A. (94 454 shares; 80.27%), indirectly by Stokrotka Sp. z o.o. (20 235 shares; 17.20%), Społem Tychy Sp. z o.o. (2 976 shares; 2.53%)
(7) indirectly by Stokrotka Sp. z o.o.

Subsidiaries excluded from the consolidated financial statements as at 31 December 2013, together with the legal basis for exclusion

	Entity name	Registered office	Legal basis for exclusion	Emperia's share in capital (% as at the end of the reporting period)	Emperia's share of voting rights (% as at the end of the reporting period)
1.	Lider Sp. z o.o. w likwidacji (1)	70-660 Szczecin, ul. Gdańska 3C	The financial data of these entities is insignificant from the viewpoint of the requirement to present the Group's asset position, financial situation and financial performance in a reliable and transparent manner.	100.00%	100.00%
2.	SPOŁEM Domy Handlowe Sp. z o.o. (2)	43-100 Tychy, ul. Damrota 72		100,00%	100.00%
3.	P2 EKON Sp. z o.o. S.K.A. (3)	20-209 Lublin, ul. Projektowa 1		100.00%	100.00%

(1) indirectly by Stokrotka Sp. z o.o.
(2) indirectly by Społem Tychy S.A.
(3) indirectly by IPOPEMA 55 FIZAN

Entities other than subsidiaries, associates and jointly controlled entities, with indication of name and registered office, in which related parties hold more than 20% of shares as at 31 December 2013

	Entity name	Registered office	Share capital (in PLN 000s)	Emperia's share in capital (% as at the end of the reporting period)	Emperia's share of voting rights (% as at the end of the reporting period)
1	"Podlaskie Centrum Rolno-Towarowe" S.A. (1)	Białystok ul. Gen. Wł. Andersa 40	11 115	0.30%	0.60%

(1) indirectly by P3 EKON Sp. z o.o. S.K.A.

7.2 Description of significant accounting policies

7.2.1 Basis for preparing the financial statements

The financial statements were prepared under the historical cost concept, except for financial assets measured at fair value.
Emperia Holding S.A.'s Management Board approves the financial statements on the date on which they are signed.

7.2.2 Statement of compliance

The financial statements of Emperia Holding S.A. were prepared in accordance with International Financial Reporting Standards (IFRS) and the related interpretations concerning interim financial reporting published in the form of Commission Regulations and endorsed by the European Union.
The financial statements reliably present the Company's financial situation, financial performance and cash flows.
The financial statements were prepared in accordance with the Ordinance of the Minister of Finance dated 19 October 2005 on current and periodic information disclosed by issuers of securities.

7.2.3 Segment reporting

The Group reports the following segments:

1. **Retail**
2. **Property**
3. **Central management**
4. **IT**

The Group applies uniform accounting principles for all segments. Inter-segment transactions are made on market terms and are subject to exclusion from the consolidated financial statements.
Emperia Holding S.A.'s operations are homogeneous and constitute one operating segment - central management.

7.2.4 Functional currency

Items in the financial statements are measured in the currency of the economic environment in which the Company operates, which is the Company's functional currency.
The functional and presentation currency of all items in the financial statements is PLN. Data in the financial statements and all explanatory data is presented in PLN 000s (unless stated otherwise).

7.2.5 Changes in adopted accounting principles

The Company implements new IFRS standards and interpretations such as are applicable in the respective reporting periods. The Company specifies what changes were applicable to its business and what effects these had on the financial statements and comparative data.

7.2.6 Application of International Financial Reporting Standards

The Group applies the following standards, amendments and interpretations from 1 January 2013:

a) Amendments to IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities

On 16 December 2011, the IASB jointly with the FASB issued new disclosure requirements that aim to improve the comparability of financial statements prepared in accordance with IFRS and US GAAP. The new requirements apply to annual periods beginning on or after 1 January 2013.

b) IFRS 10 Consolidated Financial Statements

On 12 May 2011, the IASB issued IFRS 10 which superseded IAS 27 Consolidated and Separate Financial Statements and interpretation SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes control as the basis for consolidation, regardless of the characteristics of the investee. The definition of control has three elements: control over the investee, exposure or rights to variable returns from involvement with the investee, and the ability to affect those returns through the investor's power over the investee. If facts or circumstances change, the investor must re-assess whether it is capable of exerting control over the investee. The standard applies to annual periods beginning on or after 1 January 2013, with early adoption permitted under certain circumstances.

c) IFRS 11 Joint Arrangements

On 12 May 2011, the IASB issued IFRS 11 which will supersede IAS 31 Interests in Joint Ventures and interpretation SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. IFRS 11 classifies joint contractual arrangements as either a joint operation or joint venture. A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires interests in joint arrangements to be accounted for using the equity method. Classification of joint arrangements depends upon the parties' rights and obligations arising from the arrangement. The standard applies to annual periods beginning on or after 1 January 2013, with early adoption permitted under certain circumstances.

d) IFRS 12 Disclosure of Interests in Other Entities

On 12 May 2011, the IASB issued IFRS 12 requiring a wide range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. IFRS 12 sets out information disclosure objectives and the minimum scope of disclosures required to satisfy those objectives. An entity shall disclose information that enables users of its consolidated financial statements to evaluate the nature of the interests they hold and the nature, and changes in, the risks associated with their interests in consolidated structured entities. The standard is effective from 1 January 2013, with early adoption permitted under certain circumstances.

e) IFRS 13 Fair Value Measurement

IFRS 13 seeks to increase consistency and comparability of international financial reporting standards. The new, common definition of fair value is as follows: the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard contains a number of explanations and recommendations concerning fair value measurements in accordance with the definition and introduces information disclosure requirements concerning measurements and measurement methodology for both financial and non-financial items. The standard is effective from 1 January 2013.

f) Amended IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures

IAS 27 and IAS 28 were amended in connection with the issuance of IFRS 10 and IFRS 11 so as to correspond with their content. These amendments do not affect the provisions concerning separate financial statements. The amendments are effective from 1 January 2013.

g) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

On 19 November 2011, the IASB issued interpretation IFRIC 20, which considers when and how the settlement of production should lead to the recognition of an asset, as well as how to measure such an asset both initially and subsequently. The interpretation applies to annual periods beginning on or after 1 January 2013. Earlier application is permitted.

h) IAS 19 Employee Benefits

The IASB introduced a number of amendments to IAS 19, the largest of which concerns defined benefit plans. The "corridor" approach, which allowed deferring the recognition of profit and losses, was eliminated and the requirement to recognise re-measurements in other comprehensive income was introduced. These amendments will apply to financial statements for periods beginning on or after 1 January 2013.

i) Amendments to IAS 1 Government Loans

Amendments to IAS 1 Government Loans were issued by the IASB in March 2012 and apply to annual periods beginning on or after 1 January 2013. In order to maintain compliance with IAS 20, the amendments enable first-time adopters to apply the amendments retrospectively to new government loans with a below-market rate of interest entered into on or after the date of transition to IFRSs such as are measured at less than fair value on initial recognition.

j) Amendments to IFRSs (2009-2011)

On 17 May 2012 the IASB issued Amendments to IFRSs (2009-2011), a collection of amendments to IFRSs, in response to six issues addressed during the 2009–2011 cycle. Five standards were amended: IFRS 1 First-time Adoption of International Financial Reporting Standards - subject of amendment: Repeated application of IFRS 1 and Borrowing costs relating to qualifying assets for which the commencement date for capitalisation was before the date of transition to IFRSs.; IAS 1 Presentation of Financial Statements - Clarification of the requirements for comparative information; IAS 16 Property, Plant and Equipment - Classification of servicing equipment; IAS 32 Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments should be accounted for in line with the requirements in IAS 12; IAS 34 Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. The amendments apply to annual periods beginning on or after 1 January 2013. Earlier application is permitted.

k) Transition guidance - amendments to IFRS 10, IFRS 11 and IFRS 12

On 28 June 2012, the IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities - transition guidance. The amendments should alleviate concerns that the transition requirements of IFRS 10 are more onerous than expected. When applying the disclosure requirements of IAS 8, point 28(f), an entity need only present the quantitative information for the immediately preceding period.

The amendments aim to provide further relief from full retrospective application when transitioning to IFRS 10, IFRS 11 and IFRS 12 by limiting the requirement to supply corrected comparative information only for the immediately preceding period. Furthermore, amendments to IFRS 11 and IFRS 12 were introduced aiming to eliminate the requirement to supply comparative information for periods before the immediately preceding period.

The effective date for these amendments concerns annual periods beginning on or after 1 January 2013 and is in compliance with the dates for IFRS 10, IFRS 11 and IFRS 12.

The Group estimates that the adoption of the above amended standards and new interpretations does not have a significant impact on the financial statements for 2013.

Standards issued, but not yet effective:

a) IAS 32 Financial Instruments: Presentation

The amendment to IAS 32 concerns the offsetting of financial assets and financial liabilities. It was issued on 16 December 2011 in order to explain offsetting requirements. The amendments apply to annual periods beginning on or after 1 January 2014. Earlier application is permitted.

b) Investment entities - amendments to IFRS 10, IFRS 12 and IAS 27

On 31 October 2012, amendments were issued for IFRS 10, IFRS 12 and IAS 27 which allow to not consolidate in accordance with IFRS 10 and require investment entities to carry subsidiaries at fair value through profit or loss (in accordance with IFRS 9) instead of consolidating them. In addition, the amendments provide requirements concerning disclosures for investment entities. The amendments apply to annual periods beginning on or after 1 January 2014. Earlier application is permitted.

c) Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting'

On 27 June 2013, the IASB issued 'Novation of Derivatives and Continuation of Hedge Accounting' (Amendments to IAS 39 'Financial Instruments: Recognition and Measurement'). Under the amendments there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met.
A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to benefit from the amended guidance, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations.
The amendments apply to annual periods beginning on or after 1 January 2014. Early application is permitted.

d) Amendments to IAS 36 concerning disclosures of recoverable amounts of non-financial assets

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The overall effect of the amendment is a reduction in the events where recoverable value of an asset or a cash-generating unit requires disclosure, clarification of disclosure requirements and introduction of formal requirements for the disclosure of discount rates applied to recognise impairment or reverse an impairment loss (based on fair value less costs of disposal) measured based on current value.
The amendments apply to annual periods beginning on or after 1 January 2014. Early application is permitted if IFRS 13 is applied.

Earlier application of standards and applications:

In preparing these consolidated financial statements, the Company decided against the earlier application of any standards.

Standards and interpretations not yet endorsed by the European Union:

a) IFRS 9 Financial Instruments (Amendments to IFRS 9 (2009), IFRS 9 (2010) and IFRS 7)

On 16 December 2011, the IASB deferred the effective date for IFRS 9 to 1 January 2015. The amendment eliminates the requirement to restate comparative data which are subject to disclosure (under IFRS 7) so as to enable users of financial statements to understand their effects after application of IFRS 9. This standard has not yet been endorsed by the European Union.

b) New interpretation IFRIC 21 Levies

On 20 May 2013, the IASB issued interpretation IFRIC 21 Levies, which provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The Interpretation clarifies that 'economic compulsion' and the going concern principle do not create or imply that an obligating event has occurred.
IFRIC 21 provides guidance on progressive recognition of a liability to pay levies if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold.
IFRIC 21 applies to annual periods beginning on or after 1 January 2014. The interpretation does not supersede IFRIC 6 Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment, which remains in force and is consistent with IFRIC 21.

c) Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures

On 19 November 2013, the IASB issued amendments concerning disclosure requirements and restatement of comparative-period financial statements for the initial application of the classification and measurement requirements of IFRS 9 Financial Instruments (2009) and IFRS Financial Instruments (2010). Amendments to IFRS 7 require additional disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9. If IFRS 9 is adopted on or after 1 January 2013, the restatement of comparative-period financial statements for the initial application is not required. In the case of early application of IFRS 9 in 2012, the entity has the choice to restate comparative-period financial statements or present additional disclosures, in accordance with the amended IFRS 7. In the case of early application of IFRS 9 before 2012, the entity is not required to restate comparative-period financial statements or present additional disclosures as required by the amended IFRS 7.

d) Amendment of IAS 19 Employee Benefits

On 21 November 2013, the IASB published amendments applicable to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

e) Amendments to IFRS 2010-2012

On 12 December 2013, the IASB published annual improvements to IFRS 2010-2012, containing eight amendments to seven standards. The main changes were as follows: clarifies the definition of 'vesting condition' from attachment A to IFRS 2, clarifies the legal aspects of accounting for contingent consideration in a business combination, amends paragraph 22 of IFRS 8 by introducing a disclosure requirement regarding factors used to identify reporting segments in a business combination, amends paragraph 28(c) of IFRS 8 by clarifying that reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly to the unit's decision makers, clarifies the IASB's justifications regarding the removal of paragraph B5.4.12 of IFRS 9 and paragraph OS79 of IAS 39, disclosure requirements concerning the revaluation model from IAS 16 and IAS 38, clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.

f) Amendments to IFRS 2011-2013

On 12 December 2013, the IASB published annual improvements to IFRS 2011-2013, containing four amendments. The main changes were as follows: clarifies the meaning of "each IFRS effective at the end of the reporting period in which IFRS were first applied" paragraph 7 of IFRS 1; clarifies that paragraph 2(a) of IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement as defined in IFRS 11 and that the exception concerns only the financial statements of joint ventures and joint operations; clarifies that the scope of the portfolio exception defined in paragraph 48 of IFRS 13 includes all contracts accounted for within the scope of IAS 39, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32; clarifies that determining whether a specific transaction meets the definition of both business combination as defined in IFRS 3 and investment property requires the use of judgement and that the judgement must be based on guidelines in IFRS 3.

g) New standard IFRS 14 Regulatory Deferral Accounts

On 30 January 2014, the IASB issued a new standard the objective of which is to increase the comparability of financial statements of rate-regulated entities. This standard provides a framework for recognising items constituting revenue or costs qualified for recognition as a result of the rate-regulating laws in effect and which do not qualify as assets or liabilities under the requirements of other IFRSs. IFRS 14 will apply from 2016. Early application is permitted.

7.2.7 Accounting estimates

Preparing financial statements requires that the management use certain accounting estimates and assumptions concerning future events which may have an impact on the value of assets, liabilities, revenues and costs presented in current and future financial statements. Estimates and associated assumptions are subject to systematic verification, based on the management's best knowledge, historical experiences and expectations regarding future events such as are presently justified and rational. In certain significant issues, the management uses independent experts' opinions. However, these may contain a margin of error, and the actual results may differ from estimates.
The main estimates may concern the following balance sheet items: tangible and intangible assets (as regards economic useful life and impairment), employee benefit provisions (bonuses, retirement pay, unused vacation time), customer loyalty programme provisions, impairment of inventory and deferred income tax assets and provisions.

7.2.8 Correction of errors

Errors may relate to the recognition, measurement and presentation of items in financial statements, or to information disclosures.
Errors identified during the preparation of financial statements are corrected in the statements being prepared. Errors identified in subsequent reporting periods are corrected by amending the comparative data presented in the financial statements for the period in which they were identified. The Company corrects prior-period errors using the retrospective approach and retrospective restatement of data, as long as this is practicable.

7.2.9 Mergers, acquisitions and disposals of subsidiaries and other entities; capital increases

Merger of subsidiaries: Infinite Sp. z o.o., Emperia Info Sp. z o.o. and Tradis S.A.

On 2 January 2013, the District Court in Lublin-Wschód, based in Świdnik, 6th Commercial Division of the National Court Register, registered the merger of subsidiaries Infinite Sp. z o.o., Emperia Info Sp. z o.o. and Tradis S.A. The merger was executed through the acquisition by Infinite Sp. z o.o. (the acquiring company) of Emperia Info Sp. z o.o. and Tradis S.A. (the acquired companies). The merger was completed in accordance with the Merger Plan published on the companies' websites, i.e. without increasing the acquiring company's share capital or amending its articles of association.

(amounts in PLN 000s, unless otherwise stated)

Acquisition and consolidation of "PILAWA" Kuczek, Skarba, Szydełko Sp. z o.o.

Name and address of the acquired company	**"PILAWA" Kuczek, Skarba, Szydełko Spółka z o.o. 37-300 Leżajsk, ul. Kopernika 5A**
Main economic activity	Retail
Acquisition date	10 December 2013
Number and % of shares held	100 shares, 100%
Purchase price	PLN 2 619 000.

Accounting for the business combination

Purchase price - components:	
Cash	2 550
Legal advice and due diligence	42
Civil-law tax	25
Other transaction costs	2

Share capital increase at EMP Investment Limited

On 19 March 2013, acting pursuant to art. 46 of the Company's articles of association, members of EMP Investment Limited adopted a resolution on the increase of the Company's share capital from PLN 41 833 to PLN 50 998 through the issue of 9 115 new shares with a nominal value of PLN 1 each, which were acquired by:
- Stokrotka Sp. z o.o. - 7 925 shares in exchange for a monetary contribution of PLN 47 550, of which PLN 7 925 will be used to pay for the newly-issued shares and PLN 39 625 will be allocated to a share premium provision.
- Społem Tychy S.A. - 1 190 shares with a nominal value of PLN 1 in exchange for a monetary contribution of PLN 7 140, of which PLN 1 190 will be used to pay for the newly-issued shares and PLN 5 950 will be allocated to a share premium provision.

Share capital increase at EKON Sp. z o.o.

On 9 April 2013, the Extraordinary General Meeting of Ekon Sp. z o.o. adopted a resolution on increase of the company's share capital from PLN 150 000 to PLN 200 000, i.e. by PLN 50 000, through the issue of 500 new shares with a nominal value of PLN 100 each. All of the newly-issued shares were purchased by Emperia Holding S.A. for a cash contribution of PLN 50 000.

On 8 October 2013, the Extraordinary General Meeting of Ekon Sp. z o.o. adopted a resolution on increase of the company's share capital from PLN 200 000 to PLN 250 000, i.e. by PLN 50 000, through the issue of 500 new shares with a nominal value of PLN 100 each. All of the newly-issued shares were purchased by Emperia Holding S.A. for a cash contribution of PLN 50 000.

Share capital increase at Eldorado Sp. z o.o.

On 8 October 2013, the Extraordinary General Meeting of Eldorado Sp. z o.o. adopted a resolution on increase of the company's share capital from PLN 120 000 to PLN 170 000, i.e. by PLN 50 000, through the issue of 500 new shares with a nominal value of PLN 100 each. All of the newly-issued shares were purchased by Emperia Holding S.A. for a cash contribution of PLN 50 000.

Share capital increase at Stokrotka Sp. z o.o.

On 26 November 2013, Stokrotka Sp. z o.o.'s Extraordinary General Meeting adopted a resolution on increase of the company's share capital by PLN 13 501 500, i.e. from PLN 51 326 500 to PLN 64 828 000, through the issue of 27 003 new shares with a nominal value of PLN 500 each. All of the newly-issued shares were purchased by Emperia Holding S.A., paid for by an in-kind contribution, valued at PLN 13 501 500, of 2 110 shares in Maro-Markety (valued at PLN 6 618 000) and 871 810 000 shares in Społem Tychy S.A. (valued at PLN 6 883 500).

Share capital increase at EMP Investment Limited

Pursuant to art. 76 of the company's articles of association, on 27 September 2013 shareholders of EMP Investment Limited adopted a resolution on increase of the company's share capital from PLN 50 998 to PLN 117 665 through the issue of 66 667 new shares with a nominal value of PLN 1 each, which were acquired by:
- Emperia Holding S.A. - 53 516 shares with a nominal value of PLN 1 in exchange for a monetary contribution of PLN 321 096, of which PLN 53 516 will be used to pay for the newly-issued shares and PLN 267 580 will be allocated to a share premium provision.
- Stokrotka Sp. z o.o. - 11 465 shares in exchange for a monetary contribution of PLN 68 790, of which PLN 11 465 will be used to pay for the newly-issued shares and PLN 57 325 will be allocated to a share premium provision.
- Społem Tychy S.A. - 1 686 shares with a nominal value of PLN 1 in exchange for a monetary contribution of PLN 10 116, of which PLN 1 686 will be used to pay for the newly-issued shares and PLN 8 430 will be allocated to a share premium provision.

<u>Mergers, acquisitions and disposals of subsidiaries and other entities; capital increases - after the end of the reporting period</u>

Sale of shares in subsidiary Lider Sp. z o.o. w likwidacji

On 15 January 2014, subsidiary Stokrotka Sp. z o.o. sold 100 shares with a nominal value of PLN 500 each, constituting 100% of the share capital of Lider Sp. z o.o. w likwidacji.

Sale of shares in subsidiary Społem Domy Handlowe Sp. z o.o.

On 23 January 2014, subsidiary Społem Tychy S.A. sold six shares with a nominal value of PLN 1 000 each, constituting 100% of the share capital of Społem Domy Handlowe Sp. z o.o.

Merger of subsidiaries: Stokrotka Sp. z o.o., Maro Markety Sp. z o.o. and Społem Tychy S.A.

On 31 January 2013, the District Court in Lublin-Wschód based in Swidnik, 6th Commercial Division of the National Court Register, registered a merger of subsidiaries: Stokrotka Sp. z o.o., Maro Markety Sp. z o.o. and Społem Tychy S.A. The merger was done through a transfer of all assets of Maro Markety Sp. z o.o. and Społem Tychy S.A. (the acquired companies) to Stokrotka Sp. z o.o. (the acquiring company).

