ERBUD

ERBUD CAPITAL GROUP



PREPARED PURSUANT TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED 31 DECEMBER 2014

Photo:Office Building Royal Wilanów in Warsaw

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2014 (in PLN thousands)

	Note	Year ended 31 December 2014	Year ended 31 December 2013
CONTINUING OPERATIONS			
Revenues from sales of products and services and of goods and materials	26	1 692 055	1 223 609
Participation of consortium members		-114 225	-7 126
Revenues from sales of products and services and of goods and materials excluding the participation of consortium members		**1 577 830**	**1 216 483**
Cost of sold products and services and of goods and materials	27	1 592 813	1 132 699
Participation of consortium members		-114 225	-7 126
Cost of sold products and services and of goods and materials excluding the participation of consortium members		**1 478 588**	**1 125 573**
Profit (loss) on sales before tax		**99 242**	**90 910**
Cost of sales		4 950	3 518
General and administrative costs		56 566	54 474
Other operating income	28	6 876	7 401
Other operating expenses	28	8 356	7 530
Share of net profit (loss) of subsidiaries valued by equity method	5	6 882	-89
Profit (loss) on operating activities		**43 128**	**32 700**
Financial income	29	3 980	3 580
Financial expenses	29	11 054	11 186
Profit (loss) on continuing operations before tax		**36 054**	**25 094**
Income tax	30	8 162	7 015
Net profit (loss) on continuing operations		**27 892**	**18 079**
Net profit (loss) on discontinued operations		0	0
Net profit (loss) for the financial year		**27 892**	**18 079**
attributable to:			
Shareholders of the Parent Company		26 431	17 217
Minority shareholders		1 461	862
Weighted average number of shares / Weighted average diluted number of shares (in units)		**12 738 236/ 12 768 272**	**12 696 251/ 12 744 407**
Earnings (loss) per share / Diluted earnings (loss) per share on continuing operations (in PLN)	32	**2.07/ 2.07**	**1.36/ 1.35**

Consolidated profit (loss) before tax	**27 892**	**18 079**
Exchange rate differences on translating foreign branches and entities	363	-42
Valuation of hedging instruments	-1 067	0
Other total net income	**-704**	**-42**
Total income for the period	**27 188**	**18 037**
attributable to:		
Shareholders of the Parent Company	25 682	17 157
Minority shareholders	1 506	880

Signature of person preparing the Financial Statement

Mariola Zielińska
/ Chief Accountant /

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Warsaw, 24 April 2015

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2014 (in PLN thousands)

	Note	31.12.2014	31.12.2013
ASSETS		**1 051 445**	**795 930**
Fixed assets		**162 161**	**117 755**
Tangible fixed assets	6	42 430	35 335
Investment property	12	9 377	5 492
Goodwill	10	22 066	20 102
Intangibles	9**Błąd! Nie można odnaleźć źródła odwołania.**	2 263	1 875
Financial assets	12	41 298	17 604
Deferred tax assets	30	44 651	37 310
Prepayments		76	37
Current assets		**889 284**	**678 175**
Inventory	13	112 336	112 140
Trade and other receivables	14	317 643	223 305
Income tax receivables	14	5 883	7 336
Financial assets	12	235	220
Cash and cash equivalents	16	209 263	124 590
Construction contracts	24	182 088	156 102
Short-term prepayments	15	6 503	4 541
Retention money	14, 25	55 333	49 941
LIABILITIES		**1 051 445**	**795 930**
Equity attributable to shareholders of the Parent Company		**274 339**	**255 218**
Share capital	17.1	1 276	1 271
Exchange differences on translating foreign branches and entities		671	591
Valuation of hedging instruments		-1 067	0
Supplementary capital	17.2	223 094	222 793
Undistributed profits		50 365	30 563
Minority interests		**13 192**	**11 748**
Total shareholders' equity		**287 531**	**266 966**
Long-term liabilities		**144 797**	**61 308**
Bank loans and borrowings	18	22 801	14 487
Other financial liabilities	20.1	6 624	5 426
Provision for retirement and similar benefits	21	1 455	1 751
Other provisions	21	3 538	3 433
Provision for issuance of bonds	19	65 000	0
Provision for deferred income tax	30	45 379	36 211
Short-term liabilities		**619 117**	**467 656**
Bank loans and borrowings	18	30 065	24 488
Trade and other liabilities	22	401 548	194 148
Current tax liabilities	22	2 751	7
Liabilities due to bonds issue		0	50 000
Provision for retirement and similar benefits	21	7 124	5 588
Other provisions	21	15 448	16 573
Retention money	22, 25	92 832	80 535
Building contracts	24	42 538	82 244
Other accruals	15	26 811	14 073

Signature of person preparing the Financial Statement

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Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Warsaw, 24 April 2015

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2014 (in PLN thousands)

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from operating activities			
Profit / (loss) before tax		**36 054**	**25 094**
Total adjustments:		**71 459**	**-79 685**
Depreciation and amortization		8 875	7 727
(Profit) loss from exchange rate differences		-154	-488
Interest and dividends received		8 428	4 839
(Profit) loss on investment activities		-8 800	-2 311
Change in provisions	16	-800	-5 008
Change in inventory	16	-1 428	4 140
Change in receivables	16	-93 062	39 295
Change in short-term liabilities, excluding loans and borrowings	16	212 417	-95 671
Change in prepayments and accruals	16	-53 045	-30 058
Other adjustments		123	445
Income tax paid		-1 095	-2 595
Net cash generated by operating activities		**107 513**	**-54 591**
Cash flows from investment activities			
Inflows		**6 747**	**11 210**
Disposal of intangible and tangible fixed assets		3 016	2 090
Disposal of investment in real property and intangible assets		949	0
From financial assets, incl.		663	9 112
- Repayment of granted loans		18	8 139
- Dividends and interest received		645	973
- Disposal of financial assets		0	0
Other		2 119	8
Outflows		**30 191**	**10 843**
Acquisition of intangible and tangible fixed assets		3 594	1 923
Investments in real estate and intangible assets		1 752	0
Acquisition of financial assets		7 760	7 637
Long term loans granted		15 872	1 201
Other		1 213	82
Net cash (used in)/generated by investing activities		**-23 444**	**367**
Cash flows from financing activities			
Inflows		**76 006**	**36 891**
Net inflows from shares and other capital instruments issued and from capital contributions		521	402
Borrowings and loans		52 885	35 896
Issuance of debt securities		22 395	0
Other		205	593
Outflows		**75 402**	**59 846**
Payment for buy-back of shares		20	0
Dividends and other payments to shareholders		9 450	6
Repayment of borrowings and loans		39 719	47 524
Redemption of debt securities		10 000	0
Payment of liabilities arising from financial leases		3 852	4 270
Interest paid		8 927	7 837
Due to other financial liabilities		720	0
Other		2 714	209
Net cash used in financing activities		**604**	**-22 955**
Total net cash flows		**84 673**	**-77 179**
Balance sheet change in cash, including		**84 673**	**-77 179**
- Change in cash due to exchange differences		0	0

Cash opening balance		**124 590**	**201 769**
Closing balance of cash, including	**16**	**209 263**	**124 590**
- Restricted cash		45 966	35 989

Signature of person preparing the Financial Statement

Mariola Zielińska
/ Chief Accountant /

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Warsaw, 24 April 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2014 (in PLN thousands)

	Capital attributable to shareholders of the Parent Company									
						Undistributed profit (loss)				
	Share capital	Treasury shares	Other capital	Exchange differences on translation of foreign entities	Valuation of hedging instruments	Retained profit / accumulated loss brought forward	Net profit / net loss	Total	Minority interests	Share capital
As at 1 January 2014	**1 271**	**0**	**222 793**	**591**	**0**	**30 563**	**0**	**255 218**	**11 748**	**266 966**
Profit / loss for the period	0	0	0	0	0	0	26 431	**26 431**	1 461	**27 892**
Other total income	0	0	0	80	-1 067	238	0	**-749**	45	**-704**
Total income for the period	**0**	**0**	**0**	**80**	**-1 067**	**238**	**26 431**	**25 682**	**1 506**	**27 188**
Buyout of minority interests of Erbud Industry Centrum	0	0	-9	0	0	0	0	**-9**	0	**-9**
Increase of share capital under the authorized capital	5	0	517	0	0	0	0	**522**	0	**522**
Shares-based payment (Management Stock Option Scheme)	0	0	277	0	0	0	0	**277**	0	**277**
Transfer of net profit from the previous year to retained earnings	0	0	0	0	0	0	0	**0**	0	**0**
First time consolidation of subsidiary (Erbud Rzeszów)	0	0	0	0	0	1 549	0	**1 549**	439	**1 988**
Dividend to shareholders	**0**	**0**	**-484**	**0**	**0**	**-8 416**	**0**	**-8 900**	**-501**	**-9 401**
As at 31 December 2014	**1 276**	**0**	**223 094**	**671**	**-1 067**	**23 934**	**26 431**	**274 339**	**13 192**	**287 531**

Signature of person preparing the Financial Statement

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Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Warsaw, 24 April 2015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

attributable to shareholders of the Parent Company for the year ended 31 December 2013 (in PLN thousands)

	Capital attributable to shareholders of the Parent Company								
					Undistributed profit (loss)				
	Share capital	Treasury shares	Other capital	Exchange differences on translation of foreign entities	Retained profit / accumulated loss brought forward	Net profit / net loss	Total	Minority interests	Share capital
As at 1 January 2013	**1 268**	**0**	**215 669**	**455**	**20 260**	**0**	**237 652**	**13 791**	**251 443**
Profit / loss for the period	0	0	0	0	0	17 217	**17 217**	862	**18 079**
Other total income	0	0	0	136	-196	0	**-60**	18	**-42**
Total income for the period	**0**	**0**	**0**	**136**	**-196**	**17 217**	**17 157**	**880**	**18 037**
Buyout of shares in Engorem Spółka z o.o.	0	0	849	0	0	0	**849**	-2 689	**-1 840**
Increase of share capital within the authorized capital	3	0	399	0	0	0	**402**	0	**402**
Shares-based payment (Management Stock Option Scheme)	0	0	285	0	0	0	**285**	0	**285**
Transfer of net profit from the previous year to retained earnings	0	0	5 591	0	-5 591	0	**0**	0	**0**
First time consolidation of the jointly controlled entity	0	0	0	0	-1 127	0	**-1 127**	-125	**-1 252**
Dividend to minority shareholders (GWI)	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-109**	**-109**
As at 31 December 2013	**1 271**	**0**	**222 793**	**591**	**13 346**	**17 217**	**255 218**	**11 748**	**266 966**

KEY ITEMS CONVERTED TO THE EURO

	31.12.2014		31.12.2013	
	PLN	EUR	PLN	EUR
Fixed assets	162 161	38 045	117 755	28 394
Current assets	889 284	208 639	678 175	163 526
Shareholders' equity	287 531	67 459	266 966	64 373
Liabilities and provisions for liabilities	763 914	179 226	528 964	127 547

Items of the balance sheet as at 31 December 2014 were converted at the Euro rate which was set by the NBP on that date i.e. 4.2623 PLN/EUR.

Items of the balance sheet as at 31 December 2013 were converted at the Euro rate which was set by the NBP on that date i.e. 4.1472 PLN/EUR.

	Year ended 31 December 2014		Year ended 31 December 2013	
	PLN	EUR	PLN	EUR
Revenues from sales of products, services, goods and materials	1 692 055	403 899	1 223 609	290 574
Cost of products, services, goods and materials sold	1 592 813	380 210	1 132 699	268 986
Profit on sales before tax	99 242	23 689	90 910	21 589
Profit on operating activities	43 128	10 295	32 789	7 787
Gross profit (loss)	36 054	8 606	25 094	5 959
Net profit (loss)	27 892	6 658	18 079	4 293

Items of the profit and loss statement for the year ended 31 December 2014 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1893 PLN/EUR..

Items of the profit and loss statement for the year ended 31 December 2013 were translated at the EURO mid-rate, which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.2110 PLN/EUR.

	Year ended 31 December 2014		Year ended 31 December 2013	
	PLN	EUR	PLN	EUR
Cash flows from operating activities	107 513	25 664	-54 591	-12 964
Cash flows from investment activities	-23 444	-5 596	367	87
Cash flows from financing activities	604	144	-22 955	-5 451
Net cash flows	84 673	20 212	-77 179	-18 328
Cash opening balance	124 590	30 042	201 769	49 354
Cash closing balance	209 263	49 096	124 590	30 042

Cash flow items for the year ended 31 December 2014 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.1893 PLN/EUR.

Cash flow items for the year ended 31 December 2013 were translated at the mid-rate which was calculated as an arithmetic mean of average rates prevailing as at the last day of each month during the said period, set by the NBP as at that date, i.e. 4.2110 PLN/EUR.

For translating cash as at 1 January 2014 it was applied the exchange rate set by the NBP as of that day, i.e. 4.1472 PLN/EUR.

For translating cash as at 1 January 2013 it was applied the exchange rate set by the NBP as of that day, i.e. 4.0882 PLN/EUR.

For translating cash as at 31 December 2014 it was applied the exchange rate set by the NBP as of that day, i.e. 4.2623 PLN/EUR.

For translating cash as at 31 December 2013 it was applied the exchange rate set by the NBP as of that day, i.e. 4.1472 PLN/EUR.

EXPLANATORY NOTES

1 General information

The ERBUD Joint Stock Company (Erbud S.A.), seated in Warsaw,300A Puławska Street, which was established in way of conversion of the Erbud Limited Liability Company (Erbud Sp. z o.o), registered in the National Court Register on 29 November 2006 under the KRS number 0000268667, is the parent company (the "Parent Company" or "Parent") of the ERBUD Group (the "Group").

The Erbud Limited Liability Company was founded on 28 August 1990 and registered in the National Court Register on 8 August 2001 under the KRS number 0000034299.

Large-volume civil construction works (PKD 4521A - Polish Classification of Activities) are the Parent's core business activity.

Widely understood construction works performed as general contractor in Poland and abroad are the subject of the Group operations. Erbud S.A. is the management, financial and advisory centre.

The duration period of the Parent Company and entities of the Group and is not definite.

The Consolidated Financial Statements are presented in Polish currency (the "PLN") and all values are given in thousands of PLN.

1.1 Composition of the Group

The Group consists of the Parent Company ERBUD S.A. with its headquarters in Warsaw and the following subsidiaries:

Business unit	Seat	Activity scope	Percentage share of the Group in equity as at	
			31.12.2014	31.12.2013
Erbud International Sp. z o.o.	Toruń	Construction	100%	100%
GWI GmbH	Germany	Construction	85%	85%
Erbud Industry Sp. z o.o. (formerly Ersteel Sp. z .o.o.)	Toruń	Steel structures	100%	100%
Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	79%	79%
Delta Sp. z o.o.	Toruń	Construction	100%	100%
Erbud Construction Sp. z o.o.	Toruń	Construction	100%	100%
Toruńska Sportowa Sp. z o.o.	Toruń	Construction	39%	39%
Grupa Budlex	Warszawa	Real estate development	89,96%	89,96%
Przedsiębiorstwo Budownictwa Drogowo–Inżynieryjnego S.A.	Toruń	Road-engineering	94,27%	94,27%
Erbud Energetyka Sp. z o.o.*	Katowice	Construction	-	100%
Erbud Industry Centrum Sp. z o.o. (formerlyj Engorem Sp. z o.o.)	Łódź	Energy services	98,66%	98,62%
Erbud Industry Pomorze Sp. z o.o.	Gdańsk	Energy services	100%	0%
Energoserv Pomorze Sp. z o.o.	Toruń	Energy services	100%	0%

* The company acquired in 2014 by Erbud Industry and deleted from the Register of Entrepreneurs

Parent Company

The Parent Company ERBUD S.A is not controlled by any other company.

Subsidiaries brought into the Consolidated Financial Statements of the Group using full consolidation:

- Erbud International Sp. z o.o.

- GWI GmbH
- Grupa Budlex
- Przedsiębiorswo Budownictwa Drogowo Inżynieryjnego S.A.
- Erbud Rzeszów Sp. z o.o.
- Erbud Industry Sp. z o.o. (formerly Ersteel Sp. z o.o.
- Erbud Industry Centrum Sp. z o.o. (formerly Engorem Sp. z o.o.)
- Delta Sp. z o.o.
- Energoserv Pomorze Sp. z o.o.
- Erbud Industry Pomorze Sp. z o.o.

Subsidiaries excluded from the Consolidated Financial Statements:

- Erbud Construction Sp. z o.o.

The above subsidiary was not consolidated in view of the immateriality.

1.2 Jointly controlled entities

The Group includes a jointly controlled company - Projekt Deptak P2 Sp. z o.o. For the fiscal year 2014 ended 31December 2014 the entity reported a profit on equity method valuation of PLN 6 882 thousand.

1.3 Membership of the Management Board of the Parent

Over the period from 1 January 2014 to the date of preparing these Financial Statements the composition of the Management Board of the Company was constant.

As at 31 December 2014 the Management Board of the Parent was consisted of:

Dariusz Grzeszczak	-	Management Board Member
Józef Zubelewicz	-	Management Board Member

As at 31 December 2014 the Supervisory Board of the Parent was consisted of:

Udo Berner	-	Chairman of the Supervisory Board
Józef Olszyński	-	Deputy Chairman of the Supervisory Board
Albert Durr	-	Member of the Supervisory Board
Gabriel Główka	-	Member of the Supervisory Board
Zofia Dzik	-	Member of the Supervisory Board
Michał Otto	-	Member of the Supervisory Board
Janusz Lewandowski	-	Member of the Supervisory Board

1.4 Going-concern assumption

The Consolidated Financial Statements of the Capital Group for the year ended 31 December 2014 were prepared under the presumption, that the Group units will continue their business activity over next 12 months after the balance sheet date. The Management Board of the Parent Company did not state as at the day of signing the financial statement facts and circumstances which would indicate the possibility of risk to continue operations in the period of 12 months after the closing balance date as a result of intentional or involuntary omissions or significantly reducing the current activity.

1.5 Statement of compliance with IFRS

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and cover the year ended 31 December 2014 and include comparative data for the year ended 31 December 2014 and as at 31 December 2013.

1.6 Approval of Financial Statements

These Consolidated Financial Statements were approved by the Management Board for publication on 28 April 2015.

2 Significant accounting policies applied

The accounting policies applied when preparing the Consolidated Financial Statements are presented below and were applied in all periods presented on a continuous basis, unless otherwise stated.

2.1 Basis of preparing the Consolidated Financial Statements

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in accordance with IFRS as adopted by the EU for in force at the balance sheet date. IFRS include standards and interpretations approved by the International Accounting Standards Board ("IASB") and the Committee on International Financial Reporting Interpretations ("IFRIC").

Having regard to the approval process for IFRS by the European Union, as at the day of publication of these Consolidated Financial Statements, there are no differences in accounting principles adopted by the Group under IFRS and IFRS, which have been approved by the European Union.

Standards and interpretations applied for the first time in 2014

The following standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board and approved by the EU came into force in 2014:

- IFRS 10 "Consolidated Financial Statements", approved by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosure of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", approved by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", approved by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities" - explanations on the transitional rules, approved in the EU on 4 April 2013 (applicable for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - investment units, approved by the EU on 20 November 2013 (applicable to periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial Instruments: Presentation" - Offsetting Financial Assets and Financial Liabilities, approved by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- Amendments to IAS 36 "Impairment of Assets" - Disclosure of the recoverable value of non-financial assets, approved in the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - novation of derivatives and hedge accounting continuation approved by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The above-mentioned standards, amendments and interpretations had no material impact on the accounting policy applied by the Group.

Standards and Interpretations adopted by the IASB, but not yet approved by the EU

IFRS as adopted by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards and amendments to standards which as of 11 March 2015 have not yet been approved to be applied:

- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016),
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - investment units: applying the consolidation exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 "Joint Arrangements" - accounting for acquisitions of interests in joint operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible assets" - Clarification of acceptable methods of depreciation and amortisation (applicable for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: vegetable crops (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 "Separate Financial Statements" - Equity method in separate financial statements (effective for annual periods beginning on or after 1 January 2016),
- Various standards changes "Amendments to IFRS (2012-2014)" - changes within the procedure for annual amendments to IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily focused on removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2016),

According to the Group, the above standards and amendments to standards would not have a material impact on the consolidated financial statements if applied by the Group at the balance sheet date.

Regulations adopted by the EU still does not cover hedge accounting for assets and liabilities, as principles have not been approved for use in the EU. According to the Group, the use of hedge accounting for assets or liabilities pursuant to IAS 39 "Financial Instruments: Recognition and Measurement" would not have a material impact on the consolidated financial statements, if applied as at the balance sheet date.

Standards and interpretations that have been issued but are not yet in force

When approving the Financial Statements the Group did not apply the following standards, amendments to standards and interpretations that have been published and approved for use in the EU, but are not yet effective:

- Various standards changes "Amendments to IFRS (2010-2012)" - changes within the procedure for annual improvements to IFRS (FRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) u primarily focused on removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Various standards changes "Amendments to IFRS (2011 -2013)" - changes within the procedure for annual improvements to IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40 primarily focused on removing inconsistencies and clarifying wording - adopted in the EU on 18 December 2014 (effective for annual periods beginning on or after 1 January 2015),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: employee contributions adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Interpretation of IFRIC 21 "Fees" – adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The Group decided not to use the option of an earlier adoption of these standards, amendments to standards and interpretations. According to the Group's opinion, the above standards, amendments to standards and interpretations have no material impact on the Consolidated Financial Statements, if adopted by the Group at the balance sheet date.

2.2 Consolidation principles

The Consolidated Financial Statements include financial statements of Erbud SA and financial statements of subsidiaries, each closed for the year ended 31 December 2013. The financial statements of subsidiaries are prepared for the same period as the statements of the Parent, on the basis of uniform accounting rules applied to transactions and economic events of a similar nature.

2.2.1 Subsidiaries

The undertakings of the Group keep their account books in accordance with the policy (rules) set by the Accounting Law of 29 September 1994 (the "Act"), as amended and by regulations issued on basis thereof ("National Accounting Standards").

Erbud International Sp. z o. o. had a foreign branch in 2014. The entity was subject to tax and accounting rules being in force in Germany i.e. the country where they operate. In accordance with section 13 of the German Commercial Code (HGB) the subsidiaries are obliged to keep books and draw up a balance sheet. According to section 264 paragraph 1 and in relation to section 242 paragraph 3 of the German Commercial Code (HGB), the annual balance consists of: balance sheet, profit and loss account, annex. Branches are treated as small capital companies in terms of section 267 paragraph 1 of the German Commercial Code, as they were not exceeded at least two of the three volumes in two successive balance periods (balance sheet total, revenues from the turnover, number of employees).

