SOFTBANK
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CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP FOR 2005

CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP FOR 2005

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The present financial statements comprise 107 pages numbered from 1 to 107.

The present consolidated financial statements were approved by the Management Board of Softbank S.A. on 14 April 2006.

Management Board:

Krzysztof Korba	Chairman of the Management Board
Przemysław Borzestowski	Member of the Management Board
Piotr Jeleński	Member of the Management Board
Przemysław Sęczkowski	Member of the Management Board
Robert Smułkowski	Member of the Management Board

Person responsible for accounting:

Mirosława Janusz	Chief Accountant

REPORT ON THE AUDIT OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP BY THE INDEPENDENT CHARTERED ACCOUNTANT

FOR THE GENERAL MEETING

1. We carried out the audit of the attached consolidated financial statements of the Softbank S.A. Group ("Group") whose dominant entity is Softbank S.A. ("Company") with registered office in Warsaw, at 17 Stycznia 72a Street for the business year ended on 31 December 2005 including:

    - consolidated balance sheet as at 31 December 2005, with total assets and total liabilities amounting to PLN 672,628 thousand;

    - consolidated profit and loss account for the period from 1 January 2005 to 31 December 2005, with the net profit for the year amounting to PLN 45,271 thousand;

    - consolidated statement of changes in equity for the period from 1 January 2005 to 31 December 2005, indicating the increase in the equity by PLN 145,231 thousand;

    - consolidated cash flow statement for the period from 1 January 2005 to 31 December 2005, indicating the increase in the net cash by 14,796 thousand and

    - notes ("attached consolidated financial statements").

2. The Management Board of the Company is responsible for the reliability, accuracy and clarity of the attached consolidated financial statements as well as for accuracy of the consolidation documentation. Our task consisted in auditing the attached financial statements and presenting our opinion based on the audit implemented stating whether the consolidated financial statements presents a true and fair view of the Group's economic and financial situation and its financial result in all its aspects.

3. We carried out the audit of the attached consolidated financial statements:

    - in line with international auditing standards

    - and in line with the following regulations legally binding in Poland:

        Chapter 7 of the Accounting Act of 29 September 1994 ("Accounting Act");

        standards of the profession of independent chartered accountant issued by National Council of Independent Chartered Accountants

    in a way enabling us to state that these financial statements do not contain any significant errors. In particular, the audit included – mainly by means of spot checks – verification of the documentation, on the basis of which the figures and data included in the attached consolidated financial statements had been given.

REPORT ON THE AUDIT OF THE ANNUAL CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP BY THE INDEPENDENT CHARTERED ACCOUNTANT (continued)

The audit also comprised a verification of correctness of the accounting principles used by the Group and material estimates made the Management Board of the Company as well as the general presentation of the attached consolidated financial statements. We believe that the audit provided us with sufficient information to express our opinion on the attached consolidated financial statements.

4. It is our opinion that the attached consolidated financial statements in all its significant aspects:

   - reliably and clearly present all information necessary for the assessment of the financial result of the Group for the period from 1 January 2005 to 31 December 2005 as well as economic and financial situation of the Group as at 31 December 2005;

   - were prepared correctly, in line with the International Financial Reporting Standards adopted by European Union;

   - complies with legal regulations relating to preparation of financial statements influencing their form and contents.

5. We have no reservations relating to the audited attached consolidated financial statements and would like to point out what follows:

   Financial statements of the affiliated companies - the basis for the preparation of the attached consolidated financial statements - were subject to the audit carried out by other independent chartered accountants or were not audited at all. Total assets of these financial statements, prior to consolidation eliminations, amount to 16% of the total assets of the attached consolidated financial statements of the Group prior to consolidation eliminations.

6. We examined the report of the Management Board on the Group's activities conducted between 1 January 2005 and 31 December 2005 and principles of preparation of the annual consolidated financial statements ("report on the Group's activities") and we are of the opinion that this report is in accordance with the information presented in the attached consolidated financial statements. The contents of the report on the Group's activities comply with relevant provisions of the resolution of the Minister of Finance of 19 October 2005 relating to current and periodic information published by issuers of securities (J.L. No 209, item 1744).

On behalf of
Ernst & Young Audit Sp. z o.o.
Rondo ONZ 1, 00-124 Warsaw
Reg. No. 130

Sebastian Łyczba
Independent Chartered Accountant
Reg. No. 9946/7392

Jacek Hryniuk
Independent Chartered Accountant
Reg. No. 9262/6958

Warsaw, 14 April 2006.

All figures in PLN thousand

CONSOLIDATED PROFIT AND LOSS ACCOUNT OF THE SOFTBANK GROUP

	Note	12 months ended 31 December 2005	12 months ended 31 December 2004
	Note No.	PLN thousand	PLN thousand
Operating activities			
Sales		**539,233**	**482,013**
Sales of products and services	1	250,380	283,780
Sales of goods for resale and materials	1	288,853	198,233
Cost of goods sold		**(441,444)**	**(387,624)**
Cost of products and services sold (-)	2	(178,991)	(227,012)
Cost of goods for resale and materials sold (-)	2	(262,453)	(160,612)
Gross profit (loss) on sales		**97,789**	**94,389**
Selling costs (-)	2	(15,745)	(13,868)
General and administrative expenses (-)	2	(42,063)	(54,352)
Net profit (loss) on sales		**39,981**	**26,169**
Other operating income	3	11,584	6,911
Other operating expenses (-)	3	(2,111)	(11,569)
Operating profit (loss)		**49,454**	**21,511**
Valuation allowances for goodwill (-)		0	(4,527)
Other activities			
Financial income	4	60,178	73,745
Financial expenses (-)	4	(59,037)	(96,092)
Gross profit (loss)		**50,595**	**(5,363)**
Income tax (current and deferred)	5	5,213	(4,161)
Net profit/ (loss) before extraordinary items		**45,382**	**(1,202)**
Discontinued operations			
Loss from discontinued operations for the reporting period	6	(111)	(84)
Net profit (loss) for the business year		**45,271**	**(1,286)**
Attributable to:		**45,271**	**(1,286)**
Shareholders of the dominant entity		**42,067**	**445**
Minority interests		**3,204**	**(1,731)**
Consolidated earnings per share attributable to shareholders of Softbank S.A. (in PLN)			
Basic earnings per share, based on consolidated net profit (loss) on continued operations for the reporting period, attributable to shareholders of Softbank S.A. (in PLN)	7	1.89	0.02
Diluted earnings per share, based on consolidated net profit (loss) on continued operations for the reporting period, attributable to shareholders of Softbank S.A. (in PLN)	7	1.89	0.02

All figures in PLN thousand

CONSOLIDATED BALANCE SHEET
OF THE SOFTBANK GROUP

	Note	31 December 2005	31 December 2004
	Note No.	PLN thousand	PLN thousand
ASSETS			
Non-current assets		**319,302**	**246,255**
Property, plant and equipment	9	37,215	29,196
Investment property	10	0	1,666
Intangible assets	11	14,206	5,989
Consolidation goodwill	12	60,370	25,077
Investments in associated entities valued at equity	13	86,308	0
Non-current financial assets available for sale	15	0	65,945
Non-current financial assets valued at fair value	17	35,333	29,291
Non-current receivables	21	57,734	60,464
Non-current deferred tax assets	5	20,617	20,226
Non-current prepayments and accrued income	18	7,519	8,401
Current assets		**353,326**	**284,110**
Inventories	19	20,171	19,636
Prepayments and accrued income	18	13,940	10,641
Trade receivables	21	166,296	120,413
Receivables relating to income tax		286	402
Receivables from state budget	21	101	20
Other receivables	21	52,713	36,213
Financial assets held to maturity	16	17,388	15,072
Financial assets valued at fair value through the profit and loss account	17	20,291	34,369
Cash and short-term deposits	22	62,140	47,344
Assets classified as held for sale	**6**	**0**	**32**
TOTAL ASSETS		**672,628**	**530,397**

All figures in PLN thousand

CONSOLIDATED BALANCE SHEET OF THE SOFTBANK GROUP (continued)

	Note Note No.	31 December 2005 PLN thousand	31 December 2004 PLN thousand
EQUITY AND LIABILITIES			
Equity (attributable to shareholders of the dominant entity)		**281,586**	**137,241**
Share capital	23	25,175	20,951
Share premium (agio)		253,151	148,525
Unrealised net profits on financial assets available for sale	23	0	6,826
Capital part of convertible bonds	23	801	801
Exchange rate differences from revaluation of affiliated companies		254	0
Retained earnings/ (losses) and net profit (loss) for the year		2,205	(39,862)
Minority interests	23	4,383	3,497
Total equity		**285,969**	**140,738**
Long-term liabilities		**93,561**	**86,591**
Long-term provisions	26	973	275
Long-term financial liabilities	24	76,038	76,397
Long-term deferred income	27	11,635	9,919
Other long-term liabilities	27	4,915	0
Short-term liabilities		**293,098**	**302,905**
Interest-bearing bank loans, borrowings and debt securities	25	40,194	84,075
Trade payables	27	141,359	124,790
Income tax liabilities		3,404	0
Liabilities to state budget	27	10,466	10,707
Financial liabilities	24	20,363	14,378
Other liabilities	27	47,753	42,497
Provisions	26	692	8,102
Accrued expenses	27	17,162	8,632
Deferred income	27	11,705	9,724
Liabilities directly related to assets classified as held for sale	**6**	**0**	**163**
TOTAL LIABILITIES		**386,659**	**389,659**
TOTAL EQUITY AND LIABILITIES		**672,628**	**530,397**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE SOFTBANK GROUP