Acquisition of substantial assets by Emperia Holding S.A.

On 12 February 2014, the Management Board of Emperia Holding S.A. announced that it entered an agreement concerning the purchase of shares in EMP Investment Limited from subsidiary Stokrotka Sp. z o.o. Emperia Holding S.A. is the sole shareholder of Stokrotka Sp. z o.o. Prior to the transaction, Emperia Holding S.A. held a 80.27% stake in EMP Investment Limited's share capital and voting rights.
The subject of the above agreement is transfer of 23 211 shares in EMP Investment Limited, constituting 19.73% of share capital and voting rights, to Emperia Holding S.A. The shares were purchased for PLN 69 780 394.44 in cash.
Following the transaction, Emperia Holding S.A. directly held 100% of EMP Investment Limited's share capital and voting rights.

7.2.10 Property, plant and equipment

The Company recognises individual usable items that fulfil the criteria in IAS 16 as property, plant and equipment if their acquisition price (cost of manufacture) is at least PLN 1 000 (low-value assets in aggregate constitute an immaterial item for the Company), with the following exceptions in particular:

- computer equipment,
- pallet trucks,
- store carts,
- high bay pallet racks,
- lockers,

which, given the specific nature of the Company's operations and their high volume, constitute a significant asset group, the Group recognises as property, plant and equipment regardless of the purchase price (cost of manufacture).

Due to the nature of the Company's operations, the following are not classified as property, plant and equipment, even though they meet the value criterion:

- office furniture,
- PVC curtains,

for which the value criterion was established at PLN 3 500 (low-value assets in aggregate constitute an immaterial item for the Company).
Property, plant and equipment items are recognised at purchase price or cost of manufacture, less depreciation and impairment.
The Company also classifies property, plant and equipment in progress, investments in third-party property, plant and equipment and land usufruct rights as property, plant and equipment.

The initial value of property, plant and equipment includes the purchase price less any costs directly related to the purchase and adaptation of a given asset for commercial use. The initial value includes a portion of borrowing costs.

The cost of upgrades is included in the carrying amount of property, plant and equipment if it is probable that the economic benefits will flow to the Company, and the upgrade costs can be reliably measured. All other expenses relating to repairs and maintenance of property, plant and equipment are recognised through profit or loss for the reporting periods in which they were incurred.

Land is not subject to depreciation. Other property, plant and equipment are depreciated throughout their useful economic life. Straight-line depreciation is used, starting from the month following the month in which the asset was commissioned into use. The Company has adopted the following periods of useful economic life for the specific groups of property, plant and equipment:

Rights to perpetual usufruct of land:	in accordance with the term of the right or the estimated period of use
Buildings and structures:	10 to 40 years
Technical equipment and machinery:	5 to 10 years
Computer equipment:	1.5 to 5 years
Means of transport:	5 to 7 years
Other:	5 to 10 years

The Company verifies periodically, but at least at the end of each financial year, the adopted periods of useful economic life for property, plant and equipment, the residual values and depreciation approach, and the resulting changes in these estimates are applied in subsequent financial years (prospectively).

Due to the specific nature of its operations, the Company frequently incurs expenditures on investments in third-party facilities – leased warehousing and retail facilities. For these assets, the Company specifies periods of useful economic life that are not always corresponding with the leasing agreement in place at the time. In the case of investments in third-party facilities, if the lease term is shorter than the planned period for balance sheet depreciation, and the lease is not expected to be extended, depreciation is based on the period of useful economic life. In the event that a lease contract is extended, however, the non-depreciated net value is allocated to the remaining useful economic life.

At the end of each reporting period, the Company tests property, plant and equipment for impairment and the necessity to recognise impairment losses. This happens when the Company gains sufficient certainty that a given asset will not yield the expected economic benefits in the future or that those will be significantly lower.
Impairment losses are recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and usable value.
Impairment losses are recognised as costs appropriate to the functions performed by the given asset in the period in which impairment was identified, however no later than at the end of the financial year.
If the Company gains sufficient certainty that the reason for recognising an impairment loss has ceased to exist, the previously recognised impairment loss is reversed, either in full or partially, through a correction in operating expenses (depreciation costs).
Upon the sale of a property, plant and equipment item, its initial value and accumulated depreciation are taken off the books, and the result of the disposal is recognised through profit or loss under other operating revenue or other operating expenses. The result on the sale of property, plant and equipment is recognised, after offsetting, through profit or loss.
Regardless of whether a given asset constitutes a single item of property, plant and equipment, its elements may have different periods of useful economic life. If certain criteria are met as regards the recognition of property, plant and equipment, all of the costs of such an item may be divided into its elements, recognising each one separately (components). Such recognition necessitates, however, the application of depreciation rates appropriate to the useful period of a given component, taking into consideration its period of useful economic life.
Due to the solution above, the replacement costs of a component will increase its value.
In other cases, expenses connected with the use of property, plant and equipment, together with the replacement of components, are recognised in the statement of profit and loss when they are incurred.

7.2.11 External financing costs

External financing costs are capitalised as part of the cost of manufacture of property, plant and equipment, investment properties and intangible assets. External financing costs comprise interest calculated using effective interest rates, finance lease liabilities and exchange differences arising in connection with external financing up to an amount corresponding to the correction of interest costs.
Proceeds from investments resulting from short-term investing of external borrowed funds intended for the purchase or manufacture of an asset being adapted decrease the value of external financing costs which are subject to capitalisation.

An asset being adapted is an asset which requires a substantial amount of time in order to bring it to working condition for its intended use. The substantial amount of time in order to bring an asset to working condition for its intended use is understood by the Group to be 12 months.

Commissions on long-term financing raised by the Company are settled over time at adjusted purchase price (amortised cost) using effective interest rates and with application of the materiality principle.

7.2.12 Non-current assets held for sale

The Company classifies non-current assets as held for sale (or disposal groups) if their carrying amount will be recovered through sale rather than through further use. This condition is met when there is a high likelihood that a sale transaction will take place and the asset (disposal groups) in its current form is available for immediate use. Classification of non-current assets as held for sale assumes the management's intent to complete the sale

transaction within one year from the reclassification date.
Non-current assets held for sale (or disposal groups) are measured at the lower of carrying amount and fair value less costs to sell.
If the fair value is lower than the carrying amount, the difference is recognised as an impairment loss in the profit and loss statement. The reversal of an impairment loss is also done through the profit and loss statement, up to the amount of the impairment loss.

7.2.13 Intangible assets

Intangible assets are recognised at purchase price adjusted by amortisation and impairment losses.

The Company has adopted the following periods of useful economic life for the particular groups of intangible assets:

Trademarks and licences	5 years
Computer software and author's rights	2 to 5 years
Property rights	5 years

Amortisation of intangible assets through profit or loss is recognised in the costs appropriate to the function performed by such assets (administrative expenses, distribution costs, other operating expenses).

The Company does not have intangible assets with indefinite periods of useful life. Intangible assets not yet handed over for use (production in progress) may be recognised at the end of the reporting period. Intangible assets that have not yet been handed over for use are not subject to amortisation, but are tested for impairment.
Goodwill is not subject to amortisation, but is annually tested for impairment.

Intangible assets acquired through a merger are recognised separately from goodwill, provided that they meet the definition of intangible assets and their value can be reliably established. After initial recognition at fair value, in subsequent reporting periods these intangible assets are treated in the same manner as intangible assets acquired in other transactions.

Purchased computer software is capitalised up to the amount of the costs incurred to purchase, prepare and implement it. Costs connected with the development and maintenance of computer software are recognised as costs on the date when they were incurred.

The Company verifies periodically, but at least at the end of each financial year, the adopted periods of useful economic life for intangible assets, the residual values and amortisation approach, and the resulting changes in these estimates are applied in subsequent years (prospectively).

At the end of each reporting period, the Company also tests intangible assets for impairment and the necessity to recognise impairment losses. This happens when the Company gains sufficient certainty that a given asset will not yield the expected economic benefits in the future or that those will be significantly lower. Impairment losses are recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and the usable value.

Impairment losses are recognised as costs appropriate to the functions performed by the given intangible asset in the period in which impairment was identified, however no later than at the end of the financial year.
If the Company gains sufficient certainty that the reason for recognising the impairment loss has ceased to exist, the previously recognised impairment loss is reversed, either in full or partially, through recognition of revenue.

7.2.14 Investments and other financial assets

Property investments

Investment properties are those properties which the Company considers as lease income sources or maintains them due to their growing value, or both of these benefits at the same time. On initial recognition, investment properties are measured at purchase price or cost of manufacture.
The measurement takes into consideration transaction costs. The purchase price for investments in properties acquired as a result of a merger is equal to their fair value at transaction date. As at the end of the reporting period, investment properties are measured at purchase price or cost of manufacture less accumulated amortisation and impairment losses.
Amortisation charges on investment properties (excluding land) are recognised using the straight-line approach throughout the useful period of a given tangible asset.

Investment properties are taken off the balance sheet upon disposal or - in the event of a full withdrawal from use - if no economic benefits are expected to be received as a result of the sale.

Investments and other financial assets covered by IAS 39

Investments and other financial assets covered by IAS 39 are assigned to the following categories:

a) Financial assets at fair value through profit or loss
b) Loans and receivables
c) Investments held to maturity
d) Available-for-sale financial assets

On initial recognition, a financial asset is measured at fair value, increased, in the case of a component of assets not classified as measured at fair value through profit or loss, by transaction costs, which can be directly attributed.
The classification of financial assets occurs upon initial recognition and - where permissible and appropriate - is subsequently verified at the end of each financial year.

a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss cover assets held for trading and financial assets which upon initial recognition were reclassified to the category of assets carried at fair value through profit or loss.

Financial assets are classified as held for trading if they may be purchased for further sale in the short-term. Derivatives are also classified as held for trading unless they are effective hedging instruments or financial guarantee contracts. Profit or loss on investments held for trading is recognised in the statement of profit and loss.

On initial recognition, financial assets may be classified in the category 'at fair value through profit or loss' if the following criteria are met:

● such qualification eliminates or significantly lowers inconsistencies in recognition when both the measurement
and means of recognition of profit and loss are subject to different regulations; or
● the assets are part of a group of financial assets which are managed and evaluated on the basis of fair value in accordance with a documented risk management strategy; or
● financial assets have embedded derivatives, which should be recognised separately.

b) Loans and receivables

Loans and receivables are financial assets, other than derivatives, that have defined maturities and are not traded on an active market. After initial measurement, loans and receivables are measured at amortised cost using the effective interest rate approach.

Loans and receivables are classified as current assets if they mature in under 12 months from the end of the reporting period, or as non-current assets if they mature in more than 12 months away from the end of the reporting period.

c) Investments held to maturity

Financial assets other than derivatives whose payments are or can be defined and which have defined maturities, and towards which the Company has a clear intent and is able to hold them to maturity are classified as investments held to maturity.

Investments which the Company intends to hold for an indefinite period of time are classified in this category. Other non-current investments, such as bonds, that the Company intends to hold to maturity are measured at amortised cost.

Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition, less principal repayments and plus or minus any unamortised original premium or discount, as calculated using the effective interest rate method. Amortised cost covers all commissions and interest paid and received by the parties to a contract such as are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The profit or loss on investments carried at amortised cost is recognised in the statement of profit and loss when the investment is removed from the balance sheet (derecognition) or upon identifying impairment or if depreciation is completed.

d) Available-for-sale financial assets

Available-for-sale financial assets are financial assets, other than derivatives, that are designated as available for sale, and those other than:

- loans and receivables,
- investments held to maturity, or
- financial assets carried at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value using various measurement approaches. These approaches involve the most recent transactions on market terms, received purchase proposals, current market prices of other similar instruments and DCF analysis. If it is not possible to determine the fair value, but the maturity of such assets is known, they are measured at amortised cost; if these assets do not have specified maturities, then they are measured at purchase price.
The profit or loss on available-for-sale investments is recognised in the statement of profit and loss.

Impairment of financial assets

Each financial asset or group of financial assets is evaluated as to whether there is objective proof of impairment at the end of each reporting period.

If such proof is available in the case of available-for-sale financial assets, the accumulated losses recognised in equity - i.e. the difference between the purchase price and the current fair value, less any impairment previously recognised in the statement of profit and loss, are excluded from equity and recognised in the statement of profit and loss.

Impairment losses are recognised in the statement of profit and loss, and those concerning equity instruments are not subject to a reversal corresponding with the statement of profit and loss. The reversal of an impairment loss on debt instruments is recognised in the statement of profit and loss if - during reporting periods subsequent to the recognition of an impairment loss - the fair value of these instruments increases as a result of events occurring thereafter.

If objective proof exists as to the possibility for impairment of loans and receivables and investments held to maturity, the amount of the impairment loss is calculated as the difference between the carrying amount and the present value estimated using future cash flows discounted using the effective interest rate for these assets (i.e. the effective interest rate calculated upon initial recognition - for assets based on a fixed interest rate, and the effective interest rate determined at the last revaluation of assets, if those are based on a variable interest rate). Impairment losses are recognised in the statement of profit and loss. An impairment loss is reversed if it decreased in subsequent periods and such a decrease may be due to events taking place after the impairment loss is recognised. Following the reversal of an impairment loss, the carrying amount of a financial asset may not exceed its amortised cost such as would be calculated if the impairment loss was not originally recognised. The reversal of an impairment loss is recognised in the statement of profit and loss.

If there are indications of an impairment loss on equity instruments not quoted on an active market such as are measured at purchase price (due to there being no reliable way of determining fair value), the amount of an impairment loss is calculated as the difference between the asset's carrying amount and the present value estimated using future cash flows discounted using the current market rate of return of similar financial assets. Such impairment losses are irreversible.

Derivative instruments

Derivatives are measured at fair value as at the end of the reporting period. Derivatives with fair value above zero constitute financial assets and are recognised as such, and derivatives with negative fair value constitute financial liabilities and are recognised as financial liabilities.

Estimated fair value corresponds with the recoverable amount or amount which must be paid in order to close an outstanding position as at the end of the reporting period. Measurement is based on market prices.

Recognition of the effects of changes in fair value or profit and losses on realising derivatives depends on their purpose. Derivatives are classified as either hedging instruments or trading instruments. There are two types of hedging instruments: fair value hedges and cash flow hedges.

Recognition of trading derivatives

Profit and losses resulting from changes in the fair value of a trading derivative upon measurement at the end of the reporting period or upon settlement are recognised in the statement of profit and loss as finance income/costs in the period in which they arise.

7.2.15 Investments in subsidiaries and associates

<u>Subsidiaries</u>

Subsidiaries are entities directly or indirectly controlled by the Company. Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed when the parent acquires more than half of the shares or voting rights of the entity.

<u>Associates</u>

An associate is an entity over which the Company has significant influence but not control. In this case, the Company holds a significant, but not a majority, interest in the entity (20%-50%).

In financial statements, investments in subsidiaries and associates other than those classified as held for sale are recognised at purchase price less impairment.

The carrying amounts of such investments are subject to impairment testing. Any identified impairment is recognised in the statement of profit and loss as finance costs. The reversal of an impairment loss is recognised in the statement of profit and loss as finance income and occurs upon changes in the estimates used to determine the Company's rate of return on investment.

Dividends received from such investments are recognised in the statement of profit and loss as finance income upon establishing the right to dividend.

Mergers of jointly controlled entities are recognised at book value.

7.2.16 Leasing

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incident to ownership. The object of a lease is recognised as an asset from the inception of the lease at the lower of fair value of the leased object and present value of minimum lease payments.

Finance lease payments should be apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The interest component of a finance lease payment is recognised in the statement of profit and loss as finance cost throughout the lease term. Assets acquired under finance leasing such as are subject to depreciation are depreciated throughout their useful periods, with consideration given to their residual value, or lease term, depending on which is shorter.

A lease is classified as an operating lease if substantially all the risks and rewards incident to ownership remain with the lessor (the financing entity). If the title to land is not expected to be transferred to the lessee before the end of the lease term, the lease is classified as an operating lease.

Lease payments under operating leasing (after accounting for any special promotional offers from the lessor - financing party) are accounted for using the straight-line approach throughout the lease term.

7.2.17 Inventory

The company classifies the following as inventory:

- materials
- goods for resale

Inventory items are measured at purchase prices. Because they are insignificant, the Company does not include transport costs in purchase prices. The FIFO principle is used in respect to inventory items.
At the end of the reporting period, inventory is recognised at purchase price that may not, however, be higher than its net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

The Company creates inventory impairment losses based on the inventory turnover ratio and an assessment of the possibility to sell such inventory before its expiry or during its economic life. The recognition of a new impairment loss and reversal of a previously created impairment loss are recognised as operating expenses (cost of sales) in the statement of profit and loss.

The rounding of prices connected with the purchase of materials is recognised directly in the statement of profit and loss as cost of sales.

Stock losses and a negative balance of inventory deficits regarded as unintentional are recognised directly as operating expenses.

7.2.18 Trade and other receivables

Receivables are carried at amortised cost less impairment.

Non-recoverable receivables are recognised as other expenses at the date on which they are classified as non-recoverable.

Impairment of receivables is recognised when there is objective proof that the Company will not be able to receive all due amounts as per the original terms of the receivable.
The Company creates impairment losses on receivables for specific counterparties. The Company may create joint

impairment losses for high-volume, low-value receivables. Detailed principles for the impairment of receivables are specified in the Receivables impairment manual.

An impairment loss is recognised in the books under other expenses. The reversal of a previously created impairment loss is recognised as other revenue and releases the impaired amount. Impairment losses in the statement of profit and loss are balanced out and recognised as either other expense or other revenue.

Receivables with a payment term of up to 12 months and receivables concerning collateral are recognised in the amount due, and the discount is omitted due to its insignificance.

In consideration of the prudence principle, interest on late payment of receivables is recognised when the Company receives the funds.

All advance payments such as those concerning future goods and services, production in process, payment for shares, purchase of intangible assets and others are recognised as other receivables.

7.2.19 Prepayments and deferred revenue

The Company recognises prepayments if the expenses concern subsequent periods after the period in which they are incurred.
The most significant prepayment items are as follows: prepaid rent, compensation fees (amounts paid to take over a store site from the previous lessee), insurance and subscriptions.

The Company classified prepayments as either short-term or long-term (those which will be realised in a period longer than 12 months from the end of the reporting period). In the statement of financial position, prepayments are presented as a separate asset item.

Deferred revenue constitutes funds received for future considerations.

In the statement of financial position, deferred revenue is recognised in a separate liability item.

7.2.20 Cash and cash equivalents

Cash and cash equivalents comprise: cash on hand, cash in bank accounts and all deposits and short-term securities with maturities of up to three months.
At the end of the reporting period, cash and cash equivalents are recognised at nominal value, whereas bank deposits - at amortised cost.

7.2.21 Equity

The company's equity comprises:
- share capital
- supplementary capital
- reserve capital
- own shares
- retained earnings

Share capital is recognised in the amount specified in the articles of association and in the National Court Register.

The Company's supplementary capital is divided into the following categories:
- share premium provision - the premiums received from share issues, less issue costs,

- supplementary capital - created from profit generated in successive years in an amount equal to at least 8% of the given financial year's profit until the supplementary capital reaches one third of share capital,
- management options provision - established in connection with management options programmes,

The Company's reserve capital is divided into the following categories:
- reserve capital - intended to cover extraordinary losses or expenditures, created from profit generated in successive years,
- revaluation reserve - comprises the net difference of measured net restated assets,
- buy-back provision - created pursuant to an authorisation granted through a resolution of the General Meeting and in accordance with the Company's buy-back programme.

Own shares purchased by the Company are recognised at purchase price, increased by costs directly connected with their purchase. The purchase and redemption of own shares are presented as a change in equity. In the statement of financial position, own shares are presented as a separate item reducing equity (with a negative sign).

Retained earnings cover the following categories:
- unallocated profit or outstanding losses brought forward (accumulated profit / losses from prior years),
- current-period result.

7.2.22 Net earnings per share

Net earnings per share are calculated for each reporting period through dividing the net profit generated in the period by the weighted average number of shares in that period.

7.2.23 Credit facilities

Credit facilities are recognised at fair value less acquisition costs. In subsequent periods, credit facilities are measured at amortised cost using the effective interest rate method.

Long-term credit facilities are those facilities with maturities longer than 12 months from the end of the reporting period.

7.2.24 Provisions

The Company creates provisions if there is an expected present, legal or customary obligation of a likely payment to arise, resulting from past events. There must be a higher likelihood that an outflow will be required in order to meet the obligation than that it will not be required, and its amount should be reliably estimated.
Receivables provisions are recognised as operating expenses or other operating expenses.
If there is a likelihood that a part or all of the economic benefits required to settle the provision may be recovered from a third party, the receivable is recognised as an asset, provided that the likelihood is sufficiently high and that it can be reliably estimated.

In the event that the time value of money is substantial, the size of the provision is determined through discounting future cash flows to present value using a gross interest rate reflecting the current market valuations of the time value of money and any risk associated with the given obligation. If discounting is applied, increasing the provision with passage of time is recognised as finance costs.

The amount of provisions created is verified and updated at the end of each reporting period in order to adjust estimates to the company's present level of knowledge.

Provisions in the financial statements are presented as either current or non-current.