The Consolidated Financial Statements contain adjustments not included in the account books of the Group undertakings made in order to comply with the reports of these units with the standards issued by the Council on International Accounting Standards and the Committee on International Financial Reporting Interpretations (IFRIC).

The subsidiaries are subject to consolidation for the period from the date of taking control of them by the Group and are not consolidated from the date of lose control. Controlling by the Parent Company is when it directly or indirectly, through its subsidiaries has more than half of the voting power in that company, except that it is possible to prove that this property does not constitute the control. The control also occurs when the Company has the option to decide on financial and operating policy of the entity.

Takeover of subsidiaries is accounted under the method of acquisition.

Financial results of companies acquired or sold during the year are included in the consolidated financial statements from / to the date of their purchase/sale

The Parent and the subsidiaries have been consolidated under the full method subject to the following principles:

- all relevant items of assets and liabilities of subsidiaries and the Parent have been summarized in the full amount regardless of what part of the subsidiary owns the Parent,
- consolidation adjustments and exclusions were made after the summarizing,
- all relevant items of income and expenses of subsidiaries and the Parent have been summarized in the full amount regardless of what part of the subsidiary owns the Parent,
- consolidation adjustments and exclusions were made after the summarizing.

From the Consolidated Financial Statements have been excluded:

- equity of subsidiaries as on day of taking control over them,
- value of the shares held by the Parent and other consolidated entities in subsidiaries
- intra-group claims and commitments, and other settlements of similar nature of consolidated units,
- income and expenses relating to operations carried out between the consolidated units,
- profits from operations carried out between consolidated units, which were unrealized from the point of view of the Group, and included in consolidated assets and liabilities as well as unrealized losses,
- dividends accrued or paid by subsidiaries to the Parent and other entities covered by the consolidation.

2.2.2 Associates

A company is an associated one when the Parent has a significant impact on it and which is neither a subsidiary nor a joint venture. Investments in associates are accounted by using the equity method. The financial statements of associates are the basis for valuation under the equity method of shares owned by the Parent. The financial year of associates and the Parent is the same. The Group undertakings keep their accounting records in accordance with the policy (rules) set by the Accounting Law of 29 September 1994 ("Act"), as amended and by regulations issued under them ("National Accounting Standards"). The Consolidated Financial Statements contain adjustments not included in the books of the Group undertakings made in order to comply with the reports of these units with the standards issued by the Council on International Accounting Standards and the Committee on International Financial Reporting Interpretations (IFRIC).

Investments in associates are reported in the balance sheet at acquisition cost, including subsequent changes in the Parent share in net assets of these undertakings, less any impairment losses. Profit and loss account reflects the share in the operating results of associates. In the event of a change recognized directly under equity of associates, the Parent Company recognizes its share in any adjustment, and if appropriate, reported it in the report on equity changes.

Gains and losses arising from transactions between the Group and the affiliated entity are subject to consolidation exclusion in accordance with the Capital Group share in the equity of the associate company.

2.2.3 Joint venture

The Group holds a stake in a joint venture which is jointly controlled entity, in which - in accordance with the agreement concluded - the partners established a common control over its business activity. In order to make financial and operational decisions, the agreement requires unanimous consent of the shareholders. The Group recognized its interests in jointly controlled entity by equity method. Financial statements of the joint venture are prepared as at the same reporting date as the financial statements of the Group. Any adjustments are intended to eliminate differences in the rules (policy) accounts applied.

2.2.4 Non-controlling interests

Transactions with minority shareholders are recorded in correspondence with the equity.

2.3 Currency of the measurement and currency of financial statements

Items reported in the financial statements are valued in the currency of the primary economic environment in which the entity operates (“functional currency").

The Consolidated Financial Statements of the Group is presented in PLN (Polish Zloty) which is the functional currency and presentation currency of the Parent.

Transactions in foreign currency are disclosed in the accounts at nominal value converted into PLN at the rate of average rates of Polish National Bank. At the time of execution, foreign exchange differences are recorded as income or expense.

As of the balance sheet date, cash assets and liabilities quoted in other currencies than the PLN are converted into PLN by using the current average rate for the given currency fixed by the Polish National Bank at the end of the reporting period. The exchange differences resulting from translation are included respectively in income (expense), or in the cases referred to the accounting rules (policy), are capitalized in the value of assets. The non-monetary assets and liabilities recognized at historical cost in foreign currency are recorded at the historical rate valid on the transaction date. The non-monetary assets and liabilities recognized at fair value in foreign currency are translated at the rate of the date of valuation to fair value.

Below are presented rates used for the valuation of balance sheet:

Currency unit	31 December 2014	31 December 2013
EUR	4.2623	4.1472

Assets, liabilities and results of foreign branches of subsidiaries and subsidiaries with different functional currency

The EURO is a functional currency of foreign subsidiaries. As at the balance sheet date, assets and liabilities of foreign entities were translated at the Group's presentation currency as follows:

- assets and liabilities of branches and any balance sheet presented here (i.e. taking into account comparable data) are translated at the closing rate on a given balance date,
- revenues and expenses are translated at average exchange rate (unless the conversion using the average exchange rate would be significantly different from the values obtained by using the exchange rates valid as at the date of transaction).

Exchange differences arising from the conversion are recognized as a separate component of equity under "Exchange differences on translation of foreign branches".

At the time of disposal of a foreign entity, accumulated deferred exchange differences recognized under the shareholders' equity are reported in profit and loss account.

2.4 Estimates and assumptions

Estimates and assumptions that arise from past experiences and predictions on future events are verified at each balance date.

2.4.1 Opinion of the Management Board in the process of applying the accounting policy

In the process of applying the accounting policies (rules), the management makes various judgements, apart from those involving estimations, that can significantly affect the amounts it recognizes in the financial statements. The estimates of the Group relate mainly to provisions, depreciation on assets, valuation of construction contracts and depreciation rates applied.

2.4.2 Estimation uncertainty

Basic assumptions on the future events and other key sources of uncertainty occurring as at the balance sheet date, giving a significant risk of substantial adjustment to the carrying amounts of assets and liabilities within the next fiscal year are as follows.

Provisions for legal claims

In case where undertakings are parties to legal proceedings, legal entities that support the units of the Group and the Boards of companies constituting the ERBUD Group estimate the amount of reserves to cover the effects of the ongoing proceedings.

Provisions for employee benefits

Provisions for employee benefits were estimated by the Company with regard to turnover ratio, the probability of granting and the discount rate as of the date of estimation.

Provisions for remedying defects

In case of construction works, the companies of the Erbud Group are obliged to provide warranties on their services. Methodology of creation of guarantee repair provisions has been described in section 2.18 below.

Depreciation rates

Depreciation rates are calculated on the basis of the anticipated period of economic usefulness of components of tangible fixed assets and intangible assets. Based on current estimates the Group verified every year the periods of economic utility.

Recognition of incomes from long-term contracts

The Group uses a method of percentage progress of works to settle the long-term contracts. Revenues and expenditures due the execution of building contracts from the contract conclusion to the balance date are set in proportion to the construction stage according to the measurement report on work carried out, after adding incomes and costs which affected the financial results in previous years.

If the result of works may not be reliably set on the balance date, it is deemed that the income is equal to the costs incurred in the given period, but not higher than the costs, which will be probable covered by the customer in the future.

Deferred tax assets

The Group recognizes an item of deferred tax assets basing on the assumption that future tax profits will be achieved as to realize the assets.

Impairment of assets

The Group tests its assets for indications of impairment where such indications exist and at least once a year reviews additionally value of the Company. Recoverable value is estimated for each asset item, unless this item does not generate cash inflows that are considerably independent of cash inflows from other assets or groups of assets. If this occurs, the value recovered is determinated at level of the cash generating unit to which the asset item belongs. Estimation of the value-in-use consists in determination of future cash flows generated by the cash-generating unit and in establishing discount rate to apply in order to calculate the present value of these flows.

2.5 Property, plant and equipment

Tangible fixed assets are stated at purchase price / production cost less depreciation and impairment losses. Initial value of fixed assets includes the purchase price increased by all costs directly related to the purchase and adaptation of a property component to be capable to use. The cost of replacing parts of plant and equipment at the time they are incurred is included in expenses if the recognition criteria are met. Costs incurred after the date of commissioning, such as costs of maintenance and repairs charge the profit and loss account as incurred, except where it can be show that these costs caused an increase in expected future economic benefits from the ownership of a fixed asset. The expenses incurred increase then the initial value of the fixed asset.

Fixed assets, excluding land, are depreciated linearly over a period corresponding to the estimated duration of their economic usefulness. Amortization begins when the property, plant and equipment is available for use.

The period of use of property, plant and equipment is as follows:

	Annual depreciation rate
• Buildings and structures	2 – 4.5%
• Technical equipment and plant	6 - 30%
• Vehicles	12.5 - 20%
• Other	10 - 30%

Subsequent expenditures are included in the carrying amount of an fixed asset or recognized as a separate fixed asset only if probably is that an inflow of economic benefits to the Group from this item will take place and the cost of given item can be reliably measured. Other costs incurred after the initial recognition, such as the cost of repairs, maintenance and commission fees affect the financial results of the reporting period in which they are incurred, except of general service costs, which are included in the carrying amount of the relevant item of tangible fixed assets.

The final value and duration of use of fixed assets are verified at least once a year and, where appropriate, are revised. If there are indications that it may be impaired and the carrying amount exceeds the estimated recoverable amount, the value of the asset or cash-generating units which own those assets are reduced to the level of the recoverable amount. The recoverable amount is the higher one of the following two values: the fair value less costs of sell or the value in use. When determining value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessment of money value over time and risk associated with the given asset item. In the case where an asset item does not generate cash income in a manner substantially independent, the recoverable amount is establish for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the profit and loss account under "Cost of sales".

An item of tangible fixed assets may be derecognized after its disposal or where economic benefits resulting from the further use of the asset are not expected. Any gains or losses resulting from the derecognition of the given asset (calculated as the difference between any net incomes from the sale and the carrying amount of given item) are recognized in the profit and loss account during the period in which they were recognized.

Gains and losses on disposal of fixed assets are estimated by comparison of the incomes from the sale with their carrying amount and are recognized in profit and loss account.

The final value, duration of use and depreciation method of assets is verified and, if necessary revised, at the end of each financial year.

Investments on fixed assets under construction are measured at the amount of the total cost which is in direct relation to their acquisition or construction, including financing costs and less any impairment losses. Fixed assets under construction are not depreciated until the completion, i.e. until they are available for use.

Transfers under the item "Buildings and land" concern items transferred to the long-term investments; reduction under the item "Land" applies to the land value transferred to the long-term investments, and increase under the item "Buildings and structures" applies to changes in the proportion between the part of building used for own needs and the other one considered as a long-term investment.

2.6 Lease

Finance lease contracts which transfer all the risks and rewards incidental to ownership of assets under a lease, are capitalized at the day when the lease is coming into force at the lower of the following two values: the fair value of the lease subject or the present value of the minimum lease payments. Lease payments are divided between finance costs and payments of principal repayment, taking into account the fixed rate of interest with regard to the obligation.

Financial expenses are recognized immediately in profit or loss account. Fixed assets used under finance leases are subject to depreciation according to the rules applied to the assets that are owned.

In the absence of certainty, that after the end of the lease agreement the Company receives the right to property, assets are written off over a shorter of two following periods: the lease period or the period of economic usefulness.

Lease contracts under which the lessor retains substantially all the risks and rewards of ownership of assets under a lease are classified as operating lease contracts. Lease payments due to operating leases and the subsequent lease payments are recognized in the profit and loss account as expense using the line method over the duration of the lease.

2.7 Impairment of non-financial assets

At each balance sheet date the companies of the Group evaluate whether there is any objective indication that an asset may be impaired. If such indication exists, the Company estimates the recoverable amount and a write-off is made in an amount equal to the difference between the possible value to recover and the carrying amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. For purposes of analysis in terms of impairment, assets are grouped at the lowest possible level in respect of which there are separately identifiable cash-generating units. The cash-generating unit is the smallest identifiable group of assets generating cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Loss resulting from impairment is recognized in the profit and loss account.

The Group assesses at each balance sheet date whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. In the event that such indication exists, the impairment loss recognised in prior periods is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In such case, the carrying amount of the asset item is increased to its recoverable amount. However, he increased carrying amount attributable to a reversal of an impairment loss cannot exceed the carrying amount of the asset that would have been determined had no impairment loss been recognised in prior years. The reversal of an impairment loss for an asset is recognized immediately as income in the profit or loss, unless the given item of asset is carried at revalued amount; in this case, the reversal is treated as an increase in revaluation capital.

2.8 Borrowing costs

As binding, the Group adopts the rule that allowed alternative approach clarified by IAS 23 Borrowing costs. According to this approach:

- borrowing costs are recognized as an expense in the period in which it incurs them, except costs capitalized in accordance with the principle set out below,
- borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying asset item are activated as part of the purchase or manufacturing cost of that asset item.

The amount of borrowing costs eligible for capitalisation is determined in accordance with the above-cited standard.

Inventories in real estate development companies, fixed assets, investment properties and intangible assets are primarily qualifying assets of the Erbud Group.

2.9 Investment property

Investment properties are measured initially at purchase price or production cost. The initial measurement includes costs of transaction. After initial recognition, investment properties are accounted at fair value. Gains or losses arising from changes in fair value of investment property are recognized in the profit and loss account in the period in which they arise.

Investment properties are derecognised when disposed of or permanently withdrawn from the use and no future benefits are expected from its sale. Any gain or loss arising on derecognition of investment property are recognized in profit or loss account in the period in which such derecognition took place.

Transfers of assets to the investment property are made only if there is a change of use, evidenced by the end of use of the asset by the owner, conclusion of an operating lease contract or completion of the investment property construction.

In the event, the investment property is transferred by the owner to the assets used or to the inventories, the alleged cost of such asset item, which will be adopted for the purpose of its inclusion in another category, is equal to the fair value of the property at the date of modification of its use. If an asset used by the owner i.e. the Group becomes an investment property, the Group applies the principles set out in the section "Property, plant and equipment" up to the date of change in use. In case of transfer of assets from the inventories to the investment property, the difference between the fair value of the property determined as on the date of transfer and its previous carrying amount is recognized in the profit and loss account. When the Group finishes the building or execution of the investment property, the difference between the fair value of the property as on that date and its previous carrying amount is recognized in the profit and loss account.

2.10 Intangible assets

Intangible assets are recognized if it is likely that in the future they will bring to the unit an inflow of economic benefits that can be directly related to those assets.

The initial recognition of intangible assets is recorded at the purchase price or cost of production. After initial recognition, intangible assets are valued at purchase price or production cost less any accumulated amortization and write-downs on permanent impairment. Intangible assets are amortized linearly over a period corresponding to the duration of their estimated economic usefulness, which for the Group is as follows:

- Patents and licenses 5 -15 years
- Software 1-5 years

The Group determinates whether the useful life of intangible assets is finite or indefinite. Intangible assets with an finite useful life are amortized over the useful life and tested for impairment, whenever there is an indication of impairment. The period and method of amortization of intangible assets with an finite useful life reviewed at least at the end of each financial year. Changes in the expected useful life or the expected way of consumption of economic benefits from a given asset are recognized by changing the period or method of depreciation and treated as changes in estimates.

Intangible assets with an indefinite useful life and those that are not used, each year are subject to verification of the possible impairment of individual assets or at the level of cash-generating unit.

Expenditure on intangible assets produced in-house, with the exception of capitalized expenditures incurred for real estate development, are not capitalized and are included in the cost of the period in which they are incurred.

Gains or losses resulting from the derecognition of intangible assets are valued at the difference between the net sales income and the carrying amount of the given asset and are recognized in the profit and loss account upon derecognition of the asset.

2.11 Goodwill

Goodwill on consolidation is recognized at cost which is the surplus of the costs of consolidation of business entities over the share of the acquiring entity in the fair value of identifiable assets, liabilities and contingent liabilities as of the acquisition date.

Goodwill is reported as an asset and is not subjected to depreciation, but at least once a year is subject to analysis in terms of impairment losses. Any impairment is recognized in the profit and loss, and is not subjected to reversal in subsequent reporting periods.

If the goodwill is a part of the cash-generating unit and a part of activity of that unit is sold then the goodwill related to the disposed business is taken into account when determining the gain or loss on disposal.

2.12 Financial instruments

Financial assets and liabilities are recognized on the balance sheet of the Group, when the Group becomes a party to a binding contract.
Instruments owned are recognized in the Group balance sheet by the following categories:

- financial assets, financial assets available for sale, financial assets held to maturity, loans and receivables, financial assets carried at fair value by profit and loss account (including financial derivatives);
- financial liabilities and equity instruments, bank credits and loans , trade payables, liabilities carried at fair value by profit and loss account (including financial derivatives).

The classification is based on the goal criterion of investment purchase or entering into the commitment. The Management Board determines the classification to each category of investments or liabilities by their initial recognition and then verifies as on each balance date.

Financial assets carried at fair value, with gains or losses accounted in the profit and loss account include two categories:

- financial assets held for trading and
- financial assets held at the time of initial recognition of fair value and gains or losses recognized in the profit and loss account

Financial assets are classified as current assets or liabilities held for trading if them:

- were purchased primarily for the purpose of sale or redemption in the short period
- are a derivative (except for hedging instruments).

Changes in the value of these financial instruments are included in income or financial costs. Assets valued at fair value through profit or are classified as current assets.

Loans and receivables are financial assets with fixed or determinable payments not quoted in an active market and not included in the derivatives. They are included in current assets, unless their maturities not exceeding 12 months from the balance sheet date. Loans and receivables with maturity of over 12 months from the balance sheet date are classified as current assets.

Trade receivables for the ongoing construction contracts and due to advances are classified as short-term receivables, as it is expected that they will be settled in the normal unit operating cycle.

Receivables from due to retention money and borrowings with maturity of less than 12 months are recorded as accounts receivable. Long-term receivables due to the deposit guarantees are subject to the discount of present value at the effective interest rates.

Borrowings and trade receivables are initially recognized at fair value and subsequently measured at amortized cost and reducing by the write-downs on permanent impairment. Impairment losses for the accounts receivable are created when there is objective evidence that the Group will not be able to receive all amounts owed under the original terms of receivables.

Investments held to maturity are financial assets not classified as financial assets held for trading or loans and receivables, with fixed or determinable payments and fixed maturity which the Group's Management Board intends and is able to hold to maturity.

Purchases and sales of investments are recognized on the transaction date, i.e. the date on which the Group commits itself to purchase or sell an asset. The investment is initially recorded at fair value plus transaction costs. In the next periods the investments held to maturity are valued according to the adjusted purchase price (amortized cost).

Financial assets available for sale are financial instruments not qualified for any of the other categories of financial instruments.

Financial assets available for sale are carried after the initial recognition at fair value. If it is not possible to determine the fair value of financial assets available for sale, and the maturity is fixed, they are measured at the amortized cost; if the assets have no fixed maturity date, the valuation is made at purchase cost.

Profits and losses of changes in fair value are carried in the period they arise. The occurred differences in the carrying amount are recognized directly in equity. Financial assets available for sale classified as non-monetary, where the fair value is impossible to determine, are valued at acquiring cost less any permanent impairment. In the event of sale of securities included in the "available for sale", the total adjustments to the level of the current fair value is recognized in equity, are carried in the profit and loss account as gains and losses on financial assets.

Financial instruments are derecognizerd from the balance sheet when the Group loses control over the contractual rights constituting the financial instrument. Generally it takes place when the instrument is sold or when all flows attributable to that instrument are transferred to the independent third party.

Purchase and sale of financial assets are recognized as of the date of transaction. At the time of initial recognition they are measured at purchase cost, i.e. at fair value, including transaction costs.

Exemption from the statement of financial position

The Group excludes the financial asset item (or part thereof or part of a group of similar financial assets) from the statement of financial position when:

- right to receive cash flows from the financial asset has expired;
- the Group has assign the right to receive cash flows from the asset, or pledged to transfer the cash received without undue delay to a third party dealing as a broker and either (a) the Group has transferred in substance all the risks and rewards of ownership of the asset, or (b) the Group has not retained nor transferred in substance all risks and rewards of the asset but has assigned the control of the financial asset.

If the Group has transferred its rights to receive cash flows from the asset, or pledged to intermediate in the transaction, but not transferred or retained in substance all the risks and rewards of ownership of an asset or the said transfer did not result in the assign of control of the asset, then the new asset is recognized to the extent to which the Group continues its involvement in the asset.

In such case, the Group recognizes the related liability. The transferred asset and associated liability is valued having regard to rights and obligations the Group has retained.

Involvement in the asset, which takes the form of guarantees, is measured at the lower of two values: the initial carrying amount of the asset and the maximum amount that the Group may be required to pay for this asset.

2.13 Impairment of financial assets

At each balance sheet date the Group assesses whether there are objective indications of impairment of a financial asset or group of financial assets.

If there are objective indications that the loss has been suffered due to the impairment of loans and receivables measured at amortized cost, the amount of impairment loss is equal to the difference between the carrying amount of financial asset and the present value of estimated future cash flows (excluding not yet incurred future losses due to bad debts), discounted at original effective interest rate (i.e. the interest rate fixed at initial recognition). The carrying amount of the asset is reduced either directly or through the reserve. The amount of losses is recognized in the profit and loss account.

At first the Group assesses whether there are objective indications of impairment of individual components of financial assets that are individually significant, and an indications of impairment of financial assets that are not individually significant. If the analysis shows that there are no objective indications of impairment of individually assessed financial asset, regardless of whether it is a significant one or not, the Group includes this component to financial assets with a similar credit risk characteristics and completely assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss was recognized or was found that the current impairment will not change, are not taken into account when totally assessing assets for impairment.

If impairment loss has decreased in the next period, and that reduction can be objectively related to an event following the impairment recognition, the previously recognized impairment is to be reversed. Subsequent reversal of an impairment loss is recognized in the profit and loss account to the scope in which the carrying amount of asset does not exceed its amortized cost as at the reversal date.

Financial assets recognized at cost

If there are objective indications of impairment of non-quoted equity instrument that is not carried at fair value because its fair value cannot be reliably determined, or a derivative, which is associated and must be settled by delivery of such non-recorded equity instrument, the amount of impairment losses is stated as the difference between the carrying amount of financial assets and the present value of estimated future cash flows discounted using current market rates of return for similar financial assets.

Financial assets available for sale

If there are objective indications that an impairment of financial assets available for sale has occurred, the amount representing the difference between the cost of the asset (less any repayment of capital and depreciation) and its current fair value, less any impairment losses previously recognized in the profit or loss account, is derecognized from equity and transferred to the profit and loss account. Reversal of an impairment loss of equity instruments classified as available for sale cannot be recognized in the profit or loss account. If in a subsequent period the fair value of debt instruments available for sale increases, and this increase can be objectively related to an event following the recognition of impairment losses in the profit and loss account, the amount of reversed impairment is recognized in the profit or loss account.