For 12 months ended on 31 December 2005
and for 12 months ended on 31 December 2004

	Share capital	Share premium (agio)	Unrealised net profits on financial assets available for sale	Capital part of convertible bonds	Exchange rate differences from revaluation of subordinated companies	Retained earnings/ (losses) and net profit (loss) for the year	Total	Minority interests	Total equity
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
1 January 2005	**20,951**	**148,525**	**6,826**	**801**	**0**	**(39,862)**	**137,241**	**3,497**	**140,738**
Issue of share capital	4,224	104,626	0	0	0	0	**108,850**	0	**108,850**
Net gain on financial assets available for sale	0	0	(6,826)	0	0	0	**(6,826)**	0	**(6,826)**
Profit (loss) for the period 1 January 2005 - 31 December 2005	0	0	0	0	0	42,067	**42,067**	3,204	**45,271**
Exchange rate differences from revaluation of subordinated companies	0	0	0	0	254	0	**254**	0	**254**
Acquisition of shares of Sawan Grupa Softbank S.A.	0	0	0	0		0	**0**	(2,318)	**(2,318)**
31 December 2005	**25,175**	**253,151**	**0**	**801**	**254**	**2,205**	**281,586**	**4,383**	**285,969**
1 January 2004	**20,951**	**148,525**	**0**	**801**	**0**	**(40,307)**	**129,970**	**5,989**	**135,959**
Profit (loss) for the period from 1 January 2004 to 31 December 2004	0	0	0	0	0	445	**445**	(1,731)	**(1,286)**
Net gain on financial assets available for sale	0	0	6,826	0	0	0	**6,826**	0	**6,826**
Changes in the Group structure	0	0	0	0	0	0	**0**	(761)	**(761)**
31 December 2004	**20,951**	**148,525**	**6,826**	**801**	**0**	**(39,862)**	**137,241**	**3,497**	**140,738**

All figures in PLN thousand

CONSOLIDATED CASH-FLOW STATEMENT OF THE SOFTBANK GROUP

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Cash flows from operating activities		
Pre-tax profit/(loss)	50,484	(5,447)
Adjustments:	**(552)**	**(16,874)**
Depreciation and amortisation	10,116	10,891
Change in inventories	1,398	(12,578)
Change in receivables	(36,497)	(129,721)
Change in liabilities	18,755	107,170
Change in accruals and deferred items	6,624	(16,607)
Change in provisions	(6,098)	(1,749)
Interest income and expense	4,132	2,444
Foreign exchange gains (losses)	(2,993)	18,506
Profit (loss) on investment activities	3,523	5,319
Other	488	(549)
Net cash generated from operating activities	**49,932**	**(22,321)**
Interest paid	(5,821)	(3,699)
Income tax paid	(2,409)	(391)
Net cash from operating activities	**41,702**	**(26,411)**
Cash flows from investing activities		
Disposal of property, plant and equipment	469	357
Disposal of investment property	1,700	0
Disposal of intangible assets	1,893	0
Repayment of financial assets held to maturity	8,498	24,508
Sale of shares in affiliated companies	11,958	13,105
Acquisition of property, plant and equipment	(6,409)	(6,518)
Acquisition of intangible assets	(10,390)	(1,401)
Acquisition of financial assets available for sale	0	(56,870)
Acquisition of financial assets held to maturity	0	(32,712)
Acquisition of affiliated and associated companies reduced by cash taken over	(32,068)	(1,307)
Cash and cash equivalents in acquired affiliated companies	13,775	0
Acquisition of associated companies	(28,791)	0
Loans repaid	5,028	0
Loans granted	(5,356)	0
Interest received	766	56
Dividends received	657	30
Other	497	(209)
Cash provided by forward transactions	21,518	2,075
Net cash from investing activities	**(16,255)**	**(58,886)**
Cash flows from financial activities		
Proceeds from issue of shares	30,581	0
Repayment of financial leasing liabilities	(49)	(253)
Repayment of loans and borrowings	(16,403)	(23,446)
Incurred loans and borrowings	3,599	59,222
Issue of debt securities	(28,376)	44,982
Other	(3)	21
Net cash from financial activities	**(10,651)**	**80,526**
Net decrease in cash and cash equivalents	14,796	(4,771)
Cash and cash equivalents as at 1 January	47,344	52,115
Cash and cash equivalents as at 31 December	**62,140**	**47,344**

DATA ON BUSINESS SEGMENTS OF THE SOFTBANK GROUP

For the current period – 12 months of 2005 and as at 31 December 2005	Continued operations: Implementation projects	Continued operations: Media activities	Continued operations: Total	Discontinued operations: Publishing	Total operations
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Sales **For the period 1 January 2005 - 31 December 2005**					
External sales	557,568	5,999	**563,567**	439	**564,006**
Inter-segment sales	(24,315)	(19)	**(24,334)**	0	**(24,334)**
Total segment sales	**533,253**	**5,980**	**539,233**	**439**	**539,672**
Result					
Segment result	42,535	(2,428)	**40,107**	(111)	**39,996**
Non-allocated costs	(126)	0	**(126)**	0	**(126)**
Profit from continued operations before tax and financial expenses	51,820	(2,366)	**49,454**	(111)	**49,343**
Net financial expenses	1,190	(49)	**1,141**	0	**1,141**
Share in profits of associated companies	0	0	**0**	0	**0**
Profit before tax and minority interests	53,010	(2,415)	**50,595**	(111)	**50,484**
Income tax (tax expense)	5,213	0	**5,213**	0	**5,213**
Net profit (loss) for the financial year	**47,797**	**(2,415)**	**45,382**	**(111)**	**45,271**
Assets as well as equity and liabilities					
31 December 2005					
Segment assets	584,388	1,932	**586,320**	0	**586,320**
Investments in associated companies	86,308	0	**86,308**	0	**86,308**
Segment liabilities	384,734	1,925	**386,659**	0	**386,659**
Other information on the segment for the period 1 January 2005 - 31 December 2005					
Investments	(16,696)	(103)	**(16,799)**	0	**(16,799)**
Depreciation	(9,818)	(298)	**(10,116)**	0	**(10,116)**
Impairment	(1,440)	0	**(1,440)**	0	**(1,440)**
Other non-cash expenses	(1,103)	0	**(1,103)**	0	**(1,103)**

All figures in PLN thousand

INFORMATION ON BUSINESS SEGMENTS OF THE SOFTBANK GROUP (continued)

For the previous period – 12 months of 2004 and as at 31 December 2004	Continued operations Implementation projects PLN thousand	Continued operations Media activities PLN thousand	Continued operations Total PLN thousand	Discontinued operations Implementation projects PLN thousand	Total operations Media activities PLN thousand
Sales					
For the period from 1 January to 31 December 2004					
External sales	503,186	4,607	**507,793**	609	**508,402**
Inter-segment sales	(25,745)	(35)	**(25,780)**	0	**(25,780)**
Total segment sales	**477,441**	**4,572**	**482,013**	**609**	**482,622**
Result					
Segment result	29,097	(3,999)	**25,098**	(84)	**25,014**
Non-allocated costs	1,071	0	**1,071**	0	**1,071**
Profit from continued operations before tax and financial expenses and income	25,579	(4,068)	**21,511**	(84)	**21,427**
Net financial expenses and income	(26,713)	(161)	**(26,874)**	0	**(26,874)**
Profit before tax and minority interests	(1,134)	(4,229)	**(5,363)**	(84)	**(5,447)**
Income tax (tax expense)	(4,161)	0	**(4,161)**	0	**(4,161)**
Net loss for the financial year	**3,027**	**(4,229)**	**(1,202)**	**(84)**	**(1,286)**
Assets as well as equity and liabilities					
as at 31 December 2004					
Segment assets	528,760	1,605	**530,365**	32	**530,397**
Segment liabilities	390,114	(618)	**389,496**	163	**389,659**
Other information on the segment					
for the period 1 January to 30 December 2004					
Investments	(7,892)	(27)	**(7,919)**	0	**(7,919)**
Depreciation	(10,599)	(292)	**(10,891)**	0	**(10,891)**
Impairment	(9,110)	0	**(9,110)**	0	**(9,110)**
Other non-cash expenses	(5,505)	0	**(5,505)**	0	**(5,505)**

All figures in PLN thousand

INFORMATION ON BUSINESS SEGMENTS OF THE SOFTBANK GROUP (continued)

In the current reporting period and in the corresponding period of the previous year, the Softbank Group generated 99% of its sales on the Polish market, with exports accounting for only a marginal part of the Group's sales. Therefore, there is no need to present the division of the Group's activities by geographical regions.
An industry segment is a separate area of business by which the Company distributes its products and provides its services, or groups of related products or services, and which is characterised by a different degree of risk and different rates of return on capital expenditure than those inherent for other industry segments. The decision on whether products and services are classified as related products and services or not was made taking into account their type.
The Group's activities by industry segment are as follows:

Implementation activities - IT consulting services and providing software and hardware:

- software provided under own licenses and of other companies,
- implementation of own products and third-party software,
- maintenance of own and third-party software and hardware,
- hardware.