7.2.25 Liabilities

Liabilities are present obligations as a result of past events, the settlement of which is expected to result in an outflow of resources (payment).

Non-current liabilities are liabilities that fall due for payment after more than 12 months from the end of the reporting period.

Non-current liabilities particularly include: credit liabilities, loan liabilities and finance lease liabilities.

At the end of the reporting period, non-current liabilities are measured at amortised cost using the effective interest rate method.

Current liabilities are liabilities that fall due for payment within 12 months from the end of the reporting period. Current liabilities include in particular: trade payables, credit liabilities, loan liabilities, wages and salaries, taxes, excise duties, insurance and other benefits.
In the case of liabilities that fall due for payment within 12 months, discount is excluded due to its insignificance.

Non-financial liabilities are measured at the amount due.

7.2.26 Employee benefits

7.2.26.1 Employee benefits

The Company's employees acquire rights to benefits which will be paid out once they obtain certain entitlements. In accordance with the Company's remuneration systems, all employees have the right to retirement and pension benefits, while managers and management board members are entitled to bonuses for achieving corporate and individual objectives during the reporting period, which are paid out at the end of said period.

The Company establishes employee benefit provisions. This concerns retirement benefits, compensated absences and bonuses. Employee benefit provisions are estimated at the end of each reporting period and are measured by an independent actuary.

Employee benefits are recorded as operating expenses (distribution costs, administrative expenses), with the exception of interest costs, which are recorded as finance costs. Employee benefit provisions are presented as either current or non-current provisions in the financial statements.

7.2.26.2 Share-based payments

The Company has incentive schemes, under which management board members and key managers are entitled to acquire options to purchase shares in the company. These benefits are settled in accordance with IFRS 2. The costs of transactions settled with employees using equity instruments are measured at fair value on the date on which such rights are vested. The programme's fair value is recorded as a cost in the statement of profit and loss and as equity (management options provision) throughout the vesting period.

The fair value of the options (bonds) to purchase shares in the Company is estimated by an independent expert using modern financial engineering and numerical methods. The measurement includes: the model input price (share price on the date on which a given instrument is granted), the instrument's exercise price, expected volatility, risk-free interest rate and the expected dividends.

7.2.27 Income tax

Income tax includes: current tax (payable) and deferred tax.

a) *Current tax*

Current tax liabilities are calculated on the basis of the tax result (tax base) of a given financial year.
Tax profit (loss) differs from balance sheet profit (loss) in connection with the exclusion of taxable income and expenses which are deductible in subsequent years as well as cost and revenue items which will never be taxed. The burden of the current portion of income tax is calculated using tax rates effective for a given financial year.

b) *Deferred tax*

Deferred income tax liabilities constitute tax that is payable in the future and is recorded in the balance sheet in its full amount, as regards the temporary differences between the tax value of assets and liabilities, and in the financial statements, as regards their carrying amounts.

Deferred income tax assets constitute tax which is to be returned in the future and is calculated using the balance sheet method, as regards the temporary differences between the tax value of assets and liabilities, and in the financial statements, as regards their carrying amounts. Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be realised.

Basic temporary differences concern the differences between the carrying amount and tax base of assets and liabilities settled in time.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax is recognised in the statement of profit and loss, and - if related to share-based payments - in equity.
Deferred income tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be realised. Deferred income tax assets and liabilities are recognised in the balance sheet as non-current assets and liabilities.

7.2.28 Revenue

Revenue is recognised at the fair value of the consideration received or receivable, less tax on goods and services and any discounts.
Revenue is the gross inflow of economic benefits arising during the Company's ordinary course of business.
Revenue from activities other than the Company's ordinary course of business is recorded in other operating revenue.
Revenue connected with financing the Company's operations is recognised as finance income, together with proceeds from disposal of financial assets, dividends and interest income derived from financial instruments.

Revenue from sale of services

Revenue from the sale of services is recognised when service is provided and approved by the buyer. If contractually permitted, recognition of revenue on partial delivery of service is possible, as specified in a separate agreement.

Interest income

Interest income is recorded on an accrual basis if there is sufficient certainty that the receivable will be recovered. In retail, due to its specific nature, interest serves a different function, so for the most part it is recognised as revenue on an accrual basis.

Dividends

Dividend income is recognised when the Company gains the right to receive the dividend. Dividend payments to shareholders are recognised as a liability in the period in which they are approved by the general meeting under other liabilities.

7.2.29 Costs

Costs constitute a probable decrease in economic benefits during the reporting period as either a decrease in assets or increase in liabilities and provisions, which reduce equity in a manner other than withdrawal by shareholders.
The Company recognises costs in the statement of profit and loss during the reporting period such as correspond to the revenue generated in that period (matching principle).

Cost of goods for resale and materials - covers the costs directly incurred to obtain goods and materials sold and corresponds with the revenue generated from the sale of these items.

Cost of services – covers expenses directly connected with provision of services.

Distribution costs – cover expenses connection with selling and distributing goods and services.

Administrative expenses – cover costs incurred in connection with general company operations other than those classified as other operating expenses or finance costs.

Other operating expenses – covers costs indirectly related to Company operations.

Finance costs – cover costs connected with financing Company operations as well as costs related to impairment of financial assets.

7.2.30 Foreign-currency transactions and exchange differences

Transactions expresses in foreign currencies are recognised in the Company's functional currency (PLN), using the exchange rate in effect on the transaction date.
At the end of each reporting period:

- cash items expressed in foreign currency are translated using the closing rate;
- foreign-currency non-monetary items carried at historic cost are translated using the exchange rate in effect on the transaction date, and
- foreign-currency non-monetary items carried at fair value are translated using the exchange rate in effect on the date on which fair value was measured.

Gains and losses from settlement of foreign-currency transactions and measurement of monetary balance sheet assets and liabilities expressed in foreign currencies are recognised in the statement of profit and loss as finance income or finance costs, respectively. Exchange differences are presented after offsetting.

(amounts in PLN 000s, unless otherwise stated)

7.3 Notes to the financial statements

Note 1

Property, plant and equipment	31 Dec 2013	31 Dec 2012
Land, including:	10 068	1 093
Perpetual usufruct rights	*4 156*	*1 093*
Buildings and structures	38 086	12 646
- including: investments in third-party tangible assets	-	*40*
Technical equipment and machinery	315	288
Means of transport	35	335
Other property, plant and equipment	10	-
Property, plant and equipment under construction	2 653	11
Net property, plant and equipment	**51 167**	**14 373**

Property, plant and equipment under construction	31 Dec 2013	31 Dec 2012
Land, including:	-	-
Perpetual usufruct rights	-	-
Buildings and structures	2 653	11
Technical equipment and machinery	-	-
Means of transport	-	-
b) Other PP&E under construction	-	-
Total property, plant and equipment under construction	**2 653**	**11**

Property, plant and equipment used pursuant to lease and rental agreements (off-balance sheet), operating leasing	31 Dec 2013	31 Dec 2012
Land, including:	3 072	832
Perpetual usufruct rights	*3 072*	832
Buildings and structures	-	20 471
Technical equipment and machinery	16	16
Means of transport	-	-
Other property, plant and equipment	-	-
Total	**3 088**	**21 319**
The value of the rights to perpetual usufruct of land is based on a valuation for the purposes of establishing the fees for the perpetual use of land.	3 072	832

(amounts in PLN 000s, unless stated otherwise)

Note 2 - Current year

Change in non-current assets	- Land (including right to perpetual usufruct of land)	- Buildings, premises, civil and marine engineering structures	- Technical equipment and machinery	- Means of transport	- Other PP&E	- Other production in progress	Total PP&E
a) gross value of non-current assets, as at the beginning of period	**1 093**	**12 900**	**542**	**722**	**16**	**11**	**15 284**
b) increases (due to)	**9 234**	**29 015**	**114**	**-**	**10**	**40 975**	**79 348**
- purchase	*-*	*22*	*19*	*-*	*-*	*40 975*	***41 015***
- transfer from production-in-progress	*9 234*	*28 993*	*95*	*-*	*10*	*-*	***38 333***
- leasing	*-*	*-*	*-*	*-*	*-*	*-*	***-***
- other	*-*	*-*	*-*	*-*	*-*	*-*	***-***
c) decreases (due to)	**(242)**	**(3 366)**	**(128)**	**(477)**	**-**	**(38 333)**	**(42 547)**
- sale	*(21)*	*(439)*	*(50)*	*(477)*	*-*	*-*	***(987)***
- liquidation (scrapping)	*-*	*(46)*	*(63)*	*-*	*-*	*-*	***(109)***
- transfer to non-current assets	*-*	*-*	*-*	*-*	*-*	*(38 333)*	***(38 333)***
- available-for-sale assets	*(221)*	*(2 881)*	*(15)*	*-*	*-*	*-*	***(3 118)***
- other	*-*	*-*	*-*	*-*	*-*	*-*	***-***
d) gross value of non-current assets, as at the end of period	**10 085**	**38 549**	**528**	**245**	**26**	**2 653**	**52 086**
e) depreciation as at the beginning of period	**-**	**254**	**254**	**387**	**16**	**-**	**911**
f) increase of depreciation (due to)	**22**	**458**	**67**	**56**	**-**	**-**	**602**
- depreciation	*22*	*458*	*67*	*56*	*-*	*-*	***602***
- other	*-*	*-*	*-*	*-*	*-*	*-*	***-***
g) decrease of depreciation (due to)	**(5)**	**(249)**	**(108)**	**(232)**	**-**	**-**	**(594)**
- sale	*-*	*(126)*	*(42)*	*(232)*	*-*	*-*	***(400)***
- liquidation (scrapping)	*-*	*(25)*	*(63)*	*-*	*-*	*-*	***(88)***
- available-for-sale assets	*(5)*	*(98)*	*(3)*	*-*	*-*	*-*	***(106)***
- other	*-*	*-*	*-*	*-*	*-*	*-*	***-***
h) depreciation as at the end of period	**17**	**463**	**213**	**211**	**16**	**-**	**919**
i) impairment losses as at the beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- increase	*-*	*-*	*-*	*-*	*-*	*-*	***-***
- decrease	*-*	*-*	*-*	*-*	*-*	*-*	***-***
j) impairment losses as at the end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
k) net value of non-current assets, as at the end of period	**10 068**	**38 086**	**315**	**35**	**10**	**2 653**	**51 167**

(amounts in PLN 000s, unless stated otherwise)

Previous year

Change in non-current assets	- Land (including right to perpetual usufruct of land)	- Buildings, premises, civil and marine engineering structures	- Technical equipment and machinery	- Means of transport	- Other PP&E	- Other production in progress	Total PP&E
a) gross value of non-current assets, as at the beginning of period	**-**	**2 134**	**1 190**	**1 638**	**17**	**480**	**5 459**
b) increases (due to)	**1 093**	**12 677**	**162**	**170**	**-**	**13 421**	**27 523**
- purchase	*-*	*-*	*41*	*170*	*-*	*12 478*	***12 689***
- transfer from production-in-progress	*1 093*	*12 677*	*121*	*-*	*-*	*-*	***13 891***
- leasing	*-*	*-*	*-*	*-*	*-*	*-*	***-***
- other	*-*	*-*	*-*	*-*	*-*	*943*	***943***
c) decreases (due to)	**-**	**(1 911)**	**(810)**	**(1 086)**	**(1)**	**(13 890)**	**(17 698)**
- sale	*-*	*-*	*(784)*	*(1 086)*	*(1)*	*-*	***(1 870)***
- liquidation (scrapping)	*-*	*-*	*(26)*	*-*	*-*	*-*	***(26)***
- transfer to non-current assets	*-*	*-*	*-*	*-*	*-*	*(13 890)*	***(13 890)***
- contribution in kind	*-*	*-*	*-*	*-*	*-*	*-*	***-***
- other	*-*	*(1 911)*	*-*	*-*	*-*	*(0)*	***(1 911)***
d) gross value of non-current assets, as at the end of period	**1 093**	**12 900**	**542**	**722**	**16**	**11**	**15 284**
e) depreciation as at the beginning of period	**-**	**751**	**764**	**496**	**17**	**-**	**2 027**
f) increase of depreciation (due to)	**-**	**164**	**73**	**198**	**0**	**-**	**435**
- depreciation charge	*-*	*164*	*73*	*198*	*0*	*-*	***435***
- other	*-*	*-*	*-*	*-*	*-*	*-*	***-***
g) decrease of depreciation (due to)	**-**	**(661)**	**(583)**	**(307)**	**(1)**	**-**	**(1 551)**
- sale	*-*	*-*	*(561)*	*(307)*	*(1)*	*-*	***(868)***
- liquidation (scrapping)	*-*	*-*	*(22)*	*-*	*-*	*-*	***(22)***
- contribution in kind	*-*	*-*	*-*	*-*	*-*	*-*	***-***
- other	*-*	*(661)*	*-*	*-*	*-*	*-*	***(661)***
h) depreciation as at the end of period	**-**	**254**	**254**	**387**	**16**	**-**	**911**
i) impairment losses as at the beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- increase	*-*	*-*	*-*	*-*	*-*	*-*	*-*
- decrease	*-*	*-*	*-*	*-*	*-*	*-*	*-*
j) impairment losses as at the end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
k) net value of non-current assets, as at the end of period	**1 093**	**12 646**	**288**	**335**	**-**	**11**	**14 373**

(amounts in PLN 000s, unless stated otherwise)

The decrease in property, plant and equipment resulted mainly from the following transactions:

a) Sale of the facility at ul. Frezerów
b) Sale of computer equipment to subsidiaries in connection with reorganisation of services through the transfer of IT infrastructure management services from the Company to subsidiaries

The increase in value came on the back of a property purchase transaction, described in note 50.

In the course of its operations, the Company leases and rents office equipment for its own purposes.
Leasing costs in 2012:

- Buildings and facilities PLN 4 572 426.32
- Office equipment PLN 27 952.78

Leasing costs in 2013:
- Buildings and facilities PLN 1 078 169.26
- Office equipment PLN 8 823.87

The Company does not own any property, plant and equipment that would have limited ownership or usage rights.

The Company did not recognise any impairment of property, plant and equipment.

Depreciation of property, plant and equipment was recognised in administrative expenses in 2013.

The Company does not have credit, loans or other liabilities that would be secured by property, plant and equipment items.

As at 31 December 2013, there were no contractual liabilities incurred in connection with the purchase of property, plant and equipment.

Note 3

Investment property	31 Dec 2013	31 Dec 2012
Gross value as at the beginning of period	**-**	**3 166**
Increases	-	-
- acquisition	-	-
- other (transfer from tangible assets)	-	-
Decreases	-	(3 166)
- disposal	-	(3 166)
- other (reclassification to available-for-sale assets)	-	-
Gross value as at the end of period	-	-
Value of properties with restricted disposal rights	-	-
Depreciation as at the beginning of period	**-**	**-**
Increases	-	-
- depreciation charge	-	-
- other (transfer from tangible assets)	-	-
Decreases	-	-
Depreciation as at the end of period	**-**	**-**
Net value as at the end of period	**-**	**-**
Rent income	-	-

Direct operating expenses concerning leased out investment properties	-	-
Direct operating expenses concerning investment properties not leased out	-	-

Investment property covered land for commercial property developments. This land was sold on 31 January 2012 for PLN 3 325 000 net.

Note 4

Intangible assets	31 Dec 2013	31 Dec 2012
Acquired concessions, patents, licences and similar	3 582	3 826
Intangible assets not transferred for use	-	867
Total intangible assets	**3 582**	**4 693**

The Company does not have any intangible assets used under lease agreements.

The Company does not have any intangible assets with restricted usage rights.

The Company does not have any bank credit that would be secured by intangible assets.

The Company does not have intangible assets with indefinite periods of useful life.

Amortisation of intangible assets was recognised in administrative expenses in 2013.

As at 31 December 2013, there were no contractual liabilities incurred in connection with the purchase of intangible assets.

(amounts in PLN 000s, unless stated otherwise)

Note 5 - Current year

Changes in intangible assets	Acquired concessions, patents, licences and similar	Other intangible assets	Intangible assets not transferred for use	Total Intangible assets
a) gross values of intangible assets as at the beginning of period	**9 104**	**-**	**867**	**9 971**
b) increases (due to)	**861**	**-**	**(6)**	**854**
- purchase	*-*	*-*	*(6)*	***(6)***
- transfer from investment	*861*	*-*	*-*	***861***
- leasing	*-*	*-*	*-*	**-**
- other	*-*	*-*	*-*	**-**
c) decreases (due to)	**(493)**	**-**	**(861)**	**(1 354)**
- sale	*(493)*	*-*	*-*	***(493)***
- transfer to intangible assets	*-*	*-*	*(861)*	***(861)***
- decommissioning	*-*	*-*	*-*	**-**
d) gross values of intangible assets as at the end of period	**9 472**	**-**	**-**	**9 472**
e) depreciation as at the beginning of period	**5 278**	**-**	**-**	**5 278**
f) increase of depreciation (due to)	**1 104**	**-**	**-**	**1 104**
- depreciation	*1 104*	*-*	*-*	*1 104*
g) decrease of depreciation (due to)	**(493)**	**-**	**-**	**(493)**
- sale	*(493)*	*-*	*-*	*(493)*
- other	*-*	*-*	*-*	*-*
h) depreciation as at the end of period	**5 890**	**-**	**-**	**5 890**
i) impairment losses as at the beginning of period	**-**	**-**	**-**	**-**
- increase	*-*	*-*	*-*	**-**
- decrease	*-*	*-*	*-*	*-*
j) impairment losses as at the end of period	**-**	**-**	**-**	**-**
k) net value of intangible assets as at the end of period	**3 582**	**-**	**-**	**3 582**

(amounts in PLN 000s, unless stated otherwise)

Note 5 - Previous year

Changes in intangible assets	Acquired concessions, patents, licences and similar	Other intangible assets	Intangible assets not transferred for use	Total Intangible assets
a) gross values of intangible assets as at the beginning of period	**11 079**	**-**	**839**	**11 918**
b) increases (due to)	**1 009**		**28**	**1 037**
- purchase	*1 009*		*28*	***1 037***
- transfer from investment	-		-	-
- leasing	-		-	-
- other	-		-	-
c) decreases (due to)	**(2 984)**		**-**	**(2 984)**
- sale	*(771)*		-	***(771)***
- transfer to intangible assets	-		-	-
- decommissioning	*(2 213)*		-	***(2 213)***
d) gross values of intangible assets as at the end of period	**9 104**		**867**	**9 971**
e) depreciation as at the beginning of period	**6 845**	**-**	**-**	**6 845**
f) increase of depreciation (due to)	**1 222**		**-**	**1 222**
- depreciation	*1 222*		-	***1 222***
g) decrease of depreciation (due to)	**(2 789)**		**-**	**(2 789)**
- sale	*(771)*		-	***(771)***
- other	*(2 018)*		-	**(2 018)**
h) depreciation as at the end of period	**5 278**		**-**	**5 278**
i) impairment losses as at the beginning of period	**-**	**-**	**-**	**-**
- increase	-		-	-
- decrease	-		-	-
j) impairment losses as at the end of period	**-**		**-**	**-**
k) net value of intangible assets as at the end of period	**3 826**		**867**	**4 693**

(amounts in PLN 000s, unless stated otherwise)

Note 6

Financial assets	**31 Dec 2013**	**31 Dec 2012**
Equity interests	417 693	405 230
- including: related parties	*417 693*	*405 230*
Other equity interests	-	11 992
- including: related parties	-	*11 992*
Impairment	(151 200)	(151 200)
- including: in related parties	*(151 200)*	*(151 200)*
Total net financial assets	**266 493**	**266 022**

The changes in financial assets presented below, recognised as increases, cover the purchase of equity interests and newly-issued shares in subsidiaries and are the effect of contributions in kind to other subsidiaries and the concurrent increase in the share capital of the companies that received such contribution (exchange of shares).

A detailed description of the transactions connected with changes in non-current assets during 2013 is presented in note 7.2.9.

As at the end of the reporting period and previous period, the Company did not have any other securities or financial assets and did not issue loans that could constitute non-current financial assets. During the year covered by the financial statements, the Company did not execute any transactions that would involve this type of asset.