2.14 Inventories

Materials, goods, work in progress and finished goods are current assets inventories.

The Group applies the following rules of inventory classification to the specific categories:

- **materials** – elements stored in the storage places for use in manufacturing processes, particularly for construction purposes;
- **work in progress** – includes costs of development projects under construction as well as materials of general-purpose stock and low-processing materials, which can easily and without incurring significant costs be used for other contracts or sold (if they are required for this contract);
- **goods** – the stock acquired in the purpose of their resale, including land for development projects in the implementation of development projects;
- **finished goods** – products of own production, which proceeding been fully completed, apartments, premises and buildings for sale.

Elements stored on construction sites to be used by the Company or a subcontractor for specific purposes on particular site only, which probably cannot be used by execution of other contracts or sold, are not are considered to be the inventory. These items are related directly to the cost of the contract and included in the valuation of the contract according to the stage.

Inventories are measured at the lower of the two values: purchase cost or net selling price.

Costs incurred to bring each item of inventories to its present location and value, both for the current and previous year, are recognized in the following manner:

- **materials** - at purchase cost determined by the using the FIFO method
- **work in progress and finished products** - cost of direct materials and labour and manufacturing overhead costs under the assumption of normal capacity utilization, excluding borrowing costs
- **goods** - at purchase cost determined by the using the FIFO method.

Net selling price is the achievable price as at the balance sheet date, without VAT and excise tax, less discounts and other costs related to preparing the item for sale and to making the sale.

2.15 Trade and other receivables

Claims due to supplies and services, whose maturity is usually between 30 and 180 days, are recorded and reported according to the amounts originally invoiced, including provision for bad debts. Provision for uncollectibles is assessed when it is improbable to recover receivables. Bad debts are written off in the profit and loss at the time of their loss.

Where the effect of money inflow over time is substantial, the value of accounts receivable is determined by discounting the anticipated cash flows to the present value using a gross discount rate that reflects the current assessment of market value of money over time. In case the discounting method has been used, the increase in receivables on an accrual basis is recognised as financial income.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with maturity not exceeding three months.

As restricted cash the Group classifies mainly:

- which are a collateral for bank guarantees and liabilities due to derivatives
- collected on escrow accounts in the real estate development companies

if their maturity does not exceed 3 months.

Cash at bank and in hand are valued at their nominal value.

The Group shows cash restricted in the balance sheet under cash and cash equivalents. For the purpose of cash flows statement, cash at the beginning and end of the period is reduced by cash restricted and it balance change is recognised in the flows from operating activities.

2.17 Equity

The share capital consists of ordinary shares and is recognised at their nominal value (in accordance with the Articles of Association of the Parent and the entry into the National Court Register).

The amount resulting from the difference between the premium price of shares covered by the Parent and their nominal value make a surplus from the sale of shares above their nominal value.

Equity attributable to non-controlling shareholders is a part of the equity of subsidiaries that are fully consolidated, which is owned by other shareholders than those included in the Group.

Net profit (loss) of subsidiaries attributable to shareholders other than the companies of the Group is the profit (loss) of non-controlling interests.

Treasury shares

Redemption of own shares is recorded at cost and deducted from equity. Gains or losses occurred at the redemption, sale, issue or cancellation of treasury shares does not affect the profit and loss account. The remainder between the carrying value and the purchase price in case of re-issue of shares is recorded in the surplus from the sale of shares above their nominal value. The rights attached to the shares are cancelled, and accordingly, the payment of dividends is not allocated to them.

2.18 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from the past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the influence of the money value over time is material, the provision is determined by discounting the anticipated cash flows to the present value using a gross discount rate that reflects the current assessment of market value of money over time and the potential risks associated with the given liability. If the discount method has been used, the increase in reserves on an accrual basis is recognized as financial expense.

Provisions for liabilities include, but are not limited to:

- guarantee repair provision,

- provision for contract losses,
- provision for litigations,
- unused leave provision,
- retirement provision,
- provision for anniversary awards.

Guarantee repair provision

In the case of construction contracts the companies forming the Erbud Group are obliged to provide guarantees on their services.

The general rule is creation of provisions for guarantee costs based on the rate of guarantee costs calculated as the quotient of guarantee repair costs to the revenues from the given contract and charging costs of services sold. This value is subject to individual review and may increase or decrease in justified cases.

In some cases, the provision for guarantee repair is recognized as at balance sheet date in the amount established on the basis of past experience in the field of a guarantee repairs.

Provision for litigations

The legal divisions and boards of companies of the Group make detailed analysis of potential risks related to ongoing operations and on this basis decide if recognition of the effects of those proceedings in the books of the Group entities is necessary and state the amount of provision.

Unused leave provision

The basis for calculating the reserve for holiday leave provision is a list of unused leave days as at the given balance sheet date, divided by individual employees their daily gross salary plus social security overheads.

Provision for retirement benefits, disability pensions and anniversary awards

The Group entities are required to pay severance and pension allowances in accordance with relevant regulations. The Group also committed to running the awards program. Therefore, there are created provisions for the present value of liabilities arising from the above-mentioned benefits. Payments are written off in the profit and loss account so as to stagger the benefits for the entire period the persons are employed. The year 2011 was the last year of the awards program.

Group companies have adopted a policy of recognizing actuarial gains and losses in the period in which they occur. All actuarial gains and losses are recognized in profit or loss.

The Group does not create a special fund for collecting payments due to future benefits.

Cost of retirement and pension allowances as well as awards, and the present value of liabilities due to the fore-said titles is determined using actuarial techniques. Making an actuarial valuation requires assumptions: discount rates, projected ratios of return on assets and increases in salaries. Because of the complexity of valuation, assumptions made, and the long-term nature, the liabilities under the above benefits are very sensitive to changes in assumptions. All assumptions are reviewed at each reporting date.

2.19 Bank loans, borrowings and debt securities

Loans and bank credits and at their initial recognition are recorded at purchase price equal to the fair value of cash received, less any costs related to obtaining bank credits or loans.

In subsequent periods, credits and loans are valued at amortized cost using the effective interest rate. When determining the amortized cost all costs related to obtaining bank credits or loans and discounts or premiums to account for the settlement of liabilities.

In the profit and loss account are recognized all results of the adjusted purchase price and effects of the debt derecognition or it impairment.

2.20 Trade and other liabilities

Due to the characteristics, liabilities are divided into:

- provisions,

- contingent liabilities,
- financial liabilities,
- current liabilities,
- long-term liabilities.

Contingent liabilities are possible liabilities which depend on a possible event or situation to occur. These liabilities are disclosed in the notes and additional information.

Financial liabilities are obligations to deliver financial assets or to exchange financial instruments with another entity to adverse conditions.

Current liabilities are all liabilities for supplies and services as well as a whole or that part of the other debts that are due in less than 12 months from the balance sheet date. Liabilities are valued as of the balance sheet date in the amount payable.

Long-term liabilities are liabilities for any other items than supplies and services which are due for more than 12 months from the balance sheet date.

Liabilities for supplies and services due to ongoing building contracts and advance payments received are classified as current liabilities, as it is expected that they will be settled in the normal operating cycle of the unit.

Liabilities arising from performance bond with a maturity of less than 12 months are recognized as current liabilities. Long-term debts under the guarantee deposit are to be discounted to present value on the effective interest rates.

2.21 Prepayments and accruals

The Company accounts for receivables and prepayments if they relate to future reporting periods.

The most important condition to recognize costs on an accrual basis is to meet the requirement of accounting them to the unit's assets i.e. to stocks with reliably determined value, which were generated as a result of past events that will impact the future economic benefits for the undertaking.

Impairment of deferred expenditures may be recognised pursuant to the laps of time or amount of benefits. Time and method of settlement must be justified by the nature of costs, observing precautions.

In case of deferred expenditures which will not be accounted in the next 12 months from the balance sheet date, such settlement should be presented as a separate item on the balance of the long-term accruals.

2.22 Recognition of incomes and expenses

Revenue is recognized at that amount at which the Group will likely reach economic benefits that are associated with a transaction and where the amount of revenue can be estimated reliably. Revenue is recognized at fair value after deduction of tax on goods and services (VAT) and excise duty as well as discounts.

Revenue from sales of products and goods is recognized when the significant risks and rewards of ownership of the goods and products were transferred to the buyer and the amount of revenue can be estimated reliably.

Income from construction contracts is recognized in accordance with Group's principles of accounting set out in the section "Long-term contracts".

Income from dividends is recognized when the shareholders' right to receive them is granted.

Income from interest is recognized gradually as they rise (taking into account the effective interest method i.e. the discount rate on future cash inflows over the estimated working life of financial instruments) in relation to the net carrying amount of the assets.

Income from rental of investment property in respect of open contracts is recognized on a line basis over a period of rental.

In accordance with the principle of accrual basis the Group recognized all costs for the reporting period, irrespective of the duration of its settlement, in the profit and loss account. The costs incurred but not related to this period are recognized as receivables and prepayments, and costs not incurred but related to the given period are recognised as accruals and deferred income.

2.23 Construction contracts

The Group's companies recognize revenues from executed contracts by reference to the stage of completion of the contract activity. The budgets of individual contracts are subject to a formal update procedure based on current information in the course of the year and are approved by the Management Board.

The stage of completion method can be applied when an entity can reliably measure the amount of outcome of its construction services.

In accordance with the above method, revenue from the contract is recognized in the profit and loss account as income of that period in which the relevant works covered by the contract were executed. Contract costs related to the given works are recognized in the profit and loss account as an expense attributable to that period in which such works were executed. When it is probable that total costs will exceed total income on contract, the expected loss is recognized as an expense in the period in which it was disclosed.

By determining the stage of completion, the unit uses the method that will reliably state the work already performed. These methods may, depending on the nature of the contract, include:

- measurement of works performed,
- proportion of contract costs incurred for works performed to date relative to the estimated total contract costs,
- comparison of works de facto carried out with the work under the contract.

When determining the state of progress on the basis of contract costs incurred to date, only those costs that reflect work performed are recognised.

If the result of the construction contract cannot be measured reliably, revenue is recognized only to the amount of the costs incurred, which are likely to be recovered, and contract costs are recognized as an expense in the period in which they were incurred.

The measurement results are recognized in assets and liabilities respectively in the consolidated statements of financial position under "Construction Contracts".

2.24 Real estate development

Revenue from sales of development projects is recognized upon transfer of control, all the significant risks and rewards attributable to the ownership of the property to the final recipient. The Company considers that the transfer of risks, benefits and control occurs at the time of signing a notarial deed on transfer of ownership of real estate.

Until recognition of revenue from real estate development, costs incurred are recognized in assets under "Work in progress". At the time of recognition of income from the sale, the Group recognizes the cost of production of a specific area (in proportion to the area sold).

2.25 Profit/loss on sales before tax

Gross profit (loss) on sales:

- revenues from sales of basic production and other services rendered within the core business of the Group’s companies and of goods and materials less
- production costs of goods and services sold and the value of goods and materials sold.

2.26 Profit/loss on operating activity

Profit (loss) from operating activities include revenues and expenses from operating activities without financial costs and incomes, to which primarily belong interests, foreign exchange differences and costs of bank commissions and guarantees..

2.27 Taxes

Current tax is calculated on the basis of the tax result (taxable income) of the financial year. Tax profit (loss) differs from accounting profit (loss) in connection with dercognicion of tax deductible costs which are tax deductibles in the following years and the items of costs and revenues, which will never be subject to tax. Taxes are calculated on the basis of tax rates in force during the financial year.

Income tax on income earned in the country is calculated in accordance with local tax law while the income of units operating abroad are subject to tax according to local regulations, having regard to the agreements on the avoidance of double taxation.

In view of the differences between the book value of the assets and liabilities and their tax base and the deductible tax loss in the future, the Group companies establish a provision and assets for deferred income taxes.

Provision for deferred tax liability is recognized in reference to all positive temporary differences in the amount of income tax, which requires payment in the future:

- except where the deferred income tax provision arises from depreciation of goodwill or from the initial recognition of an asset or liability in a transaction other than merger of entities, and at the point of the transaction it has no influence on the gross financial result, nor for the taxable income or deductible loss, and
- in the case of positive temporary differences arising from investments in subsidiaries or associates and participation in joint ventures - except where the timing of the reversal of temporary differences is controlled by the building investor and it is probable that in the foreseeable future the temporary difference will not be reversed.

The **deferred tax assets** are recognised as an amount to be deducted in the future from income tax in respect of deductible temporary differences and tax loss deductions, observing precautions:

- except where the deferred tax due to temporary differences arises from the initial recognition of an asset or liability in a transaction other than a business combination and at its conclusion does not affect neither the accounting profit nor taxable profit nor tax loss, and
- in the case of negative temporary differences resulting from investments in subsidiaries or associates and participation in joint ventures, the deferred tax asset is recognized in the balance sheet only in the amount, in which it is probable that in the foreseeable future, the above temporary differences will reversed and the taxable income will be achieved to deduct the negative temporary differences.

The carrying value of a deferred tax asset is reviewed at each balance sheet date, and is reduced accordingly to the extent that it is no longer likely to achieve taxable income sufficient for partial or full realization of a deferred income tax asset.

Deferred tax assets and provision for deferred tax are measured using tax rates that will apply during the period when the asset is realized or reserve resolved, based on tax regulations in force as at the balance sheet date.

The income tax regarding items directly recognized in equity is recognized in equity and not in the profit and loss account.

Assets and provisions for deferred income tax are compensated within the individual entities composing the Group.

2.28 Assets held for sale

Fixed assets available for sale and discontinued operations are assets or their groups classified it this category and are recognized in the financial statements at an amount lower than their carrying amount or fair value less costs of sell.

The condition to recognise assets to this group is an active search for buyers and a high probability of disposal of these assets within one year from the date of their classification and the availability of these assets for immediate sale.

2.29 Segment reporting

The breakdown of the Group's reporting is based on geographical segments (domestic and Western European countries) and business segments (as described in Note 5).

2.30 Earnings per share

Basic earnings per share for each period is calculated by dividing net profit for the period by the weighted average number of shares outstanding during the reporting period.

Diluted earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders (after deducting the interest on the redeemable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares outstanding during the period (adjusted for the impact of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

2.31 Share-based payment

The Erbud Capital Group manages a program of share-based payments settled in equity instruments, under which employees receive equity instruments of Erbud SA and its subsidiaries. The fair value of employee services in exchange for equity instruments of the Group or its subsidiaries is accounted for as an increase in capital reserve for a period in which the acquisition conditions are met (the vesting period). The fair value of employee services is determined indirectly by reference to the fair value of the equity instruments granted at the grant date of instruments. Vesting conditions, other than market ones, are taken into account by adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the cost of services rendered should be based on the number of equity instruments that eventually will be vest.

2.32 Hedge accounting

The Group applies hedge accounting. Changes in the fair value of derivative financial instruments designated to hedge cash flows as part of an effective hedging are recognized directly in other comprehensive incomes.

The statement of financial position presents derivative financial instruments as a separate item or as part of other assets and liabilities, if their value is immaterial.

Additional information on the principles of recognition and measurement of derivative financial instruments and hedge accounting is included in note 12.2.

3 Changes in accounting policies applied

3.1 Error adjustment

During the reporting period ended 31 December 2014, there were no error adjustments, which would affect the current period or past periods.

3.2 Changes in estimates

During the reporting period ended 31 December 2014, there were no changes in the methodology of estimates.

3.3 Changes in accounting policy

In 2014, the Erbud Group changed the accounting policy in respect of recognition and measurement of investment property which in prior periods were valued at historical cost and depreciated. The Management Board decided to recognize the valuation of investment property - Deptak Project in the construction process at fair value, in line with regulations of IAS 40, based on the measurement as at 31 December 2014 prepared by an independent expert holding MRICS. According to the Management Board, the valuation of investment property in advanced progress at fair value will better reflect results and financial position of the Group as at 31 December 2014.
Deptak Project is completed by a jointly controlled company (a 50% stake is owned by an external partner of the Group) recognized in the Consolidated Financial Statements by equity method.

The Management Board assessed the potential impact of changes in accounting policy on comparative data presented in the attached financial statements and stated that due to the fact that the Deptak Project is the first major investment implemented within the Erbud Group, this change does not significantly affect comparative figures for the year 2013 .

How the recognition of Deptak Project at fair value impacts on the financial data of the Group for 2014 is presented in Note 5.

In the reporting period ended 31 December 2014, there were no changes in accounting policies, except this one above mentioned.

4 Discontinued operations

In the year ended 31 December 2014 and the year ended 31 December 2013, there were no discontinued operations within the meaning of IFRS 5.

5 Segment information

In the year ended 31 December 2014, the Group conducted operations in the following business segments:

- large-volume building,
- real estate development,
- road-engineering,
- construction for the energy sector,

In the year ended 31 December 2014, the Group conducted operations in the following geographical areas:

- domestic market,
- abroad (Germany, Belgium. Luxembourg).

The segmentation has been made by classification of the individual entities on basis of their statutory activities. The Group applies a uniform accounting policy for all segments.

Business segments

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2014:

Revenue and costs by business segments

For the period from 1 January to 31 December 2014	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Total
Sale to external clients	1 397 537	45 448	160 185	88 885	**1 692 055**
Total income	**1 397 537**	**45 448**	**160 185**	**88 885**	**1 692 055**
Cost of products, goods and materials sold to external clients	1 332 625	40 693	144 226	75 269	**1 592 813**
Total cost of products, goods and materials sold	**1 332 625**	**40 693**	**144 226**	**75 269**	**1 592 813**
Total gross sales	**64 912**	**4 755**	**15 959**	**13 616**	**99 242**
Sales costs	170	1 783	1 690	1 307	**4 950**
General and administrative costs	38 532	1 622	7 917	8 495	**56 566**
Result on other operating activity	-899	170	-625	-126	**-1 480**
Share of net profit (loss) of subsidiaries valued by equity method	0	6 882*	0	0	6 882
Segment result	**25 311**	**8 402**	**5 727**	**3 688**	**43 128**
Result on financing activity	-6 001	-476	-183	-414	**-7 074**
Income tax	5 386	77	1 506	1 193	**8 162**
Net profit	**13 924**	**7 849**	**4 038**	**2 081**	**27 892**

* Deptak Project amounting PLN 6,882 thousand

Other items by business segments

For the period from 1 January to 31 December 2014	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Total
Segment depreciation and amortisation	2 882	979	3 167	1 847	**8 875**
Interest income	1 546	734	250	130	**2 660**
Interest costs	6 155	1 409	328	578	**8 470**
Impairment of assets	1 828	396	472	172	**2 868**
Reversal of impairment losses on assets	250	0	45	85	**380**
Capital expenditure for:	**4 544**	**134**	**1 516**	**9 883**	**16 077**
- Tangible fixed assets	1 582	69	401	3 256	**5 308**
- Intangible fixed assets	141	4	26	134	**305**
- Increase due to acquisition	272	0	0	3 134	**3 406**
Other non-cash outlays	2 549	61	1 089	3 359	**7 058**

Assets and liabilities by business segments

As at 31 December 2014	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Total
Segment assets	659 728	180 570	97 146	69 350	**1 006 794**
Deferred tax assets	27 612	4 674	5 487	6 878	**44 651**
Total assets	**687 340**	**185 244**	**102 633**	**76 228**	**1 051 445**
Total liabilities	**566 023**	**80 915**	**57 627**	**59 349**	**763 914**

Business segments

The following tables present data on income and profit as well as selected assets and liabilities of business segments of the Group as at 31 December 2013:

For the period from 1 January to 31 December 2013	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Activities in other segments	Total
Sale to external clients	998 102	48 485	96 219	79 658	1 145	**1 223 609**
Sale between segments	0	0	0	0	0	**0**
Total income	**998 102**	**48 485**	**96 219**	**79 658**	**1 145**	**1 223 609**
Cost of products, goods and materials sold to external clients	940 831	38 867	85 175	66 746	1 080	**1 132 699**
Total cost of products, goods and materials sold	**940 831**	**38 867**	**85 175**	**66 746**	**1 080**	**1 132 699**
Total gross sales	**57 271**	**9 618**	**11 044**	**12 912**	**65**	**90 910**
Sales costs	0	1 979	1 539	0	0	**3 518**
General and administrative costs	34 417	2 560	6 415	11 082	0	**54 474**
Result on other operating activity	-1 890	286	1 534	-64	5	**-129**
Segment result	**20 964**	**5 365**	**4 624**	**1 766**	**70**	**32 789**
Result on financing activity	-7 171	-170	-155	-195	-4	**-7 695**
Income tax	4 012	725	1 221	929	128	**7 015**
Net profit	**9 781**	**4 470**	**3 248**	**642**	**-62**	**18 079**

Other items by business segments

For the period from 1 January to 31 December 2013	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Activities in other segments	Total
Segment depreciation and amortisation	2 504	843	3 230	1 087	63	**7 727**
Interest income	1 628	842	186	245	6	**2 907**
Interest costs	6 223	877	486	383	11	**7 980**
Impairment of assets	2 654	371	37	0	9	**3 071**
Reversal of impairment losses on assets	321	0	52	203	19	**595**
Capital expenditure for:	1 063	303	8 222	1 937	482	**12 007**
- Tangible fixed assets	782	74	218	736	129	**1 939**
- Intangible fixed assets	93	6	26	171	8	**304**
- Increase due to acquisition	0	0	0	0	0	**0**
Other non-cash outlays	188	223	7 978	1 030	345	**9 764**

Assets and liabilities by business segments

As at 31 December 2013	Large-volume construction	Real estate development	Road-engineering	Activities in energy sector	Activities in other segments	Total
Segment assets	499 990	159 832	60 974	35 929	1 895	**758 620**
Deferred tax assets	25 380	5 212	3 747	1 285	1 686	**37 310**
Total assets	**525 370**	**165 044**	**64 721**	**37 214**	**3 581**	**795 930**
Total liabilities	**407 386**	**60 599**	**34 017**	**26 148**	**814**	**528 964**

Geographical segments

The following tables presents data on income, expenditure and certain assets regarding the Group's geographical segments as at 31 December 2014:

Incomes and expenditures by geographical segments

Year ended 31 December 2014	Domestic market	Abroad	Total
Sale to external clients	1 496 682	195 373	**1 692 055**
Total income	**1 496 682**	**195 373**	**1 692 055**
Cost of products, goods and materials sold to external clients	1 407 569	185 244	**1 592 813**
Total cost of products, goods and materials sold	**1 407 569**	**185 244**	**1 592 813**
Total gross sales	**89 113**	**10 129**	**99 242**
Sales costs	4 950	0	**4 950**
General and administrative costs	48 046	8 520	**56 566**
Result on other operating activity	-3 875	2 395	**-1 480**
Share of net profit (loss) of subsidiaries valued by equity method	6 882*	0	**6 882**
Segment result	**39 124**	**4 004**	**43 128**
Result on financing activity	-7 392	318	**-7 074**
Income tax	7 258	904	**8 162**
Net profit	**24 474**	**3 418**	**27 892**

* Deptak Project amounting PLN 6,882 thousand

Year ended 31 December 2014	Domestic market	Abroad	Total
Segment depreciation and amortisation	8 494	381	**8 875**
Interest income	2 398	262	**2 660**
Interest costs	8 260	210	**8 470**
Impairment of assets	2 806	62	**2 868**

Reversal of impairment losses on assets	130	250	**380**
Capital expenditure for:	**15 594**	**483**	**16 077**
- Tangible fixed assets	4 970	338	**5 308**
- Intangible fixed assets	305	0	**305**
- Increase due to the acquisition	3 406	0	**3 406**
Other non-cash outlays	6 913	145	**7 058**

Assets and liabilities by geographical segments

Year ended 31 December 2014	**Domestic market**	**Abroad**	**Total**
Segment assets	928 843	77 951	**1 006 794**
Deferred tax assets	43 922	729	**44 651**
Total assets	**972 765**	**78 680**	**1 051 445**
Segment liabilities	718 22	45 892	**763 914**
Total liabilities	**718 022**	**45 892**	**763 914**

The following tables presents data on income, expenditure and certain assets regarding the Group's geographical segments as at 31 December 2013:

Incomes and expenditures by geographical segments

Year ended 31 December 2013	**Domestic market**	**Abroad**	**Total**
Sale to external clients	1 013 873	209 736	**1 223 609**
Total income	**1 013 873**	**209 736**	**1 223 609**
Cost of products, goods and materials sold to external clients	937 350	195 349	**1 132 699**
Total cost of products, goods and materials sold	**937 350**	**195 349**	**1 132 699**
Total gross sales	**76 523**	**14 387**	**90 910**
Sales costs	3 518	0	**3 518**
General and administrative costs	44 993	9 481	**54 474**
Result on other operating activity	-171	42	**-129**
Segment result	**27 841**	**4 948**	**32 789**
Result on financing activity	-7 652	-43	**-7 695**
Income tax	5 030	1 985	**7 015**
Net profit	**15 159**	**2 920**	**18 079**

Year ended 31 December 2013	**Domestic market**	**Abroad**	**Total**
Segment depreciation and amortisation	7 288	439	**7 727**
Interest income	2 777	130	**2 907**
Interest costs	7 750	230	**7 980**
Impairment of assets	2 742	329	**3 071**
Reversal of impairment losses on assets	595	0	**595**
Capital expenditure for:	**11 447**	**560**	**12 007**
- Tangible fixed assets	1 379	560	**1 939**
- Intangible fixed assets	304	0	**304**
- Increase due to the acquisition	0	0	**0**
Other non-cash outlays	9 764	0	**9 764**

Assets and liabilities by geographical segments

Year ended 31 December 2013	**Domestic market**	**Abroad**	**Total**
Segment assets	701 489	57 131	**758 620**
Deferred tax assets	36 060	1 250	**37 310**
Total assets	**737 549**	**58 381**	**795 930**
Segment liabilities	500 557	28 407	**528 964**
Total liabilities	**500 557**	**28 407**	**528 964**

6 Tangible fixed assets

2014	Land (incl. perpetual usufruct)	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Prepaid tangible fixed assets under construction	Total
Gross book value as at 1 January 20143	**4 797**	**17 571**	**20 515**	**19 864**	**5 179**	**123**	**0**	**68 049**
Increases:	**767**	**1 637**	**2 788**	**7 569**	**1 024**	**819**	**1 213**	**15 817**
- Purchase	0	0	1 464	708	913	1 010	1 213	**5 308**
- Lease	0	0	638	6 420	0	0	0	**7 058**
- Foreign exchange differences	1	30	12	30	42	0	0	**115**
- Reclassification adjustments	0	31	87	0	-53	-135	0	-70
- Acquisitions through business combinations	766	1 457	583	411	122	67	0	3 406
- Acquisition of fixed assets under construction	0	119	4	0	0	-123	0	0
Decreases:	**65**	**1 101**	**925**	**908**	**1 117**	**0**	**0**	**4 116**
- Sale and liquidation	65	1 101	668	852	816	0	0	**3 502**
- Reclassification adjustments	0	0	257	56	301	0	0	**614**
Gross book value as at 31 December 2014	**5 499**	**18 107**	**22 378**	**26 525**	**5 086**	**942**	**1 213**	**79 750**
Accumulated depreciation as at 1 January 2012	**31**	**6 561**	**9 787**	**12 780**	**3 555**	**0**	**0**	**32 714**
Accumulated depreciation for the period:								
Amortization	15	850	3 064	3 417	779	0	0	**8 125**
Decreases:	**0**	**978**	**874**	**569**	**1 098**	**0**	**0**	**3 519**
- Sale and liquidation	0	1 005	644	539	810	0	0	**2 998**
- Reclassification adjustments	0	0	241	56	316	0	0	**613**
- Foreign exchange differences from translation of foreign entities	0	-27	-11	-26	-28	0	0	**-92**
Accumulated depreciation as at 31 December 2014	**46**	**6 433**	**11 977**	**15 628**	**3 236**	**0**	**0**	**37 320**
Impairment as at 1 January 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment as at 31December 2014	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value as at 1 January 2014	**4 766**	**11 010**	**10 728**	**7 084**	**1 624**	**123**	**0**	**35 335**
Net book value as at 31 December 2014	**5 453**	**11 674**	**10 401**	**10 897**	**1 850**	**942**	**1 213**	**42 430**

2013	Land (incl. perpetual usufruct)	Buildings and structures	Plant and equipment	Means of transport	Other tangible fixed assets	Fixed assets under construction	Prepaid tangible fixed assets under construction	Total
Gross book value as at 1 January 2013	**4 866**	**17 814**	**20 831**	**18 284**	**4 599**	**61**	**0**	**66 455**
Increases:	**0**	**18**	**8 195**	**2 677**	**648**	**62**	**0**	**11 600**
- Purchase	0	0	703	388	627	221	0	**1 939**
- Lease	0	0	7 487	2 277	0	0	0	**9 764**
- Foreign exchange differences	0	18	8	12	18	0	0	**56**
- Reclassification adjustments	0	0		0	0	0	0	**0**
- Transfers	0	0	-3	0	3	-159	0	-159
Decreases:	**69**	**261**	**8 511**	**1 097**	**68**	**0**	**0**	**10 006**
- Sale	69	261	8 241	1 097	4	0	0	**9 672**
- Liquidation	0	0	270	0	64	0	0	**334**
- Transfers	0	0	0	0	0	0	0	**0**
Gross book value as at 31 December 2013	**4 797**	**17 571**	**20 515**	**19 864**	**5 179**	**123**	**0**	**68 049**
Accumulated depreciation as at 1 January 2013	**19**	**5 712**	**11 793**	**11 092**	**2 871**	**0**	**0**	**31 487**
Accumulated depreciation for the period:								
Amortization	12	843	2 897	2 724	727	0	0	**7 203**
Decreases:	**0**	**-6**	**4 903**	**1 036**	**43**	**0**	**0**	**5 976**
- *S*ale	0	0	4 660	1 043	4	0	0	**5 707**
- Liquidation	0	6	233	0	60	0	0	**299**
- Lease adjustment and other adjustments	0	0	0	0	0	0	0	**0**
- Reclassification adjustments	0	0	0	0	0	0	0	**0**
- Foreign exchange differences from translation of foreign entities	0	-12	10	-7	-21	0	0	**-30**
Accumulated depreciation as at 31 December 2013	**31**	**6 561**	**9 787**	**12 780**	**3 555**	**0**	**0**	**32 714**
Impairment as at 1 January 2013	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Impairment as at 31 December 2013	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Net book value as at 1 January 2013	**4 847**	**12 102**	**9 038**	**7 192**	**1 728**	**61**	**0**	**34 968**
Net book value as at 31 December 2013	**4 766**	**11 010**	**10 728**	**7 084**	**1 624**	**123**	**0**	**35 335**

6.1 Depreciation of property, plant and equipment

Depreciation of property, plant and equipment for the period ended 31 December 2014 and 31 December 2013 was recognised in the following items:

	Year ended 31 December 2014	Year ended 31 December 2013
General and administrative expenses	4 308	3 053
Cost of manufacturing sold products and services	3 817	4 150
Total	**8 125**	**7 203**

6.2 Tangible fixed assets used under financial leasing contracts

The Group as a lessee uses the following tangible fixed assets under finance leases:

	31 December 2014		31 December 2013	
	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease	Opening balance of fixed assets under financial lease	Net carrying amount of fixed assets under financial lease
Plant and equipment	12 062	6 847	11 165	7 766
Means of transport	21 265	9 281	14 274	4 803
Other fixed assets	0	0	0	0
Total	**33 327**	**16 128**	**25 439**	**12 569**

6.3 Fixed assets under construction

In the period ended 31 December 2014, there were no borrowing costs capitalized.

In the period ended 31 December 2013, there were no borrowing costs capitalized.

6.4 Tangible fixed assets collaterals

As at 31 December 2014, there were established securities on assets of entities belonging to the Group totalled of PLN 142,500 thousand.

As at 31 December 2013, there were established securities on assets of entities belonging to the Group totalled of PLN 301,341 thousand.

6.5 Amount of contractual commitments for the acquisition of property, plant and equipment

As at 31 December 2014, the amount of contractual commitments due to the acquisition of property, plant and equipment amounted to PLN 1,200 thousand.

As at 31 December 2013, there were no contractual obligations of the companies incorporated in the Group due to the acquisition of property, plant and equipment.

6.6 Amount of compensation received from third parties for loss of value or loss of property, plant and equipment

In the period ended 31 December 2014 and in the period ended 31 December 2013, the Group did not receive from third parties any compensation for the loss of value or loss of items of property, plant and equipment.

7 Fixed assets held for sale

The Group did not classify any assets as held for sale as of 31 December 2014. The Group did not have any assets held for sale for the financial year ended 31 December 2013.

8 Investment property

8.1 Restrictions on the benefits from investment property

As at 31 December 2014 and 31 December 2013, there were no encumbrances on real estate properties held by the units of the Group which would limit the benefits of investment property or a transfer of income and profit arising from this title.

8.2 Recognition in profit or loss

The companies of the Group have recognized in the profit and loss account the following amounts of revenues and expenses with respect to investment property:

	Year ended 31 December 2014	Year ended 31 December 2013
Rental income	367	14
Direct operating costs (including repairs and maintenance) of an investment property that brought income from rentals during the reported period	246	14
Direct operating costs (including repairs and maintenance) of an investment property that did not bring income from rentals during the reported period	23	18

9 Intangible fixed assets

2014	Other
Gross book value as at 1 January 2014	**3 751**
Increases:	**973**
- Purchase	305
- Acquisition of fixed assets under construction	600
- Reclassification adjustments	2
- Other	66
Decreases:	**4**
- Sale	4
- Liquidation	0
- Foreign exchange differences	0
Gross book value as at 31 December 2014	**4 720**
Accumulated depreciation as at 1 January 2014	**1 876**
- Amortization for the period	586
Decreases:	**5**
- Liquidation	4
- Foreign exchange differences	1
Accumulated depreciation as at 31 December 2014	**2 457**
Net book value as at 1 January 2014	**1 875**
Net book value as at 31 December 2014	**2 263**

2013	Other
Gross book value as at 1 January 2013	**3 510**
Increases:	**306**
- Purchase	304
- Acquisition of fixed assets under construction	0
- Reclassification adjustments	2
Decreases:	**65**
- Sale	0
- Liquidation	65
- Foreign exchange differences	0
Gross book value as at 31 December 2013	**3 751**
Accumulated depreciation as at 1 January 2013	**1 443**
- Amortization for the period	497
- Foreign exchange differences	**64**
Accumulated depreciation as at 31 December 2013	65

Gross book value as at 31 December 2013	-1
Accumulated depreciation as at 1 January 2013	**1 876**
Net book value as at 1 January 2013	**2 067**
Net book value as at 31 December 2013	**1 875**

9.1 Recognition in profit or loss

Depreciation and amortization of intangible assets has been recognized in the following items of the profit and loss account:

	Year ended 31 December 2014	Year ended 31 December 2013
Production costs of goods and services sold	569	4
General and administrative expenses	17	493
Total	**586**	**497**

9.2 Legal restrictions

As at 31 December 2014 and 31 December 2013, there were no loans on intangible assets held by the Group's entities which would limit the legal title or secured the liabilities.

10 Consolidated goodwill

	31 December 2014	31 December 2013
Gross book value at the beginning of the period	**20 102**	**20 102**
Increases	1 964	0
Decreases	0	0
Gross book value at the end of the period	**22 066**	**20 102**
Impairment at the beginning of the period	**0**	**0**
Impairment at the end of the period	**0**	**0**
Net book value at the end of the period	**22 066**	**20 102**

The goodwill recognized in the balance sheet as at 31 December 2014 refers to:

- Erbud International Sp. z o.o. in the amount of PLN 1 420 thousand
- Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego SA. in the amount of PLN 18,274 thousand
- Erbud Energetyka Sp. z o.o. . in the amount of PLN 408 thousand (in 2014, there was a business combination between ERBUD Energetyka and ERBUD Industry Sp. z o.o. as a acquiring company.
- Erbud Industry Pomorze Sp.z o.o. in the amount of PLN 1 964 thousand.

Based on the test for impairment of goodwill, which was carried out as of 31 December 2014, the Management Board stated that there is no need to make write-downs.

11 Shares or stocks in subsidiaries

Shares or stocks in subsidiaries in 2014

No.	Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation / equity method or indication that the unit is not subject to consolidation/ valuation by equity method	Value adjustments (total)	Carrying amount of shares /stocks in separate statement of Erbud S.A.	Equity stake held	Voting power at the AGM
1.	Delta Sp. z o.o.	Toruń	Construction	subsidiary	full method	0	3 550	100.00%	100.00%
2.	Erbud Construction Sp. z o.o.	Toruń	Construction	subsidiary	not consolidated - not relevant	39	0	100.00%	100.00%
3.	Toruńska Sportowa S.A. w likwidacji	Toruń	Construction	associated company	not consolidated - not relevant	39	0	39.00%	39.00%
4.	Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	subsidiary	full method	0	79	79.00%	79.00%
5.	Erbud International Sp. z o.o.	Toruń	Construction	subsidiary	full method	0	50	100.00%	100.00%
6.	GWI GmbH	Dusseldorf, Germany	Construction	subsidiary	full method	0	347	85.00%	85.00%
7.	Budlex S.A.	Toruń	Real estate development	subsidiary	full method	0	73 575	89.96%	89.96%
8.	Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.	Toruń	Road-engineering	subsidiary	full method	0	49 554	94.27%	94.27%
9.	Erbud Industry Sp. z o.o. (formerly Ersteel Sp. z o.o.)	Toruń	Steel structures	subsidiary	full method	2 850	9 576	100.00%	100.00%
10.	Erbud Industry Centrum (formerly Engorem Sp z o.o.)	Łódź	Energy services	indirect subsidiary	full method	0	11 479	98.66%	98.66%
11	Erbud Industry Pomorze Sp. z o.o.	Toruń	Energy services	indirect subsidiary	full method		4 579	100.00%	100.00%
12	Energoserv Pomorze Sp. z o.o	Gdańsk	Energy services	indirect subsidiary	full method		3 062	100.00%	100.00%
	Stocks or shares of direct and indirect subsidiaries as at 31.12.2014					2 928	155 851		
	Of which stocks or shares of direct subsidiaries as at 31.12.2014					2 928	136 731		

Shares or stocks in subsidiaries in 2013

No.	Name and legal form of the subsidiary	Seat	Business area	Type of relationship	Method of consolidation / equity method or indication that the unit is not subject to consolidation/ valuation by equity method	Value adjustments (total)	Carrying amount of shares /stocks in separate statement of Erbud S.A.	Equity stake held	Voting power at the AGM
1.	Delta Sp. z o.o.	Toruń	Construction	subsidiary	not consolidated - not relevant	0	3 550	100.00%	100.00%
2.	Erbud Construction Sp. z o.o.	Toruń	Construction	subsidiary	not consolidated - not relevant	39	0	100.00%	100.00%
3.	Toruńska Sportowa S.A. w likwidacji	Toruń	Construction	associated company	not consolidated - not relevant	39	0	39.00%	39.00%
4.	Erbud Rzeszów Sp. z o.o.	Rzeszów	Construction	subsidiary	not consolidated - not relevant	0	79	79.00%	79.00%
5.	Erbud International Sp. z o.o.	Toruń	Construction	subsidiary	full method	0	50	100.00%	100.00%
6.	GWI GmbH	Dusseldorf, Germany	Construction	subsidiary	full method	0	347	85.00%	85.00%
7.	Budlex S.A.	Toruń	Real estate development	subsidiary	full method	0	73 575	89.96%	89.96%
8.	Przedsiębiorstwo Budownictwa Drogowo Inżynieryjnego	Toruń	Road-engineering	subsidiary	full method	0	49 554	94.27%	94.27%
9.	Erbud Energetyka Sp. z o.o.	Katowice	Construction	subsidiary	full method	0	1 512	100.00%	100.00%
10.	Erbud Ireland Limited	Dublin, Ireland	Construction	indirect subsidiary	not consolidated - not relevant	0	50	100.00%	100.00%
11.	Ersteel Sp. z o.o.	Toruń	Steel structures	subsidiary	full method	2 850	8 064	100.00%	100.00%
12.	Engorem Sp z o.o.	Łódź	Energy services	indirect subsidiary	full method	0	11 470	98.62%	98.62%
	Stocks or shares of direct subsidiaries as at 31.12.2013					2 928	148 251		

** presented in the Separate Financial Statements of Erbud S.A

12 Financial instruments

12.1 Carrying amount

The following tables summarize the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2014

	Financial instruments						
Class of financial instruments	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Liabilities due to derivative instruments recognized as hedging instruments - hedge accounting**	**Total**
Loans granted	0	0	31 308	0	0	0	**31 308**
Financial assets available for sale	9 165	0	0	0	0	0	**9 165**
Other financial assets	0	1 060	0	0	0	0	**1 060**
Total financial assets, incl. those presented in the balance sheet as							
- long-term	*9 165*	*1 060*	*31 073*	*0*	*0*	*0*	*41 298*
- short-term	*0*	*0*	*235*	*0*	*0*	*0*	*235*
Building contracts bonds	0	0	55 333	0	-92 832	0	**-37 499**
Trade and other receivables	0	0	317 643	0	0	0	**317 643**
Receivables from customers under building contracts	0	0	182 088	0	0	0	**182 088**
Derivative financial instruments	0	0	0	-16	0	-1 294	**-1 310**
Cash and cash equivalents	0	209 263	0	0	0	0	**209 263**
Amounts due to customers under building contracts	0	0	0	0	-42 538	0	**-42 538**
Liabilities due to trade and other receivables	0	0	0	0	-400 254	0	**-400 254**
Non-current liabilities due to loans and borrowings	0	0	0	0	-22 801		**-22 801**
Other non-current liabilities	0	0	0	0	-6 624	0	**-6 624**
Liabilities arising from the issue of bonds	0	0	0	0	-65 000	0	**-65 000**
Current liabilities due to loans and borrowings	0	0	0	0	-30 065	0	**-30 065**
Total	**9 165**	**210 323**	**586 372**	**-16**	**-660 114**	-1 294	**141 848**

12.2 Incomes, expenses, gains and losses recognized in profit and loss account by categories of financial instruments

for the period from 1 January 2014 to 31 December 2014

	Financial instruments							
Class of financial instruments	**Assets held to maturity**	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Liabilities due to derivative instruments recognized as hedging instruments - hedge accounting**	**Total**
Interest income (expense)	9	0	-288	1 293	0	-3 524	23	**-2 487**
Gains (losses) from exchange rate differences	0	0	222	744	0	281	0	**1 247**
Impairment charges (impairment release)	0	0	0	-112	0	0	0	**-112**
Gains (losses) on valuation	0	0	-3 272	0	-81	0	-1 294	**-4 647**
Gains (losses) on sale and settlement of financial instruments	0	0	0	0	0	0	0	**0**
Total	**9**	**0**	**-3 338**	**1 925**	**-81**	**-3 243**	**-1 271**	**-5 999**

Carrying amount

The following tables summarize the carrying amounts of all financial instruments of the Group by classes and categories of assets and liabilities as at 31 December 2013

	Financial instruments					
Class of financial instruments	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Loans granted	0	0	14 679	0	0	**14 679**
Financial assets available for sale	2 226	0	0	0	0	**2 226**
Other financial assets	756	136	0	0	0	**892**
Total financial assets, incl. those presented in the balance sheet as follows:						
- long-term	*2 982*	*136*	*14 459*	*0*	*0*	*17 577*
- short-term	*0*	*0*	*220*	*0*	*0*	*220*
Building contracts bonds	0	0	49 941	0	-80 535	**-30 594**
Trade and other receivables	0	0	209 191	0	0	**209 191**
Receivables from customers under building contracts	0	0	156 102	0	0	**156 102**
Derivative financial instruments	0	5	0	0	0	**5**
Cash and cash equivalents	0	124 590	0	0	0	**124 590**
Amounts due to customers under building contracts	0	0	0	0	-82 244	**-82 244**
Liabilities due to trade and other receivables	0	0	0	0	-169 325	**-169 325**
Non-current liabilities due to loans and borrowings	0	0	0	0	-49 405	**-49 405**
Other non-current liabilities	0	0	0	0	0	**0**
Liabilities arising from the issue of bonds	0	0	0	0	-50 000	**-50 000**
Current liabilities due to loans and borrowings	0	0	0	0	0	**0**
Other receivables and payables	0	0	12 517	0	-5 258	**7 259**
Total	**2 982**	**124 731**	**442 430**	**0**	**-436 767**	**133 376**

Incomes, expenses, gains and losses recognized in profit and loss account by categories of financial instruments
for the period from 1 January 2013 to 31 December 2013

	Financial instruments						
Class of financial instruments	**Assets held to maturity**	**Available for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortized cost**	**Total**
Interest income (expense)	208	0	882	1 795	0	-7 232	-4 347
Gains (losses) from exchange rate differences	23	0	-194	490	0	-36	283
Impairment charges (impairment release)	0	0	0	-6 580	0	0	**-6 580**
Gains (losses) on valuation	0	0	58	0	-731	0	-673
Gains (losses) on sale and settlement of financial instruments	0	0	-124	0	0	0	-124
Total	**231**	**0**	**622**	**-4 295**	**-731**	**-7268**	**-11 441**

Financial assets and liabilities measured at fair value and available for sale

The following tables provide an analysis of assets and financial liabilities of the Group which, after initial recognition measured at fair value, are grouped into levels 1-3, depending on the degree of observability of the source data used to determine fair value.