Media services:

- management of a radio station.

The Softbank Group classifies its activities into specific industry sectors based on their type.

GENERAL INFORMATION

Softbank S.A. with registered office at 17 Stycznia 72a Street, Warsaw, Poland, is the dominant entity ("dominant entity", "Company") of the Softbank Group ("Softbank Group").

The Company was established on 18 January 1989 as a limited liability company, and later, under the notarial deed of 31 August 1993 it was transformed into a joint stock company with registered office at 17 Stycznia 72a Street, Warsaw, Poland, in which form it has been operating since that date. The Company was entered in the Register of Entrepreneurs of the National Court Register under entry No. KRS 33391. Earlier, the Company had been entered into the Commercial Register maintained by the Regional Court of Warsaw, Commercial Court, XVI Commercial and Registration Division, under entry No. RHB 17220. Since 1998, shares of the dominant entity have been quoted on the main market of the Warsaw Stock Exchange. The Company was given a statistical number REGON 010334578. The Company was established for an indefinite period.

Softbank S.A. is the dominant entity of the Softbank Group. Prokom Software S.A. is the dominant entity of the Softbank Group. This results from the control over operating activities of the issuer. As at 31 December 2005, Prokom Software S.A. was the owner of 33% of shares in Softbank S.A. with entitlement to the same percentage of votes at the General Meeting.

Softbank S.A. provides consulting services relating to software and hardware, is a manufacturer of software and supplier of hardware and software. According to the Polish Classification of Business Activities, the core business of the dominant entity is "software consultancy and supply" (PKD-7220Z). This category includes analysing, development and programming of ready-to-use IT systems. According to the classification adopted by the Warsaw Stock Exchange S.A. ("WSE"), business activities of the dominant entity are classified as "information technology".

Other companies of the Group conduct similar business activities, except for AWiM Mediabank SA, which is concerned with operating a radio station, public relations and media activities.

Apart from comprehensive IT services, the Group also sells goods for resale, mainly computer hardware. To a large extent, these activities are connected with providing services relating to software implementation.

These consolidated financial statements include a description of the Softbank Group's core business by segments.

The present consolidated financial statements comprise the business year ended on 31 December 2005 and include comparable figures for the business year ended on 31 December 2004.

In 2005, the Group applied for the first time International Financial Reporting Standards (IFRS, IAS) in preparing these consolidated financial statements for the current and comparable periods. Note 39 includes the description of basic differences between the data disclosed in previous years in accordance with the Accounting Act of 29 September 1994 (uniform text, J.L. 2002, No. 76, item 694, as amended) (the "Act"), and the data disclosed in accordance with International Financial Reporting Standards adopted as of 1 January 2005.

The Company did not pay a dividend for 2004. According to the resolution of the General Meeting, the net profit for 2004 was transferred in full amount to the supplementary capital.

In 2006, the Management Board of Softbank S.A. intends to submit a proposal to the General Meeting on the distribution of a dividend amounting to 30% of the net profit for 2005. The dividend per share shall amount to approximately PLN 0.64.

All figures in PLN thousand

GENERAL INFORMATION (continued)

Dominant entity, affiliated, co-subsidiary and associated companies including related entities.

As at 31 December 2005

SOFTBANK S.A.
dominant entity
registered office in Warsaw

Softbank Serwis Sp. z o. o.
registered office in Gdańsk
***
100% as at 31 December 2005
100% as at 31 December 2004

Koma S.A. [(4)]
registered office in Katowice
***
100% as at 31 December 2005
0% as at 31 December 2004

Koma Nord Sp. z o.o. [(4)]
registered office in Gdynia
***
100% as at 31 December 2005
0% as at 31 December 2004

Soft Technologies Sp. z o.o. [(2)]
registered office in Almaty, Kazakhstan
***
45% as at 31 December 2005
0% as at 31 December 2004

Gladstone Consulting Ltd. [(5)]
registered office in Nicosia, Cyprus
***
51% as at 31 December 2005
0% as at 31 December 2004

Incenti S.A. [(6)]
registered office in Warsaw
***
100% as at 31 December 2005
0% as at 31 December 2004

AW i M Mediabank S.A.
registered office in Warsaw
***
100% as at 31 December 2005
100% as at 31 December 2004

ZUI NOVUM Sp. z o. o.
registered office in Łomża
***
51% as at 31 December 2005
51% as at 31 December 2004

bezpieczeństwo.pl Sp. z o. o
registered office in Warsaw
***
100% as at 31 December 2005
100% as at 31 December 2004

Bielpolsoft j.v.
registered office in Minsk, Belarus
***
85% as at 31 December 2005
85% as at 31 December 2004

NetPower S.A. [(7)]
registered office in Warsaw
***
100% as at 31 December 2005
49% as at 31 December 2004

SAWAN Grupa Softbank S.A. [(1)]
registered office in Zabierzów
***
100% as at 31 December 2005
72% as at 31 December 2004

Asseco Poland S.A. [(8)]
registered office in Rzeszów
***
22% as at 31 December 2005
18% as at 31 December 2004

Asseco Slovakia A. S.
registered office in Bratislava Slovakia
***
12% as at 31 December 2005
10% as at 31 December 2004

SLNT A. S.
registered office in Bratislava, Slovakia
***
6% as at 31 December 2005
0% as at 31 December 2004

COMP Soft Sp. z o. o.
registered office in Mielec
***
14% as at 31 December 2005
6% as at 31 December 2004

ABAS S.A.
registered office in Bydgoszcz
***
22% as at 31 December 2005
3% as at 31 December 2004

Percentage of share capital held after recalculation to the stake of Softbank S.A.
(1) In 2005, the dominant entity acquired 28.12% of shares in Sawan Grupa Softbank S.A. increasing its stake in the share capital and votes at the General Meeting to 100%. On 1 July 2005, Softbank S.A. ("buyer") and Sawan Grupa Softbank S.A. ("seller") concluded a contract for the sale of the company, on the basis of which the dominant entity acquired the company as a set of tangible and intangible assets consisting of all elements of the seller's company except for the seller's name.
(2) In the first quarter of 2005, Softbank Serwis Sp. z o.o. and companies from Kazakhstan set up a company operating under the name: Soft Technologies with registered office in Kazakhstan. As at 31 December 2005, the Group did not control this company.
(3) On 28 February 2005, on the basis of the agreement of 20 December 2004, the dominant entity sold 100% of shares held in Epsilio S.A. with registered office in Łódź. The company was subject to consolidation until 28 February 2005.
(4) In July 2005, the dominant entity acquired 100% of shares in Koma S.A. and indirectly 99.9% of shares in Koma Nord Sp. o.o., an affiliated company of Koma S.A. These companies have been subject to consolidation since 1 July 2005.
(5) In October 2005, Softbank S.A. acquired 51% of shares in Gladstone Consulting Ltd. This company has been subject to consolidation since 1 October 2005.
(6) In October 2005, the dominant entity acquired 100% of shares in Incenti S.A. This company has been subject to consolidation since 1 October 2005.
(7) In December 2005, Softbank S.A. acquired 51% of shares in NetPower S.A., increasing its stake in the share capital and votes at the General Meeting to 100%.
(8) In December 2005, Softbank S.A. acquired 4.38% of shares in Asseco Poland S.A., increasing its stake in the share capital and votes at the General Meeting to 21.92%. As a result, Softbank became a significant shareholder of Asseco Poland S.A.

All figures in PLN thousand

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

GENERAL INFORMATION (continued)

Composition of the Management Board and Supervisory Board of the dominant entity

As at 31 December 2005, the Company's Management Board consisted of the following persons:

Name and surname	Title
Krzysztof Korba	Chairman of the Management Board
Robert Smułkowski	Member of the Management Board
Piotr Jeleński	Member of the Management Board
Przemysław Borzestowski	Member of the Management Board
Przemysław Sęczkowski	Member of the Management Board

As at 31 December 2005, the Company's Supervisory Board consisted of the following persons:

Name and surname	Title
Ryszard Krauze	Chairman of the Supervisory Board
Piotr Mondalski	Member of the Supervisory Board
Stanisław Janiszewski	Member of the Supervisory Board
Maria Zagrajek	Member of the Supervisory Board
Marek Jakubik	Member of the Supervisory Board

In 2005, members of the Supervisory Board of Softbank S.A., Alicja Kornasiewicz and Maciej Grelowski, resigned their mandates on the Supervisory Board on 10 June and 29 June respectively. On 9 August 2005, the Extraordinary General Meeting appointed two new members of the Supervisory Board so that, pursuant to the requirements of the Code of Commercial Companies, the Supervisory Board consists of at least 5 members. New members of the Supervisory Board are: Maria Zagrajek and Marek Jakubik, appointed for a 3-year term of office.