(amounts in PLN 000s, unless stated otherwise)

Note 6a - Current year

Non-current financial assets - related parties	Equity	interests	Total non-current financial assets - related parties
a) financial assets as at the beginning of period	**405 230**	**11 992**	**417 222**
b) increases (due to)	**38 865**	**-**	**38 865**
- purchase	*471*	*-*	***471***
- contribution in kind (exchange of shares)	*38 394*	*-*	***38 394***
- revaluation (fair value)	*-*	*-*	***-***
- reclassification from assets held for sale	*-*	*-*	***-***
- change in legal form of the company	***(177 602)***	***(11 992)***	***(189 594)***
c) decreases (due to)	**-**	**-**	**-**
- sale	*(26 402)*	*(11 992)*	**(38 394)**
- contribution in kind (exchange of shares)	*-*	*-*	***-***
- impairment	*(151 200)*	*-*	***(151 200)***
- reclassification to assets held for sale	*-*	*-*	***-***
- company liquidation	*-*	*-*	***-***
- change in legal form of the company	*-*	*-*	***-***
d) financial assets as at the end of period	**266 493**	**-**	**266 493**

Note 6b - Previous year

Non-current financial assets - related parties	Equity	interests	Total non-current financial assets - related parties
a) financial assets as at the beginning of period	**108 026**	**102**	**108 128**
b) increases (due to)	**149 072**	**12 032**	**161 104**
- purchase	*50 200*	*(4)*	*50 196*
- contribution in kind (exchange of shares)	*3 028*	*-*	*3 028*
- revaluation (fair value)	*-*	*40*	*40*
- reclassification from assets held for sale	*95 844*	*11 996*	*107 840*
- change in legal form of the company	*-*	*-*	*-*
c) decreases (due to)	**(3 068)**	**(142)**	**(3 210)**
- sale	*-*	*-*	*-*
- contribution in kind (exchange of shares)	*(1 051)*	*(102)*	*(1 153)*
- impairment	*(1 915)*	*(40)*	*(1 955)*
- reclassification to assets held for sale		*-*	*-*
- company liquidation	*(102)*	*-*	*(102)*
- change in legal form of the company	*-*	*-*	*-*
d) financial assets as at the end of period	**254 030**	**11 992**	**266 022**

(amounts in PLN 000s, unless stated otherwise)

Note 7

Non-current receivables	31 Dec 2013	31 Dec 2012
a) collateral connected with leases	-	24
- including: from related parties	*-*	*24*
b) other non-current receivables	56	733
- including: from related parties	*56*	*733*
Total non-current receivables	**56**	**757**

Other non-current receivables comprise licences sold to Stokrotka Sp. z o.o. - in the part that is to be repaid in more than 12 months from the reporting date.

Note 8

Deferred income tax assets	31 Dec 2013	31 Dec 2012
Deferred income tax assets at the beginning of period, including:	**114**	**456**
a) recognised through profit or loss	*114*	*456*
b) recognised through equity	*-*	*-*
Increases	38	536
a) recognised through profit or loss	*38*	*536*
b) recognised through equity	*-*	*-*
Decreases	(53)	(878)
a) recognised through profit or loss	*(53)*	*(878)*
b) recognised through equity	*-*	*-*
Deferred income tax assets at the end of period, including:	**99**	**114**
a) recognised through profit or loss	*99*	*114*
b) recognised through equity	*-*	*-*

There were no unrecognised deferred income tax assets in 2012 and 2013.

Deferred income tax assets, the basis of which are temporary differences resulting from:	31 Dec 2013	31 Dec 2012
Trade receivables	6	7
Remuneration and social security liabilities	11	15
Employee benefit provisions	4	6
Provision for unused vacation time and similar	13	23
Provision for pay bonuses and similar	62	59
Liabilities due to contracts of mandate	-	-
Provision for audit of financial statements	3	4
Deferred income tax assets as at the end of period	**99**	**114**

(amounts in PLN 000s, unless stated otherwise)

Note 9

Other non-current prepayments	31 Dec 2013	31 Dec 2012
Technical assistance	-	-
Subscriptions and annual fees	-	-
Milea web domain	-	57
Maintenance package	4	3
Total other non-current prepayments	**4**	**60**

Prepayments include costs that are to be accounted for in the period from 24 to 36 months.

Note 10

Inventory	31 Dec 2013	31 Dec 2012
Materials	-	4
Goods for resale	-	16
Impairment of inventory	-	-
Total inventory	**-**	**20**

The Company did not hold inventory as at the end of the reporting period.

The Company did not recognise or reverse impairment losses on inventory in 2013 and 2012.

Note 11

Current receivables	31 Dec 2013	31 Dec 2012
For products and services	2 015	2 100
- including: from related parties	*587*	*240*
For taxes and other state fees	9 768	1 370
Under judicial enforcement	-	-
Advances paid for supplies	-	5
Other receivables	3 381	4 094
- including: from related parties	*765*	*677*
Impairment of receivables	(3 827)	(4 445)
Total net receivables	**11 337**	**3 124**

The main item of *other receivables* constitutes:

a) the value of receivables that the Company received pursuant to receivables assignment agreements executed on 31 January 2011 with entities operating in the distribution segment. As at 31 December 2013, the total value of the acquired receivables was PLN 2 956 997.74 and was covered by an impairment loss.

Impairment of receivables	31 Dec 2013	31 Dec 2012
Impairment of receivables as at the beginning of period	**(4 445)**	**(5 779)**
Increases (recognition of new impairment losses)	**(22)**	**(112)**
- For products and services, including:	*(22)*	*(112)*
- including due to assignment of rights	-	-
Decreases	**640**	**1 446**
- For products and services, including:	*87*	*458*
- including due to assignment of rights	*553*	*988*

(amounts in PLN 000s, unless stated otherwise)

Release	***186***	***325***
- For products and services, including:	*75*	*168*
- including due to assignment of rights	*111*	*157*
Derecognised from the statement of profit and loss	***454***	***1 121***
- For products and services, including:	*12*	*290*
- including due to assignment of rights	*442*	*831*
Impairment of receivables as at the end of period	**(3 827)**	**(4 445)**
- For products and services, including:	*(1 212)*	*(1 276)*
- including due to assignment of rights	*(2 615)*	*(3 169)*

The Company did not recognise or reverse impairment losses on receivables from related parties during the year covered by the financial statements and the preceding year.

Aging structure of trade receivables	31 Dec 2013	31 Dec 2012
Up to 1 month	342	539
1 - 3 months	1	7
3 - 6 months	-	-
6 - 12 months	-	-
Over 1 year	-	-
Overdue	1 672	1 554
Impairment of receivables	(1 212)	(1 276)
Total net receivables	**803**	**824**

Aging structure of overdue trade receivables	31 Dec 2013	31 Dec 2012
Up to 1 month	384	207
1 - 3 months	64	29
3 - 6 months	1	23
6 - 12 months	3	48
Over 1 year	1 220	1 247
Impairment of receivables	(1 212)	(1 276)
Total net overdue receivables	**460**	**278**

A detailed description of transactions with subsidiaries is presented in note 45.

Interest is not charged on overdue trade receivables, which typically have 7-21-day payment deadlines.

As at the end of 2013 and the preceding year, there were no restrictions in ownership rights regarding off-balance sheet collateral established.

Note 12

Short-term securities	31 Dec 2013	31 Dec 2012
Debt instruments	152 131	193 408
- including: related parties	*152 131*	*193 408*
Total short-term securities	**152 131**	**193 408**

Similar to the previous year, in 2013 the Company only purchased bonds issued by subsidiaries. Interest on such bonds is set based on market conditions, and the bonds are carried at amortised cost.
Information about interest income connected with redemption of bonds by issuers is presented in note 31.

(amounts in PLN 000s, unless stated otherwise)

Short-term bond purchases (presented in par values):

2013

Issue and buy-back of bonds in 2013	Stokrotka Sp. z o.o.	Elpro Ekon Sp. z o.o. S.K.A.	P1 Sp. z o.o.	Total
As at the beginning of period	92 000	101 500	-	193 500
Issuance of bonds	1 217 981	1 011 471	82 876	2 312 328
Redemption of bonds by the issuer	1 181 981	1 109 471	61 876	2 353 328
As at the end of period	128 000	3 500	21 000	152 500
As at the end of period, after discount	**127 690**	**3 492**	**20 949**	**152 131**

2012 rok

Issue and buy-back of bonds in 2012	Stokrotka Sp. z o.o.	Elpro Ekon Sp. z o.o. S.K.A. (formerly Elpro Sp. z o.o.)	Total
As at the beginning of period	6 300	34 984	41 284
Issuance of bonds	795 300	745 900	1 541 200
Redemption of bonds by the issuer	709 600	679 384	1 388 984
As at the end of period	92 000	101 500	193 500
As at the end of period, after discount	**91 956**	**101 452**	**193 408**

Note 13

Current prepayments	31 Dec 2013	31 Dec 2012
Banking services	-	1
Insurance	20	21
Technical assistance	-	561
Technical supervision	2	-
Costs connected with future sale of tangible assets	-	62
Subscriptions and annual fees	58	2
Maintenance package	-	2
Costs to be re-invoiced	2	27
Other fees	2	-
Total current prepayments, by title	**84**	**676**

Note 14

Cash and cash equivalents	31 Dec 2013	31 Dec 2012
Cash on hand	-	-
Cash instruments in bank accounts	89 400	73 300
Other cash instruments	155	-
Total cash	**89 555**	**73 300**

Information about interest income on deposits is presented in note 31.

(amounts in PLN 000s, unless stated otherwise)

Note 15

Other financial assets	31 Dec 2013	31 Dec 2012
Loans issued	6 496	28 500
- including: to related parties	*6 496*	*28 500*
Total other financial assets	**6 496**	**28 500**

The loans recognised were issued to subsidiaries: Stokrotka Sp. z o.o. and Społem Tychy S.A. These loans are to be repaid within 12 months.

The loans recognised as at the end of the previous reporting period were repaid in 2013.

Interest is based on WIBOR 1M + margin. The loans are secured with in blanco promissory notes with declarations.

Information about interest income on loans issued is presented in note 31.

Note 16

Assets classified as held for sale	31 Dec 2013	31 Dec 2012
Property	3 012	-
interests	-	-
Equity	-	-
Total assets classified as held for sale	**3 012**	**-**

Assets classified as held for sale comprises a property at ul. Frezerów in Lublin, in connection with a preliminary agreement executed via a notarial deed: Rep. A 3044/2013 of 13 August 2013 between Emperia Holding S.A. and Inkubator Technologiczny Markiz Sp. z o.o., based in Puławy.

(amounts in PLN 000s, unless stated otherwise)

Note 17

Share capital structure as at 31 December 2013

Series / issue	Type of share	Type of preference	Number of shares	Nominal value of series / issue	Method of payment	Registration date	Right to dividend (from date)
A	ordinary bearer shares	None	100 000	100 000	Cash	30.11.1994	30.11.1994
B	ordinary bearer shares	None	2 200 000	2 200 000	Cash	26.09.1995	01.01.1995
C	ordinary bearer shares	None	2 093 700	2 093 700	Cash	11.02.1999	01.01.1999
D	ordinary bearer shares	None	408 400	408 400	Cash	25.06.1999	01.01.1999
E	ordinary bearer shares	None	240 200	240 200	Cash	12.12.2001	01.01.2001
F	ordinary bearer shares	None	259 500	259 500	Cash	12.12.2001	01.01.2001
G	ordinary bearer shares	None	1 333 300	1 333 300	Cash	12.12.2001	01.01.2001
H	ordinary bearer shares	None	2 085 323	2 085 323	In-kind-contribution of shares in BOS S.A.	02.01.2007	01.01.2006
I	ordinary bearer shares	None	4 203 562	4 203 562	In-kind-contribution of shares in BOS S.A.	02.01.2007	01.01.2006
J	ordinary bearer shares	None	55 747	55 747	In-kind-contribution of shares in BOS S.A.	11.05.2007	01.01.2006
K	ordinary bearer shares	None	290 468	290 468	In-kind-contribution of shares in BOS S.A.	11.05.2007	01.01.2006
L	ordinary bearer shares	None	1 500 000	1 500 000	Cash	24.10.2007	01.01.2007
Ł	ordinary bearer shares	None	140 388	140 388	Cash and in-kind-contribution of shares in Maro-Markety Sp. z o.o.	12.02.2008	01.01.2007
M	ordinary bearer shares	None	82 144	82 144	Cash and in-kind-contribution of shares in Centrum Sp. z o.o.	12.02.2008	01.01.2007
N	ordinary bearer shares	None	122 429	122 429	Cash	06.06.2008	01.01.2007
Total number of shares			**15 115 161**				
Total share capital				**15 115 161**			
Nominal value per share = PLN 1							

(amounts in PLN 000s, unless stated otherwise)

Share capital structure as at 31 December 2012

Series / issue	Type of share	Type of preference	Number of shares	Nominal value of series / issue	Method of payment	Registration date	Right to dividend (from date)
A	ordinary bearer shares	None	100 000	100 000	Cash	30.11.1994	30.11.1994
B	ordinary bearer shares	None	2 200 000	2 200 000	Cash	26.09.1995	01.01.1995
C	ordinary bearer shares	None	2 093 700	2 093 700	Cash	11.02.1999	01.01.1999
D	ordinary bearer shares	None	408 400	408 400	Cash	25.06.1999	01.01.1999
E	ordinary bearer shares	None	240 200	240 200	Cash	12.12.2001	01.01.2001
F	ordinary bearer shares	None	259 500	259 500	Cash	12.12.2001	01.01.2001
G	ordinary bearer shares	None	1 333 300	1 333 300	Cash	12.12.2001	01.01.2001
H	ordinary bearer shares	None	2 085 323	2 085 323	In-kind-contribution of shares in BOS S.A.	02.01.2007	01.01.2006
I	ordinary bearer shares	None	4 203 562	4 203 562	In-kind-contribution of shares in BOS S.A.	02.01.2007	01.01.2006
J	ordinary bearer shares	None	55 747	55 747	In-kind-contribution of shares in BOS S.A.	11.05.2007	01.01.2006
K	ordinary bearer shares	None	290 468	290 468	In-kind-contribution of shares in BOS S.A.	11.05.2007	01.01.2006
L	ordinary bearer shares	None	1 500 000	1 500 000	Cash	24.10.2007	01.01.2007
Ł	ordinary bearer shares	None	140 388	140 388	Cash and in-kind-contribution of shares in Maro-Markety Sp. z o.o.	12.02.2008	01.01.2007
M	ordinary bearer shares	None	82 144	82 144	Cash and in-kind-contribution of shares in Centrum Sp. z o.o.	12.02.2008	01.01.2007
N	ordinary bearer shares	None	122 429	122 429	Cash	06.06.2008	01.01.2007
Total number of shares			**15 115 161**				
Total share capital				**15 115 161**			

Nominal value per share = PLN 1

(amounts in PLN 000s, unless stated otherwise)

Changes in shareholding by Supervisory Board members

Supervisory Board members	Shares as at 31 December 2013	% in share capital as at 31 December 2013	% change	Shares as at 31 December 2012	% in share capital as at 31 December 2012

Members of the Supervisory Board do not own shares in Emperia Holding S.A.

Shareholders with at least 5% of votes at the Company's general meeting at report publication date

Shareholders	Shares held, as at report publication date	% in share capital*	% change	Shares as at 31 December 2012	% in share capital as at 31 December 2012*	Number of votes at general meeting, as at report publication date	% of votes at general meeting, as at report publication date*
ALTUS TFI	1 944 678	12.87%		2 469 909	16.34%	1 944 678	14.03%
IPOPEMA TFI S.A.	1 433 437	9.48%		1 433 437	9.48%	1 433 437	10.34%
AXA OFE	891 992	5.90%		891 992	5.90%	891 992	6.44%
ING TFI	810 119	5.36%		Below 5%	Below 5%	810 119	5.85%

As at 3 March 2014, Emperia Holding S.A. and subsidiary P1 Sp. z o.o. held a total of 1 298 203 shares in Emperia Holding S.A., entitling to 1 298 203 (8.589%) votes at the Issuer's general meeting and constituting 8.589% of the Issuer's share capital.

Changes in shareholding by Management Board members

Management Board members	Shares as at 31 December 2013	% in share capital	% change	Shares as at 31 December 2012	% in share capital as at 31 December 2012
Dariusz Kalinowski	19 647	0.13%	-	19 647	0.13%
Cezary Baran	-	-	-	-	-

Buy-back programme

Pursuant to an authorisation granted through resolution 21 of Emperia Holding S.A.'s ordinary general meeting of 23 June 2010 and resolution 39/2010 of Emperia Holding S.A.'s management board of 16 September 2010, as well as in accordance with the terms of Emperia Holding S.A.'s buyback programme, adopted through a resolution of the Management Board of 21 September 2010, the Company continued the buyback programme. The programme was completed on 24 October 2011, after the reserve capital for this purpose, amounting to PLN 40 000 000, was used up.

Number of shares purchased, purchase price and % of the Company's share capital under the buyback programme:

Transaction date	Number of purchased shares	Price per share, in PLN	Number of votes at GM	% of share capital
4 October 2010	7 555	100.70	7 555	0.050%
6 October 2010	4 417	99.05	4 417	0.029%
11 October 2010	9 246	101.40	9 246	0.061%
13 October 2010	6 660	102.40	6 660	0.044%
19 October 2010	11 523	101.70	11 523	0.076%
22 October 2010	9 064	100.90	9 064	0.060%
27 October 2010	7 039	100.40	7 039	0.047%
2 November 2010	6 850	99.40	6 850	0.045%
5 November 2010	6 381	98.50	6 381	0.042%

(amounts in PLN 000s, unless stated otherwise)

10 November 2010	6 352	99.10	6 352	0.042%
17 November 2010	7 511	98.60	7 511	0.050%
23 November 2010	7 849	98.60	7 849	0.052%
30 November 2010	7 280	96.45	7 280	0.048%
7 December 2010	6 606	97.00	6 606	0.044%
10 December 2010	7 074	98.30	7 074	0.047%
17 December 2010	7 802	103.80	7 802	0.052%
27 December 2010	8 632	104.90	8 632	0.057%
31 December 2010	7 201	104.40	7 201	0.048%
11 January 2011	11 412	104.90	11 412	0.076%
18 January 2011	10 662	98.10	10 662	0.071%
24 January 2011	11 651	101.70	11 651	0.077%
10 February 2011	5 385	102.20	5 385	0.036%
31 March 2011	1 170	105.90	1 170	0.008%
16 June 2011	12 005	105.90	12 005	0.070%
12 July 2011	17 246	105.80	17 246	0.114%
3 August 2011	17 257	105.90	17 257	0.114%
17 August 2011	13 451	92.70	13 451	0.089%
19 August 2011	10 218	92.65	10 218	0.068%
23 August 2011	12 344	93.10	12 344	0.082%
25 August 2011	20 798	91.10	20 798	0.138%
5 September 2011	17 013	92.75	17 013	0.113%
13 September 2011	19 750	99.60	19 750	0.131%
20 September 2011	19 414	96.10	19 414	0.128%
30 September 2011	17 399	96.40	17 399	0.115%
12 October 2011	18 976	96.75	18 976	0.126%
19 October 2011	18 868	98.70	18 868	0.125%
24 October 2011	2 964	99.65	2 964	0.020%
24 October 2011	2 913	103.50	2 913	0.019%

By the end of the programme, the Company acquired 402 344 shares, entitling to 402 344 votes (2.662%) at the Issuer's general meeting and constituting 2.662% of the Issuer's share capital.

The shares were purchased from a brokerage firm with which the Company executed an agreement on 21 September 2010 concerning buyback of shares and their further sale to Emperia Holding S.A. The share purchase transactions were carried out in accordance with Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.

On 19 October 2011, pursuant to art. 56 sec. 1, point 1 of the Act of 29 July 2005 on Public Offerings and the Terms and Conditions for Introduction of Financial Instruments to an Organised System of Trading and on Public Companies (Polish Journal of Laws of 2009 no. 185, item 1439) and art. 4 sec. 2 of Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments (Official Journal EU L 336/33 of 23 December 2003), Emperia Holding S.A.'s Management Board adopted a resolution concerning the "Emperia Holding S.A.'s second buyback programme" and on commencement by Emperia Holding S.A. of the buyback programme in accordance with an authorisation granted through resolution 2 of Emperia Holding S.A.'s extraordinary general meeting of 13 October 2010 and resolutions of Emperia Holding S.A.'s Supervisory Board: 16/2011 of 18 July 2011 and 31/2011 of 18 October 2011. The buyback programme concerned shares constituting up to 25% of the Company's share capital, which are listed on the WSE's main market. Funds used to buy shares in the Company may not exceed PLN 25 000 000. The programme will be completed on 30 September 2012 at the latest. The shares will be purchased with the intermediation of a brokerage firm that will buy them on its own account via transactions on the WSE and in accordance with the terms of the buyback programme.

Number of shares purchased, purchase price and % of the Company's share capital under the second buyback programme:

(amounts in PLN 000s, unless stated otherwise)

Transaction date	Number of purchased shares	Price per share, in PLN	Number of votes at GM	% of share capital
2 November 2011	21 233	106.90	21 233	0.140%
10 November 2011	19 424	111.50	19 424	0.129%
21 November 2011	18 651	119.30	18 651	0.123%
30 November 2011	20 693	117.80	20 693	0.137%
7 December 2011	17 574	116.40	17 574	0.116%
23 December 2011	22 577	114.10	22 577	0.149%

Throughout both of the programmes until 31 December 2011, the Company acquired 522 496 shares, entitling to 522 496 votes (3.457%) at the Issuer's general meeting and constituting 3.457% of the Issuer's share capital.
Number of shares purchased, purchase price and % of the Company's share capital under the second buyback programme in 2012:

Transaction date	Number of purchased shares	Price per share, in PLN	Number of votes at GM	% of share capital
5 January 2012	17 283	117.10	17 283	0.114%
19 January 2012	21 763	117.30	21 763	0.144%
2 February 2012	23 427	117.00	23 427	0.155%
16 February 2012	16 358	113.40	16 358	0.108%
29 February 2012	11 056	108.90	11 056	0.073%
8 March 2012	7 632	110.20	7 632	0.050%

On 8 March 2012, the Company completed the second buyback programme as it used up the PLN 25 000 000 earmarked for this purpose by the general meeting.
Under the second programme, the Company acquired 217 671 shares, entitling to 217 671 votes (1.440%) at the Issuer's general meeting and constituting 1.440% of the Issuer's share capital.
Throughout both of the programmes until 31 December 2011, the Company acquired 620 015 shares, entitling to 612 383 votes (4.102%) at the Issuer's general meeting and constituting 4.102% of the Issuer's share capital.
The shares were purchased from a brokerage firm with which the Company executed an agreement concerning buyback of shares and their further sale to Emperia Holding S.A. on 11 October 2011. The share purchase transactions were carried out in accordance with Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.