	31 December 2014			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets available for sale	0	9 165	0	**9 165**
Financial assets measured at fair value through profit or loss account, of which:				
Cash and cash equivalents	209 263	0	0	**209 263**
Other financial assets	0	1 060	0	**1 060**
Total	**209 263**	10 225	0	**219 488**

	31 December 2014			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets measured at fair value through profit or loss account, of which:				
Derivative financial instruments	0	16	0	**16**
Total	**0**	**16**	**0**	**16**

Investment properties measured at fair value

The following tables provide an analysis of assets and financial liabilities of the Group which, after initial recognition measured at fair value, are grouped into levels 1-3, depending on the degree of observability of the source data used to determine fair value.

	31 December 2014			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Investment property	0	9 377	0	**9 377**
Total	**0**	**9 377**	**0**	**9 377**

	31 December 2013			
	Fair value measurement			
	Level 1	Level 2	Level 3	**Total**
Financial assets available for sale	0	2 226	0	**2 226**
Financial assets measured at fair value through profit or loss account, of which:				
Cash and cash equivalents	124 590	0	0	**124 590**
Other financial assets	756	0	0	**756**
	0	5	0	**5**
Total	**125 346**	**2 231**	**0**	**127 577**

	31 December 2013			
	Fair value measurement			
	Level 2	Level 2	Level 3	**Total**
Financial liabilities measured at fair value through profit or loss account, of which:	0	0	0	**0**
Derivative financial instruments	0	0	0	**0**
Total	**0**	**0**	**0**	**0**

12.2 Derivative financial instruments

In the financial year ended 31 December 2010 the Group entered into one contract denominated in Euro. The subject of the contract is to provide the company Deptak Projekt P2 Sp. z o.o. with a loan of Euro 3 500 thousand. The NBP average exchange rate EURO/PLN amounted to PLN 3.9443 as at the transaction date. Repayment of loan is fixed by 30 July 2015. Because the Group was not able to hedge the exchange rate risk for such a long time, it has been decided to arrange a phase security and conclude a forward exchange contract, initially for three years.

As at 31 December 2014, the valuation under this instrument amounted to PLN 16,000.

As at 31 December 2013, the valuation under this instrument amounted to PLN 5 000.

Moreover, in the financial year ended 31 December 2014, the Group signed a contract for construction works with Hala Koszyki Grayson Investments sp. z o.o. sp.k. Accordingly, the Group expects specified payments in Euro. In order to hedge cash flows arising from the contract the Group entered with ING Bank Slaski SA. into a par forward contract (one rate of 4.2815 PLN/EUR for all cash flows) for amounts and dates corresponding to the expected flows arising from completion of the construction contract.

Changes in fair value of financial derivatives designated as cash flow hedges to the extent that it relates to the effective hedge recognized directly in other comprehensive income. Changes in fair value of financial derivatives designated as cash flow hedges to the extent that they not represent an effective hedge are included in other income or loss for the period.

At inception of the hedge, the Company designates and formally documents the hedging relationship, as well as the risk management objective and strategy for undertaking the hedge. This documentation includes: (i) identification of the hedging instrument, (ii) identification of the hedged item or transaction, (iii) determination of the nature of the hedged risk, and (iv) determination of the method of assessing the hedge effectiveness in offsetting threats associated with changes in the fair value of the hedged item or cash flows related to the hedged risk. It is expected that the hedge will be highly effective in offsetting changes in fair value or cash flows arising from the hedged risk. The hedge effectiveness is assessed on an ongoing basis to determine whether it is highly effective in all reporting periods for which it was established.

13 Inventories

	31 December 2014	31 December 2013
Materials	3 528	5 019
Semi-products and unfinished products	21 884	35 476
Finished products	45 894	40 958
Goods	34 821	31 505
Advances for deliveries	7 877	1 917
Gross book value of inventories at the end of the period	**114 004**	**114 875**
Impairment of inventories at the beginning of the period	**2 735**	**2 615**
Created in other operating costs	482	360
Created in manufacturing cost of products sold	0	3
Reversed into other operating costs	0	221
Used	49	22
Reclassification to long-term investments	1 500	0
Impairment of inventories at the end of the period	**1 668**	**2 735**
Net book value of inventories at the end of the period	**112 336**	**112 140**

13.1 Inventories pledged as collateral

As at 31 December 2014, there were pledged inventories of the Group's companies established as collateral in the amount of PLN 161,659,000.

14 Trade and other receivables

Both as at 31 December 2014 and 31 December 2013, the Group had no long-term trade and other receivables.

	31 December 2014	31 December 2013
Long-term receivables before tax		
a) Due to deliveries and services	348 890	266 634
- from associates	46	131
- from other entities	348 844	266 503
b) From the public sector	26 473	10 524
c) Other	10 711	11 006
Impairment of receivables	**7 215**	**7 582**
Total net short-term receivables,	**378 859**	**280 582**
presented in the balance sheet as		
Trade and other receivables	317 643	223 305
Trade and other receivables	5 883	7 336
Receivables from income tax	55 333	49 941

The fair value of trade receivables and other receivables is nearly equal to their carrying amount.

The age structure of receivables is presented in the table below:

	31 December 2014	31 December 2013
a) Up to 3 months	262 090	204 126
b) Between 3 and 6 months	2 897	1 070
c) Between 6 and 12 months	42 317	20 061
d) Over 12 months	12 947	20 232
e) Overdue debts	28 639	21 145
Total trade receivables (gross)	**348 890**	**266 634**
f) Impairments from trade receivables	6 912	7 502
Total net trade receivables	**341 978**	**259 132**

Write-downs of receivables are created for overdue debts over 180 days at their full value.

In single, justified cases, can be applied individual principles of impairment accounting.

The amount of overdue for more than 1 year not covered by a write-down as of 31.12.2014 includes but is not limited to mortgage-backed receivables of PLN 8 188 thousnd from Kępska SA and receivables of PLN 3 700 thousand from Międzyzdrojski Rynek Sp. z o.o. (a municipal company) . Due to the the expected recovery of the receivables, the Company did not include a write-down of this item.

The following table presents the value of impairments from trade and other receivables:

	31 December 2014	31 December 2013
Impairments at the beginning of the period	**7 582**	**9 962**
Created in other operating costs	2 271	2 711
Reversed into other operating costs	465	595
Used	2 745	4 603
Currency translation differences	6	107
Other	116	
Impairment losses taken from Erbud Rzeszów	450	0
Impairments at the end of the period, of which:	**7 215**	**7 582**
Impairment losses from trade receivables	6 912	7 502
Impairment losses from other receivables	303	80

As the Group has a large number of domestic and foreign clients there is no concentration of a credit risk for trade receivables.

15 Prepayments and accruals

Receivables and prepayments	31 December 2014	31 December 2013
Insurances	4 460	4 225
Discounting of bonds	2 001	0
Prepayments	0	13
Bonds issue costs	0	82
Advances for deliveries	0	0
Other	42	221
Total	**6 503**	**4 541**

Accruals and deferred income	31 December 2014	31 December 2013
Costs of works and services before invoice	8	45
Advances for purchase of apartments, premises and parking places	26 803	13 954
Other	0	74
Total	**26 811**	**14 073**

16 Cash and cash equivalents

	31 December 2014	31 December 2013
Cash in hand	85	71
Cash at bank	168 628	110 854
- current accounts	92 121	41 057
- overnight deposits	59 977	38 683
- other deposits	0	6 816
- term investments	16 530	24 298
Other cash	40 550	13 665
Total cash, of which:	**209 263**	**124 590**
Restricted cash and cash equivalents	45 966	35 989
Cash and cash equivalents for cash flows	**209 263**	**124 590**

The Group's restricted cash and cash equivalents are:

	31 December 2014	31 December 2013
Cash deposits as collateral for bank guarantees	18 349	20 479
Works Staff Welfare Fund	64	27
Other	0	1
Funds on trust accounts	22 891	15 482
Funds on separate proceeds account	4 662	0
Total	**45 966**	**35 989**

Reconciliation of changes in balance sheet items to changes shown in the statement of cash flows for the year 2014 is presented below:

	31 December 2014
Change in receivables in the balance sheet	**-99 730**
Balance as at the date of acquiring an entity	9 111
Opening Balance Sheet receivables due to income tax	-1 186
Opening Balance Sheet receivables due to acquisition of financial assets	-1 257
Change in receivables in the cash flows account	**-93 062**

	31 December 2014
Change in inventories in the balance sheet	**-196**
Balance as at the date of acquiring an entity	249

Capitalised financing costs	-2 677
Change in inventories in the cash flows account	1 196
Change in inventories in the balance sheet	**-1 428**

	31 December 2014
Change in payables in the balance sheet	**219 697**
Balance as at the date of acquiring an entity	-5 489
Change in short-term financial liabilities	-1 823
Liabilities due to sale of financial assets	32
Change in payables in the cash flows account	**212 417**

	31 December 2014
Change in prepayments and accruals in the balance sheet	**-54 957**
Balance as at the date of acquiring an entity	244
Deferred income due to discount bond	1 918
Accruals due to deferred tax on forward transaction	-250
Change in prepayments and accruals in the cash flows account	**-53 045**

	31 December 2014
Change in provisions in the balance sheet	**221**
Balance as at the date of acquiring an entity	-1 121
Capitalised financing costs	100
Change in provisions in the cash flows account	**-800**

Reconciliation of changes in balance sheet items to changes shown in the statement of cash flows for the year 2013 is presented below:

	31 December 2013
Change in receivables in the balance sheet	**38 038**
Receivables from the acquisition of financial assets	1 257
Change in receivables in the cash flow account	**39 295**

	31 December 2013
Change in inventories in the balance sheet	**3 153**
Capitalised financing costs	987
Change in inventories in the cash flow account	**4 140**

	31 December 2013
Change in payables in the balance sheet	**-101 295**
Repayment of liabilities due to the purchase of Budlex	5 667
Liabilities due to sale of financial assets	-43
Change in payables in the cash flow account	**-95 671**

Non-cash transactions:

- Increase of fixed assets used under finance lease amounted totalled of PLN 7 058 thousand.

17 Equity

17.1 Share capital

The share capital of the Parent as of 31 December 2014 consisted of 12,761,925 shares with a total value of PLN 1,276,192.50. The structure of the share capital of the Parent as at 31 December 2014 was as follows:

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	Equity percentage	Disposal restrictions
A	Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	282 137	2.21%	None
A	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	717 863	5.62%	None
B	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	3 152 865	24.71%	None
	Total				**4 152 865**	**32.54%**	
B	Juladal Investment Ltd	Ordinary	None	None	30 173	0.24%	None
A	Dariusz Grzeszczak	Ordinary	None	None	773 900	6.06%	None
B	DGI Fundusz Inwestycyjny Zamkniety Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	None	None	2 136 260	16.74%	None
D	AVIVA Otwarty Fundusz Emerytalny BZ WBK	Ordinary	None	None	1 183 146	9.27%	None
A	Józef Zubelewicz	Ordinary	None	None	259 500	2.03%	None
B	Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	None	None	681 914	5.34%	None
D	ING Otwarty Fundusz Emerytalny	Ordinary	None	None	1 266 900	9.93%	None
D,E,C, F,G,H,I	Free Float	Ordinary	None	None	2 277 267	17.85%	None
	TOTAL				**12 761 925**	**100%**	
	Par value of shares of all series in PLN	0.10		Share capital value in PLN	1 276 192.50		

The share capital as of 31 December 2014 consisted of 12,714,546 shares with a total value of PLN 1,271,454.60.

The shareholding of the Parent Company as at 31 December 2013 was as follows:

Series	Shareholder	Class of shares	Preferences on shares	Restrictions on shares	Number of shares	% of equity shareholding	Restrictions on disposal
A	Wolff & Muller Holding Gmbh & Co.KG	Ordinary	None	None	282 137	2.22%	None
A	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	717 863	5.65%	None
B	Wolff & Muller Baubeteiligungen Gmbh & Co.KG	Ordinary	None	None	3 152 865	24.79%	None
	Total				**4 152 865**	**32.66%**	
B	Juladal Investment Ltd	Ordinary	None	None	2 848 347	22.40%	None
A	Dariusz Grzeszczak	Ordinary	None	None	773 900	6.09%	None
D	AVIVA Otwarty Fundusz	Ordinary	None	None	1 183 146	9.31%	None

D	Emerytalny BZ WBK ING Otwarty Fundusz Emerytalny	Ordinary	None	None	1 266 900	9.96%	None
D,E,C, F, H	Free Float	Ordinary	None	None	2 489 388	19.58%	None
	Total				**12 714 546**	**100%**	
	Par value of shares of all series in PLN		0.10	Share capital	1 271 454.60		

The above tables show shareholders having more than 5% of the equity.

Movements in the share capital of the Parent Company in 2014.

By the Resolution No. 22/2012, the Annual General Meeting of Shareholders of Erbud S.A. agreed that the Company will conduct a Manager Option Scheme over the period of 2013-2015, within the scope of which entitled persons will be granted the possibility to subscribe for shares of the Company issued within the scope of the authorized capital. Shares will be offered to the persons entitled to subscribe in the years 2013 - 2015 in a number not more than 50,000 shares per year. The Manager Option Scheme refers to financial years 2012-2014. The employee may be covered by an option program, if he/she has been working for at least 24 months. As far as concerned persons working in subsidiaries, the company must be a member of the group for at least two years. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in the financial year for which the shares will be offered a consolidated net profit of at least ten million Zlotys. In addition, the person who would be entitled may not be upon notice of termination of the employment contract.

On 19 March 2014, in connection with the planned by the Management Board increase of the share capital by an amount not exceeding PLN 5.000 through the issuance of not more than 50,000 shares of Series I for the purpose of the adopted Management Option Plan, the Supervisory Board of Erbud SA passed at the request of the Management Board of the Company dated 5 March 2014 Resolution No. 6/2014 on depraving the existing shareholders of pre-emptive rights to acquire Series I shares and determining the issue price of shares of Series I in the amount of PLN 11.00 Finally, following the issue of Series I shares, 47,379 shares with a nominal value of PLN 0.10 each was acquired Thus, the share capital has been increased by PLN 4,737.90.

Except for rights arising from the directly held shares of Erbud SA, the major shareholders have no other voting rights at a General Meeting.

Shares of Erbud SA owned by the above mentioned persons are not preference ones.

The Company's Statute does not grant the below mentioned shareholders any personal rights in relation to Erbud SA, in particular, does not give the right to appoint members neither of the Management Board nor the Supervisory Board of Erbud SA.

The number of shares constituting the authorized capital is equal to the number of shares issued. Nominal value per share is PLN 0.10. No shares have been reserved for issuance under the sale option.

Significant movements in the share capital of the Company during the period from 1 January 2014 to the preparation of financial statements.

In 2014, there were some significant changes in the shareholding of the Parent Company. Juladal Investment sold 2,136,260 shares (representing 16.74 percent of the share capital at the end of 2014) to DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak and 681,914 shares (representing 5.34% of the share capital) to Adler Properties Ltd. controlled by Józef Zubelewicz. Juladal Investment sold a total of 2,818,174 shares of Erbud SA.

17.2 Supplementary capital

	31 December 2014	31 December 2013
- From sale of shares over their nominal value	**154 412**	**154 412**
- **Other (by type)**	**68 682**	**68 381**
From profit	71 243	71 727
- Shareholder's contribution	14	14
- due to increase of equity in Rembert Plus	-750	-750
- Acquiring the remaining shares in PRD SA	-9	-9
- Income tax adjustment for the cost of issuance	767	767
- Acquiring the remaining shares in Budlex	-4 636	-4 636
- Presentation change of supplementary capital	-718	-718
- Share-based payment	3 307	3 030
- From a reserve capital created to purchase of own shares	2 000	2 000
- Sale of treasury shares	484	484
- Purchase of shares in Erbud Energetyka	272	272
- Share-based payment - allocation of shares	-6 292	-6 292
- Increase in the capital of Budlex - agio	188	188
- Increase in share capital within the authorized capital	1 712	1 195
- Increase in the capital of PRD	150	150
- Merger of the subsidiaries: Ersteel and ER Services	102	102
- Purchase of shares in Erbud Industry Centrum (formerly Engorem)	849	849
- Acquiring the remaining shares in Erbud Industry Centrum (formerly Engorem)	-9	0
- Other	8	8
Total	**223 094**	**222 793**

17.3 Capital management policies and procedures

The supplementary capital is created in accordance with the provisions of the Commercial Companies Code and he decisions of the shareholders. Pursuant to the Commercial Companies Code, to cover losses, it should be established a supplementary capital, which will be supported by at least 8% of the profit for the financial year, as long as the capital will reach at least one-third of the nominal capital. Capital created in such manner is not subject to distribution. Decision of using the supplementary and reserve capital makes the Shareholders' General Meeting; however, a part of the capital may be used only to cover the losses shown in the financial statements and is not subject to the division for other purposes.

The main objective of the Group's capital management is to maintain a good credit rating and secure capital ratios, which would support the operational activities of the Group and maximize its goodwill.

The capital structure is managed by the Group manages and adjusted as a result of changes in economic conditions. In order to maintain or correct the capital structure, the Group may respectively pay dividends to shareholders of the Parent or issue new shares.

18 Bank borrowings and loans

	31 December 2014	31 December 2013
Long-term	**22 801**	**14 487**
Bank credits	22 801	14 487
Short-term	**30 065**	**24 488**
Overdrafts	24 154	8 943
Bank borrowings and loans	5 911	15 545
Total bank borrowings and loans	**52 866**	**38 975**

The maturity of borrowings and loans was as follows:

	31 December 2014	31 December 2013
a) up to 1 year	30 065	24 488
b) between 1 and 3 years	17 827	4 726
c) between 3 and 5 years	4 974	8 651
d) over 5 years	0	1 110
Total	**52 866**	**38 975**

The carrying amount of long-term loans approximates their fair value because contract conditions of interest rates of credit are based on the variable rate of interest.

Long-term liabilities due to loans and borrowings as at 31 December 2014

Budlex

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex S.A.	12 000	PLN	PLN	9 646	PLN	Wibor 1M+2.00%	31.12.2015	ING Bank Śląski SA

Collaterals/guarantees to repay the loan granted to Budlex

Final collaterals:

Assignment of debts from contracts signed by Erbud SA - established by ERBUD SA

Security deposit established by ERBUD SA

Temporary collateral:

Statement on submission to enforcement up to PLN 60,000,000 expired 20.03.2022.

Budlex

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex S.A.	870	PLN	PLN	0	PLN	Wibor 1M+1.86%	24.01.2015	Bank PKO BP SA

Collaterals/guarantees to repay the loan granted to Budlex

Final collaterals:

Blank promissory note with a declaration

Joint mortgage of up to PLN 1,500,000

Civil law guarantee by Budlex Properties Sp. z o.o.

Receivables deduction clause from the Borrower's bank account maintained at the PKO BP S.A.

Statement on submission to enforcement up to PLN 1,740,000

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Glinki A3 Sp. zo.o.	26 000	PLN	PLN	3 632	PLN	Wibor 3M+2.95%	15.09.2015	mBANK HIPOTECZNY SA

Collaterals/guarantees to repay the loan granted to Budlex Glinki A3

Final collaterals:

Mortgage up to PLN 52,000,000

Registered pledge on all shares of the Borrower

Blank promissory note with a declaration issued by the Borrower and guaranteed by the Shareholder until the deposit mortgage and registered pledge have been effective established for the benefit of the Bank

Assignment of rights from sales agreements and insurance policy or bank guarantee

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - against fire and other perils

Attorney for the Bank to operate the escrow accounts

Support Agreement providing the subordination of payments, and including the Shareholder's statement, incl. his obligation to cover the additional paid-in capital, to support the budget if the costs are exceeded, to grant subordinated loans, not to adopt resolutions on advance payments due to the profit in the financial year, not to assign the rights and obligations of the Shareholders of the Borrower's Company without the consent of the Bank, to supply the Escrow Account balance in the event the balance is less by 10% than planned one for two subsequent quarters.

Statement of the Borrower on submission to enforcement up to PLN 52,000,000

Statement by the owner of shares in the Borrower's company to submit to the enforcement of the shares up to PLN 26,000,000 issued under Article. 97 of Banking Law, authorizing the Bank to apply for granting a writ of execution to the bank enforcement title within two years after the date of final credit repayment

Authorisation to dispose of the account in BRE Bank Hipoteczny S.A. and all accounts of the Borrower in other banks

Mortgage Splitting Agreement

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Irys Sp.zo.o. Sp.K.	15 534	PLN	PLN	0	PLN	Wibor 3M+2.40%	30.04.2017	Bank PKO BP S.A.

Collaterals/guarantees to repay the loan granted to Budlex Irys Spóka z o.o.Sp.K.

Final collaterals:

Mortgage up to PLN 23,301,725

Blank promissory note with a declaration guaranteed by Budlex S.A.

Transfer of claims under the construction insurance agreement and after completion - from the building insurance in the amount of not less than the amount of exposure under this loan

Contractual right of set-off receivables of the Bank arising from credit transactions with the Borrower's debt who is the account holder

Transfer of cash receivables to the Bank under development / purchase agreements / agreements regarding the construction and sale of dwellings / parking places completed within the project (already signed and to be concluded in the future)

Registered and financial pledge on receivables from bank accounts held in connection with the Borrower's project, except for the escrow account

Pledge under the general terms on receivables from bank accounts held in connection to the Borrower's project, except for the escrow account

Assignment of rights from the construction contract with General Contractor and of receivables from a performance bond

Statement by the Borrower and the Guarantor on submission to enforcement up to PLN 31,068,966 due to loan and promissory note

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Magnolia Sp.zo.o. Sp.K.	13 498	PLN	PLN	3 591	PLN	Wibor 3M+2.40%	30.09.20167	Bank PKO BP S.A.

Collaterals/guarantees to repay the loan granted to Budlex Magnolia Spóka z o.o.Sp.K.

Final collaterals:

Mortgage up to PLN 20,246,643

Blank promissory note with a declaration guaranteed by Budlex S.A.