List of shareholders and significant changes in the ownership of significant blocks of shares

According to the Management Board, the following shareholders held at least 5% of the total number of votes at the General Meeting of Softbank S.A., both directly or through their affiliated companies:

Major shareholders in Softbank S.A. according to the data available as at 31 December 2005

Shareholder	Number of shares and votes at GM	% share in the share capital and total number of votes at GM
Prokom Software S.A.	8,309,791	33.01 %
ING Towarzystwo Funduszy Inwestycyjnych S.A.	1,306,307	5.19 %
Others	15,558,615	61.80 %
Total	**25,174,713**	**100.00 %**

As at 31 December 2005, the share capital of Softbank SA amounted to PLN 25,174,713 and was divided into 25,174,713 ordinary shares, each with the nominal value of PLN 1.

On 26 January 2006, Softbank S.A. was notified of the fact that investment funds managed by ING Towarzystwo Funduszy Inwestycyjnych S.A. owned the total number of 1,279,964 shares in Softbank S.A., 5.08% of the share capital and entitlement to 5.08% of votes at the General Meeting of Softbank S.A.

All figures in PLN thousand

GENERAL INFORMATION (continued)

Major shareholders in Softbank SA according to the data available as at 31 December 2004

Shareholder	Number of shares and votes at GM	% share in share capital and total number of votes at GM
Prokom Software S.A.	5,238,000	25.00 %
Nihonswi AG	2,042,910	9.75 %
Zbigniew Opach	1,880,432	8.98 %
Grupa PZU S.A.	1,320,155	6.30 %
Others	10,469,015	49.97 %
Total	**20,950,512**	**100.00 %**

As at 31 December 2004, the share capital of Softbank SA amounted to PLN 20,950,512 and was divided into 20,950,512 ordinary shares, each with the nominal value of PLN 1.

Changes in the number of shares of Softbank S.A. held by the members of governing and supervising bodies

Members of the Supervisory Board	Number of shares 31 December 2005	31 December 2004
Ryszard Krauze	0	0
Stanisław Janiszewski	1,600	1,600
Piotr Mondalski	0	2,500

Members of the Management Board	Number of shares 31 December 2005	31 December 2004
Krzysztof Korba	0	0
Piotr Jeleński	0	0
Robert Smułkowski	1,500	1,500
Przemysław Borzestowski	0	0
Przemysław Sęczkowski	0	0

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

Legal basis for the preparation of the consolidated financial statements

The consolidated financial statements were prepared in accordance with the historical cost principle, except for financial derivatives and financial assets available for sale, valued at fair value.

The currency of the consolidated financial statements is Polish zloty (PLN) and all figures are stated in thousands of zloty (PLN), unless stated otherwise.

These consolidated financial statements were prepared with the assumption of continuation of business activities by the Group in the foreseeable future. It was assumed that the dominant entity and subordinated companies, except for Sawan Grupa Softbank S.A., will continue their business activities in the foreseeable future.

On 1 July 2005, Sawan Grupa Softbank S.A. and Softbank S.A. concluded a contract for the sale of the company, on the basis of which Softbank S.A. acquired the company as a set of tangible and intangible assets consisting of all elements of Sawan Grupa Softbank S.A. in the meaning of Article 55 (1) of the Civil Code except for the name Sawan Grupa Softbank S.A. The sales price amounted to PLN 11,800 thousand and was determined on the basis of a valuation prepared by an independent expert. As a result of this transaction, Sawan Grupa Softbank S.A. discontinued its operations. The resources acquired by Softbank S.A.will be further used by the Company for conducting operating activities by this company.

On the approval date of these financial statements, no circumstances were found which could jeopardise the continued operation of conducting business activities in the Group.

Compliance Statement

The present consolidated financial statements were prepared in line with International Financial Reporting Standards ("IFRS"). IFRS comprise standards and interpretations approved by the International Accounting Standards Committee ("IASC") and International Financial Reporting Interpretations Committee ("IFRC").

The Group applied IFRS as at 31 December 2005.

Starting from 1 January 2005, under the Act, the Group is obliged to prepare consolidated financial statements in accordance with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of the European Commission regulations ("IFRS adopted for use within European Union"). On the approval date of these financial statements for publishing, given the ongoing implementation process of the IFRS standards by the European Union, as well as Group's operations, there is no difference between the IFRS applied by the Group and the IFRS adopted by European Union.

Some of the Group's companies maintain their accounting books in accordance with the accounting policies specified in the Accounting Act (the "Act") of 29 September 1994 and the provisions issued thereunder ("Polish Accounting Standards", "PAS"). The consolidated financial statements include adjustments not disclosed in the accounting books of the Group's companies, introduced to adjust the financial statements of these companies to the IFRS.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Estimations

Preparation of the consolidated financial statements in line with IFRS requires estimations and assumptions to be made which influence the figures disclosed in the financial statements. Despite the fact that adopted assumptions and estimations are based on the best knowledge of the Group's management relating to current events and activities, factual results may be different from expected.

Below were presented main areas, in the case of which implemented accounting principles (policy) were used considering not only accounting estimations, but also the professional assessment of the Company management and where changes in estimations may have a significant impact on future results of the Company.

Operating cash flows assumed to value IT contracts

The Group carries out various contracts for construction and implementation of IT systems. Moreover, cash flows relating to some contracts are denominated in foreign currencies. Valuation of IT contracts makes it necessary to determine future operating cash flows in order to determine the fair value of revenues and expenses as well as the fair value of embedded financial derivatives, obtained by the use of forward exchange rates. Future operating cash flows are not always in accordance with the contracts concluded with customers and suppliers due to changes in timetables of IT projects. As at 31 December 2005, other receivables from the valuation of IT contracts amounted to PLN 27,122 thousand and other liabilities relating to valuation of IT contracts amounted to PLN 43,826 thousand. As at 31 December 2005, the valuation of embedded financial derivatives was included in financial liabilities and amounted to PLN 96,401 thousand.

In the case of the contracts denominated in foreign currencies deemed to be functional currencies, embedded financial derivatives are not separately disclosed. Revenues and expenses relating to such contracts are determined on the basis of the spot exchange rate.

Net deferred tax assets (after offsetting against the provision for deferred taxes)

In 2005, the Group did not recognise net deferred tax assets at the full amount (after offset against the provision for deferred tax). This was due to the verification of estimations on the future taxable income.

Based on the current financial plan and provisions of the Corporate Tax Act, Group management is of the opinion that realisation of deferred tax assets recognised in the amount of PLN 20,617 thousand is very likely.

Goodwill impairment test

The Management Board of the dominant entity carried out the impairment test on the goodwill created due to the acquisition of affiliated companies and one associated company. This required an estimate of the value of cash generating centres, to which goodwill is attributed. This estimation consists in determining future cash flows provided by the cash generating centre and discount rate applied to calculate the net present value of these cash flows. As at 31 December 2005, the above-mentioned goodwill amounted to PLN 60,370 thousand.

Professional assessment

The Group concluded a range of leasing contracts for transport means, classified as operating leasing contracts. The lessor retains all significant risks and profits resulting from the ownership of these assets.

Embedded financial derivatives are separated from main contracts and disclosed as any other financial derivatives, not classified as hedging instruments. Profits/losses resulting from changes in fair value of financial derivatives are included in the profit and loss account for the period in which they occur.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

In the case of some types of transactions, embedded financial derivatives are not separated from the main contract and are separately disclosed, if the transaction is made in a currency considered as usually used in this type of transactions. This type of transactions comprises (among others) contracts for rent of property and, starting from 1 January 2005, as a result of increasing popularity and use of EUR also contracts for IT services.

Principles of determination of the impact exerted on affiliated, co-subsidiary and associated companies were presented further in the section "Accounting principles used for the preparation of the consolidated financial statements".

Mergers of co-subsidiaries are carried using the purchase method in line with IFRS 3.

Changes in accounting principles applied

Starting from 1 January 2005, according to the Act, the Group is obliged to prepare the consolidated financial statements in line with International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of the European Commission regulations. The Group's financial statements for the business year ended on 31 December 2004 were prepared in line with the Polish Accounting Standards.

International Accounting Standards Council issued International Financial Reporting Standard No. 1 ("IFRS 1") "First-time Adoption of International Financial Reporting Standards", relating to the preparation of the financial statements for the periods beginning on or after 1 January 2004. IFRS 1 relates to companies which prepare their financial statements for the first time in line with IFRS and to companies which used IFRS, but their financial statements included the statement on non-compliance with relevant standards. IFRS 1 requires that the first financial statements prepared in line with IFRS are the first annual financial statements in which the company applies all IFRS including the statement on full conformity with all IFRS.