Note 18

Retained earnings	31 Dec 2013	31 Dec 2012
Profit for the period	12 177	13 593
Total retained earnings	**12 177**	**13 593**

Note 19

Credit facilities, loans, debt instruments and other non-current financial liabilities	31 Dec 2013	31 Dec 2012
Credit facilities	-	-
Loans	-	-
Debt instruments	-	-
Finance leasing	-	-
Total credit facilities, loans, debt instruments and other non-current financial liabilities	**-**	**-**

(amounts in PLN 000s, unless stated otherwise)

Information on guarantees and sureties issued and received - current year

Surety / guarantee	Issued / received	Type of entity receiving - external / related party	Contractual value	Currency	Value as at 31 December 2012	Contractual expiry date
Guarantee Orlen	Issued	External	10	PLN	10	indefinite
Guarantee Orlen	Issued	External	35	PLN	35	indefinite
Guarantee Orlen	Issued	External	35	PLN	35	indefinite
Guarantee Orlen	Issued	External	2 130	PLN	2 130	indefinite
Guarantee Orlen	Issued	External	18	PLN	18	indefinite
Guarantee Orlen	Issued	External	18	PLN	18	indefinite
Surety	Issued	External	6 000	PLN	6 000	2014-06-23
Surety	Issued	External	500	PLN	500	2014-06-23
Surety	Issued	External	350	PLN	350	2014-10-31
Surety	Issued	External	500	PLN	500	2014-01-29
Surety	Issued	External	500	PLN	500	2014-01-29
Surety	Issued	External	500	PLN	500	2014-12-31
Surety	Issued	External	500	PLN	500	2014-06-30
Surety	Issued	External	1 500	PLN	1 500	2014-06-30
Surety	Issued	External	1 000	PLN	1 000	2014-06-30
Surety	Issued	External	500	PLN	500	2014-12-31
Surety	Issued	External	600	PLN	600	2014-06-30
Surety	Issued	External	1 400	PLN	1 400	2014-12-31
Surety	Issued	External	1 000	PLN	1 000	2014-08-07
Surety	Issued	External	18 000	PLN	18 000	2014-08-30
Surety	Issued	External	25 000	PLN	25 000	2014-07-30
			60 096		**60 096**	

Information on guarantees and sureties issued and received - as at 31 December 2012

Guarantee / surety	Issued / received	Type of entity receiving - external / related party	Contractual value	Currency	Value as at 31 December 2012	Contractual expiry date
Guarantee Orlen	Issued	External	10	PLN	10	indefinite
Guarantee Orlen	Issued	External	35	PLN	35	indefinite
Guarantee Orlen	Issued	External	35	PLN	35	indefinite
Guarantee Orlen	Issued	External	135	PLN	135	indefinite
Guarantee Orlen	Issued	External	18	PLN	18	indefinite
Guarantee Orlen	Issued	External	18	PLN	18	indefinite
Guarantee Avery Investments	Issued	External	157	PLN	157	2013-01-06
			408		408	

(amounts in PLN 000s, unless stated otherwise)

Note 20

Non-current liabilities	31 Dec 2013	31 Dec 2012
Collateral (rent)	15	-
Other	-	-
Total	**15**	**-**

Note 21

Provisions	31 Dec 2013	31 Dec 2012
Employee benefit provisions	**412**	**463**
a) retirement pay	*21*	*29*
b) unused vacation time	*70*	*123*
c) annual pay bonuses	*320*	*311*
Other provisions	**518**	**22**
a) audit of financial statements	*18*	*22*
b) penalty from KNF	*500*	*-*
Total provisions	**930**	**485**

Provisions	31 Dec 2013	31 Dec 2012
Non-current	**21**	**29**
a) retirement pay	*21*	*29*
Current	**909**	**456**
a) retirement pay	*-*	*-*
b) unused vacation time	*70*	*123*
c) annual pay bonuses	*321*	*311*
d) audit of financial statements	*18*	*22*
e) penalty from KNF	*500*	*-*
Total provisions	**930**	**485**

Change in employee benefit provisions	31 Dec 2013	31 Dec 2012
Employee benefit provision - retirement pay - as at the beginning of period	**29**	**92**
Increases	*-*	*10*
Decreases	*(8)*	*(73)*
Employee benefit provision - retirement pay - as at the end of period	**21**	**29**
Employee benefit provision - unused vacation time - as at the beginning of period	**123**	**483**
Increases	*-*	*-*
Decreases	*(53)*	*(360)*
Employee benefit provision - unused vacation time - as at the end of period	**70**	**123**
Employee benefit provision - annual pay bonuses - as at the beginning of period	**311**	**888**
Increases	*449*	*905*
Decreases	*(439)*	*(1 482)*
Employee benefit provision - annual pay bonuses - as at the end of period	**321**	**311**

(amounts in PLN 000s, unless stated otherwise)

Employee benefit provisions as at the beginning of period	**463**	**1 463**
Increases	*449*	*915*
Decreases	*(500)*	*(1 915)*
Employee benefit provisions as at the end of period	**412**	**463**

The recognition and reversal of provisions were recorded in administrative expenses in the statement of profit and loss for 2013.
The remaining provisions, in the amount of PLN 500 000, concern KNF's decision DPP/WPAI/476/23/2013/AD of 3 September 2013. As at the date on which these financial statements were prepared, the Company's motion to re-examine the case is under review.

Note 22

Deferred tax provisions	31 Dec 2013	31 Dec 2012
Deferred income tax provisions at the beginning of period, including:	**784**	**555**
a) recognised through profit or loss	*784*	*555*
Increases	**-**	**678**
a) recognised through profit or loss	*-*	*678*
Decreases	**(164)**	**(449)**
a) recognised through profit or loss	*(164)*	*(449)*
Deferred income tax provisions at the end of period, including:	**620**	**784**
a) recognised through profit or loss	*620*	*784*

Deferred income tax provisions, the basis of which are temporary differences resulting from:	31 Dec 2013	31 Dec 2012
Write off of discount on bonds purchased	37	176
Interest accrued	1	16
Difference between the balance sheet value and tax value of tangible assets	582	592
Deferred income tax provisions at the end of period	**620**	**784**

Note 23

Credit facilities, loans, debt instruments and other current financial liabilities	31 Dec 2013	31 Dec 2012
Credit facilities	-	-
Loans	-	-
Debt instruments	-	-
Finance leasing	-	-
Measurement of other financial instruments	-	-
Total credit facilities, loans, debt instruments and other current financial liabilities	**-**	**-**

(amounts in PLN 000s, unless stated otherwise)

Issued bonds

2013:

In 2013, the Company did not issue or redeem bonds.

2012:
In 2012, the Company did not issue or redeem bonds.

Note 24

Current liabilities	31 Dec 2013	31 Dec 2012
For products and services	282	468
- including: towards related parties	*154*	203
For taxes and other state fees	275	482
Due to remuneration	124	149
Advances received for deliveries	120	-
- including: towards related parties	-	-
Other liabilities	733	55
- including: towards related parties	*14*	-
Total liabilities	**1 534**	**1 154**

Trade payables - turnover analysis	31 Dec 2013	31 Dec 2012
up to 1 month	268	318
1 - 3 months	1	1
3 - 6 months	-	-
6 - 12 months	-	-
over 1 year	-	-
overdue	13	149
Total liabilities	**282**	**468**

Aging structure of overdue trade payables	31 Dec 2013	31 Dec 2012
up to 1 month	13	149
1 - 3 months	-	-
3 - 6 months	-	-
6 - 12 months	-	-
over 1 year	-	-
Total overdue liabilities	**13**	**149**

Trade payables are settled within the contractual deadlines, which range from seven to 21 days.

A detailed description of related-party transactions is presented in note 45.

Note 25

Deferred revenue, by title	31 Dec 2013	31 Dec 2012
Refund of transport-related damages	16	2
Refund of tangible and intangible asset purchases, settled in time	-	-
Advances for supplies of products to be sold in future periods	-	-
Total deferred revenue, by title	**16**	**2**

(amounts in PLN 000s, unless stated otherwise)

Note 26

Net revenue from sales of products and services (product structure - types of activities)	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Sale of products	-	-
including: to related parties	-	-
Sale of services	6 362	11 414
including: to related parties	*4 088*	*4 601*
Total net revenue from sale of products and services	**6 362**	**11 414**
including: to related parties	*4 088*	*4 601*

Net revenue from sales of products and services (geographical structure)	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Domestic	6 362	11 371
including: to related parties	*4 088*	*4 601*
Export	-	43
including: to related parties	-	-
Total net revenue from sale of products and services	**6 362**	**11 414**
including: to related parties	*4 088*	*4 601*

Note 27

Net revenue from sales of goods for resale and materials (product structure - types of activities)	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Sale of goods for resale and materials	34	741
including: to related parties	*34*	-
Total net revenue from sale of goods for resale and materials	**34**	**741**
including: to related parties	*34*	-

Total net revenue from sale of goods for resale and materials (geographical structure)	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Domestic	34	741
including: to related parties	*34*	-
Export	-	-
including: to related parties	-	-
Total net revenue from sale of goods for resale and materials	**34**	**741**
including: to related parties	*34*	-

Note 28

Other operating revenue	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Gain on disposal of non-financial assets	694	2 008
Impairment of assets	163	213
Other operating revenue	115	130
Total other operating revenue	**972**	**2 351**

Impairment of non-financial assets		
Recognition of receivables impairment losses (negative value)	*(23)*	*(112)*
Reversal of receivables impairment	*186*	*325*
Impairment of financial and non-financial assets	**163**	**213**

(amounts in PLN 000s, unless stated otherwise)

Other operating revenue		
Proceeds from refund of tangible-asset purchases	-	-
Compensation from transport insurance	53	12
Compensation from property and other insurance	-	2
Inventory surplus	-	-
Returned receivables written off	-	-
Awarded legal costs	57	64
Considerations for timely payment of tax	-	45
Liabilities written-off	-	-
Other revenue	5	8
Total other operating revenue	**115**	**130**

Note 29

Costs by nature	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Depreciation	(1 706)	(1 658)
Use of materials and energy	(955)	(1 068)
Third-party services	(4 570)	(12 472)
Salaries	(2 142)	(3 598)
Employee benefits	(316)	(604)
Taxes and fees	(455)	(79)
Other costs	(56)	(262)
Total costs by nature	**(10 200)**	**(19 741)**
Distribution costs	-	-
Administrative expenses	(3 802)	(9 128)
Cost of manufacture of products sold	(6 398)	(10 613)

During 2012-2013, depreciation was fully recorded in administrative expenses.

Employment costs		
Salaries	(2 142)	(3 598)
- including: management options programme	-	-
Social security	(300)	(540)
In-house social security fund	(7)	(41)
Training	(14)	(14)
Other	5	(9)
Total employment costs	**(2 458)**	**(4 202)**

Fees to entities authorised to audit the financial statements		
Review and audit of financial statements	46	50
Due diligence	-	-
Tax advisory	-	-
Accounting advisory	-	18
Total remuneration to entities authorised to audit financial statements	**46**	**68**

On 10 July 2013, the Company signed an agreement with ECA Seredyński i Wspólnicy Sp.k., based in Kraków, concerning review of semi-annual financial statements and audit of annual financial statements (separate and consolidated) for 2013. The fee for the above services was PLN 32 000 net.

(amounts in PLN 000s, unless stated otherwise)

Note 30

Other operating expenses	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Loss on disposal of non-financial assets	-	-
Impairment of assets	-	-
Other operating expenses	(773)	(2 519)
Total other operating expenses	**(773)**	**(2 519)**

Impairment of assets		
Recognition of impairment losses on property, plant and equipment (negative value)	-	-
Reversal of impairment losses recognised on property, plant and equipment (positive value)	-	-
Recognition of receivables impairment losses (negative value)	-	-
Reversal of receivables impairment (positive value)	-	-
Total impairment of assets	**-**	**-**

Other operating expenses		
Donations	(3)	(5)
Transport-related damages	(70)	(11)
Property-related damages	-	(2)
Investment property maintenance costs	-	-
Legal costs	(64)	(2 162)
Non-mandatory contributions	(1)	(12)
KNF provision	(500)	-
VAT	(72)	(270)
Damages and compensation	(62)	(20)
Value of lost equipment	-	(37)
Other costs	(1)	-
Total other operating expenses	**(773)**	**(2 519)**

Information on changes in the impairment of receivables is presented in note 11.

Note 31

Finance income	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Dividends received, including:	5 774	7 880
- from related parties	*5 774*	*7 880*
Interest, including:	11 512	15 701
- from related parties	*8 831*	*9 767*
Gain on disposal of investments	-	-
Other finance income	164	167
- from related parties	*90*	*116*
Total finance income	**17 450**	**23 748**

Interest income on bonds		
Interest on borrowings	696	1 307
- from related parties	*696*	*1 307*

(amounts in PLN 000s, unless stated otherwise)

Interest on bank deposits	2 644	5 872
Interest on overdue receivables	44	106
- from related parties	*6*	*45*
Interest on bonds	8 128	8 416
- from related parties	*8 128*	*8 416*
Other interest	-	-
- from related parties	-	-
Total interest income	**11 512**	**15 701**

Other finance income		
Proceeds from collateral issued	90	75
- from related parties	*90*	*71*
Share of insurers' profits	74	47
Gain on liquidation of legal entity	-	45
- from related parties	-	*45*
Total other finance income	**164**	**167**

Income from collateral provided covers Emperia Holding S.A.'s fees from subsidiaries for credit collateral issued to these companies. The collateral provided in 2013 comprised sureties and guarantees.

Note 32

Finance costs	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Interest, including:	(3)	(59)
- towards related parties	-	-
Loss on disposal of investments	-	-
Other finance costs	-	(40)
Total finance costs	**(3)**	**(99)**

Interest costs		
Interest on bank credit	-	-
Interest on finance leasing	-	-
- including: from related parties	-	-
Interest on overdue receivables	(3)	(25)
- including: from related parties	-	-
Interest on issued bonds	-	-
- including: from related parties	-	
Statutory interest	-	(34)
Other interest	-	-
- including: from related parties	-	-
Total interest costs	**(3)**	**(59)**

Other finance costs		
Negative exchange differences	-	-
Impairment of goodwill of shares in Tradis S.A.	-	(40)
Total other finance costs	**-**	**(40)**

(amounts in PLN 000s, unless stated otherwise)

In the presented reporting periods, there were no situations where the Company was obligated to capitalise interest.

Profit or loss, by category of instrument		
Interest income		
Bank deposits	2 644	5 872
Bonds	8 128	8 416
Loans issued	696	1 307
Trade receivables	44	106
Other	-	-
Total interest income	**11 512**	**15 701**
Interest costs		
Short- and long-term credit facilities	-	-
Finance leasing	-	-
Issued bonds	-	-
Loans received	-	-
Trade payables	(3)	(25)
Other	-	-
Total interest costs	**(3)**	**(25)**

Note 33

Current income tax	**12 months ended 31 Dec 2013**	**12 months ended 31 Dec 2012**
Profit before tax	**13 825**	**15 316**
Revenue not subject to taxation, according to tax regulations (decreasing the tax base)	**6 119**	**12 406**
Finance income	*5 976*	*12 144*
Other operating revenue	*143*	*262*
Items creating taxable revenue and increasing the tax base	**1 076**	**306**
Finance income	*1 066*	*56*
Other operating revenue	*10*	*250*
Costs and losses not recognised as tax deductible expenses increasing the tax base	**2 963**	**6 653**
Operating expenses	*2 358*	*2 932*
Finance costs	*2*	*3 227*
Other operating expenses	*603*	*494*
Items increasing tax deductible expenses, decreasing tax base	**2 283**	**3 805**
Taxable income	**9 462**	**6 064**
Remaining to be deducted from profit		
Coverage of loss brought forward		
Income tax base	**9 462**	**6 064**
Income tax, using the 19% rate	**1 798**	**1 152**
Increase of tax due to prior-period corrections		-
Current income tax, calculated for the reporting period	**1 798**	**1 152**

Effective tax rate	**12 months ended 31 Dec 2013**	**12 months ended 31 Dec 2012**

Gross profit	**13 825**	**15 316**
Tax in profit or loss	1 648	1 723
Preliminary effective tax rate	11,9%	11,2%
Explanations		
Differences on deferred tax	-	-
Tax effects of non-taxable revenues, according to tax regulations	1 109	2 129
Tax effects of non-deductible costs, according to tax regulations	(130)	(942)
After taking into consideration the explanations	978	1 187
Effective tax rate after explanations	19%	19%
Income tax at the 19% rate	2 627	2 910
Tax at the effective rate	2 627	2 910

The effective tax rate was mainly affected by dividends received from subsidiaries.

Note 34

Deferred income tax recorded in profit or loss	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Decrease (increase) from recognition and reversal of temporary differences	150	(571)
Decrease (increase) from change in tax rates	-	-
Decrease (increase) from previously unrecognised tax loss, tax benefits or prior-period temporary differences	-	-
Decrease (increase) from impairment of deferred income tax assets or lack of option to use deferred income tax provisions	-	-
Total deferred income tax recorded in profit or loss	**150**	**(571)**
Deferred income tax recorded outside of profit or loss	**-**	**-**

Note 35

Earnings per share	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Profit for the period	12 177	13 593
Profit for the period, annualised	12 177	13 593
Weighted average number of shares	14 235 425	14 503 689
Net earnings per share, annualised	0.86	0.94
Diluted earnings per share	0..86	0.94

Note 36

Profit allocation proposed by the Management Board	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Profit for the period, including:	12 177*	13 593
dividend	-	*13 593*
supplementary capital	-	-
reserve capital	-	-

* As at the date on which these financial statements were prepared, the Management Board did not adopt a resolution on allocation of profit for 2013.

(amounts in PLN 000s, unless stated otherwise)

Note 37

Cash and cash equivalents structure	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Cash on hand		
- as at the beginning of period	-	-
- as at the end of period	-	-
Cash instruments in bank accounts		
- as at the beginning of period	*73 300*	*2 638*
- as at the end of period	*89 400*	73 300
Other cash instruments		
- as at the beginning of period	-	-
- as at the end of period	*155*	-
Total cash		
- as at the beginning of period	**73 300**	***2 638***
- as at the end of period	**89 555**	**73 300**

Note 38

Reconciliation of changes in certain items of the statement of financial position and changes in those items in cash flows	12 months ended 31 Dec 2013	12 months ended 31 Dec 2012
Change in receivables	**(8 189)**	**18 520**
- balance sheet change in receivables	*(7 512)*	*1 113 048*
- correction due to receivables on redemption of equity interests in subsidiaries	-	*(1 090 000)*
- change in receivables connected with disposal of property, plant and equipment	*(677)*	*(4 528)*
Change in liabilities	**(271)**	**(14 870)**
- change in liabilities	*395*	*(14 969)*
- change in liabilities connected with purchase of property, plant and equipment	*(666)*	*99*
Other corrections:	**-**	**-**
- cost of management options	-	-

Note 39

Dividends paid

On 4 June 2013, Emperia Holding S.A.'s General Meeting adopted resolution 5 on distribution of the 2012 profit. Pursuant to the resolution, of the net profit generated in 2012, amounting to PLN 13 593 377.58, PLN 13 480 485.78 - or PLN 0.93 per share - was allocated to dividend. In accordance with the resolution, entitled to dividend were shareholders who held shares on 12 June 2013 (ex-dividend date), and the dividend payment date was 26 June 2013.
On 13 June 2013, the number of shares subject to dividend payment was changed as a result of the buy-back programme being carried out by subsidiary P1 Sp. z o.o. Given the above, the net profit allocated to dividend was PLN 13 371 909.21.

Note 40

Company operations presented by operating activities, investing activities and financing activities in the statement of cash flows

I. Cash flows from operating activities include:

1) Net profit, adjusted by:

- changes in inventory, receivables and liabilities connected with operating activities during the period,

- non-monetary items, such as depreciation, provisions, deferred tax, unrealised profit and losses on exchange differences,
- other items that give rise to cash flows from financing activities or investing activities.

II. Cash flows from investing activities include:

1) Proceeds from the sale of:
- property, plant and equipment items,
- equity interests and other financial asset items,
- securities held for trading.

2) Expenditures connected with the purchase of:
- property, plant and equipment items,
- equity interests and other financial asset items,
- securities held for trading.

3) Proceeds from repayment of short- and long-term loans issued by the Company to other entities, along with interest
4) Expenditures connected with issue of long-term loans to other entities.
5) Dividend income.
6) Interest on bank deposits.

III. Cash flows from financing activities include:

1) Proceeds from borrowings incurred, both long-term and short-term.
2) Expenditures connected with:
- debt servicing costs,
- repayment of borrowings,
- repayment of interest on borrowings.

3) Proceeds from equity issuance.
4) Expenditures connected with equity issue costs.
5) Expenditures connected with dividend and other payments to owners.
6) Expenditures resulting from "other finance income," except for interest on borrowings, interest on bank deposits and profit on sale of securities held for trading recognised under investing activities.
7) Expenditures resulting from "other finance costs," except for losses on sale of securities held for trading recognised in cash flows from investing activities.