Transfer of claims under the construction insurance agreement and after completion - from the building insurance in the amount of not less than the amount of exposure under this loan

Contractual right of set-off receivables of the Bank arising from credit transactions with the Borrower's debt who is the account holder

Transfer of cash receivables to the Bank under development / purchase agreements / agreements regarding the construction and sale of dwellings / parking places completed within the project (already signed and to be concluded in the future)

Registered and financial pledge on receivables from bank accounts held in connection with the Borrower's project

Registered and financial pledge on a 100% of shares of the Borrower

Assignment of rights from the construction contract with General Contractor and of receivables from a performance bond

Statement by the Borrower and the Guarantor on submission to enforcement up to PLN 26,995,524.00 due to loan and promissory note

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Glinki A3/3 Sp. zo.o.	5 630	PLN	PLN	0	PLN	Wibor 3M+3.00%	15.11.2017	mBANK HIPOTECZNY SA

Collaterals/guarantees to repay the loan granted to Budlex Glinki A3/3Spółka z o.o.Sp.K.

Final collaterals:

Mortgage up to PLN 8.445.600 PLN

Registered pledge on all shares in the Borrower's company

Blank promissory note with a declaration issued by the Borrower and guaranteed by Budlex SA until the deposit mortgage and registered pledge have been effective established for the benefit of the Bank

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion -against fire and other perils

Registered pledge to the Bank on future receivables of the Developer due to the payment of funds from the Trust Account

Registered pledge to the Bank on claims on the Development Account and all other accounts

Housing Trust Account Agreement

Escrow Account Agreement

Power of attorney to dispose of the account held in m Bank Hipoteczny S.A. and all accounts of the Borrower in other banks, excluding for Trust Account

Transfer to the Bank of receivables from the Contract with the General Contractor and other contracts related to the execution of the Project and collaterals thereof

Project Support Agreement

Enforcement statement by the Borrower up to PLN 8,445,600, incl. authorization for the Bank to apply for granting a writ of execution to the bank enforcement title expired on 15.11.2019

Mortgage Splitting Agreement

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Winica L6-7 Sp. zo.o. S.K.	9 110	PLN	PLN	0	PLN	Wibor 3M+3.00%	15.12.2018	mBANK HIPOTECZNY SA

Collaterals/guarantees to repay the loan granted to Budlex Winnica L6-7 Spóka z o.o. S.K.

Final collaterals:

Mortgage up to PLN 13,664,944.50 PLN
Registered pledge on all shares in a Limited Partnership Company
Blank promissory note issued by the Borrower and a declaration issued by the Borrower and guaranteed by the Shareholders until the deposit mortgage and registered pledge have been effective established for the benefit of the Bank
Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - against fire and other perils
Registered pledge to the Bank on future receivables of the Developer for payment of funds from the Trust Account
Registered pledge to the Bank on claims on the Development Account and all other accounts
Housing Trust Account Agreement
Housing Trust Account Agreement
Power of attorney to dispose of the account held in m Bank Hipoteczny S.A. and all accounts of the Borrower in other banks, excluding for Trust Account
Transfer to the Bank of receivables from the Contract with the General Contractor and other contracts related to the execution of the Project and collaterals thereof
Project Support Agreement
Enforcement statement by the Borrower up to PLN 13,664,944.50, incl. authorization for the Bank to apply for granting a writ of execution to the bank enforcement title expired on 15.12.2020.
Mortgage Splitting Agreement

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Budlex Brzoskwiniowa sp. z o.o.	11 500	PLN	PLN	8 564	PLN	Wibor 6M+3.20%	15.01.2017	mBANK HIPOTECZNY SA

Collaterals/guarantees to repay the loan granted to Budlex Brzoskwiniowa sp. z o.o.

Final collaterals:

Mortgage up to PLN 23,000,000

Registered pledge on all shares in a Limited Partnership Company

Blank promissory note issued by the Borrower and a declaration issued by the Borrower and guaranteed by the Shareholders until the deposit mortgage and registered pledge have been effective established for the benefit of the Bank

Assignment of rights to compensation under an insurance policy against the building risks in connection with the construction of the building and after the completion - against fire and other perils

Assignment of claims to the Bank due to present and future Sale Contracts

Registered pledge to the Bank on future receivables of the Developer for payment of funds from the Trust Account

Registered pledge to the Bank on receivables of the Developer for payment of funds from the Escrow Account

Escrow account agreement and authorization for the Bank to dispose of the bank account balance

Power of attorney to dispose of the account held in m Bank Hipoteczny S.A. and all accounts of the Borrower in other banks, excluding for Trust Account

Transfer to the Bank of receivables from the Contract with the General Contractor and other contracts related to the execution of the Project and collaterals thereof

Support Agreement providing for the subordination of payments, and including a statement by the Shareholder on obligation to cover the additional paid-in capital, to complete the budget if costs are exceeded, to grant subordinated loans, not to adopt resolutions on interim dividends for the current fiscal year, not to assign the rights and obligations of Shareholders of the Borrower's Company without the consent of the Bank, to complete the Escrow Account balance in the event the balance is less by 10% than planned one for 2 subsequent quarters

Enforcement statement by the Borrower up to PLN 23,000,000, incl. authorization for the Bank to apply for granting a writ of execution to the bank enforcement title expired on 15.01.2019

Mortgage Splitting Agreement

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Wumbud sp. z o.o.	43	PLN	PLN	43	PLN	5%	01.09.2016	Wolf Muller Holding GmbH

Collaterals/guarantees to repay the loan granted to Wumbud sp. z o.o.

None

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Energoserv Pomorze Sp. z o.o.	500	PLN	PLN	332	PLN	Wibor 1M+2.25%	27.03.2015	Bank Zachodni WBK

Collaterals/guarantees to repay the loan granted to Energoserv Pomorze Sp. z o.o.

Final collaterals:

The current account receipts as collateral for a loan - cannot be assigned to other creditors

Blank promissory note with a declaration issued by the Borrower

Aval of Mr Józef Sidorowicz and Mr Ryszard Zalewski on blank promissory note

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud Industry Centrum Sp. z o.o.	11 500	PLN	PLN	7 723	PLN	Wibor 3M+1.7%	28.02.2020	CREDIT AGRICOLE

Collaterals/guarantees to repay the loan granted to Erbud Industry Centrum Sp. z o.o.

Final collaterals:

Guarantee Agreement for PLN 11,500,000 provided by ERBUD

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Multipurpose Credit Line Agreement No. WAR/4100/14/221/CB	5 000	PLN	PLN	1 018	PLN	Wibor 1M+1.20%	17.09.2024	BNP Paribas Bank Polska Sp. z o.o.

Collaterals/guarantees to repay the loan granted to Erbud Industry

Final collaterals:

Surety under the civil law up to PLN 10,000,000.00 (ten million Zlotys) granted by ERBUD SA with its registered office in Warsaw at 300A Puławska St., 02-819 Warsaw, and Statement by the Guarantor on submission to enforcement for the benefit of the Bank pursuant toArt.97 of the Banking Law Act dated 29 August 1997 (Journal of Laws of 2002, No. 72, item 665, as amended)

Assignment of future receivables from the contract / contracts concluded by ERBUD INDUSTRY Sp.z o.o. with customers amounted of not less than PLN 10,000,000.00

Statement on submission to enforcement under Art. 97 of the Banking Law Act dated 29 August 1997 (Journal of Laws of 2002, No. 72, item 665, as amended)

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
	5 300	PLN	PLN	5 159	PLN	Wibor 1M+1.90%	17.09.2019	BNP Paribas Bank Polska Sp. z o.o.

Collaterals/guarantees to repay the loan granted to Erbud Industry

Final collaterals:

Surety under the civil law up to PLN 5,300,000.00 PLN (five million three hundred thousand Zlotys) granted by ERBUD SA with its registered office in Warsaw at 300A Puławska St., 02-819 Warsaw, and Statement by the Guarantor on submission to enforcement for the benefit of the Bank pursuant toArt.97 of the Banking Law Act dated 29 August 1997 (Journal of Laws of 2002, No. 72, item 665, as amended)

Statement by the Borrower on submission to enforcement under Art. 97 of the Act of 29 August 1997 Banking Law (Journal of Laws of 2002, Nr. 72, item 665, as amended)

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.	2 000	PLN	PLN	0	PLN	Wibor 1M+2.00%	26.11.2015	BNP Paribas Bank Polski

Collaterals/guarantees to repay the loan granted to Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.

Final collaterals:

Blank promissory note with a declaration, statement on submission to enforcement, assignment of future receivables

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.	5 000	PLN	PLN	0	PLN	Wibor 1M+1.90%	31.12.2015	ING Bank Śląski

Collaterals/guarantees to repay the loan granted to Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.

Final collaterals:

Capped mortgage up to PLN 120,000,000 under the right for perpetual usufruct of land and building ownership

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.	3 000	PLN	PLN	0	PLN	Wibor 3M+1.60%	11.05.2015	Alior Bank

Collaterals/guarantees to repay the loan granted to Przedsiębiorstwo Budownictwa Drogowo-Inżynieryjnego S.A.

Final collaterals:

Assignment of future receivables

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
GWI	8 525	2 000	EUR	8 525	2 000	4.39%	31.05.2015	Comerzbank
Collaterals/guarantees to repay the loan granted to GWI								
Final collaterals:								
€ 2 m form mBank								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
GWI	8 525	2 000	EUR	4 633	1 087	EONIA+2.5%	current account	KBC Bank
Collaterals/guarantees to repay the loan granted to GWI								
Final collaterals:								
€ 3 m from Erbudu S. A.								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	20 000	PLN	PLN	0	PLN	Wibor 3M+2.60%	30.10.2015	PKO BP
Collaterals/guarantees to repay the loan granted to Erbud S.A.								
Final collaterals:								
Investments - 10% of the limit								
Enforcement statement								
Assignment of receivables from construction contracts of 120% of the loan and guarantee limits								
Turnover - 30% of sale revenues through the account held in PKO BP								
Surety – provided by Erbud International Sp.z o.o. and PBDI S.A.								

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	32 000	PLN	PLN	0	PLN	Wibor 1M+2.00%	11.09.2015	ING S.A.

Collaterals/guarantees to repay the loan granted to Erbud S.A.

Final collaterals:

Investments - 10% of the guarantee granted for a period between 2 and 4 years; 15% of the guarantee granted for a period of over 4 years

Mortgage on developed property located in Toruń on Polna St. belonging to PBDI SA up to PLN 50m

Enforcement statement

Assignment of receivables from construction contracts of 150% of the loan and guarantee limits

Turnover - proportional to the involvement of the Bank in crediting the Group through the account held with ING S.A.

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	10 000	PLN	PLN	0	PLN	Wibor 1M+1.80%	31.12.2015	mBank S.A.

Collaterals/guarantees to repay the loan granted to Erbud S.A.

Final collaterals:

Customer’s blank promissory note with a declaration of 02/06/2009

Assignment to the Bank of receivables from customers covered by the assignment with an aggregate minimum value of PLN 60,000,000, for contracts with a completion period of at least nine months and with a total monthly average turnover of not less than PLN 10,000,000 PLN

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	3 000	PLN	PLN	0	PLN	Wibor 1M+2.00%	26.11.2015	BNP Paribas Bank S.A.

Collaterals/guarantees to repay the loan granted to Erbud S.A.

Final collaterals:

Transfer of amounts from the account as collateral: 0% for a 12 month guarantee, 10% of the guarantee provided for 2 - 36 month, 15% of the guarantee in case of guarantees for over 36 months

Enforcement statement

Assignment of receivables from construction contracts of 150% of the loan and guarantee limits

Turnover - proportional to the involvement of the Bank in crediting Erbud SA through the account held with PNB Paribas S.A.

Bank loans:	Loan/borrowing amount under agreement		Loan/ borrowing currency	Loan/borrowing outstanding		Interest	Maturity date	Name of bank / entity providing credit
	[PLN]	[CU]		[PLN]	[CU]			
Erbud S.A.	10 000	PLN	PLN	0	PLN	Wibor 3M+1.60%	04.09.2015	Alior Bank

Collaterals/guarantees to repay the loan granted to Spółki Erbud S.A.

Final collaterals:

Power of attorney to operate the Borrower's current account and other accounts held with the Bank

Assignment of receivables from construction contracts of 150% of the loan and guarantee limits

Cash deposit of 10% of the guarantee granted under the guarantee limit, in case of guarantees with a period of over 36 months

Terms and conditions of loan agreements

Under the loan agreements, the Companies of Erbud Group are obliged to meet certain financial ratios (so-called loan covenants). As required by IAS 1, a breach of loan covenants which could potentially result in a reduction of unconditional access to credit during the next year makes it necessary to qualify such liabilities as current ones.
In the twelve months of 2014, ERBUD SA breached the terms of the loan agreements related to overdrives in mBank and Alior Bank. The violation concerned the following current liquidity ratios.

Here is a list of violated ratios:

Bank mBank

Ratio	*Level required*	*Level achieved*	*Comment*
current liquidity	not less than 1.2	1.02	not achieved

Alior Bank

Ratio	*Level required*	*Level achieved*	*Comment*
current liquidity	not less than 1.3	1.01	not achieved

As at the date of these financial statements, the Management Board do not provide any significant problems with maintaining the current bank financing, despite the failure to meet certain covenants stipulated in the agreements.

As of 31 December 2014, ERBUD SA did not have any liabilities due to short-term overdrafts.

19. Liabilities arising from issuance of debt and equity securities

On 26 March 2014, the Company issued a total of 5,200 bearer bonds, dematerialized, unsecured, with an aggregate nominal value of PLN 52 million. The par value of one bond was PLN 10,000. The issue price amounted toPLN 9,587. The redemption date is 26 March 2018. The interest rate on bonds is variable and based on WIBOR 6M plus a margin equal to 3.0 percentage points. Interest will be paid every 6 months. The Company will apply for placing bonds on the trading platform for debt financial instruments carried by the Stock Exchange in Warsaw SA in the form of alternative trading system.
The Company has earmarked funds for the purchase of 40,000 bonds of series A issued by the Issuer and financing the increased demand on working capital associated with record orders backlog of the Capital Group. The remaining 10,000 Series A bonds was redeemed according the originally fixed term, i.e. on 14 July 2014.

On 18 June 2014, Budlex issued a total of 13,000 bearer bonds of series A with a total nominal value of PLN 13,000,000.00. The nominal value of one bond amounted to PLN 1,000. The issue price was PLN 1,000. The redemption date has been set for 18 June 2017. The interest rate on bonds is a variable and based on 6M WIBOR pus a margin of 5.35%. Interest is payable every 6 months.

By the Resolution No. 22/2012, the Annual General Meeting of Shareholders of Erbud S.A. agreed that the Company will conduct a Manager Option Scheme over the period of 2013-2015, within the scope of which entitled persons will be granted the possibility to subscribe for shares of the Company issued within the scope of the authorised capital. Shares will be offered to the persons entitled to subscribe in the years 2013 - 2015 in a number not more than 50 000 shares per year. The Manager Option Scheme refers to financial years 2012-2014. The employee may be covered by an option program, if he/she has been working for at least 24 months. As far as concerned persons working in subsidiaries, the company must be a member of the group for at least two years. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in the financial year for which the shares will be offered a consolidated net profit of at least ten million Zlotys. In addition, the person who would be entitled may not be upon notice of termination of the employment contract.

On 19 March 2014, in connection with the planned by the Management Board increase of the share capital by an amount not exceeding PLN 5.000 through the issuance of not more than 50,000 shares of Series I for the purpose of the adopted Management Option Plan, the Supervisory Board of Erbud SA passed at the request of the Management Board of the Company dated 5 March 2014 Resolution No. 6/2014 on depriving the existing shareholders of pre-emptive rights to acquire Series I shares and determining the issue price of shares of Series I

in the amount of PLN 11.00 per share. Finally, following the issue of series I shares, were acquired 47 379 shares with a nominal value of PLN 0.10 per share. Thus, the share capital increased by PLN 4 737.90.

20.1 Other long-term financial liabilities

	31 December 2014	31 December 2013
Long-term liabilities under financial lease	6 608	5 426

20.2 Other long-term liabilities

	31 December 2014	31 December 2013
Foreign exchange risk hedging - Budlex Sp. z o.o	16	0
Total	**16**	**0**

21 Provisions for liabilities and other debts

	Provisions for liabilities and other debts	Provisions for liabilities and other debts	Provisions for liabilities and other debts	Provisions for liabilities and other debts	Provisions for liabilities and other debts
As at 1 January 2014	**17 500**	**686**	**7 339**	**1 820**	**27 345**
Increase	2 494	369	4 125	326	**7 314**
Created in this year	0	0	0	0	**0**
Released	1 925	94	850	1 715	**4 584**
Used	656	0	2 482	82	**3 220**
Transfers	19	0	447	244	**710**
As at 31 December 2014	**17 432**	**961**	**8 579**	**593**	**27 565**

Presented in the balance sheet as:	
Non-current liabilities:	
- Provisions for pensions and similar benefits	1 455
- Other provisions	3 538
Current liabilities:	
- Provisions for pensions and similar benefits	7 124
- Other provisions	15 448
Total as of 31 December 2014	**27 565**

	Provision for guarantee works	Provision for legal claims and indemnity	Provision for work-related benefits and pension benefits	Other	Total
As at 1 January 2013	**17 724**	**1 399**	**12 702**	**528**	**32 353**
Increase	6 131	30	2 470	2 294	**10 925**
Created in this year	0	0	0	0	**0**
Released	5 169	703	3 284	904	**10 060**
Used	1 186	40	4 549	98	**5 873**
Transfers	0	0	0	0	**0**
As at 31 December 2013	**17 500**	**686**	**7 339**	**1 820**	**27 345**

Presented in the balance sheet as:	
Non-current liabilities:	
- Provisions for pensions and similar benefits	1 751
- Other provisions	3 433
Current liabilities:	
- Provisions for pensions and similar benefits	5 588
- Other provisions	16 573
Total as of 31 December 2013	**27 345**

Age structure of the provisions as at 31 December 2014 and 31 December 2013 is presented in the table below:

	31 December 2014	31 December 2013
Non-current	4 993	5 184
Current	22 572	22 161
Total	**27 565**	**27 345**

21.1 Provision for guarantee repairs

The Group has recognized in the balance sheet provision for guarantee repairs in the amount of PLN 17,432 thousand as at 31 December 2014 and PLN 17,000 thousand as at 31 December 2013. The Group creates a provision for anticipated guarantee repair costs based on the level of repair works recorded in previous years. The assumptions used to calculate the reserve for guarantee repairs and refunds were grounded on records of repair works carried out in the years 2011-2014.

21.2 Provision for litigation and claims

Provisions as at 31 December 2014 consist, among others, of provision for proceeding brought by Przedsiębiorstwo Budowlane ARGO Sp. z o.o. The legal status as of the balance sheet date: the first instance, value of dispute: PLN 383 thousand. Due to the complexity of the case the end is difficult to predict.

22 Trade and other liabilities, income tax liabilities, building contracts securities

Short-term liabilities	**31 December 2014**	**31 December 2013**
a) Deliveries and services	445 197	249 860
- From associates	0	615
- From other entities	445 197	249 245
b) To public sector	15 376	14 083
- Corporate income tax	2 751	7
- Value Added Tax	4 508	8 110
- Income tax on natural persons	1 540	1 536
- Other	6 577	4 430
c) Financial liabilities, incl.	6 859	55 004
- Interest	28	20
- Bond interest	734	1 889
- Liabilities from bonds	0	50 000
- Leases	4 771	3 095
- Forward financial instruments	1 294	0
d) Other	29 699	5 743
- Labour costs	5 453	3 360
- Advance payments received	22 749	291
- Liabilities due to shares	0	0
- Other	1 497	2 092

Total liabilities presented in the balance sheet as:	**497 131**	**324 690**
Trade and other liabilities	401 548	194 148
Current tax liabilities	2 751	7
Bonds issue liabilities	0	50 000
Retention money	92 832	80 535

23 Liabilities under financing lease

Current value of net minimum lease payments was as follows:

	31 December 2014 Current value of fees	31 December 2013 Current value of fees
The nominal value of minimum lease fees		
up to 1 year	5 085	3 314
between 1 and 5 years	7 047	5 798
Total liabilities under financing lease– total minimum lease fees	**12 132**	**9 112**
Financial expense due to financing lease	753	591
Current value of minimum lease fees		
up to 1 year	4 771	3 095
between 1 and 5 years	6 608	5 426
Total current value of minimum lease fees	**11 379**	**8 521**

Short-term commitments under finance leases are recognized as items of liabilities due to trade and other payables.

24 Long-term construction contracts

Long-term construction contracts were valued using method of progress of completion resulting from the measurement of works. Revenues, expenses and profit were recognized in proportion to the stage of completion of works..

	Year ended 31 December 2014	Year ended 31 December 2013
Incomes from building contracts	1 623 903	1 125 805
Expenses due to building contracts, incl.:	1 511 586	1 042 806
- Recognized loss	269	51
Profit before tax	**112 317**	**82 999**

The value of recognized assets and liabilities arising from long-term contracts for the delivery of construction woks in the Group is presented in the following table:

	31 December 2014	31 December 2013
Assets:		
Amounts due from customers, incl.	**182 088**	**156 102**
- Contracts valuation	182 088	156 102
Liabilities:		
Amounts due to customers, incl.:	**42 538**	**82 244**
- Contracts valuation	42 538	82 244

25 Retentions under construction contracts

Retention money under construction contracts as at 31 December 2014 and 31 December 2013 were as follows:

	31 December 2014	31 December 2013
Retentions held by customers		

Retentions returnable beyond 12 months	12 450	20 153
Retentions returnable within 12 months	42 883	29 788
Total	**55 333**	**49 941**
Retentions retained to suppliers		
Retentions returnable beyond 12 months	10 014	8 514
Retentions returnable within 12 months	82 818	72 021
Total	**92 832**	**80 535**

Retentions due to construction contracts with a payment period of over one year shall be discounted and are recognized in the balance sheet at current value.