As a result, the present financial statements are the first complete annual financial statements prepared in line with IFRS. For the purpose of these consolidated financial statements, the date of change to IFRS is 1 January 2004. The last Group's consolidated financial statements prepared in line with Polish Accounting Standards, defined in the Accounting Act, were the financial statements prepared for the business year ended on 31 December 2004.

According to IFRS 1, the consolidated financial statements were prepared as if the Group had always been using IFRS, taking into account the following exemptions from the necessity of reclassification mentioned in IFRS 1: selected items of property, plant and equipment were revalued to fair value as at 1 January 2004, a new classification of financial derivatives was made for the date of change to IFRS, deferred settlements (revenues and expenses) were revalued (discounted).

Other changes resulting from the first-time preparation of the consolidated financial statements in line with IFRS 1 were presented in Note 39 to the present consolidated financial statements.

In 2005, the Group decided to change the presentation of operating revenues and expenses with a classification into products and goods for resale. At present, operating revenues and expenses are classified by products or goods for resale, irrespective of whether they are own solutions or were made by other companies.

This change resulted in the increase in sales of products and services in 2004 by PLN 107,835 thousand and decrease in sales of goods for resale and materials in the same amount. Correspondingly, there was an increase in the cost of products and services sold by PLN 109,351 thousand and a decrease in the cost of goods for resale and materials in the same amount.

The change described above does not result from the application of IFRS.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

New standards and interpretations published but not in force yet

The following standards and interpretations were issued by the International Accounting Standards Council and International Financial Reporting Interpretations Committee, but have not come into force:

- IFRS 6 " Exploration for and Evaluation of Mineral Assets". This standard shall be applied for the reporting periods beginning on or after 1 January 2006.
- IFRS 7 "Financial Instruments: Disclosures". This standard shall be applied for the reporting periods beginning on or after 1 January 2007.
- Interpretation of IFRIC 4 "Determining Whether an Arrangement Contains a Lease". This interpretation shall be applied for the reporting periods beginning on or after 1 January 2006.
- Interpretation of IFRIC 5 "Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds". This interpretation shall be applied for the reporting periods beginning on or after 1 January 2006.
- Interpretation of IFRIC 7 "Financial Reporting in Hyperinflationary Economies". This interpretation shall be applied for the reporting periods beginning on or after 1 March 2006.
- Interpretation of IFRIC 8 "Scope of IFRS 2". This interpretation shall be applied for the reporting periods beginning on or after 1 May 2006.
- Interpretation of IFRIC 9 "Reassessment of Embedded Financial Derivatives". This interpretation shall be applied for the reporting periods beginning on or after 1 June 2006.

Furthermore, the following standards were changed: IFRS 1, 4 and 6 as well as IFRS 1, 19 and 39.

For the date of preparation of the financial statements, standards published whose application will be obligatory or possible in future reporting periods will not have an impact on the Group's financial results.

Consolidation methods

The consolidated financial statements include the financial statements of the dominant entity Softbank S.A. and financial statements of its affiliated companies prepared as at a given balance sheet date (end of quarter, half-year, year).

The affiliated companies are companies where the Group owns more than a half of votes at the General Meeting or is able to manage the financial and operating policy in any other way. Determination on whether the Group controls other companies is made considering existence and influence of potential votes which may be used at the General Meeting of these companies.

Annual financial statements and interim financial data of affiliated companies are prepared for the same reporting period as in the case of the dominant entity, with the use of coherent accounting principles. If it is needed, accounting principles of affiliated companies are modified in order to assure their compliance with the principles adopted by the Group. In order to determine any different accounting principles, adjustments have to be made.

Affiliated companies are consolidated for the period in which they were controlled by the Group (from the beginning of this control to its end). Should the Group lose the control over an affiliated company, the consolidated financial statements shall include the results of this company for the part of the year, in which this company was controlled by the Group.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Acquisitions of affiliated companies are entered in the accounting books using the purchase method. The purchase price comprises the fair value of assets taken over, shares issued and liabilities incurred as at the acquisition date as well as expenses directly related to the transaction. The positive difference between the purchase price and fair value of assets of the affiliated company taken over is booked as goodwill.

All balances and transactions between the Group's companies, including unrealised profits resulting from transactions within the Group, were fully eliminated during the consolidation.

Investments in associated companies

The Group's investment in the associated company is valued at equity. Associated companies are entities in which the Group has a stake amounting to between 20 and 50% of votes at the General Meeting and on which the Group exerts a significant influence, however, without the ability to control them. This means they are neither affiliated companies nor a joint enterprise. Financial statements of associated companies are the basis for valuation of shares in these companies owned by the Group with the use of at equity valuation method. The balance sheet date of associated companies and the Group are the same and all Group companies apply coherent accounting principles.

Investments in associated companies are presented in the balance sheet at purchase price increased by further changes in the Group's share in net assets of these entities, deducted by impairment charges. The profit and loss account reflects the Group's share in the results of associated companies. In the case of changes booked directly in equity of associated companies, the Group presents its share in each change and, if necessary, discloses this in its statement of changes in equity.

According to the at-equity valuation method, the Group's participation in profits/losses of associated companies after the acquisition date is indicated in the profit and loss account, and the Group's participation in provisions of associated companies after the acquisition date is indicated in its provisions. Accumulated changes after the acquisition date correct the purchase price. Unrealised profits/losses on transactions carried out between the Group and its associated companies are subject to consolidation eliminations, to the equivalent of the Group's stake in associated companies. Unrealised losses are also eliminated unless it is obvious from transactions that impairment of transferred assets took place. The investment in the associated company comprises goodwill created at the acquisition date (deducted by amortisation). Should the Group's participation in losses of the associated company equal or exceed the investment value, the Group does not recognise any further losses unless it incurred liabilities or made payment for the associated company.

Goodwill

Goodwill shall be defined as a positive difference between the purchase price and fair value of the Group's share in identified net assets of the affiliated/associated company at the acquisition date. Goodwill relating to affiliated companies is presented in a separated position of non-current assets and goodwill relating to associated companies - in the balance sheet as investments in related companies.

After entering into the accounting books, goodwill is presented at the purchase price deducted by any accumulated impairment charges. At every balance sheet date, the Group verifies goodwill concerning possible impairment. Should there be any indications of the impairment of goodwill, an analysis of possibilities of goodwill recovery shall be carried out as at the balance sheet date. Impairment charges shall be made if the book value exceeds recovery value. Irrespective of any indications of goodwill impairment, a test on goodwill impairment has to be made once a year. Impairment charges are booked as other operating expenses.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Disposal of affiliated and associated companies

Profit/loss on disposal of an affiliated and/or associated company includes net value of goodwill relating to a given entity.

Any profits/losses resulting from dilution of shares in affiliated and associated companies are recognised in the profit and loss account in the period in which the sale took place.

Participation in a joint enterprise

The Group's participation in a joint enterprise is presented with the use of proportional consolidation which states that a proportional share in assets, liabilities, revenues and expenses of the joint enterprise shall booked together with the same positions in the consolidated financial statements. Co-subsidiaries are entities which are neither affiliated nor associated companies, in which the Group has the entitlement to no more than 50% of votes at the General Meeting or is able to manage the financial and operating policy of these companies together with other shareholders.

Recalculation of positions expressed in foreign currencies

The functional (used for valuation) and presentation currency of the dominant entity and its affiliated companies in Poland is Polish zloty (PLN). Transactions expressed in foreign currencies are first presented in the accounting books according to the exchange rate of the functional currency as at the transaction date. Cash assets and liabilities expressed in foreign currencies shall be calculated with the exchange rate of the functional currency as at the balance sheet date. Non-cash items valued at historical cost in foreign currencies are calculated with the exchange rate as at the transaction date. Non-cash items valued at fair value in foreign currencies are calculated with the exchange rate as at the date of determination of this fair value.

The functional currency of the foreign affiliated company "Gladstone Consulting Limited" is USD. As at the balance sheet date, assets and liabilities of this foreign affiliated company are recalculated in the presentation currency of the Softbank Group with the exchange rate as at the balance sheet date, and its profit and loss account is recalculated with the average weighted exchange rate for the business year. Exchange rate differences resulting from such recalculation are disclosed in the equity as a separate item. On the date of disposal of the foreign company, accumulated deferred exchange rate differences disclosed in the equity, relating to a given foreign company, shall be booked in the profit and loss account.

All figures in PLN thousand

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Property, plant and equipment

Property, plant and equipment is disclosed at the purchase price/production cost increased by any additional costs incurred and decreased by accumulated amortisation and any impairment charges. As at 1 January 2004, some property, plant and equipment was valued on the basis of IFRS 1 at fair value and decreased by accumulated amortisation.

Costs incurred after commissioning of property, plant and equipment, such as repairs, reviews, charges relating to the use of property, plant and equipment, influence the net profit for the reporting period in which they were incurred. Should it be possible to prove that these costs led to the increase in expected future economic benefits generated by a given item of property, plant and equipment exceeding initially expected benefits, they should increase the gross value of this item of property, plant and equipment.