Note 41 Collateral for liabilities, and contingent liabilities

Off-balance sheet liabilities concern collateral for credit facilities and bank guarantees provided to the Group as well as security interests. In addition, the majority of suppliers provide the Group with deferred payment terms (trade credit), secured by in blanco promissory notes.

Changes in off-balance sheet liabilities - current year	Credit facilities	Bank guarantees	Security interests
Mortgages			
As at the beginning of period	-	-	-
Increases during the period	-	-	-
Decreases during the period	-	-	-
As at the end of period	-	-	-
Transfer of ownership / pledge / assignment of current assets			
As at the beginning of period	-	-	-
Increases during the period	-	-	-

(amounts in PLN 000s, unless stated otherwise)

Decreases during the period	-	-	-
As at the end of period	**-**	**-**	**-**
Transfer of ownership / pledge / assignment of non-current assets			
As at the beginning of period	**-**	**-**	**-**
Increases during the period	-	-	-
Decreases during the period	-	-	-
As at the end of period	**-**	**-**	**-**
Guarantees			
As at the beginning of period	**-**	**157**	**251**
Increases during the period	-	*43 000*	*21 845*
Decreases during the period	-	*(157)*	*(5 000)*
As at the end of period	**-**	**43 000**	**17 096**

Changes in off-balance sheet liabilities - previous year	Credit facilities	Bank guarantees	Security interests
Mortgages			
As at the beginning of period	**-**	**-**	-
Increases during the period	-	-	-
Decreases during the period	-	-	-
As at the end of period	**-**	**-**	**-**
Transfer of ownership / pledge / assignment of current assets			
As at the beginning of period	**-**	**-**	**-**
Increases during the period	-	-	-
Decreases during the period	-	-	-
As at the end of period	**-**	**-**	**-**
Transfer of ownership / pledge / assignment of non-current assets			
As at the beginning of period	**-**	**-**	**-**
Increases during the period	-	-	-
Decreases during the period	-	-	-
As at the end of period	**-**	**-**	**-**
Guarantees			
As at the beginning of period	**128 576**	**7 177**	**2 744**
Increases during the period	-	*74*	-
Decreases during the period	*(128 576)*	*(7 094)*	*(2 493)*
As at the end of period	**-**	**157**	**251**

(amounts in PLN 000s, unless stated otherwise)

Note 42 Financial and operating leasing

2013:

As at 31 December 2013, the Company did not have any operating leasing liabilities.

Arrangements containing a lease component in accordance with IFRIC 4

Asset	Term of agreement	As at 31 Dec 2013	As at 31 Dec 2014	1 - 5 years	Over 5 years
			Minimum annual payment		
Property	*specified*	1 060	-	-	-
	unspecified	2	12	48	60
Technical equipment and machinery	*specified*	-	-	-	-
	unspecified	9	9	36	45
Means of transport	*specified*	-	-	-	-
	unspecified	-	-	-	-
Other property, plant and equipment	*specified*	-	-	-	-
	unspecified	-	-	-	-

A 10-year period has been adopted for agreements with an undefined term.

2012:

As at 31 December 2012, the Company did not have any operating leasing liabilities.

Asset	Term of agreement	As at 31 Dec 2012	As at 31 Dec 2013	1 - 5 years	Over 5 years
			Minimum annual payment		
Property	*specified*	3 323	1 540	1 336	-
	unspecified	1 146	734	2 308	2 885
Technical equipment and machinery	*specified*	-	-	-	-
	unspecified	28	28	112	140
Means of transport	*specified*	-	-	-	-
	unspecified	-	-	-	-
Other property, plant and equipment	*specified*	-	-	-	-
	unspecified	-	-	-	-

A 10-year period has been adopted for agreements with an undefined term.

Note 43 Liabilities towards central or local government authorities for acquisition of ownership rights to buildings and structures

The Company does not have liabilities towards central or local government authorities for acquisition of ownership rights to buildings and structures.

Note 44 Liabilities incurred in connection with the purchase of property, plant and equipment

The Company did not record any such events during the reporting period.

(amounts in PLN 000s, unless stated otherwise)

Note 45 Emperia Holding S.A.'s related-party transactions

In 2013, Emperia Holding S.A.'s transactions with related parties were made on market terms. Other than transactions in the ordinary course of business, related-party transactions included:
- equity transactions covering share capital increases at subsidiaries, exchange of equity interests - transactions of this type executed within the Group in 2013 are described in note 7.2.9 of the financial statements;
- equity transactions covering payment of dividend by subsidiaries - information about the level of dividends received by the Company is presented in note 31;
- short-term bonds were issued as part of the Group's cash flow management, as described in Note (not recorded in the table below);
- short-term loans were issued as part of the Group's cash flow management process - information on loans as at the end of the reporting period is presented in note 15.

Transactions with consolidated subsidiaries, figures (part 1):

Name of related party, with indication of legal form	Stokrotka Sp. z o.o.	Infinite Sp. z o.o.	Maro Markety Sp. z o.o.	Społem Tychy S.A.	Eldorado Sp. z o.o.	EKON Sp. z o.o.	P1 Sp. z o.o.	Elpro Ekon Sp. z o.o. S.K.A.
Receivables from	1 238	85	26	1	1	1	1	35
Payables towards	16	146	-	-	-	-	-	6
Proceeds from transactions with	124	21	-	65	-	-	-	616
Costs of transactions with	2 316	673	173	17	10	10	11	307
Purchase of services	161	1 420	-	-	-	-	-	31
Sale of services	2 588	744	89	16	12	12	14	384
Purchase of properties and other assets	-	19	-	-	-	-	-	29 699
Disposal of properties and other assets	122	895	-	-	-	-	-	15
Financing-related transfers (including loans and equity contributions), dividends - proceeds	7 004	5 774	26 402	11 992	13	-	-	27 000
Financing-related transfers (including loans and equity contributions), dividends - expenditures	50 394	-	-	-	63	100	-	-

Transactions with consolidated related parties, figures (part 2):

Name of related party, with indication of legal form	EMP	P3 Ekon Sp. z o.o.	P5 Ekon Sp. z o.o.
Receivables from	-	13	7
Payables towards	-	-	-
Proceeds from transactions with	-	-	-
Costs of transactions with	-	109	63
Purchase of services	-	-	-
Sale of services	-	138	79
Purchase of properties and other assets	-	8 600	-
Disposal of properties and other assets	-	-	-
Financing-related transfers (including loans and equity contributions), dividends - proceeds	-	-	-
Financing-related transfers (including loans and equity contributions), dividends - expenditures	321	-	-

(amounts in PLN 000s, unless stated otherwise)

Note 46 Information on employment, by full-time positions

2013:

Current year	Total	White collar workers	Blue collar workers
Employment	23.2	23.2	

2012:

Previous year	Total	White collar workers	Blue collar workers
Employment	30.9	30.9	

Note 47 Remuneration of management board and supervisory board members

As specified in the relevant regulations established by the Supervisory Board, the remuneration of Emperia Holding S.A.'s Management Board comprises a salary component and a pay bonus component.

Remuneration paid to Emperia Holding S.A.'s Management Board members in 2013 (cash basis):

	First and last name	Total salary	Pay bonus	Material considerations and sick pay	TOTAL
1	Kawa Artur	104.86	7.45	0.68	112.99
2	Kalinowski Dariusz	102.00	-	-	102.00
3	Baran Cezary	57.90	-	0.66	58.56
	TOTAL	**264.76**	**7.45**	**1.34**	**273.55**

Artur Kawa served as President of Emperia Holding S.A.'s Management Board until 10 March 2013 and as Managing Director until 9 April 2014.
Dariusz Kalinowski served as Vice-President of Emperia Holding S.A.'s Management Board until 10 March 2013 and as President since 11 March 2013.
Cezary Baran has served as Vice-President of Emperia Holding S.A.'s Management Board since 11 March 2013.

Remuneration paid to Emperia Holding S.A.'s Management Board members in 2013 for work at subsidiaries (cash basis):

	First and last name	TOTAL
1	Kawa Artur	8.60
2	Kalinowski Dariusz	406.19
3	Baran Cezary	219.03
	TOTAL	**633.82**

Cezary Baran was appointed to the management board of P1 Sp. z o.o. on 18 February 2013.
Artur Kawa served on the management board of P1 Sp. z o.o. until 9 April 2013.
In addition, all members of Emperia Holding S.A.'s Management Board serve on the board of directors of EMP Investment Ltd;

(amounts in PLN 000s, unless stated otherwise)

Measurement of costs relating to options due under options programmes - Emperia Holding S.A.:

	First and last name	2011 tranche	2010 tranche
1.	Kawa Artur	326.3	444.0
2.	Kalinowski Dariusz	276.9	333.0
3.	Baran Cezary	9.1	12.4
	TOTAL	**612.3**	**789.4**

Measurement of costs relating to options due under options programmes - subsidiaries:

Lp.	First and last name	2011 tranche	2010 tranche
1.	Kalinowski Dariusz	49.4	111.0
2.	Kawa Artur	-	-
3.	Baran Cezary	-	-
	TOTAL	**49.4**	**111.0**

Management Options Programme II 2010-2012

As group parent, Emperia Holding S.A. participated in the 2nd Management Options Programme - 2010-2012. The Programme was divided into three tranches, implemented successively in the following years: 2010, 2011 and 2012. The Programme's third tranche is yet to be implemented.

On 4 March 2010, Emperia Holding S.A.'s extraordinary general meeting adopted a resolution on implementation of the 2nd Incentive Programme - 2010-2012 and introduced changes to the Programme at a meeting on 6 December 2011.

The Programme is addressed to the management boards of the Company and subsidiaries as well as their key managers. The objective of the Programme was to create a long-term link between Emperia Group and high-quality specialists, to ensure proper growth and improved performance at the Group.

Key programme documents:

1. Resolution 2 of Emperia Holding S.A.'s extraordinary general meeting of 4 March 2010 on the Incentive Programme 2010-2012 Regulations and on the Incentive Programme;
2. Resolution 2 of Emperia Holding S.A.'s extraordinary general meeting of 6 December 2011 concerning changes to Resolution 2 of Emperia Holding S.A.'s extraordinary general meeting of 4 March 2010 on the Incentive Programme 2010-2012 Regulations and on the Incentive Programme;
3. Emperia Holding S.A.'s Management Options Regulations;
4. List of persons participating in the Programme, approved by Emperia Holding S.A.'s Supervisory Board.

Key programme assumptions:
Size of the programme: a maximum of 450 000 registered bonds with priority rights to ordinary bearer shares series P with a nominal value of PLN 1.00 each.
The bonds will be issued in three tranches. Under each of the tranches, the following quantities of bonds may be purchased by authorised persons:
- 150 000 bonds with rights to 150 000 shares under the 1st tranche,
- 150 000 bonds with rights to 150 000 shares under the 2nd tranche,

- 150 000 bonds with rights to 150 000 shares under the 3rd tranche.

The options programme will be implemented on the following dates:
- 1st tranche - from 1 July 2014 to 30 June 2018,
- 2nd tranche - from 1 July 2015 to 30 June 2019,
- 3rd tranche - from 1 July 2016 to 30 June 2020.

The par value and issue price of one bond is PLN 0.01. The option's base instrument is the Company's shares listed on the WSE.

The issue price of the shares offered under the programme constitutes the equivalent of the average closing share price on the WSE for the 90 days preceding the date on which Resolution 2, point 2 concerning the 2010-2012 Incentive Programme, is adopted, less 5%.

The options granted under each tranche are divided into two parts:
- Financial Part (constituting 75% of the tranche), granted if the Company's Financial Target is reached,
- Market Part (constituting 25% of the tranche), granted if the Company's Market Target is reached.

Financial Target: consolidated diluted net earnings per share of PLN 5.62 in 2010, PLN 6.75 in 2011 and PLN 8.10 in 2012. If the Financial Target is achieved in 100%, then 100% of the options will be granted. If the Financial Target is met only in 80% or less, then no options will be awarded.

Market Target: total return on investment in Emperia shares not lower than WIG.

- authorised persons must be continually employed between the date on which they are entered onto the list of authorised persons and 31 December of 2010, 2011 and 2012, depending on the tranche;

Resolution 2 of Emperia Holding S.A.'s extraordinary general meeting of 6 December 2011 concerning changes to Resolution 2 of Emperia Holding S.A.'s extraordinary general meeting of 4 March 2010 on the 2010-2012 Incentive Programme Regulations and on the Incentive Programme aims to:
- provide a more precise definition of the Financial Target for the purposes of the Incentive Programme - the Financial Target will not include results on transactions consisting of the sale of shares, companies, organised business units and properties to entities outside Emperia Group;
- provide a more precise method for determining the share issue price on the options exercise date in the event that the Company pays a dividend advance and/or dividend in the total amount exceeding 40% of the consolidated net profit for the previous year;
- specify the procedure for when an entity, acting individually or in concert, exceeds the 33% threshold in the total number of votes in the Company (acquisition of control).

The Group measured the programme at fair value on its inception, in accordance with IFRS 2. The measurements were prepared using modern financial engineering and numerical methods by an independent expert based on the Monte-Carlo valuation model.

The programme's fair value in 2011 was PLN 2 231 000 and PLN 3 391 000 in 2012. The programme's fair value is amortised throughout its duration. The programme's fair value is presented in the statement of profit and loss as management options programme costs, alongside an increase in supplementary capital.

The following were taken into consideration in measuring the 2011 tranche: an input price for the model (share price at the award date) of PLN 113 per share, instrument exercise price of PLN 79.82, expected change of 35%, risk-free interest rate of 5.5% and expected dividend: PLN 3.56 per share in 2012, PLN 4.56 per share in 2013, and assuming 15% dividend growth in subsequent years.

The following were taken into consideration in measuring the 2010 tranche: an input price for the model (share price at the award date) of PLN 75.50 per share, instrument exercise price of PLN 79.82, expected change of 39%, risk-free interest rate of 5.5% and expected dividend: PLN 0.92 per share in 2010, PLN 1.12 per share in 2011, PLN 1.35 per share in 2012 and PLN 1.60 per share in 2013, and assuming 15% dividend growth in subsequent years.

Remuneration of Emperia Holding S.A. Supervisory Board members in 2013:

	First and last name	Remuneration (in PLN 000s)
1	Długosz Piotr	15.43
2	Kawa Artur	27.77
3	Kowalczewski Michał	21.24
4	Krysztofiak Tomasz	21.96
5	Laskowski Artur	43.20
6	Laskowski Piotr	21.96
7	Malec Andrzej	21.24
8	Wawerski Jarosław	43.20
	TOTAL	**216.00**

Piotr Długosz served as a supervisory board member until 9 April 2013.
Artur Kawa has served as a supervisory board member since 10 April 2013.
Michał Kowalczewski has served as a supervisory board member since 4 June 2013.
Tomasz Krysztofiak served as a supervisory board member until 3 June 2013.
Piotr Laskowski served as a supervisory board member until 3 June 2013.
Andrzej Malec has served as a supervisory board member since 4 June 2013.

Note 48 Information about outstanding advances, credit facilities, loans and guarantees issued to supervisory board and management board members

Emperia Holding S.A. does not have any receivables due to advances, credit facilities, loans or guarantees issued to the members of the Management Board or Supervisory Board, their spouses and relatives.

Note 49 Financial instruments and assessment of the associated risks

1. Financial risk management

The Group's operations are exposed to the following financial risks:

a) Credit risk
b) Liquidity risk
c) Market risk
    - Currency risk
    - Interest rate risk
    - Other pricing risk

<u>a) credit risk</u> – risk that one of the parties to a financial instrument fails to meet its obligations, causing the Company to incur financial losses. Credit risk concerns receivables, cash and cash equivalents, bank deposits, purchased bonds and collateral provided. The retail segment is not significantly exposed to this type of risk. The segment's sales are to retail customers, in cash or via payment cards.
The Company places its cash at reliable financial institutions (selected based on ratings). Bonds are short-term bonds issued by Group companies.
Credit risk at the Company is insignificant.

<u>b) liquidity risk</u> – risk that the Company will have difficulties in meeting its liabilities resulting from financial commitments. The Company ensures that liquidity is maintained at an appropriate, safe level. After budget

preparations, the Company requests appropriate credit lines at the financial institutions with which it cooperates. As regards external financing, the Company uses credit facilities and bonds issued by selected Group companies. Aside from financing operations, bonds also play a role in the optimisation of liquidity within the Group. Cooperation with numerous financial institutions that provide secured financial instruments diversified liquidity risk. Financial personnel monitor the Company's and Group's financial situation and payment capacity on an on-going basis. Liquidity risk at the Company is insignificant.
c) market risk – risk that the fair value of a financial instrument or future cash flows related therewith will be subject to fluctuations due to changes in market prices. This risk covers three types of risk: currency risk, interest rate risk and other pricing risk

currency risk – risk that the fair value of a financial instrument or future cash flows related therewith will be subject to fluctuations due to changes in exchange rates. This risk does not apply to the Company. The Company does not use any FX or foreign currency-denominated debt instruments.

interest rate risk – risk that the fair value of a financial instrument or future cash flows related therewith will be subject to fluctuations due to changes in market interest rates. The Company rarely allocates surplus funds to interest-bearing assets therefore the risk resulting from changes in interest rates is regarded as immaterial. Bond purchase transactions within the Group are the exception. These transactions are aimed at liquidity management at the Group, and changes in interest rates do not affect financial results (there are bi-directional, compensating cash flows).
The Company's main risk connected with interest rate changes has to do with debt instruments. The Company uses debt instruments with variable interest rates (bonds), which expose it to changes in cash flows as a result of changes in interest rates.

other pricing risk – risk that the fair value of a financial instrument or future cash flows related therewith will be subject to fluctuations due to changes in market prices (other than those resulting from interest rate risk or currency risk), regardless of whether such changes are caused by instrument- or issuer-specific factors or factors affecting all similar financial instruments that are traded on a market. The Company does not use financial instruments that carry pricing risk.

(amounts in PLN 000s, unless stated otherwise)

Classification of financial instruments as per IAS 39

Financial assets by balance sheet item	**2013** fair value	**2013** book value	**Classification of financial instruments as per IAS 39 (book value)**						Other (book value)
			Carried at fair value through profit or loss		Carried at fair value with changes in equity		Carried at amortised cost		
			Designated at initial recognition	Held for trading	Available for sale	Hedge accounting	Loans and receivables	Held to maturity	
Financial assets									
Shares	266 493	266 493	-	-	266 493	-	-	-	-
Short-term loans	6 496	6 496	-	-	-	-	-	6 496	-
Non-current collateral	-	-	-	-	-	-	-	-	-
Trade receivables	803	803	-	-	-	-	-	803	-
- Non-financial receivables other than the above	823	823	-	-	-	-	-	823	-
Debt instruments	152 131	152 131	-	-	-	-	-	152 131	-
Cash and cash equivalents	89 555	89 555	-	-	-	-	-	-	89 555
Assets classified as held for sale	3 012	3 012	-	-	3 012	-	-	-	-

Financial liabilities by balance sheet item	**2013** fair value	**2013** book value	**Classification of financial instruments as per IAS 39 (book value)**					Other (book value)	- - - - -
			Carried at fair value through profit or loss		Carried at amortised cost	Carried at fair value with changes in equity			
			Designated at initial recognition	Held for trading		Hedge accounting			
Financial liabilities									
Non-current collateral and other liabilities	15	15	-	-	15	-	-	-	-
Trade and other payables	282	282	-	-	282	-	-	-	-
Financial liabilities other than the above	977	977	-	-	977	-	-	-	-

(amounts in PLN 000s, unless stated otherwise)

Classification of financial instruments as per IAS 39

Financial assets by balance sheet item	**2012** fair value	**2012** book value	Classification of financial instruments as per IAS 39 (book value)						Other (book value)
			Carried at fair value through profit or loss		Carried at fair value with changes in equity		Carried at amortised cost		
			Designated at initial recognition	Held for trading	Available for sale	Hedge accounting	Loans and receivables	Held to maturity	
Financial assets									
Shares	266 022	266 022	-	-	266 022	-	-	-	-
Short-term loans	28 500	28 500	-	-	-	-	-	28 500	-
Non-current collateral	24	24	-	-	-	-	-	24	-
Trade receivables	824	824		-	-	-	-	824	-
- Non-financial receivables other than the above	1 664	1 664	-	-	-	-	-	1 664	-
Debt instruments	193 408	193 408	-	-	-	-	-	193 408	-
Cash and cash equivalents	73 300	73 300	-	-	-	-	-	-	73 300
Assets classified as held for sale									-

Financial liabilities by balance sheet item	**2012** fair value	**2012** book value	Classification of financial instruments as per IAS 39 (book value)					Other (book value)	
			Carried at fair value through profit or loss		Carried at amortised cost	Carried at fair value with changes in equity			- - - -
			Designated at initial recognition	Held for trading		Hedge accounting			
Financial liabilities									
Trade and other payables	468	468	-	-	468	-	-	-	-
Financial liabilities other than the above	204	204	-	-	204	-	-	-	-

(amounts in PLN 000s, unless stated otherwise)

Aging structure of financial assets that were overdue but not impaired as at the end of the reporting period
- aging structure of trade receivables overdue but not impaired as at the end of the reporting period

Period	Nominal value	Receivables not overdue, not impaired	Receivables overdue but not impaired up to 1 month	Receivables overdue but not impaired 1 - 3 months	Receivables overdue but not impaired 3 - 6 months	Receivables overdue but not impaired 6 months - 1 year	Receivables overdue but not impaired over 1 year
2013	803	343	384	64	1	3	9
2012	824	546	207	28	23	19	-

The remaining financial assets were not overdue as at the end of the reporting period.