The discount amounts recognized in the balance sheet (reducing the nominal value of debts and liabilities due to retentions):

	31 December 2014	31 December 2013
Discount of retentions held by customers	-771	-1 400
Discount of retentions retained to suppliers	-686	-1 375

Discounts recognized in profit or loss:

	Derecognition of liabilities discount as at 01.01.2014	Derecognition of discount as at 01.01.2014	Recognition of discount as at 31.12.2014	Recognition of liabilities discount as at 31.12.2014	Total impact of discounting in the period ended 31.12.2014
Impact on gross profit/loss	-1 375	1 400	686	-771	-60
Impact on net profit/loss	-1 114	1 134	556	-625	-49

	Derecognition of liabilities discount as at 01.01.2013	Derecognition of discount as at 01.01.2013	Recognition of discount as at 31.12.2013	Recognition of liabilities discount as at 31.12.2013	Total impact of discounting in the period ended 31.12.2013
Impact on gross profit/loss	-1 408	816	1 375	-1 400	-617
Impact on net profit/loss	-1 140	661	1 114	-1 134	-499

26 Revenues from sales

	Year ended 31 December 2014	Year ended 31 December 2013
Revenues from sales of finished products	43 812	46 055
Revenues from sales of services	1 645 044	1 171 013
Revenues from sales of goods and materials	3 199	6 541
Total	**1 692 055**	**1 223 609**

27 Costs by type

	Year ended 31 December 2014	Year ended 31 December 2013
Depreciation and amortization	8 875	7 727
Consumption of materials and power	243 203	178 565
External services	1 253 687	822 096
Taxes and charges	8 295	8 473
Payroll	129 083	114 878
Social security and other benefits	29 270	25 319

Total expenses by type	16 165	15 472
Change in inventories, products and deferred expenditures due to construction contracts	3 061	6 666
Cost of production for in-house use (negative value)	**1 691 639**	**1 179 196**
Cost of sales (negative value)	-37 310	11 495
General and administrative costs (negative value)	0	0
Production cost of goods sold	-4 950	-3 518
Total expenses by type	-56 566	-54 474
Change in inventories, products and deferred expenditures due to construction contracts	**1 592 813**	**1 132 699**

28 Other operating revenues and costs

Other operating income	**Year ended 31 December 2014**	**Year ended 31 December 2013**
Gain on disposal of non-financial fixed assets	2 087	2 483
Reversal of impairment, incl.:	380	835
- Receivables	380	595
- Other	0	240
Release of provisions, incl.:	1 342	1 078
- Guarantee repairs	632	39
- Litigation and claims	94	680
- Other	616	359
Other, incl.:	3 067	3 005
- Indemnities	1 664	739
- Penalties, fines and indemnities received	115	18
- Release of impairment losses on receivables	49	19
- Redeemed liabilities	105	1 133
- Donations	0	795
- Tax return from Germany	0	0
- Other	1 134	301
Total	**6 876**	**7 401**

Other operating costs	**Year ended 31 December 2014**	**Year ended 31 December 2013**
Loss on disposal of non-financial fixed assets	24	53
Creation of impairments, incl.:	2 868	3 071
- Receivables	2 186	2 711
- Tangible fixed assets	200	0
- Inventories	482	360
Creation of provisions, incl.:	214	988
- Guarantee repairs	5	339
- Litigation and claims	199	31
- Other	10	618
Other, incl.:	5 250	3 418
- Penalties, fines and indemnities	2 704	2 083
- Legal action costs	822	0
- Written-off receivables	1 196	685
- Donations	43	157
- Other	485	493
Total	**8 356**	**7 530**

29 Financial income and expenses

Financial income	Year ended 31 December 2014	Year ended 31 December 2013
Revaluation of investments	0	0
Valuation of financial instruments	0	0
Gain on disposal of financial assets	0	0
Dividends and profit sharing	13	26
Interest on loans granted	738	685
Interest on shares	0	0
Interest on bonds	0	0
Other interest	806	2 217
Interest on term deposits	487	0
Discount of retentions	631	0
Positive exchange differences, incl.:	**1 248**	**547**
- - Gained	243	240
- - Unrealized	1 005	307
Gain on bargain purchase of Energoserv	41	0
Valuation of financial instruments	0	43
Other	16	62
Total	**3 980**	**3 580**

Financial expenses	Year ended 31 December 2014	Year ended 31 December 2013
Valuation of financial instruments	21	0
Interest on bonds	3 272	3 993
Interest on loans and borrowings received	2 451	2 613
Financial expenses under finance lease	554	553
Other interests	1 509	90
Negative exchange differences, incl.:	**1**	**264**
- Gained	1	472
- Unrealized	0	-208
Bank guarantee fees	239	239
Discount of retentions and other liabilities	691	731
Front-end fee paid to the bank	2 298	2 352
Financial costs of bonds	0	151
Other	18	200
Total	**11 054**	**11 186**

30 Current and deferred income tax

The main tax items for the year ended 31 December 2014 and 31 December 2013 were as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Profit or loss	**8 162**	**7 015**
Current tax	6 344	4 835
Deferred tax on origination and reversal of temporary differences	1 818	2 180
Income tax recognized in equity	**250**	**0**
Valuation of hedging instruments	**250**	**0**

Reconciliation between income tax on profit before tax and tax calculated at an effective tax rate of the Group for the year ended 31 December 2014 and as of 31 December 2012 is summarized in the following table:

	Year ended 31 December 2014	Year ended 31 December 2013
Profit before tax on continuing operations	36 054	25 094
Pre-tax result of discontinued operations	0	0
Profit before tax	**36 054**	**25 094**
Tax at the statutory tax rate applicable in Poland amounted to 19% in 2014 and 2013	**6 190**	**5 034**

Additional burden arising from the rate exceeding 19% in Germany	0	277
Consolidation adjustments result	-326	17
Unrecognised tax losses	-275	153
Excess costs which are not tax deductibles over income not recognized as taxable income	2 573	1 534
Tax recognized in the consolidated profit and loss statement	**8 162**	**7 015**

In the year ended 31 December 2014 there was no change in the applicable tax rate compared to the previous financial period.

In the year ended 31 December 2014, there were no items of temporary differences in respect of which neither the deferred tax assets were recognized in the balance sheet nor was any provision for deferred tax established.

Provision on deferred tax	**31 December 2014**	**31 December 2013**
Valuation of long-term contracts	20 609	26 685
Revaluation of assets	5 920	6 245
Financial expenses capitalized	355	314
Balance valuation - discounted liabilities	202	309
Accrued interest	921	1 823
Accrued revenue	13 980	0
Other	3 392	835
Total	**45 379**	**36 211**

Deferred tax assets	**31 December 2014**	**31 December 2013**
Valuation of construction contracts	14 901	16 092
Provisions	5 096	5 087
Tax loss	2 862	8 175
Profit margin on intra-Group sales	487	487
Other fees charged statistically	673	226
Claims revaluation	1 803	1 062
Valuation of bonds interest	0	359
Other financial liabilities	1 699	1 385
Consolidation adjustments	0	1 807
Accrued costs	13 749	1 242
Discount of retentions	0	0
Other	3 381	1 388
Total	**44 651**	**37 310**

Assets and liabilities for deferred taxes are offset when there is a legal title to compensate tax receivables and current tax liabilities and when deferred taxes is under the same tax jurisdiction and will be paid in similar periods.

31 Loans granted

As at 31 December 2014, the Group granted loans as follows:

Borrower	**Outstanding loan/borrowing amount [PLN]**	**Interest**	**Maturity date**
ABConsulting Spółka z o.o.	49	Wibor 3M + 2.8%	2017-12-31
Collateral:			
Unsecured loan			

Borrower	**Outstanding loan/borrowing amount [PLN]**	**[EUR]**	**Interest**	**Maturity date**
Deptak Projekt P2 Sp. z o.o.	15 163	2 672	7.50%	2032-10-30

Collateral:

Blank promissory note with declaration

Borrower	Outstanding loan/borrowing amount [PLN]	[EUR]	Interest	Maturity date
Wento Operations Cyprus Limited	5 004		1R Wibor+2.05%	2016-06-24

Collateral:

Guarantee by Wento Holdings S.a r.l Luxemburg L-1653, at 2,
Avenue Charles de Gaulle - up to PLN 6 m e

Borrower	Outstanding loan/borrowing amount [PLN]	[EUR]	Interest	Maturity date
Natural person	235	55	4%	2015-12-31

Collateral:

Unsecured loan

Borrower	Outstanding loan/borrowing amount [PLN]	[EUR]	Interest	Maturity date
PDI Düsseldorf	10 857	2 547	9%	2016-12-31

Collateral:

The repayment date is not specified in the contract, it will be the completion date, i.e. around 31.12.2016

32 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Parent by the weighted average number of ordinary shares issued during the period.

Diluted earnings per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders (after deducting interests on the depreciable preference shares convertible into ordinary shares) by the weighted average number of ordinary shares issued during the period (adjusted for the impact of dilutive options and dilutive depreciable preference shares convertible into ordinary shares).

Below are presented data on earnings and shares used to calculate current and diluted earnings per share:

	Year ended 31 December 2014	Year ended 31 December 2013
Net profit (loss) attributable to the shareholders of the Parent	26 431	17 217
Weighted average number of shares (in units)	**12 738 236**	**12 696 251**
Net profit (loss) per share (in PLN)	**2.07**	**1.36**
Diluted weighted average number of shares	**12 768 272**	**12 744 407**
Diluted earnings (loss) per share (in PLN)	**2.07**	**1.35**

33 Dividends paid and declared to be paid, dividend per share

Pursuant to Resolution No. 5/2014 of 25 June 2014 addopted by the Annual General Meeting of Shareholders of Erbud SA it has been decided to distribute the net profit for 2013 in the amount of PLN 8 416 thousand as dividends to Shareholders.
The total dividend paid in 2014 was PLN 8 900 thousand, of which PLN 484 thousand comes from decreasing the suplementary capital.

34 Changes in the composition of the Capital Group

On 1 October 2014, Erbud Industry Sp. z o.o. (a company belonging to the Erbud SA Capital Group) has become the sole owner of NGK Ojrzyński Sp. z o.o., based in Gdansk (the current business name is ERBUD Industry Pomorze Sp. z o.o.). The transaction amount was fixed at PLN 4.5 million. The deal was financed with own funds of the Erbud Capital Group. Following the transaction the Erbud SA Group owns 100% per cent of shares of NGK Ojrzyński Sp. z o.o.

According to the Management Board of Erbud the new entity is a platform for further expand the Group's competence in the energy sector.

For the purposes of accounting for the merger in the Consolidated Financial Statements of Erbud SA, assets and liabilities of the company NGK Ojrzyński Sp. z o.o. has been re-evaluated to their fair value in accordance with IFRS 3. The table below shows a comparison between the book and fair value of main assets and liabilities of NGK Ojrzyński Sp. z o.o. as at the date of business combination.

Balance sheet item	**Balance sheet value**	**Fair value**
Tangible fixed assets	294	294
Intangible assets	0	600
Cash and cash equivalents	603	603
Inventories	7	7
Receivables	6 490	6 490
Prepayments	570	570
Deferred tax assets	251	251
Total assets	**8 215**	**8 815**
Liabilities and accruals	6 014	6 014
Provision for deferred tax	150	264
Total liabilities	**6 164**	**6 278**
Net assets fair value		2 537
Of which net assets attributable to shareholders of Erbud SA		2 537
Acquisition price (paid in cash)		4 500
Goodwill		1 963

If the merger with NGK Ojrzyński took place on 1 January 2014, the net profit of the Erbud SA Group for the whole year 2012 would be higher by PLN 996 thousand and would amount to PLN 28,888 thousand.

On 3 October 2014, Erbud Industry Sp. z o.o. (a company belonging to the Erbud SA Capital Group) has become the sole owner of Energoserv Pomorze Sp. z o.o., based in Toruń. The transaction value was fixed at PLN 4.5 million. The deal was financed with own funds of the Erbud Capital Group. Following the transaction the Erbud SA Group owns 100% per cent of shares of Energoserv Pomorze Sp. z o.o.
According to the Management Board of Erbud the new entity is a platform for further expand the Group's competence in the energy sector.

For the purposes of accounting for the merger in the Consolidated Financial Statements of Erbud SA, assets and liabilities of the company Energoserv Sp. z o.o. has been re-evaluated to their fair value in accordance with IFRS 3. The table below shows a comparison between the book and fair value of main assets and liabilities of Energoserv Sp. z o.o. as at the date of business combination.

Balance sheet item	**Balance sheet value**	**Fair value**
Tangible fixed assets	1 021	2 840

Intangible assets	29	29
Cash and cash equivalents	238	238
Inventories	1 142	1 142
Receivables	242	242
Prepayments	112	112
Deferred tax assets	**2 784**	**4 603**
Total assets	1 130	1 130
Liabilities and accruals	86	432
Provision for deferred tax	**1 216**	**1 562**
Total liabilities		3 041
Net assets fair value		3 041
Of which net assets attributable to shareholders of Erbud SA		3 000
Acquisition price (paid in cash)		41

If the merger with Energoserv Pomorze took place on 1 January 2014, the net profit of the Erbud SA Group for the whole year 2012 would be higher by PLN 56 thousand and would amount to PLN 27,948 thousand.

Other changes in the Group's structure over the period from 1 January 2014 to 31 December 2014:

On 1 July 2014, there was registered a merger of ERBUD Industry Sp. z o.o (formerly Ersteel Sp. z o.o.) seated in Toruń as the acquiring company with the acquired company, i.e. ERBUD EnergetykaSp. Z o.o seated in Katowice through transfer of all assets of the acquired company to the acquiring company against shares delivered by Erbud Industry Sp. z o.o to shareholders of Erbud Energetyka Sp. z o.o.

35 Share-based payment

Since 2010 there is a Share Award Scheme in the Erbud Group, which is classified as a share-based payment. Under this program, a right to three tranches of shares in a maximum of 50,000 units each was granted to the Board members and senior management of the Group. The first tranche (31,686 shares) was allocated to employees in 2010. Subsequent tranches will be awarded after meeting the conditions in 2011 and 2012. The fair value of shares on the grant date was PLN 47.69.
Shares were granted on the base of the Group's results achieved in 2008-2010 (consolidated result of more than PLN 10 million) and in accordance with the following conditions:

- position at the company,
- responsibilities,
- assessment of the achievements,
- value of sales revenue and gross profit for subsidiaries or volume of work and marginal return for construction sites and branches.

In the 12 months period ended 31 December 2013 the fair value of services received which were identified in pursuant to IFRS 2 has been recognized under salary costs in the amount of PLN 285 thousand.

By the Resolution No. 22/2012, the Annual General Meeting of Shareholders of Erbud S.A. agreed that the Company will conduct a Manager Option Scheme over the period of 2013-2015, within the scope of which entitled persons will be granted the possibility to subscribe for shares of the Company issued within the scope of the authorized capital. Shares will be offered to the persons entitled to subscribe in the years 2013 - 2015 in a number not more than 50 000 shares per year. The Manager Option Scheme refers to financial years 2012-2014.
The employee may be covered by an option program, if he/she has been working for at least 24 months. As far as concerned persons working in subsidiaries, the company must be a member of the group for at least two years. Moreover, the subscription will be effected on the condition that the Capital Group will achieve in the financial year for which the shares will be offered a consolidated net profit of at least ten million Zlotys. In addition, the person who would be entitled may not be upon notice of termination of the employment contract.

The first tranche (36,590 shares) has been granted to employees in 2013. The second tranche (47,379 shares) was granted in 2014. The third tranche (up to 50,000 units) will be granted in 2015. The fair value as at the grant date amounted to PLN 14.91 per share.

In the 12 months period ended 31 December 2014, the fair value of services received, recognized in accordance with IFRS 2 has been included in the cost of salaries in the amount of PLN 118 thousand.

36 Transactions with related parties

The following tables present the aggregate amount of transactions entered into by the Parent with associates that are not subject to consolidation for the year ended 31 December 2014 and as at the date as well as for the year ended 31 December 2013 and as at the date:

	Receivables/assets	Liabilities	Income	Expenses
	31.12.2014		Year ended 31.12.2014	
- deliveries and services	46	0	176	0
- disposal of fixed assets	0	0	0	0
- other	0	0	0	0
- inventories				
- loans	26 020	0	1 190	0

	Receivables/assets	Liabilities	Income	Expenses
	31.12.2013		Year ended 31.12.2013	
- deliveries and services	131	615	146	2 615
- disposal of fixed assets	0	0	0	0
- other	0	0	0	0
- inventories	0	0	0	0
- loans	14 679	0	1 072	0

37 Transactions with key members of the company's management

As at 31 December 2014 the managing persons (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Shareholder	Class of shares	Number of shares	Per cent of equity	Number of votes	Per cent of voting rights at the GM
DGI Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych controlled by Dariusz Grzeszczak	Ordinary	2 136 260	16,74%	2 136 260	16,74%
Adler Properties Sp z o.o. controlled by Józef Zubelewicz	Ordinary	681 914	5,34%	681 914	5,34%
Juladal Investments Ltd. (a company controlled by Board members of Erbud SA)	Ordinary	30 173	0,24%	30 173	0,24%
Dariusz Grzeszczak	Ordinary	773.900	6,06%	773.900	6,06%
Józef Adam Zubelewicz	Ordinary	259.500	2,03%	259.500	2,03%
Albert Duerr- Supervisory Board member	Ordinary	14.500	0,11%	14.500	0,11%
Walenty Twardy Erbud SA procuration holder	Ordinary	9.852	0,08%	9,852	0,08%
Piotr Augustyniak Erbud SA procuration holder	Ordinary	890	0,01%	890	0,01%
Agnieszka Głowacka Erbud SA procuration holder	Ordinary	5.500	0,04%	5.500	0,04%
Bogdan Duerr	Ordinary	7.297	0,06%	7.297	0,06%

Erbud SA procuration holder					
Włodzimierz Czystowski	Ordinary	5.921	0,05%	5.921	0,05%
Erbud SA procuration holder					
Mirosław Młynarski	Ordinary	14.952	0,12%	14.952	0,12%
Procuration holder					
Radosław Kałamaga	Ordinary	9.516	0,07%	9.516	0,07%
Procuration holder					
Maciej Wyrzykowski	Ordinary	2.200	0,02%	2.200	0,02%
Erbud SA procuration holder.					
Kryspin Jarosz	Ordinary	3.244	0,03%	3.244	0,03%
Erbud SA procuration holder					
Piotr Dobosz - procuration holder	Ordinary	9.256	0,07%	9.256	0,07%
Mariola Zielińska	Ordinary	5.618	0,04%	5.618	0,04%
Chief Accountant of Erbud SA					

As at 31 December 2013 the managing persons (members of the Board and holders of a commercial power of attorney) held the following number of shares:

Shareholder	Class of shares	Number of shares	Equity stake held	Number of votes	% of voting rights at AGM
Juladal Investments Ltd. (controlled by members of the Board of Erbud SA)	Ordinary	2 848 347	22.40%	2 848 347	22.40%
Dariusz Grzeszczak	Ordinary	773 900	6.09%	773 900	6.09%
Józef Adam Zubelewicz	Ordinary	259 500	2.04%	259 500	2.04%
Albert Duerr	Ordinary	14 500	0.11%	14 500	0.11%
Supervisory Board member					
Walenty Twardy	Ordinary	6 852	0.05%	6 852	0.05%
ERBUD SA procuration holder					
Piotr Augustyniak	Ordinary	890	0.01%	890	0.01%
ERBUD SA procuration holder					
Agnieszka Głowacka	Ordinary	6 336	0.05%	6 336	0.05%
ERBUD SA procuration holder					
Bogdan Duerr	Ordinary	6 712	0.05%	6 712	0.05%
ERBUD SA procuration holder					
Tomasz Krzywicki	Ordinary	700	0.01%	700	0.01%
ERBUD SA procuration holder					
Włodzimierz Czystowski	Ordinary	4 921	0.04%	4 921	0.04%
ERBUD SA procuration holder					
Mirosław Młynarski	Ordinary	11 426	0.09%	11 426	0.09%
Procuration holder					
Radosław Kałamaga	Ordinary	5 494	0.04%	5 494	0.04%
Procuration holder					
Maciej Wyrzykowski	Ordinary	2 200	0.02%	2 200	0.02%
ERBUD SA procuration holder					
Mariola Zielińska	Ordinary	4 818	0.04%	4 818	0.04%
Chief Accountant of Erbud S.A.					

As of the date of submitting the statements, the Board members and procurists do not have any Erbud's stock options

Members of the Supervisory Board, the Management Board of the Parent and the key management personnel, both as at 31 December 2014 and as at 31 December 2013 did not have outstanding loans, credits or guarantees granted by the companies of the Erbud Group.

Members of the Supervisory Board, the Management Board of the Parent and the key management personnel, both as at 31 December 2014 and as at 31 December 2013 were not a party to the contract obliging to render services to the companies of the Erbud Group.

Under the Employee Incentive Scheme Program, the following number of shares of series I has been granted to the managing staff:

Shareholder	Class of shares	Number of shares
Walenty Twardy – ERBUD SA procuration holder	Ordinary	3 000
Maciej Wyrzykowski – ERBUD SA procuration holder	Ordinary	1 000
Agnieszka Głowacka – ERBUD SA procuration holder	Ordinary	4 000
Bogdan Duerr – ERBUD SA procuration holder	Ordinary	585
Tomasz Krzywicki – ERBUD SA procuration holder	Ordinary	700
Włodzimierz Czystowski – ERBUD SA procuration holder	Ordinary	1 000
Radosław Kałamaga – ERBUD SA procuration holder	Ordinary	4 022
Mirosław Młynarski – ERBUD SA procuration holder	Ordinary	3 526
Piotr Dobosz – ERBUD SA procuration holder	Ordinary	3 266
Kryspin Jarosz – ERBUD SA procuration holder	Ordinary	3 244

38 Remuneration of key management personnel

Remuneration of the Supervisory Board members of ERBUD SA in the year ended 31 December 2014 and as at 31 December 2013 paid by ERBUD SA and its subsidiaries

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2014	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2013
Udo Berner	President of the Supervisory Board	90	76
Józef Olszyński	Vice-President of the Supervisory Board	72	59
Albert Durr	Member of the Supervisory Board	60	51
Gabriel Główka	Member of the Supervisory Board	60	51
Lech Wysokiński	Member of the Supervisory Board	0	46
Zofia Dzik	Member of the Supervisory Board	60	51
Michał Otto	Member of the Supervisory Board	60	51
Janusz Lewandowski	Member of the Supervisory Board	31	0

Remuneration of the Management Board members of ERBUD SA paid by ERBUD SA and its subsidiaries:

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2014	Total value of remuneration paid and benefits in kind granted in the year ended 31 December 2013
Dariusz Grzeszczak	Member of the Management Board	1 175	1 122
Józef Adam Zubelewicz	Member of the Management Board	1 178	1 112

Remuneration of the senior management personnel of ERBUD SA paid by ERBUD SA and its subsidiaries:

Name and surname	Position/Function	Total value of remuneration paid and benefits in kind granted	Total value of remuneration paid and benefits in kind

		in the year ended 31 December 2014	granted in the year ended 31 December 2013
Agnieszka Głowacka	Holder of a joint power of attorney	360	312
Piotr Jan Augustyniak	Holder of a joint power of attorney	334	431
Walenty Twardy	Holder of a joint power of attorney	766	358
Maciej Piotr Wyrzykowski	Holder of a joint power of attorney	237	211
Grzegorz Krzywicki	Holder of a joint power of attorney	-	191
Bogdan Durr	Holder of a joint power of attorney	405	467
Tomasz Krzywicki	Holder of a joint power of attorney	485	446
Włodzimierz Czystowski	Holder of a joint power of attorney	196	213
Waldemar Kozłowski	Holder of a joint power of attorney	228	297
Radosław Kałamaga	Holder of a joint power of attorney	533	427
Mirosław Młynarski	Holder of a joint power of attorney	370	506
Kryspin Jarosz	Holder of a joint power of attorney	561	In 2013 the person was not a procuration holder
Piotr Dobosz	Holder of a joint power of attorney	274	In 2013 the person was not a procuration holder

39 Contingent liabilities and receivables

The off-balance sheet items due the Group's debts, liabilities and other balance sheet items were as follows:

	31 December 2014	31 December 2013
Contingent receivables		
From related parties	**103 112**	**16 589**
Guarantees and sureties received	103 112	16 589
Litigation and claims	0	0
Bills of exchange received as collateral	0	0
From other entities	**2 925**	**2 596**
Guarantees and sureties received	2 925	2 596
Litigation and claims	0	0
Bills of exchange received as collateral	0	0
Total contingent receivables	**106 037**	**19 185**
Contingent liabilities		
To related parties	**111 247**	**77 605**
Guarantees and sureties granted	111 247	77 605
Litigation and claims	0	0
Promissory notes	0	0
To other entities	**425 053**	**339 239**
Guarantees and sureties granted	425 053	339 239
Litigation and claims	0	0
Promissory notes	0	0
Total contingent liabilities	**536 300**	**416 844**
Total off-balance sheet items	**430 263**	**397 659**

40 Court proceedings

As of 31 December 2014, there are any significant legal proceedings brought by ERBUD SA pending, except those disclosed in Note 44.