Depreciation shall be calculated with the use of the straight line method for the expected period of use of a given asset item, amounting to:

Type	Depreciation rate	Period
Property	2.5 % - 3.5%	29 – 40 years
Machinery and equipment	20 % -30.0%	3.3 - 5 years
Transport means	20.0 %	5 years
Computers	30.0 %	3.3 years
Investments in tangible assets owned by third parties	10.0 %	10 years

Depreciation rates as indicated by tax regulations are applied only if they correspond to the expected period of economic use of a given item of property, plant and equipment. Correctness of adopted depreciation periods and rates is regularly verified which results in relevant adjustments in amortisation charges in further years.

Should there be any events or changes indicating that the book value of property, plant and equipment may not be recovered, these assets shall be reviewed concerning their possible impairment. If there any indications of a possible impairment and the book value exceeds the expected recovery value, the value of these assets or cash generating centres shall be reduced to the recovery value. The recovery value of property, plant and equipment is the higher of the following two values: net sales price or utility value. In order to determine the utility value, estimated future cash flows shall be discounted to the present value with the use of the gross discount rate reflecting actual market estimations of net present value and risks related to a given item of assets. In the case of the asset item which does not generate cash independently, the recovery value shall be determined for the cash-generating centre, to which this item belongs. Impairment charges are recognised in the profit and loss account as other operating expenses.

Some items of property, plant and equipment may be removed from the balance sheet after its disposal or if no economic benefits are expected from its further use. Profits/losses on disposal of property, plant and equipment are determined by comparing the cash obtained from the sale and present book value and recognised in the operating profit. Any profits or losses resulting from removal of a given item of property, plant and equipment from the balance sheet (calculated as a difference between the cash obtained from net sales and book value of this item) are recognised in the profit and loss account in the period in which such records were made in the accounting books.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Costs of external financing

Costs of external financing are booked when they are incurred in line with the sample approach represented by IAS 23.

Investment property

Initially investment property is valued at the purchase price including transaction expenses. After the first valuation, investment property is valued in line with the requirements applicable for property, plant and equipment, i.e. at the purchase price or production cost deducted by accumulated amortisation and accumulated impairment charges, except for investment property complying with the criteria for classification as investment property for sale or factually classified as investment property for sale.

Investment property shall be removed from the balance sheet if they were sold or definitely withdrawn from use, when no economic future benefits are expected from the sale of this investment property. Any profits or losses resulting from the removal of the investment property from the balance sheet shall be recognised in the profit and loss account in the period in which such entries in the accounting books were made.

Intangible assets

Purchased separately or as a result of merger of companies

Intangible assets purchased in a separate transaction shall be capitalised at purchase price. Intangible assets acquired as a result of a take-over of the company shall be capitalised at fair value at the take-over date.

Period of use of intangible assets shall be determined and classified as defined or undefined. Intangible assets of a defined period of use shall be subject to depreciation with the use of the straight-line method based on their estimated period of use and depreciation shall be booked in the profit and loss account where they are generated. Periods of use, basis for determination of depreciation rates shall be verified every year, and if needed, they shall be corrected starting from the next business year.

Except for development work, intangible assets produced by the company on its own shall not be capitalised and expenditure on their production shall be recognised in the profit and loss account in the period in which they were incurred.

Impairment tests shall be made every year for intangible assets of undefined period of use and those which are not used. Other intangible assets are subject to impairment tests if there are indications of a possible impairment. Should the book value exceed the estimated recovery value (the higher one of the two following values – net sales price or utility value), the value of these assets shall be reduced to the recovery value.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Research and development work

Expenses on research are presented in the profit and loss account when they are incurred.

Intangible assets created as a result of development work (or realisation of a phase of the development work within the enterprise conducted on its own) should be capitalised only if the company is able to demonstrate:

- the technical ability to finish the construction of the item of intangible assets so that it may be used or sold,
- the intention of finishing the construction of the item of intangible assets and the intention of using or selling the item,
- the ability to use or sell the item of intangible assets,
- the way of generating future probable economic benefits by the item of intangible assets. First of all the company should demonstrate there is a market for products made with the use of the given item of intangible assets or the item of intangible assets may itself be sold, or – if the item is to be used by the company – it may be useful for the company,
- the availability of relevant technical, financial and other resources required to finish the development work and making the item of intangible assets ready for use or sale,
- the possibility of reliable determination of expenditure for the development work allocated to this item of intangible assets.

Costs of development work which do not fulfil the above conditions shall be presented in the profit and loss account.

The costs of development work fulfilling the above criteria shall be capitalised at the purchase price deducted by accumulated amortisation and accumulated impairment charges. Any expenses shifted to future periods shall be subject to amortisation during the estimated period of generating revenues from this enterprise. Depreciation period of development work shall correspond to the period of economic utility of the given item of assets and shall not exceed 5 years.

The costs of development work are reviewed every year concerning a possible impairment– if the item of assets has not been commissioned, or more frequently – in the case of the indication of impairment during the reporting period, as a result of which the book value may not be recovered.

For intangible assets subject to depreciation, the straight-line method shall be used. Adopted depreciation rates used for intangible assets are as follows:

Type	Depreciation rate	Period
Costs of development work	20.0% - 33.0%	3 – 5 years
Computer software	33.0%	3 years
Patents and licenses	20.0%	5 years
Other	20.0%	5 years

Any profits or losses resulting from the removal of the given item of intangible assets from the balance sheet (calculated as a difference between cash obtained from net sales and book value of this item) are presented in the profit and loss account in the period in which such records were made in the accounting books.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Recovery value of non-current assets

At every balance sheet date, the Group values its assets concerning any possible impairment. Should there be any indications of the impairment, the Group estimates the recovery value. Should the book value of the given item of assets exceed its recovery value, impairment charges are made reducing the book value to the recovery value. The recovery value is the higher of the two following values: fair value of the given item of assets or cash-generating centre deducted by selling expenses or utility value determined for individual items of assets, if the given item generates cash flows significantly independent from cash flows provided by other assets or groups of assets.

Financial instruments

Financial instruments are divided into the following categories:

- financial assets held to maturity,
- financial instruments valued at fair value through the financial result,
- loans and receivables,
- financial assets available for sale and
- financial liabilities

All financial assets are first valued at the purchase price equal to fair value of the payment including costs of purchase of the given item of financial assets.

Financial assets held to maturity are investments with payments specified or which may be specified and with a fixed repayment date (maturity), which the Company intends to and may held to maturity. Financial assets held to maturity are valued at amortised cost using the effective interest rate.

Financial instruments acquired in order to generate profits owing to short-term price fluctuations shall be classified as financial instruments valued at fair value through the financial result. Financial instruments valued at fair value through the financial result shall take into account the market value of financial instruments as at the balance sheet date. Changes in these financial instruments shall be included in financial income and expenses.

Loans and receivables are valued at amortised cost.

Any other financial assets are financial assets available for sale. Financial assets available for sale are valued at fair value without deduction of transaction costs, taking into consideration their book value at the balance sheet date. Should financial instruments not be quoted on an active market and should it be impossible to determine their fair value reliably with alternative methods, financial assets available for sale shall be valued at the purchase price adjusted by impairment charges.

Positive and negative differences between fair value and the purchase price, after deduction of assets available for sale by the deferred tax (if there is a market price determined by a regulated active market or if fair value of assets may be reliably determined in another way), shall be booked in the revaluation capital. The decrease in the value of assets available for sale resulting from their impairment shall be booked in the profit and loss account as financial expenses.

Financial assets held to maturity shall be classified as non-current assets if their maturity exceeds 12 months from the balance sheet date.

Financial assets valued at fair value through the financial result shall be classified as current assets if the Management Board intends to sell them within 12 months from the balance sheet date.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Purchase and sale of financial assets are recognised in the accounting books at the transaction date. Their first valuation is made at the purchase price, which is fair value including transaction costs.

Financial liabilities other than financial instruments valued at fair value through the financial result are valued at amortised cost using the effective interest rate.

A financial instrument shall be removed from the balance sheet if the Company no longer controls the rights arising from this instrument; this usually takes place when the instrument is sold or when an independent third party is entitled to all cash flows generated by this instrument.

Inventories

Inventories are valued at the higher of the following two values: purchase price/production cost or net recovery value.

Net recovery value is an estimated sales price possible to obtain in a typical business transaction deducted by costs of finishing the production process and estimated selling costs.

The Company uses the method of precise identification for valuation of outgoing inventories.

Valuation allowances for inventories shall be booked as other operating expenses.

Prepayments and accrued income

Prepayments and accrued income comprise expenses incurred to the balance sheet date relating to future periods (prepayments and accrued income presented in assets).

In particular, prepayments and accrued income include the following items:

- rent paid in advance,
- insurances,
- subscriptions,
- maintenance services by other companies paid in advance which shall be provided in future periods,
- costs of development work on construction of intangible assets (products, technologies) under completion whose utility and probability of obtaining future economic benefits is reasonably high,
- expenses on purchase of investment items prior to a formal acquisition of shares which shall increase the value of these shares after their purchase,
- other incurred costs relating to future periods.