Impairment of receivables due to credit losses

Impairment of receivables due to credit losses	31 Dec 2013	- including: trade receivables	31 Dec 2012
As at the beginning of period	**(4 445)**	**(1 276)**	**(5 779)**
Increases (resulting from acquisitions)	(23)	(23)	(112)
Release	186	75	325
Derecognised from statement of profit and loss	454	12	1 121
As at the end of period	**(3 828)**	**(1 212)**	**(4 445)**

Rules concerning recognition and reversal of impairment losses on receivables are presented in note 7.2.18.

(amounts in PLN 000s, unless stated otherwise)

Aging structure of financial liabilities

Item	Total liabilities	Liabilities due in:		
		Up to 1 year	1 - 3 years	Over 3 years
2013				
Credit facilities	-	-	-	-
Loans	-	-	-	-
Finance leasing	-	-	-	-
Long-term collateral retained	15	-	-	15
Debt instruments	-	-	-	-
Trade and other payables	282	282	-	-
Other liabilities	977	977	-	-
2012				
Credit facilities	-	-	-	-
Loans	-	-	-	-
Finance leasing	-	-	-	-
Non-current collateral	-	-	-	-
Debt instruments	-	-	-	-
Trade and other payables	468	468	-	-

Aging structure of financial liabilities overdue as at the end of the reporting period
- aging structure of trade payables overdue as at the end of the reporting period

Period	Total liabilities	Liabilities not overdue	Liabilities overdue Due in up to 1 month	Liabilities overdue Due in 1 - 3 months	Liabilities overdue Due in 3 - 6 months	Liabilities overdue Due in 6 months - 1 year	Liabilities overdue Due in over 1 year
2013	282	268	14	-	-	-	-
2012	468	320	148	-	-	-	-

The remaining financial liabilities were not overdue as at the end of the reporting period.

(amounts in PLN 000s, unless stated otherwise)

Sensitivity analysis

Interest rate risk - 1 January 2013 - 31 December 2013

Financial instruments by balance sheet items	Book value of financial instruments	Effect on financial result before tax (1% increase)	Effect on equity (assets available for sale) (1% increase)	Effect on financial result before tax (1% decrease)	Effect on equity (assets available for sale) (1% decrease)
Financial assets					
Shares	266 022	-	-	-	-
Short-term loans	6 496	7	-	(7)	-
Non-current collateral	-	-	-	-	-
Trade receivables	803	-	-	-	-
Non-financial receivables not mentioned above	823	-	-	-	-
Debt instruments	152 131	81	-	(81)	-
Cash and cash equivalents	89 555	26	-	(26)	-
cash on hand	-	-	-	-	-
cash at bank accounts	*89 400*	*26*	-	*(26)*	-
other cash instruments	*155*	-	-	-	-
Assets classified as held for sale	3 012	-	-	-	-
Financial liabilities					
Credit facilities	-	-	-	-	-
Finance leasing	-	-	-	-	-
Non-current					
Current					
Debt instruments	-	-	-	-	-
Long-term collateral	15	-	-	-	-
Trade and other payables	282	-	-	-	-
Financial liabilities other than the above	977	-	-	-	-
Total		**115**		**(115)**	

The Company did not publish sensitivity analyses for currency risk and other pricing risks because these are not applicable to the Company's operations in 2013.

(amounts in PLN 000s, unless stated otherwise)

Sensitivity analysis

Interest rate risk - 1 January 2012 - 31 December 2012

Financial instruments by balance sheet items	Book value of financial instruments	Effect on financial result before tax (1% increase)	Effect on equity (assets available for sale) (1% increase)	Effect on financial result before tax (1% decrease)	Effect on equity (assets available for sale) (1% decrease)
Financial assets					
Shares	266 022	-	-	-	-
Short-term loans	28 500	14	-	(14)	-
Non-current collateral	24	-	-	-	-
Trade receivables	824	1	-	(1)	-
Non-financial receivables not mentioned above	1 664	-	-	-	-
Debt instruments	193 408	84	-	(84)	-
Cash and cash equivalents	73 300	59	-	(59)	-
cash on hand	-	-	-	-	-
cash at bank accounts	*73 300*	*59*	-	*(59)*	-
Assets classified as held for sale	-	-	-	-	-
Financial liabilities					
Credit facilities	-	-	-	-	
Finance leasing	-	-	-	-	-
Non-current	-	-	-	-	-
Current	-	-	-	-	-
Debt instruments	-	-	-	-	-
Trade and other payables	468	-	-	-	-
Financial liabilities other than the above	204	-	-	-	-
Total		**156**		**(156)**	**-**

The Company did not publish sensitivity analyses for currency risk and other pricing risks because these are not applicable to the operations executed by the Company in 2012.

Profit or loss, by category of instrument

Interest income	1 January - 31 December 2013	1 January - 31 December 2012
Cash and cash equivalents	2 644	5 872
Debt instruments	8 128	8 416
Loans issued	696	1 307
Trade receivables	44	106
Receivables not mentioned above other than financial assets	-	-

	11 512	**15 701**

Interest costs	1 January - 31 December 2013	1 January - 31 December 2012
Short- and long-term credit facilities	-	-
Loans received	-	-
Finance leasing	-	-
Debt instruments	-	-
Trade and other payables	(3)	(25)
Financial liabilities other than the above	-	-
	(3)	**(25)**

Profit or loss, by category of instrument	1 January - 31 December 2013	1 January - 31 December 2012
Assets carried at fair value through profit or loss, including:	-	-
- measured in such manner at initial recognition	-	-
- held for trading	-	-
Assets available for sale (amount transferred from equity)	-	-
Loans and receivables (including interest income and costs)	900	1 601
- interest income and costs	737	1 388
- increases / decreases of receivables impairment	163	213
Investments held to maturity (including interest income and costs)	8 128	8 416
Liabilities measured at fair value through profit or loss, including:	-	-
- measured in such manner at initial recognition	-	-
- held for trading	-	-
Financial liabilities carried at amortised cost	(3)	(25)

Impairment losses	1 January - 31 December 2013	1 January - 31 December 2012
Assets available for sale	-	-
Loans and receivables	(477)	(1 234)
Investments held to maturity	-	-
	(477)	**(1 234)**

(amounts in PLN 000s, unless stated otherwise)

2. Equity risk management

The Company manages its equity so as to ensure its ability to continue as a going concern, taking into consideration planned investments, in order to generate returns for shareholders and provide benefits to other stakeholders, as well as to maintain the optimal capital structure so as to minimise its cost.

In line with market practices, the Company monitors its capital based on the equity ratio and credit facilities, loans and other financing sources to EBITDA.

The equity ratio is calculated as net property, plant and equipment (equity less intangible assets) divided by equity and liabilities.

The 'credit facilities, loans and other financing sources to EBITDA' ratio is calculated as credit facilities, loans and other financing sources divided by EBITDA. 'Credit facilities, loans and other financing sources' means the total value of liabilities due to credit facilities, loans and leasing, while EBITDA is defined as operating profit less depreciation.

In order to maintain financial liquidity and creditworthiness enabling to raise external capital at reasonable cost, the Company aims to maintain the equity ratio at no less than 0.5 and the 'credit facilities, loans and other financing sources to EBITDA' ratio at up to 2.0.

	31 Dec 2013	31 Dec 2012
Equity	580 702	581 897
Minus: intangible assets	(3 582)	(4 693)
Equity, less intangible assets	577 121	577 204
Balance sheet total	584 016	585 047
Equity ratio	**0.99**	**0.99**

	31 Dec 2013	31 Dec 2012
Operating profit	(3 622)	(8 333)
Plus: depreciation	1 706	1 658
EBIDTA	(1 915)	(6 675)
Credit facilities, loans and other financing sources	-	-
Ratios: Credit facilities, loans and other financing sources / EBIDTA	**-**	**-**

The Company was not subject to capital requirements in 2013 or 2012.

Significant events after the end of the reporting period

Purchase of shares in Emperia Holding by subsidiary P1

A buyback programme is being carried out pursuant to an authorisation issued through resolutions 3 and 4 of the Extraordinary General Meeting of Emperia Holding S.A. of 11 October 2012 concerning the meeting's approval for Emperia Holding S.A. and one of its subsidiaries to purchase own shares and specify the terms of such purchases, and on the execution by Emperia Holding S.A. and subsidiaries of certain agreements, as well as pursuant to resolution 5/09/2013 of Emperia Holding S.A.'s Supervisory Board of 12 September 2013. The programme is carried out with the intermediation of Millennium DM S.A. The shares purchased under the programme are to be redeemed by the Issuer.
From the commencement of the programme, P1 Sp. z o.o. acquired 92 799 shares, entitling to 92 799 votes (0.614%) at the Issuer's general meeting and constituting 0.614% of the Issuer's share capital.
P1 Sp. z o.o. and the Issuer held a total of 1 265 119 shares in the Issuer, entitling to 1 265 119 (8.370%) votes at the Issuer's general meeting and constituting 8.370% of the Issuer's share capital.
Transactions to purchase shares in the Issuer were in accordance with Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.

On 24 April 2013, Emperia Holding S.A. and P1 Sp. z o.o. executed an agreement concerning sale of own shares.

Termination of Distribution Agreement and Consignment Agreement between Stokrotka Sp. z o.o. and Tradis Sp. z o.o. (the "Supplier")

On 31 January 2013, subsidiary Stokrotka Sp. z o.o. terminated a Distribution Agreement, the subject of which was cooperation on supplies and deliveries of FMCG products, and a Consignment Agreement, based on which the Supplier purchases certain products in its own name but on the account of the Recipient. Both of the agreements were executed with Tradis Sp. z o.o. Stokrotka Sp. z o.o. used its right to terminate the agreements with a six-month notice, which will run out on 31 July 2013. Termination of the above agreements will not have a negative financial impact on the business of Stokrotka Sp. z o.o., Emperia Holding S.A. as well as the entire Emperia Group.

Supervisory Board member resignation

On 11 March 2013, the Management Board of Emperia Holding S.A. received Piotr Długosz's resignation as member of the Supervisory Board of Emperia Holding S.A., effective from 9 April 2013.

On 6 May 2013, the Management Board of Emperia Holding S.A. received Piotr Laskowski's resignation as member of the Supervisory Board of Emperia Holding S.A., effective from 3 June 2013.

On 4 June 2013, Tomas Krzysztofiak's mandate as member of Emperia Holding S.A.'s Supervisory Board expired in connection with the end of his three-year term.

Appointment of new Supervisory Board members at Emperia Holding S.A.

The Management Board of Emperia Holding S.A. announced that, in connection with the adoption of resolution 2 by Emperia Holding S.A.'s extraordinary general meeting on 10 April 2013 concerning appointment of a new member of the supervisory board and in connection with the adoption of Resolution 1/04/2013 by Emperia Holding S.A.'s management board on appointment of the chairperson of Emperia Holding S.A.'s supervisory board,
Artur Kawa took up the position of Supervisory Board Chairperson.
The Management Board of Emperia Holding S.A. announced that Emperia Holding S.A.'s ordinary general meeting of 4 June 2013 appointed the following persons to the supervisory board: Michał Kowalczewski and Andrzej Malec.
At the meeting of 17 June 2013, the Supervisory Board adopted resolution 1/06/2013 on appointment of Michał Kowalczewski as Deputy Chairperson of the Supervisory Board.

Resignation of the President of Emperia Holding S.A.'s Management Board

On 11 March 2013, Artur Kawa resigned as the President of the Management Board of Emperia Holding S.A. Mr. Kawa ceased to perform Management Board functions on 11 March 2013. As his replacement, Artur Kawa recommended Dariusz Kalinowski, the previous Vice-President of the Company's Management Board and President of the Management Board of Stokrotka Sp. z o.o., who has been with Emperia Group for 10 years.

Appointment of members of Emperia Holding S.A.'s Supervisory Board

On 11 March 2013, Emperia Holding S.A.'s Supervisory Board appointed Dariusz Kalinowski, formerly Vice-President of the Management Board, as the new President, and Cezary Baran as Management Board member.

Extraordinary General Meeting of Emperia Holding S.A.

An Extraordinary General Meeting of Emperia Holding S.A. was held on 10 April 2013, the subject of which was adoption of resolutions concerning appointment of a new member of the Supervisory Board and resolutions concerning amendment of the Company's articles of association.

Notification on increase in votes at Emperia Holding S.A.'s general meeting to over 10% held by a shareholder

On 24 May 2013, Emperia Holding S.A.'s Management Board received notification from ALTUS TFI S.A., stating that as a result of a transaction on 22 May 2013 ALTUS 29 FIZ exceeded the 10% threshold of votes at Emperia Holding S.A.'s general meeting.
Exceeding the 10% threshold by ALTUS 29 FIZ took place following the settlement, on 23 May 2013, of a block purchase transaction on 22 May 2013 of 198 922 shares in the Company from ALTUS 12 FIZ.
Prior to the settlement of the above transaction, the investment funds managed by ALTUS TFI S.A. held a total of 2 421 108 shares in the Company, constituting 16.02% of votes and 16.02% stake in the Company's share capital, including 1 510 756 shares (9.99% share in the total number of votes and in the Company's share capital) held by ALTUS 29 FIZ.
Following the settlement of the above transaction, the investment funds managed by ALTUS TFI S.A. held a total of 2 421 108 shares in the Company, constituting 16.02% of votes and 16.02% stake in the Company's share capital, including 1 709 678 shares (11.31% share in the total number of votes and in the Company's share capital) held by ALTUS 29 FIZ. Therefore, the total number of votes at the Company's general meeting held by the investment funds managed by ALTUS TFI S.A. did not change.
ALTUS TFI S.A. may consider buying or selling shares in the Company within the next 12 months, depending on market conditions, information coming from the company and the portfolio needs of funds managed by ALTUS TFI S.A.

Ordinary General Meeting of Emperia Holding S.A.

An Ordinary General Meeting of Emperia Holding S.A. was held on 4 June 2013. The subject of the meeting was review and approval of the management report on the Company's operations, review and approval of Emperia Holding S.A.'s 2012 financial statements, review and approval of the 2012 consolidated financial statements, adoption of resolution on profit distribution, grant of approval to Supervisory Board and Management Board members, adoption of resolutions on Supervisory Board appointments and adoption of resolutions of amendment to the Company's articles of association.

Notification on increase in votes at Emperia Holding S.A.'s general meeting to over 5% held by a shareholder

On 17 June 2013, Emperia Holding S.A.'s Management Board announced that, as a result of a block transaction to purchase 9 369 shares during a trading session on the main market managed by the Warsaw Stock Exchange between Millennium DM and P1 Sp. z o.o. (a subsidiary of the Issuer) on 17 June 2013, the Issuer and P1 together exceeded the 5% threshold of votes at the Issuer's general meeting. Prior to the transaction, the Issuer held 620 015 own shares, entitling to 620 015 (4.102%) votes at the Issuer's general meeting and constituting 4.102% of the Issuer's share capital. P1 Sp. z o.o. held 134 402 shares in the Issuer, entitling to 134 402 (0.889%) votes at the Issuer's general meeting and constituting 0.889% of the Issuer's share capital. P1 Sp. z o.o. and the Issuer held a total of 754 417 shares in the Issuer, entitling to 754 417 (4.991%) votes at the Issuer's general meeting and constituting 4.991% of the Issuer's share capital.
Following the transaction, the Issuer held 620 015 own shares, entitling to 620 015 (4.102%) votes at the Issuer's general meeting and constituting 4.102% of the Issuer's share capital. P1 Sp. z o.o. held 143 771 shares in the Issuer, entitling to 143 771 (0.951%) votes at the Issuer's general meeting and constituting 0.951% of the Issuer's share capital. P1 Sp. z o.o. and the Issuer held a total of 763 786 shares in the Issuer, entitling to 763 786 (5.053%) votes at the Issuer's general meeting and constituting 5.053% of the Issuer's share capital. P1 Sp. z o.o. is a direct subsidiary of the Issuer.

Entity authorised to audit financial statements for 2013

On 26 June 2013, Emperia Holding S.A.'s Supervisory Board, acting pursuant to art. 14 sec. 2 letter "o" of the Company's articles of association, adopted a resolution on selection of ECA Seredyński i Wspólnicy Sp. z o.o., based in Kraków, ul. Moniuszki 50, as auditor for Emperia Holding S.A.'s 2013 separate and consolidated financial statements. ECA Seredyński i Wspólnicy Sp. z o.o. is an entity authorised to audit financial statements, no. 3115. The Company retained the above statutory auditor to audit financial statements for 2010-2012.

Notification on a decrease in votes at Emperia Holding S.A.'s general meeting held by a shareholder
On 2 July 2013, Emperia Holding S.A.'s Management Board received notification from ALTUS TFI S.A. on decrease in ownership of votes at Emperia Holding S.A.'s general meeting.
In connection with share sale transactions carried out on the regulated market, funds managed by ALTUS TFI S.A. reduced their share in the number of votes at the Company's general meeting to below 15% and, as a result of subsequent transactions, by a further 2%.
The decrease by ALTUS TFI S.A. resulted from settlement of the sale, on the regulated market, of 48 913 shares on 3 June 2013 and 35 000 on 26 June 2013.
Prior to the transaction on 3 June 2013, investment funds managed by ALTUS TFI S.A. held 2 311 655 shares in the Company, constituting 15.29% of votes and 15.29% stake in the Company's share capital, including 1 709 678 shares (11.31% share in the total number of votes and in the Company's share capital) held by ALTUS 29 FIZ.
Following the transaction on 3 June 2013, investment funds managed by ALTUS TFI S.A. held 2 262 742 shares in the Company, constituting 14.97% of votes and 14.97% stake in the Company's share capital, including 1 709 678 shares (11.31% share in the total number of votes and in the Company's share capital) held by ALTUS 29 FIZ.
Prior to the transaction on 26 June 2013, investment funds managed by ALTUS TFI S.A. held 1 979 678 shares in the Company, constituting 13.10% of votes and 13.10% stake in the Company's share capital, including 1 709 678 shares (11.31% share in the total number of votes and in the Company's share capital) held by ALTUS 29 FIZ.
Following the transaction on 26 June 2013, investment funds managed by ALTUS TFI S.A. held 1 944 678 shares in the Company, constituting 12.87% of votes and 12.87% stake in the Company's share capital, including 1 709 678 shares (11.31% share in the total number of votes and in the Company's share capital) held by ALTUS 29 FIZ.

Completion of in-house logistics system at the Stokrotka chain and commencement of work on Stokrotka's franchise store network

On 11 July 2013, Emperia Holding S.A.'s Management Board announced that it had completed implementation of an in-house logistics system at Stokrotka. The system was based on a central hub, located in Teresin near Warsaw, and a network of warehouses throughout the country.
Aside from completing the deployment of the logistics solution, Stokrotka Sp. z o.o.'s Management Board began work on designing and deploying a new franchise concept under the Stokrotka brand. This solution is addressed to supermarket-type stores with overall area of at least 400 sqm, including at least 350 sqm of sales floor.

Change of company name from P4 Sp. z o.o. to Eldorado Sp. z o.o.

On 4 July 2013, P4 Sp. z o.o.'s extraordinary general meeting adopted a resolution on change of the company's name from P4 Sp. z o.o. to Eldorado Sp. z o.o. The name change was registered by the National Court Register on 7 August 2013.

Notification on increase in votes at Emperia Holding S.A.'s general meeting to over 5% held by a shareholder

On 12 December 2013, Emperia Holding S.A.'s Management Board received notification from ING TFI S.A., stating as follows:
"Under art. 69, sec. 1 point 2 in connection with art. 87 sec. 1 point 2 letter a) of the Act of 29 July 2005 on Public Offerings and the Terms and Conditions for Introduction of Financial Instruments to an Organised System of Trading and on Public Companies, acting on behalf of investment funds under management, ING TFI S.A. announces that as a result of a purchase of shares in Emperia Holding S.A. by ING Parasol FIO and ING Specjalistyczny Fundusz Inwestycyjny Otwarty Akcji, the total number of votes at the Company's general meeting held jointly by all ING funds exceeded the 5% threshold.

The cause for the change in the total number of votes at Emperia Holding S.A.'s general meeting was the purchase of shares in this company on 9 December 2013.
Prior to the change, investment funds managed by ING TFI S.A. held a total of 740 247 shares in Emperia Holding S.A., constituting 4.89% of the company's share capital.
Prior to the change, investment funds managed by ING TFI S.A. held a total of 740 247 votes at Emperia Holding S.A.'s general meeting, constituting 4.89% of votes at the company's general meeting.
As at the date on which this notification was made, investment funds managed by ING TFI S.A. held a total of 810 119 shares in Emperia Holding S.A., constituting 5.36% of the company's share capital.
As at the date on which this notification was made, investment funds managed by ING TFI S.A. held a total of 810 119 votes at Emperia Holding S.A.'s general meeting, constituting 5.36% of votes at the company's general meeting."