Significant cases in which Erbud SA is the defendant are described in section 21.2 and 44.

41 Capital expenditures

Scheduled capital expenditures for 2014 amount to PLN 4 935 thousand, of which
- Erbud S.A. – PLN 1 500 thousand
- Erbud Industry Centrum Sp. z o.o. (formerly Engorem Sp. z o.o.) – PLN 2 235 thousand
- PBDI S.A. – PLN 950 thousand
- Erbud Industry Sp.z o.o (formerly Ersteel Sp. z o.o.) – PLN 250 thousand.

42 Employment structure

The average employment in the Group was as follows:

	31 December 2014	31 December 2013
Blue-collar workers	1 117	656
White-collar workers	713	542
Total	**1 830**	**1 198**

43 Objectives and principles of financial risk management

In the course of the business conducted, the ERBUD Group is exposed to various types of financial risks: currency risk, price risk, interest rate risk, credit risk and liquidity risk. The Management Board verifies and sets the principles of management of each of these risks.

Foreign exchange risk

As a part of the core operations, the subsidiaries incorporated in the Group conclude construction contracts, which are denominated in foreign currencies (mainly in the Euro). Policy of currency risk management adopted by the Management Board consists in matching the contract currency to the currency of expenditure related to this contract. Contracts carried out in Poland by the Group are concluded in the Polish currency (Polish Zlotys) and contracts executed by the companies and entities operating abroad are signed in Euros.

Hedge accounting

In the financial year ended 31 December 2014, the Group signed a contract for construction works with Hala Koszyki Grayson Investments sp. z o.o. sp.k. Therefore, the Group expects specified payments in Euro. In order to hedge cash flows arising from the contract the Group entered with ING Bank Slaski SA. into a par forward contract (one rate of 4.2815 PLN/EUR for all cash flows) for amounts and dates corresponding to the expected flows arising from completion of the construction contract.

Changes in fair value of financial derivatives designated as cash flow hedges to the extent that it relates to the effective hedge recognized directly in other comprehensive income. Changes in fair value of financial derivatives designated as cash flow hedges to the extent that they not represent an effective hedge are included in other income or loss for the period.

At inception of the hedge, the Company designates and formally documents the hedging relationship, as well as the risk management objective and strategy for undertaking the hedge. This documentation includes: (i) identification of the hedging instrument, (ii) identification of the hedged item or transaction, (iii) determination of the nature of the hedged risk, and (iv) determination of the method of assessing the hedge effectiveness in offsetting threats associated with changes in the fair value of the hedged item or cash flows related to the hedged risk.

It is expected that the hedge will be highly effective in offsetting changes in fair value or cash flows arising from the hedged risk. The hedge effectiveness is assessed on an ongoing basis to determine whether it is highly effective in all reporting periods for which it was established.

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The carrying value of financial instruments denominated in foreign currencies (in PLN) as of 31.12.2014:

	PLN	EUR	Total
Cash and cash equivalents	192 170	17 093	**209 263**
Trade and other receivables	276 053	47 473	**323 526**
Receivables due to retentions	50 268	5 065	**55 333**
Loans granted	20 216	11 092	**31 308**
Total	**538 707**	**80 723**	**619 430**
Loans and borrowings liabilities	39 709	13 157	**52 866**
Trade and other liabilities	382 602	16 942	**399 544**
Liabilities due to retentions	88 833	3 999	**92 832**
Long-term lease liabilities	11 379	0	**11 379**
Bonds issued	65 000	0	**65 000**
Total	**587 523**	**34 098**	**621 621**
Exposure to currency risk		**46 625**	

Risk of interest rates

The risk of interest rates is mainly due to the use by companies of the bank credits, loans and finance lease. These financial instruments are based on variable rates and expose the Group to the risk of changes in cash flows. Furthermore, the Group invests surplus cash in investments with variable interest rates (deposits), which reduces the return on investment when interest rates are dropping. The Group also uses fixed-rate instruments for which market changes in interest rates do not affect the interest costs incurred and the interest income received. Trade and other receivables and payables are not interest bearing and their maturity dates are no longer than one year.

The exposure to interest rate risk and interest rate forecasts are monitored by the Group.

The following table presents the carrying value of financial instruments as at 31 December 2014, which are exposed to the interest rate risk, by categories of age:

Fixed interest rates

	Up to 1 year	1-3 years	3-5 years	Over 5 years	Total
Loans granted	0	31 308	0	0	**31 308**
Cash assets - term deposits	15 400	0	0	0	**15 400**
Total	**15 400**	**31 308**	**0**	**0**	**46 708**

Variable interest rates

	Up to 1 year	1-3 years	3-5 years	Over 5 years	Total
Cash at bank accounts	153 228	0	0	0	**153 228**
Cash assets - term deposits	0	0	0	0	**0**
Overdrafts	24 154	0	0	0	**24 154**
Liabilities due to finance lease (current and non-current)	4 771	5 718	890	0	**11 379**
Secured bank loans	5 997	17 742	4 973	0	**28 712**
Bonds	0	65 000	0	0	**65 000**
Total	**188 150**	**88 460**	**5 863**	**0**	**282 473**

Price risk

The Group is exposed to the price risk related to increases in the prices of construction materials most purchased such as steel and concrete. The opening of the European labour markets brings the outflow of skilled construction workers abroad and this effects the growth in wage costs. As a result of increase of material prices and labour costs, costs of the services rendered for the Group by the subcontracting companies may rise as well. Prices in the agreements signed with the investors are usually fixed for the duration of a contract performance - usually between 6 and 36 months, while contracts with subcontractors are concluded at a later date, with the progress of individual works.

In order to reduce price risks, the Erbud Group monitors the prices frequently purchased building materials and the contracts are signed with the observance of parameters in respect to, inter alia, market situation, and duration and value of contracts.

Credit risk

Financial assets of the Group, which are exposed to increased credit risk, are trade receivables. The Erbud Group applies the policy of evaluation and verification of credit risk connected with all contracts, whether on the before-offer stage as well as during the execution of contracts.

Before signing the contract, each contractor is evaluated for the ability of meeting its financial obligations. In the event of a negative assessment of the contractor's payment capacity, the agreement conclusion depends on the establishment of appropriate financial or property guarantees. In addition, the conditions of agreements with building investors provide for the right to suspend the execution of works, in case of any delay in payment for services rendered.

If possible, agreements include provisions which conditioning payments to the subcontractors from the inflow of funds from the building investor.

The debt age structure is presented in Note 14.

Liquidity risk

In order to reduce the liquidity risk, the Group's companies keep an adequate amount of cash and transferable securities, and enter into contracts for credit lines, which are an additional security measure of liquidity. To finance investment purchases, the Group uses its own funds or long-term financial leases providing adequate financing structure of such assets.

The Group's companies collaborate both in monetary and capital transactions with financial institutions of high reliability, without causing a significant concentration of credit risk. The Group applies also a policy of limiting credit exposure to the individual financial institutions and issuers of debt securities that are purchased under the periodic placement of surplus cash.

The liquidity management is supported by the current system of reporting liquidity forecasts by the companies of the Group.

The tables below summarize the Group's financial liabilities as at 31 December 2014 and as at 31 December 2013 by the maturity on the basis of contractual undiscounted payments:

31 December 2014	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Loans and borrowings at interest	3 632	26 433	22 801	0	**52 866**
Long-term lease liabilities	991	3 780	6 608	0	**11 379**
Trade and other liabilities	392 516	7 028	0	0	**399 544**
Loans and borrowings at interest	0	82 818	10 014	0	**92 832**
Long-term lease liabilities	0	0	65 000	0	**65 000**
Trade and other liabilities	**397 139**	**120 059**	**104 423**	**0**	**621 621**

31 December 2013	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 5 years**	**Over 5 years**	**Total**
Loans and borrowings at interest	6 758	17 730	13 377	1 110	**38 975**
Long-term lease liabilities	669	2 426	5 426	0	**8 521**
Trade and other liabilities	192 251	1 774	123	0	**194 148**
Income tax liabilities	7	0	0	0	**7**

Loans and borrowings at interest	19 712	52 309	8 514		**80 535**
Long-term lease liabilities	51 889	0	0	0	**51 889**
Trade and other liabilities	**271 286**	**74 239**	**27 440**	**1 110**	**374 075**

Sensitivity analysis for currency and interest rates risk

The influence of potential changes on market risk was estimated by the Group as follows:
100 bsp - change in the PLN interest rate (increase or decrease in interest rate)
100 bsp - change in the EUR interest rate (increase or decrease in interest rate)
10% - change in the exchange rate PLN/EUR (revaluation or devaluation of PLN).

The sensitivity analysis by the Group does not include the effects of taxation.

The influence of potential changes on profit before tax and the Company's capital is summarized below:

Sensitivity analysis for currency and interest rates risk

Balance sheet item	Value in PLN '000	Interest rate risk		Currency risk			
		Influence on profit		Influence on profit		Influence on capital	
		+ 100 pbs in PLN + 100 pbs in EUR	+ 100 pbs in PLN + 100 pbs in EUR	10% PLN revaluation	10% PLN devaluation	10% PLN revaluation	10% PLN devaluation
Cash and cash equivalents	209 263	2 092	-2 092	-792	792	-917	917
Trade and other receivables	323 526	0	0	-1 930	1 930	-2 817	2 817
Receivables due to retentions	55 333	0	0	0	0	-506	506
Loans granted	31 308	313	-313	0	0	-1 109	1 109
Influence on financial assets		**2 405**	**-2 405**	**-2 722**	**2 722**	**-5 349**	**5 349**
Credits and loans liabilities	52 866	-529	529	0	0	1 316	-1 316
Bonds issued	65 000	-650	650	0	0	0	0
Lease liabilities	11 379	-114	114	0	0	0	0
Trade and other liabilities	399 544	0	0	480	-480	1 214	-1 214
Liabilities due to retentions	92 832	0	0	0	0	400	-400
Influence on financial liabilities		**-1 293**	**1 293**	**480**	**-480**	**2 930**	**-2 930**

44 Asset-backed securities

Possessory lien on assets – shares in Delta Sp. z o.o. based in Toruń.

1) Inventory value of the shares in the Issuer's accounting books:

Name and legal form of the subsidiary	Seat	Core business	Type of the relationship	Method of consolidation	Value adjustment (total)	Carrying amount of shares /stocks	Equity stake held	Voting power at the GM
Delta Sp. z o.o.	Toruń	construction	subsidiary	full method	0	3,532	100%	100%

2) Relationship type between Erbud and persons managing or supervising Erbud and the pledgee (Polski Bank Przedsiębiorczości S.A.):
None

3) Percentage of the pledged shares in the nominal capital of Delta Sp. z o.o. and the value at par of shares and their character as non-current or current capital investment of Erbud:
Pledged shares represent 30% of the nominal capital of Delta Sp. z o.o. The Issuer considers the investment in Delta Sp. z o.o. shares as a long-term one.

Mortgages on fixed assets of the company

1) The book value of fixed assets of the company covered by the mortgage – PLN 3.234 thousand.

Collaterals:

Conventional mortgage up to PLN 120m on cooperative ownership right to the premises registered under KW WA5M/00451397/7, WA5M/00451398/4, WA5M/00451399/1, managed by the District Court in Warsaw.

45 Litigation

Claim against the Bank Millennium SA

On 22 December 2010, Erbud SA brought to the Regional Court in Warsaw, XVI Commercial Division an action for payment against Bank Millennium S.A.
Value of the dispute: PLN 71,065,496. The respondent: Bank Millennium S.A. in Warsaw.

In 2008, the Bank Millennium S.A. advised the Issuer (Erbud S.A.) concluding a transaction on currency options to protect euro-denominated contracts executed by the Issuer against an exchange rate risk. The Bank's offer followed the Issuer's need to adequate secure its situation. According to the Company, the product was not optimally adapted to the needs of Erbud SA. In the fourth quarter of 2008, as a result of the drastic depreciation of the Polish zloty against euro, the Bank Millennium S.A. reported to the Issuer a negative valuation of its exposure. At the same time, there arose a dispute as to content of the currency options transactions, primarily concerning exclusion of optional structures.
During many talks, the Issuer presented its position to the Bank, which requested to execute of the transaction with taking action for compulsory execution of claims. In order to reduce the amount of potential loss, the disputed transactions were restructured, and the Bank has been informed about future legal action to compensate damage resulting from the transactions of currency options.
The restructuring details were announced by the Issuer in the Current Report No. 43/2008 of 21.11.2008, and in the financial statements for the year 2008. The Issuer has never agreed with the position of the Bank Millennium S.A. and therefore called the Bank twice to pay the amount of PLN 71,065,496, which consists of amounts collected by the Bank from the Issuer's bank account, lost benefits, and legal and financial advisors' fees. Accordingly, the Issuer has decided to enter a lawsuit for payment in order to compensate the damage suffered.

As at the report publishing date of the Financial Statements the litigation is in progress; hearings of witnesses are continued.

The Issuer's standpoint regarding the situation connected with the execution of the project: extension of the Airport Modlin

Facts - Basic information about the contract and its completion

The contract for the construction of the Warsaw-Modlin Airport was signed on September 14, 2010. The total value of works amounted to about PLN 87 million net. Under the contract, ERBUD SA was obliged, inter alia, to upgrade the runway. The Employer established Bud-Invent Sp. z o.o. as the Project Management Company.
The runway with a length of about 2500 meters consists of two thresholds made of concrete cement, each with a length of about 540 meters and a part made of bituminous concrete with a length of 1,421 meters. The net value of the concrete thresholds constructed is about PLN 10m.

DSH – Dospravni stavby a.s., a subsidiary of the construction group Metrostav, was a subcontractor responsible for the construction of the concrete pavement of runway thresholds. The company specializes in such kind of works. The Employer has been informed of the choice of the subcontractor and did not oppose (January 2011).

DSH commissioned the following entities a number of works:
- Instytut Inżynierii Lądowej Politechniki Wrocławskiej [Institute of Civil Engineering, Wrocław University of Technology]:
  The commission included the development of the mix design (concrete mixture components) for the construction of runway thresholds. Developed formulas were in accordance with Polish Standards;
- CEMEX and LAFARGE – two worldwide known suppliers of aggregate:
  The commission included the supply of aggregate for concrete used to complete the runway thresholds.

The suppliers provided declarations of conformity stating that their products for manufacturing the concrete have complied with the Polish standards indicated in the mix design.

On 10 June 2011, DSH submitted the mix design to the Employer. The Employer approved the mix design on 20 June 2011.

The runway was carried out by DSH over the period of June - November 2011, according to the mix design prepared by the Instytut Inżynierii Lądowej Politechniki Wrocławskiej. The company used aggregate supplied by CEMEX and Lafarge.
All design solutions, concrete mix formulas, certificates of compliance and land surveying were supervised by the staff of the General Contractor and the Employer, and the works were executed under direct supervision of Client's Engineer.
The concrete mix production samples were taken by the laboratory of TPA Instytut Badań Technicznych (Technical Research Institute). The samples were collected pursuant to Polish standards, i.e. from each batch of concrete produced. Tests have shown that the strength and frost resistance of concrete is at least equal to or higher than designed one.

By Decision No. 919/2012 of 6 June 2012 the Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego (Mazovian Provincial Building Control Office) authorized the use of the project. The validation of the operation permit was subject to compliance by the Employer (but not limited to) the following conditions:
- developing guidelines on using the civil structure, including the airport pavement maintenance manual
- regular technical inspections of the airport pavement,
- continuous monitoring of the civil structure.

By Decision No. 1980/2012 dated 28 December 2012 the Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego prohibited to use of the part of the runway (the decision announced verbally on 22 December 2012). The decision was based on Article 66, Section 1, Item 2 and Section 2 of the Building Code of 7 July 1994, that is on "(…) the statement that a structure is used in a manner endangering life or health of people, safety of property or environment (…)".

According to an interview on 23 January 2013 for the TVN CNBC by Mr. Marcin Danił - Vice President of the Management of Mazowiecki Port Lotniczy Warszawa-Modlin Sp. z o.o., the Customer does not have any agreement with Ryanair on the basis of which the carrier could seek compensation for the airport stoppage.
The Customer concluded a contract with WizzAir, but it does not contain any provisions which oblige the Customer to receive the damage. WizzAir cannot demand damage money from the airport (there is no legal basis). 3-4 days before the airport has been closed, WizzAir informed the Employer that it changes the operating airport due to lack of the ILS-System in Modlin.

In January and February 2013, the Employer and the General Contractor held a number of meetings, as a result of which the General Contractor presented on 20 February 2013 a Framework Schedule for runway works. The schedule has been approved by the Employer.

On 6 March 2013, the General Contractor took over the site from the Contractor and began to carry out the work. On 22 April 2013, the Contractor approved a new formula of concrete. On 17 June 2013 the Mazovian Building Control Officer issued Decision No. 846/2013 which repealed Decision No. 1980/2012 concerning the prohibition of use of part of the runway.

Moreover, on 12 August 2013, the Issuer received the decision issued by the District Court for Warsaw-Mokotów on providing a security on debts of Przedsiębiorstwo Wielobranżowe Ploh Sp. z o.o. amounting to PLN 74,204.84 for loss of profits related to a break in the activity of the airport. The court has established the security in the form of a compulsory mortgage on the vacant plot owned by the Issuer, located in Toruń. On 19 August 2013, it has been brought a protest against the decision on securing the claim. The District Court in Warsaw, due to recognition of a complaint changed the decision on providing the security and dismissed the application. On 26 August 2013, it has been filed an answer to the suit, in which - besides the application to dismiss the complaint in full as manifestly unfounded, it has been raised a plea of lack of jurisdiction. On 24 September 2013, on the ground of lack of jurisdiction, the case was referred for rehearing by the Economics Department of the District Court of the Capital City of Warsaw. The court ordered the authorities to provide documents requested by the claimant party and adjourned the hearing without setting a trial date.

On 17 July 2013, the Issuer received from LS Airport Services SA request for payment in the amount of PLN 1,844 thousand for loss of benefits associated with a break in the activity of Modlin Airport. Law office representing the Issuer filed the response to the request proving that it is unfounded.

On 12 May 2014, a lawsuit was served to the Company, in which the Employer requested the payment of PLN 34,381,374.64 as compensation plus statutory interest and litigation costs. The case is conducted by the District Court in Warsaw, XXVI Commercial Division, under ref. No. XXVI GC 353/14.
Due to the necessity of preparing specialized technical and financial expertise, the application for a further extension of the deadline has been delivered on July 21. According to the information received on 24 July 2014, the date for filing a statement of defence has been extended until 12 October 2014.

On 11 October 2014, ERBUD filed a response to the suit in which it requested to dismiss the MPL's action as a whole and to grant reimbursement of the proceedings costs. At the same time, regardless of repudiating the plaintiff's claim, ERBUD submitted a counterclaim against the MPL applying for ordering to pay the amount of PLN 19 892 thousand plus statutory interest. The counterclaim includes pavement repair costs incurred by ERBUD at Warsaw-Modlin Airport.
On 2 March 2015, Erbud received a pleading in which MPL maintained its request and appealed to dismiss the counterclaim of ERBUD.

Furthermore, on 18 March 2015 Erbud filed a suit against Cemex and Lafarge Kruszywa i Beton Sp. z o.o. for payment of a total of PLN 18.7 million due to damages suffered by ERBUD for improper performance of the contract.

Standpoint of the Management Board on financial claims
Pursuant to a contract dated 14 September 2010 that was executed for the Mazowiecki Port Lotniczy Warszawa - Modlin Sp. z o.o., ERBUD SA acted as the general contractor construction the Warsaw-Modlin airport runway. On 28 December 2012, due to the surface defects found Mazowiecki Wojewódzki Inspektor Nadzoru Budowlanego (Mazovian Provincial Building Control Office) issued a decision prohibiting the use of a part of the runway at Modlin Airport. Hovever, having regard to the public interest, the Company (as substitute contractor) replaced the runway concrete pavement), without waiting for the explanation of the causes of damage and without confirmation that it is obliged to make repair works under the warranty. These works were completed in June 2013 and the airport was re-admitted to passenger traffic on 3 July 2013.

ERBUD SA does not recognize its responsibility for the defective condition of the runway surface, and commissioned independent technical reports indicate that the reasons for damage were independent of the Company. Therefore, in our opinion as well as evaluation by legal advisors of Erbud SA, all expenses incurred for the resurfacing of the runway in a total amount of PLN 20.1 million, recorded as of the balance sheet date as assets of the Company, finally will not be addressed to ERBUD SA.

Due to the initial phase of the litigation related to the assignment of responsibility for the defective condition of the runway surface,, complexity of the case and the anticipated long-term legal proceedings, it cannot be excluded

that the final financial consequences of the event for the Company may differ from current estimates adopted by the Management Board of Erbud SA for the purpose of preparing the Financial Statements.

46 Events subsequent to the reporting period

Such events are presented in Note 44 - Litigation.

Signature of person preparing the Financial Statement

Mariola Zielińska
/ Chief Accountant /

Signatures of the Management Board Members

Józef Zubelewicz
/ Management Board Member /

Dariusz Grzeszczak
/ Management Board Member /

Warsaw, 24 April 2015