The Group uses the category of prepayments and accrued income if revenues and expenses relate to future reporting periods. Accrued expenses shall be the equivalent of probable liabilities relating to the present reporting period.

Sales and expenses relating to completion of implementation contracts

As at the balance sheet date, sales generated from the service provided to a considerable extent, but not entirely, shall be valued in proportion to the completion of the service if it is possible to estimate the revenues in a reliable way. The percentage of the completion of the service shall be measured as a proportion of costs incurred between the conclusion date of the contract and the day on which the revenues are estimated to estimated total costs of the service or as a proportion of work completed to total work needed to provide the service in full.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Should it be impossible to estimate reliably the progress of the service as at the balance sheet date, the revenues shall be valued in the amount of costs incurred in the reporting period. However, these revenues may not exceed the costs which will probably be covered by the ordering party.

If it is likely that total costs of the contract exceed total revenues, the estimated loss on the contract shall be booked in the reporting period in which it became known.

Production costs of unfinished services shall comprise the costs incurred since the conclusion date of the contract to the balance sheet date. Production costs incurred prior to the conclusion of the contract shall be capitalised, if it is likely that these revenues to be obtained in future periods will at least cover the costs.

Should the progress of costs incurred deducted by expected losses and increased by profits included in the profit and loss account exceed the progress of invoiced sales, the amount of non-invoiced sales constituting this difference shall be presented as other receivables.

Should the progress of invoiced sales exceed the progress of costs incurred deducted by expected losses and increased by profits included in the profit and loss account, future revenues resulting from the above difference shall be presented as other liabilities.

Trade receivables

Trade receivables, usually payable within 7 to 90 days, shall be booked and presented according to the amounts initially invoiced taking into account the provision for uncollectible receivables. The provision for doubtful receivables shall be created if the collection of the due amount is unlikely. Uncollectible receivables shall be written off in the profit and loss account when it becomes known they can no longer be received.

Should the discount rate be essential, the due amount shall be determined by discounting estimated future cash flows to their present value using the gross discount rate reflecting present estimations relating to net present value. Should the discounting method be used, the increase in receivables over time shall be booked as financial income.

Cash and cash equivalents, reserved cash

Cash and cash equivalents presented in the balance sheet consist of cash held in banks and in the Company, short-term deposits with maturity to 3 months and other highly liquid instruments.

The balance of cash and cash equivalents presented in the consolidated cash flow statement consists of the above-mentioned cash and cash equivalents. For the purpose of the cash flow statement, the Group decided not to present current account credits and reserved cash in the balance of cash and cash equivalents. Reserved cash is presented in a separate position of the balance sheet.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Interest credits and loans

First valuation of credits and loans shall be made at the purchase price reflecting fair value of cash obtained deducted by the costs relating to obtaining the credit or loan.

After the first valuation, interest credits and loans shall be valued at amortised purchase price using the effective interest rate. Determination of the amortised purchase price shall take into account the costs relating to obtaining the credit or loan as well as discount and premium obtained on repayment of the liability.

The difference between the cash obtained (deducted by costs relating to obtaining the credit or loan) and the repayment amount shall be presented in the profit and loss account during the period of credit. Profits and losses shall be booked in the profit and loss account after the liability has been removed from the balance sheet as well as in the case of impairment or depreciation. All costs relating to credits and loans shall be booked in the profit and loss account in the reporting periods which they relate to.

Transactions in foreign currencies

Non-cash assets and liabilities valued at historical cost expressed in a foreign currency shall be calculated with the historical exchange rate from the transaction date. Non-cash assets and liabilities valued at fair value shall be calculated with the exchange rate from the date of valuation at fair value.

The following exchange rates were applied for the purpose of valuation in the balance sheet:

Currency	31 December 2005	31 December 2004
EUR	3.8598	4.0790
USD	3.2613	2.9904

Trade payables

Trade payables relating to operating activities shall be valued and presented according to invoices received in the reporting periods which they relate to. Although other liabilities also relate to a significant extent to operating activities of the Group, there is no so-called legal enforcement to execute these amounts.

Provisions

Provisions shall be created when the Company has a legal obligation (resulting from legal regulations or practices) due to previous events and when it is very likely that fulfilment of this obligation will result in the outflow of means representing economic benefits, and if a reliable estimation of the amount of this obligation is possible. Should the Group expect that the costs for which the provision was created shall be reimbursed, e.g. as a result of the insurance contract, this reimbursement shall be presented as a separate item of assets, however, only if this reimbursement is absolutely sure. Costs relating to the given provision shall be presented in the profit and loss account after deducting any reimbursements.

The Group creates provisions for contracts causing obligations, if certain expenses relating to fulfilment of these obligations exceed possible benefits.

Should the discount rate be essential, the provision shall be determined by discounting estimated future cash flows to their present value using the gross discount rate reflecting present estimations relating to net present value. Should the discounting method be used, the increase in the provision over time shall be booked as costs of external financing.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Pension benefits, other post-employment benefits and provision for untaken leave

The Group creates a provision for the present value of liabilities relating to future payments of pension compensation. According to remuneration systems in the Group's companies, employees are entitled to one-off payment of the pension compensation when retiring. The amount of the payment depends on the length of service and average monthly remuneration. The Group also creates a provision for untaken leave relating to the periods prior to the balance sheet date which will be used in future periods. The amount of the payment depends on average monthly remuneration and number of due but untaken leave days as at the balance sheet date. Costs of both pension compensations and untaken leave shall be based on estimates.

Leasing

First valuation of financial leasing contracts where all risks and benefits resulting from the use of the leasing object are transferred to the Group shall be presented in the balance sheet at the higher of the following two values: fair value of the item of property, plant and equipment constituting the leasing object or at the present value of minimum leasing payments. Leasing payments shall be divided into financial expenses and decrease in the leasing liabilities in a way which makes it possible to obtain a fixed interest rate calculated on the remaining part of the liability. Financial expenses shall be booked directly in the profit and loss account.

Property, land and equipment used on the basis of financial leasing contracts shall be subject to depreciation for the shorter of the following two periods: estimated period of use of the given item of property, plant and equipment or leasing period.

Leasing contracts where the lessor retains main risks and economic benefits resulting from the use of the leasing object shall be treated as operating leasing. Leasing payments relating to operating leasing shall be booked as costs in the profit and loss account using the straight-line method during the leasing period.

Equity

Equity shall be presented in the nominal value. It consists of:

- the share capital, presented in the amount of contributions paid,
- share premium (agio) from the sale of shares over their nominal value,
- own shares for sale or redemption, presented in equity as a negative amount,
- unrealised net profits on financial assets available for sale,
- exchange rate differences from recalculation of affiliated companies,
- capital part of convertible bonds,
- retained earnings/ (losses),
- minority interests.

Capital part of convertible bonds is a surplus of fair value of unrealised payments for assets acquired in the form of own shares.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Minority interests

Minority interests represent the entitlement of minority shareholders to the Group's assets according to their share in the share capital of individual companies of the Group to the guaranteed amount. The increase in the Group's share in the share capital of the affiliated company shall not be deemed a merger of companies. Assets and liabilities of the affiliated company shall not be valued at fair value as at the date at which Group increased its share in the share capital of the affiliated company. The difference between the purchase price of minority interests and book value of net assets taken over shall be capitalised as goodwill in the consolidated financial statements of the Group.

Payment made with own shares

Employee benefits

Employees of the dominant entity receive awards in the form of own shares, i.e. they provide services in exchange for shares or rights to shares. Costs of transactions with employees settled in capital instruments are determined in relation to fair value as at the date of awarding these rights. Valuation of transactions settled in capital instruments does not take into consideration any other conditions relating to productivity/effects than those which are connected with the price of Company's shares.

Costs of transactions settled in capital instruments include the increase in equity in the period in which conditions relating to productivity/effects were fulfilled. The end of this period is when certain employees become fully entitled to the benefits ("day of obtaining rights"). At every balance sheet date prior to obtaining these rights, accumulated costs relating to transactions settled in capital instruments shall reflect the period of obtaining rights which had already passed and the number of awards, to which the rights will finally be obtained (according to the Management Board of the Company, based on best possible estimations of the number of capital instruments).

No costs shall be booked for the awards to which the rights were not finally obtained, except for the awards where obtaining rights depends on market conditions. These rights shall be treated as obtained irrespective of whether market conditions were fulfilled or not if all other conditions relating to productivity were met.

Acquisition of assets

Acquisitions of assets by the Group are financed with Group's own shares. Costs of acquisitions of assets shall be determined in relation to the fair value of acquired assets. The difference between the issue price of shares or convertible bonds and fair value of acquired assets shall result in the change in the surplus over the nominal value of shares. Should shares (convertible bonds) be distributed later than the date at which the rights to management of acquired assets were obtained, the difference between the issue price of shares or convertible bonds and fair value of acquired assets shall be presented as a part of other capital until the date of shares distribution.