Purchase of properties from subsidiaries

On 12 December 2013, Emperia Holding S.A. purchased the following:

- Through notarial deed A 5088/2013, from P3 Ekon Sp. z o.o. S.K.A. a property located in Lublin, ul. Kunickiego for PLN 8 600 000 net
- Through notarial deed A 5058/2013, from Elpro Ekon Sp. z o.o. S.K.A., properties located in Lublin, ul. Bursztynowa, ul. Tarasowa and ul. Męczenników Majdanka for a total of PLN 29 700 000 net.

Derivative financial instruments

The Company did not use hedge accounting during the reporting period. As at the end of the reporting period, the Company did not have agreements with embedded derivatives such as would meet the criteria to consider them as significant.

Note 51 Significant events after the end of the reporting period

Purchase of shares in Emperia Holding by subsidiary P1

A buyback programme is being carried out pursuant to an authorisation issued through resolutions 3 and 4 of the Extraordinary General Meeting of Emperia Holding S.A. of 11 October 2012 concerning the meeting's approval for Emperia Holding S.A. and one of its subsidiaries to purchase own shares and specify the terms of such purchases, and on the execution by Emperia Holding S.A. and subsidiaries of certain agreements, as well as pursuant to resolution 5/09/2013 of Emperia Holding S.A.'s Supervisory Board of 12 September 2013. The programme is carried out with the intermediation of Millennium DM S.A. The shares purchased under the programme are to be redeemed by the Issuer.
From the commencement of the programme, P1 Sp. z o.o. acquired 211 131 shares, entitling to 211 131 votes (1.397%) at the Issuer's general meeting and constituting 1.397% of the Issuer's share capital.
P1 Sp. z o.o. and the Issuer held a total of 1 383 451 shares in the Issuer, entitling to 1 383 451 (9.153%) votes at the Issuer's general meeting and constituting 9.153% of the Issuer's share capital.
Transactions to purchase shares in the Issuer were in accordance with Commission Regulation (EC) No 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buy-back programmes and stabilisation of financial instruments.

Strategic decision regarding the split-up of Emperia Holding S.A.

Following the approval of the Company's Supervisory Board, on 16 January 2014 the Management Board adopted a resolution concerning commencement of preparatory work on a planned split-up of Emperia Holding S.A., which will consist of unbundling from the Company, pursuant to art. 529 § 1 point 4 of the Polish Commercial Companies Code, of an organised part of the enterprise constituting operations in property investments, along with the

management of properties held by the Company and other Emperia Group entities. The organised part of enterprise will be contributed in-kind to P1 Sp. z o.o., based in Lublin, which is 100%-owned by Emperia Holding S.A. P1 Sp. z o.o. will become the owner of all assets and liabilities from the Group's property segment. After the split-up, Emperia Holding S.A. will focus predominantly on developing its retail operations, while P1 will concentrate on property development.
The management expects Emperia Holding S.A.'s split-up to be accompanied by transforming P1 into a public limited company and subsequently introducing its shares to regulated trading on the Warsaw Stock Exchange.
As per the management's expectations, the split-up procedure should be completed by 2014 year-end. As a result of the split-up, the existing shareholders in Emperia Holding S.A. will become shareholders in P1. The management expects shareholders to receive the same number of shares in P1 as they hold in Emperia Holding S.A.
The objective of the proposed split-up is to create two separate entities that:
- are transparent to shareholders, by simplifying organisational structures and by concentrating on more homogeneous business lines,
- are easier to value and compare with their peer group,
- can be active participants in market consolidation processes in their respective industries, especially as regards retail, by acquiring further companies.
The split-up process is subject to Emperia Holding S.A. shareholders approving the draft changes that will eventually be issued via voting on resolutions at the Company's general meeting tasked with approving the split-up. A further condition is the approval by the Polish Financial Supervision Authority of P1's prospectus concerning a share issue in connection with the split-up.

Purchase of shares in EMP Investment Limited by Emperia Holding S.A.

On 12 February 2014, an agreement was signed concerning purchase by Emperia Holding S.A. of shares in EMP Investment Limited, based in Nicosia, Cyprus, from subsidiary Stokrotka Sp. z o.o. Emperia Holding S.A. is the sole shareholder in Stokrotka Sp. z o.o. and prior to the transaction it held an 80.27% stake in EMP Investment Limited's share capital and voting rights.
The subject of the above agreement is transfer of 23 211 shares in EMP Investment Limited, constituting 19.73% of share capital and voting rights, to Emperia Holding S.A. The shares were purchased for PLN 69 780 394.44 in cash.
Following the transaction, Emperia Holding S.A. directly held 100% of EMP Investment Limited's share capital and voting rights.

Note 52 Settlements connected with court proceedings

On 9 May 2012, the Management Board of Emperia Holding S.A. filed a suit with the Court of Arbitration at the Polish Chamber of Commerce against Ernst & Young Audit Sp. z o.o., having its registered office in Warsaw, for payment of PLN 431 053 618.65 as compensation for damages suffered by the Company as a result of the non-performance of an agreement between Emperia Holding S.A. and Eurocash S.A. and Ernst & Young Audit Sp. z o.o. The Company suffered damages due to the fact that Ernst & Young Audit Sp. z o.o. did not draft a report which was to constitute the basis for establishing a price for the shares being sold to Eurocash S.A. As a result of this non-performance of obligations by Ernst & Young Audit Sp. z o.o., a dispute arose between the Company and Eurocash S.A. regarding the share price. An arbitrage proceeding was consequently initiated, which ended in an arrangement consisting of the sale of shares for a price lower than that resulting from the investment agreement between the Company and Eurocash S.A.

On 2 January 2013, the Company received a decision of the Court of Arbitration at the Polish Chamber of Commerce of 11 December 2013, ruling that Ernst & Young Audit Sp. z o.o. pay the Company the following: PLN 795 000 with statutory interest from 6 April 2012 to payment date in damages for non-performance of an agreement executed between Emperia Holding S.A. and Eurocash S.A. and Ernst & Young Audit Sp. z o.o., along with PLN 839 180 for refund of the costs of the proceeding. The remaining part of the dispute was rejected.

On 17 February 2014, the above amounts were transferred to the Company's bank account.

During the reporting period, the Company did not participate in any other proceedings before a court or other authority concerning liabilities or receivables with an aggregate value exceeding 10% of its equity.

Note 53 Non-repayment or infringement of credit facility agreements and lack of restructuring activities

Did not occur at the Company.

Note 54 Discontinued operations

Did not occur at the Company.

Lublin, 21 March 2014

Signatures of all Management Board members:

2014-03-21 Dariusz Kalinowski President of the Management Board

....
Signature

2014-03-21 Cezary Baran Vice-President of the Management Board

....
Signature

Signatures of the persons responsible for book-keeping

2014-03-21 Elżbieta Świniarska Economic Director

....
Signature

2014-03-21 Urszula Baczewska Chief Accountant

....
Signature

(amounts in PLN 000s, unless stated otherwise)

8. Management report on the operations of Emperia Holding S.A. in 2013

8.1 Financial highlights

Item	2013	2012	%
Revenue	6 395.66	12 154.63	-47.38%
EBIDTA	-1 915.30	-6 675.44	-
Operating profit	-3 621.70	-8 333.04	-
Profit before tax	13 825.05	15 315.96	-9.73%
Net profit	12 176.76	13 593.38	-10.42%
Total assets	584 016.15	585 046.59	-0.18%
Liabilities and liability provisions	3 313.96	3 149.26	5.23%
Current liabilities	2 657.78	2 336.25	13.76%
Net assets	580 702.18	581 897.33	-0.21%
Weighted average number of ordinary shares	14 235 425	14 503 689	-1.85%
Net earnings per share, annualised (in PLN)	0.86	0.94	-8.51%

Operational performance and ability to meet liabilities

Item	2013	2012
Return on invested capital (net profit for the period / equity at the end of the period) in %	2.09%	2.34%
Return on assets (net profit for the period / assets at the end of the period) in %	2.10%	2.32%
Sales margin (profit from sales for the period / revenue from sales for the period) in %	-0.29%	7.92%
EBIDTA margin, in %	-29.95%	-54.92%
EBIT operating margin (operating profit for the period / revenue from sales for the period) in %	-56.63%	-68.56%
Gross margin (profit for the period / revenue from sales for the period) in %	216.16%	126.01%
Net margin (profit from sales for the period / revenue from sales for the period) in %	190.39%	111.84%

The Company reported a more than 10% decrease in net profit in 2013, compared with 2012. The main impact on the 2013 margin was the decrease in dividend income from subsidiaries from PLN 7.9 million in 2012 to PLN 5.8 million in 2013 (note 31). Excluding this income, the Company's net profit increased to PLN 3.5 million.
2013 also saw the completion of changes in the structure of select service units in connection with the discontinuation of services to Tradis Sp. z o.o. In Q1 2012, non-standard profit on the above was about PLN 2 000 000.

(amounts in PLN 000s, unless stated otherwise)

8.2. Scope of Emperia Holding S.A.'s business

Emperia Holding S.A. is a holding company for entities comprising Emperia Group, and in particular provides services such as legal, management accounting, book-keeping, HR, IT, cash flow management, investment and email management.
After the restructuring process, motivated by the sale of the distribution business and change in the shared services strategy, Emperia now focuses on provision of services to companies in the property development and IT segments. These services are to a lesser degree also provided to the retail segment.
In 2013, the Company acquired four properties (Lublin Kunickiego; Lublin Ametystowa; Lublin Męczenników Majdanka; Lublin Tarasowa) from other Group companies, which marked its entry into property development. The Company has had an office building in Lublin, ul. Projektowa 1.
Emperia Holding S.A. operates in Poland.

8.3 Assessment of financial management in 2013 using liquidity ratios, along with the structure, rotation and level of debt

Liquidity ratios	2013	2012
Current ratio (current assets / current liabilities)	98.81	127.99
Quick ratio (liquid current assets / current liabilities)	97.68	127.99
Cash ratio (short-term investments / current liabilities)	93.41	126.36

High liquidity ratios are due to the Company's cash and short-term securities (bonds). These funds are mainly from the sale of Tradis Sp. z o.o.

Rotation cycles for key components of working capital	2013	2012
Inventory turnover days (inventory / value of goods for resale and materials sold*number of days in period)	0	12
Receivables turnover days (current receivables / revenue from sales*number of days in period)	647	94
Payables turnover days ([current liabilities - current borrowings] / value of goods for resale and materials sold*number of days in period)	152	15
Asset productivity (revenue from sales / total assets)	0.01	0.02
Non-current asset productivity (revenue from sales / non-current assets)	0.02	0.04

The change in inventory turnover was impacted by a decision of 2 January 2013 to transfer sales of the Expedient programme from Emperia Holding S.A. to Infinite. The Company does not currently have any inventories.
Growth in receivables resulted mainly from an increase in state receivables arising after accounting for the purchase of property.
In 2013, liabilities increased slightly (by about PLN 321 000). A significant factor for the turnover ratio is a decrease in the cost of sales, resulting from change of the way supply services are provided. The related fall in revenue is also visible in productivity ratios.

(amounts in PLN 000s, unless stated otherwise)

Debt ratios	2013	2012
Debt ratio (liabilities and liability provisions / total assets)	0.01	0.01
Debt to equity (liabilities and liability provisions / equity)	0.01	0.01
Equity-to-assets ratio (equity / total assets)	0.99	0.99
Long-term debt ratio (non-current liabilities / total assets)	0.00	0.00

8.4 Sales markets

Despite a limited scope for holding services provided, the Company's main customers continue to be subsidiaries within Emperia Group.

8.5 Significant agreements

As regards banking services, the Company works with PKO BP S.A., Bank PEKAO S.A. and BRE Bank S.A.

As regards property insurance, the Company had an agreement with Compensa Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group valid through 30 September 2013. From 1 October 2013, the Company's insurer is TUiR Warta S.A. The Company also has civil liability insurance. Insurance agreements have been executed for an 18-month period.
As regards transport insurance, agreements were executed with Uniqa Towarzystwo Ubezpieczeń S.A. and PZU S.A.

8.6 Key events at Emperia Holding S.A. in 2013

1. Purchase of four properties and entry into a new operating segment
2. Upgrade of office building located in Lublin, ul. Projektowa 1. The work will be continued in the coming year.

8.7 Extraordinary events having an impact on annual performance

In September 2013, the Company recognised a provision for a PLN 500 000 penalty imposed by the KNF. The penalty concerned disclosure requirements in connection with the Company entering into negotiations regarding sale of its distribution segment. No other such events took place.

8.8 Capital expenditures

In 2013, the Company incurred capital expenditures connected with upgrade of an office building located in Lublin, ul. Projektowa, in the amount of PLN 2 089 609.41. In December 2013, the Company purchased four properties for a total of PLN 38 315 743.55.

8.9 Company's dividend policy

According to the dividend policy, the Management Board plans to systematically allocate part of the profit to dividend.

On 4 June 2013, Emperia Holding S.A.'s General Meeting adopted resolution 5 on distribution of the 2012 profit. Pursuant to the resolution, of the net profit generated in 2012, amounting to PLN 13 593 377.58, PLN 13 480 485.78 - or PLN 0.93 per share - was allocated to dividend. In accordance with the resolution, entitled to dividend were shareholders who held shares on 12 June 2013 (ex-dividend date), and the dividend payment date was 26 June 2013.

8.10 External factors that might have an impact on Emperia Holding S.A.'s results in the coming year

External:

1. Financial and economic situation in the retail industry, primarily concerning the Group's suppliers and customers, as regards financing and meeting liabilities
2. Market prices for goods and services used by the Group
3. Competitive activities and consolidation processes in Polish retail
4. Poland's economic situation and household wealth, having an impact on demand for the Group's products and services
5. Government policy regarding interest rates and taxes
6. Employment situation - ability to hire creative employees for new ventures
7. Financial and economic conditions in the property development sector
8. Higher competition for commercial facilities

Internal:

1. Further investment in property, plant and equipment and software; on-time and on-budget investment delivery
2. Reduction in operating costs through deployment of new organisational and IT solutions and growth in operating scale
3. Introduction of structural and organisational changes intended to create a holding organisation having a substantial market share
4. Procurement of attractive locations for retail operations
5. Expansion and supplementation of assortment
6. Qualified and experienced management
7. Stable supplier base

8.11 Growth perspectives

Emperia Holding S.A. was transformed into a holding company the core business of which is management of the Group's subsidiaries and provision of certain services such as: financial management, IT services, management of selected asset and liability groups, provision of financing and acquisitions in the FMCG sector.

8.12 Significant related-party transactions

In 2013, Emperia Holding S.A. did not execute any significant transactions with related parties other than transactions in the normal course of operations on market terms.
As part of its cash flow management programme, the Group issued short-term bonds, described in detail in Note 12, and short-term loans, as described in note 15 hereof.
Transactions connected with dividend payments by subsidiaries are presented in note 31. Intra-Group equity transactions are presented in note 6.

8.13 Information regarding on-going judicial proceedings

In 2013, the Company was a party to a proceeding before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw. On 9 May 2012, the Management Board of Emperia Holding S.A. filed a suit with the Court of Arbitration at the Polish Chamber of Commerce against Ernst & Young Audit Sp. z o.o., having its registered office in Warsaw, for payment of PLN 431 053 618.65 as compensation for damages suffered by the Company as a result of the non-performance of an agreement between Emperia Holding S.A. and Eurocash S.A. and Ernst & Young Audit Sp. z o.o. The Company suffered damages due to the fact that Ernst & Young Audit Sp. z o.o. did not draft a report which was to constitute the basis for establishing a price for the shares being sold to Eurocash S.A. As a result of this non-performance of obligations by Ernst & Young Audit Sp. z o.o., a dispute arose between the Company and Eurocash S.A. regarding the share price. An arbitrage proceeding was consequently initiated, which ended in an arrangement consisting of the sale of shares for a price lower than that resulting from the investment agreement between the Company and Eurocash S.A.
On 2 January 2014, the Company received a decision of the Court of Arbitration at the Polish Chamber of Commerce of 11 December 2013, ruling that Ernst & Young Audit Sp. z o.o. pay the Company the following: PLN 795 000 with statutory interest from 6 April 2012 to payment date in damages for non-performance of an agreement executed between Emperia Holding S.A. and Eurocash S.A. and Ernst & Young Audit Sp. z o.o., along with PLN 839 180 for refund of the costs of the proceeding. The remaining part of the dispute was rejected.
On 17 February 2014, Ernst & Young Audit Sp. z o.o. paid PLN 795 000 in damages, PLN 109 108.77 in interest and PLN 839 180 in refund of the costs of proceedings, bringing the total to PLN 1 827 288.77. The transaction was recognised in the accounts in Q1 2014.
On 2 April 2014, Emperia Holding S.A. filed an appeal with the District Court in Warsaw, 20th Commercial Division, seeking for the ruling by the Court of Arbitration at the Polish Chamber of Commerce of 11 December 2013 to be overturned. In the Company's opinion, the Court of Arbitration issued its ruling in violation of the principle legal regulations in Poland, including the principles concerning full compensation and absolute liability for damages. Emperia Holding S.A. believes that the ruling did not take into consideration some of the evidence, violated equal treatment rules and did not meet the requirements concerning composition of an arbitration body. The value of the above appeal is PLN 430 258 619.

During the reporting period, the Company did not participate in any other proceedings before a court or other authority concerning liabilities or receivables with an aggregate value exceeding 10% of its equity.

8.13 Credit facilities, guarantees, loans and sureties

In 2013, Emperia Holding S.A. did not issue credit facilities, loans or guarantees to a single entity or its subsidiary such as would result in the aggregate value of guarantees or sureties constituting the equivalent of at least 10% of the Issuer's equity. In 2013, Emperia Holding S.A. issued sureties to Stokrotka Sp. z o.o. for liabilities resulting from commercial, lease and banking agreements. A detailed list of those is presented in note 19.

8.15 Changes in key management principles

In 2013, Emperia Holding S.A. did not introduce any changes to its key management principles.

8.16 Changes in management board and supervisory board composition

<u>Changes in Emperia Holding S.A.'s Management Board</u>

In 2013, the composition of the Management Board of Emperia Holding S.A. was subject to changes.

1. 11 March 2013 - Artur Kawa resigned as President of Emperia Holding S.A.'s Management Board.

At report publication date, the Management Board of Emperia Holding S.A. comprised:

1. Dariusz Kalinowski - President (appointed on 11 March 2013)
2. Cezary Baran - Vice-President (appointed on 11 March 2013)

<u>Changes in Emperia Holding S.A.'s Supervisory Board</u>

The composition of Emperia Holding S.A.'s Supervisory Board was subject to changes in 2013.

1. 9 April 2013 - Piotr Długosz resigned as member of the Supervisory Board
2. 3 June 2013 - Piotr Laskowski resigned as member of the Supervisory Board
3. 4 June 2013 - Tomas Krzysztofiak's mandate as member of Emperia Holding S.A.'s Supervisory Board expired in connection with the end of his three-year term.
4. 10 April 2013 - Artur Kawa took up the position of Supervisory Board Chairperson.
5. 4 June 2014 - Michał Kowalczewski appointed as member of the Supervisory Board
6. 4 June 2014 - Andrzej Malec appointed as member of the Supervisory Board
7. 17 June 2014 - Michał Kowalczewski appointed as Deputy Chairperson of the Supervisory Board

At report publication date, the Supervisory Board of Emperia Holding S.A. comprised:

1. Artur Kawa – Chairman of the Supervisory Board
2. Michał Kowalczewski – Deputy Chairman, Independent Member of the Supervisory Board
3. Artur Laskowski – Member of the Supervisory Board
4. Jarosław Wawerski – Member of the Supervisory Board
5. Andrzej Malec – Member of the Supervisory Board

8.17 Other significant information

Other significant information is presented in note 50.

8.18 Description of Group structure

The Group's organisational structure, showing the companies subject to consolidation, is presented in point 7.1 of these financial statements.

8.19 Effects of changes in the Company's structure

In 2013, in connection with the purchase of four properties (related-party transactions), the Company entered the property management segment.

8.20 The management's view as regards meeting guidance published for a given year

The Company did not publish earnings guidance for 2013.

8.21 Shareholder information

Information about shareholders with at least 5% of voting rights at the general meeting is presented in note 17.

8.22 Shareholding by management board and supervisory board members

Shareholding by management board and supervisory board members is presented in note 17.

8.23 Related-party transactions

Information on the Company's related-party transactions is presented in note 45.

(amounts in PLN 000s, unless stated otherwise)

9. Management Board declarations

The Management Board of Emperia Holding S.A. declares that, to the best of its knowledge, the annual financial statements and comparative data were prepared in accordance with the binding accounting principles and they present the Issuer's financial situation, asset position and financial results in a credible, reliable and transparent manner.

The Management Board of Emperia Holding S.A. declares that the entity authorised to audit financial statements, which audited the Company's annual financial statements, was selected in accordance with the provisions of law and that such entity and the statutory auditors conducting the audit fulfilled the conditions for issue of an impartial and independent report on audit of the annual financial statements in accordance with binding national regulations.

Lublin, March 2014

Signatures of all Management Board members:

2014-03-21	Dariusz Kalinowski	President of the Management Board	.... Signature
2014-03-21	Cezary Baran	Vice-President of the Management Board	.... Signature

Signatures of the persons responsible for book-keeping

2014-03-21	Elżbieta Świniarska	Economic Director	.... Signature