Non-current assets available for sale and discontinued operations

In line with IFRS 5, any activities shall be classified as discontinued operations if these activities fulfil the criteria for classification as available for sale or if, in fact, the issuer stopped these activities.

Activities or assets shall be available for sale if the book value of these activities or assets may be recovered as a result of the sale and not by continuation of operations.

The Group adopted IFRS 5 for the period starting on 1 January 2005.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Sales

Accounting principles relating to recognition of sales from completion of IT contracts were described above in the present notes. Sales shall be booked in the amount reflecting likely economic benefits which the Group is to obtain from the given transaction and if the revenues may be reliably evaluated.

The Group presents its sales divided into sales of products and sales of goods for resale. This presentation reflects the division of obtained economic benefits. Sales of goods for resale and materials are part of typical trade activities, while sales of goods and services are the result of completed IT projects consisting in constructing IT systems and their maintenance.

Recognition of sales shall also take into account the following criteria:

Sales of goods for resale

Sales are recognised if considerable risks and economic benefits resulting from the ownership of goods for resale were transferred to the buyer and if sales may be reliably evaluated. Sales of hardware and licenses manufactured by third parties shall be recognised at the moment of delivery to the customer unless sales of hardware are connected with implementation services. In such situations, a percentage-of-completion method is used.

Sales of products

Sales are recognised if considerable risks and economic benefits resulting from the ownership of products were transferred to the buyer and if sales may be reliably evaluated. Sales of implementation services are recognised according to the percentage of their completion. Sales of licenses relating to software are recognised systematically during the validity period of relevant contracts.

Sales of services

Sales of implementation services are recognised based on the percentage of their completion. Sales of unfinished services, as regulated by the contract, provided to a considerable extent as at the balance sheet date shall be valued as at the balance sheet date in proportion to the progress of completion of this service if it is possible to estimate the revenues in a reliable way. The progress of the service shall be measured as a proportion of costs incurred since the conclusion date of the contract to the day on which the revenues are estimated, to estimated total costs of the service or as a proportion on work accomplished to total work needed to provide the service in full. Should it be impossible to estimate reliably the result of the contract, the revenues shall be valued in the amount of costs incurred in the reporting period which the Group expects to recover. Sales relating to licenses charges shall be recognised on the moment of issuing the invoice.

The Group presents its sales divided into sales of products and sales of goods for resale. This presentation reflects the division of obtained economic benefits. Sales of goods for resale and materials are a part of typical trade activities, while sales of goods and services are the result of completed IT projects consisting in constructing IT systems and their maintenance.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Interest received

Interest received is recognised as it is generated (taking into account a method of the effective interest rate – interest rate which accurately discounts future cash flows during the estimated period of use of financial instruments to the net book value of the given item of financial assets).

Interest received consists of interest on loans granted, investments in securities held to maturity, bank deposits and other items as well as discount of costs (liabilities) according to the method of the effective interest rate.

Dividends

Dividends are recognised at the date at which shareholder rights to a dividend are determined.

Operating expenses

Group companies present their costs both by cost types and in the calculation scheme. Cost of goods for resale, products and services sold comprise expenses directly relating to the purchase of goods for resale sold or production of services sold. Selling costs are costs of trade activities. General and administrative expenses relate to costs of management of the Company and to administration expenses.

Income tax and value added tax

For the purpose of financial reporting, the provision for deferred tax is calculated using the method of liabilities relating to all temporary differences between the tax value of assets and liabilities and their value in the balance sheet of the financial statements as at the balance sheet date.

The provision for deferred tax is calculated on the basis of all positive temporary differences.

Deferred tax assets are calculated on the basis of all negative temporary differences as well as accumulated deferred tax assets from previous periods and unsettled tax losses shifted to future periods. The amount of deferred tax assets may not exceed likely taxable income which will make it possible to make use of the above assets and losses.

The book value of individual items of deferred tax assets shall be verified at every balance sheet date and shall be relevantly reduced. This shall consider any changes in the probability of obtaining taxable income in the amount sufficient to realise the given item of deferred tax assets, either partially or fully.

Deferred tax assets and provisions for deferred tax shall be valued using tax rates applicable when the item of deferred tax assets is realised or the provision for deferred tax is released, taking into account estimations of future tax rates. The basis for these calculations shall be tax rates (and law regulations) legally or factually in force at the balance sheet date.

Income tax relating to positions directly disclosed in equity shall be presented in equity and not in the profit and loss account.

Revenues, expenses and assets shall be presented in the amount excluding value added tax unless:

- value added tax paid for purchased goods may not be reimbursed from tax authorities; then this value added tax shall be booked as a part of the purchase price of the given item of assets or as costs,
- receivables and liabilities are presented including value added tax.

Net amount of value added tax which may be reimbursed or payable for tax authorities shall be included in the balance sheet as a part of receivables or liabilities.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

Removal of financial instruments from the balance sheet

A financial instrument shall be removed from the balance sheet if the Company no longer controls the rights arising from this instrument; this usually takes place when the instrument is sold or when an independent third party is entitled to all cash flows generated by this instrument.

Financial derivatives

Group activities are subject to different kinds of financial risk – including the risk of changes in market prices of debt and capital instruments, fluctuations of exchange rates and interest rates. The general risk management program of the Group concentrates on the unforeseen character of financial markets and attempts to minimise their potential negative influence on the financial results of the Group. To some extent, the Group uses financial derivatives, such as financial futures on foreign currencies in order to minimise financial risks.

Financial derivatives are first valued at the purchase price and later at fair value. Changes in fair value of financial instruments are immediately presented in the profit and loss account, as the Group does not use instruments which could be classified as hedging instruments in line with IAS 39. Financial derivatives are presented in the balance sheet as financial assets and liabilities available for sale.

Fair value of financial derivatives quoted on regulated markets and fair value of securities available for sale shall be determined on the basis of quoted market prices as at the balance sheet date. Fair value of financial futures on currencies shall be determined on the basis of future market exchange rates as at the balance sheet date.

In order to evaluate the fair value of financial derivatives which are not quoted on regulated markets, and other financial instruments, the Group uses various methods and assumptions based on market conditions as at the balance sheet date. Market quotations and quotations of dealers for certain or similar instruments are usually used. Other techniques, such as models of option valuation or discounted value of future estimated cash flows, are used to determine fair value of other instruments.

For the purpose of valuation of financial liabilities in the financial statements, the fair value of financial liabilities is estimated with the use of discounted future cash flows using interest rates available for the Group for similar financial instruments.

Embedded financial derivatives shall be separated from main contracts and presented separately in the accounting books as financial derivatives valued at fair value through the profit and loss account, if the following conditions are jointly met:

- economic character of the embedded instrument and related risks are not closely connected with the character of the main contract and risks resulting from it,
- a separate instrument which has a character of the embedded financial derivative fulfils a definition of financial derivatives,
- a hybrid (joint) instrument including an embedded financial derivative is not valued at fair value whose changes are classified as revenues or expenses of the reporting period.

Embedded financial derivatives shall be presented in the accounting books similarly to other financial derivatives not classified as hedging instruments.

ACCOUNTING PRINCIPLES USED FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP (continued)

In the case of some transactions, an embedded financial derivative is not separated from the main contract if the transaction is made in the currency considered as usually used in this kind of transactions. Such contracts include contracts for rent of property and, starting from 1 January 2005, contracts for IT services due to an increasing popularity and use of EUR.

In the case of contracts denominated in foreign currencies deemed to be functional currencies, embedded financial derivatives are not indicated separately. Revenues and expenses relating to such contracts are determined on the basis of the spot exchange rate.

Fair value of financial futures on currencies is determined in relation to present forward exchange rates used for contracts of similar maturity. Fair value of swap interest rates contracts is determined in relation to market value of similar instruments.

In the reporting period and in 2004, the Group did not use accounting principles relating to hedging.

Net profit (loss) attributable to minority interests
This position is the net result of the Group attributable to minority shareholders for the reporting period.

Earnings per share (basic and diluted)
Basic earnings per share for each reporting period shall be calculated by dividing the net profit for the reporting period by the average weighted number of shares in the given reporting period
Diluted earnings per share for each reporting period shall be calculated by dividing the net profit for the reporting period by the sum of the average weighted number of shares in the given reporting period and all potential shares of new issues.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

1. Sales.

Sales of products and services

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Software and own licences	139,861	159,560
Maintenance	106,168	85,120
Hardware	4,259	38,696
Other services	92	404
Total	**250,380**	**283,780**

Sales of goods for resale and materials

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Hardware	208,765	134,265
Software and licences	80,088	63,968
Other services	0	0
Total	**288,853**	**198,233**

In 2005, the Group decided to present its operating revenues and expenses with a different division into products and goods for resale than in previous years. At present, operating revenues and expenses are classified as products or goods for resale by project, irrespective of whether they are own solutions or were made by other companies.

This change resulted in the increase in sales of products and services by PLN 107,835 thousand in 2004 and decrease in sales of goods for resale and materials in the same amount.

The above-mentioned change does not result from the application of IFRS.

The Group presents its sales divided into products and goods for resale. This presentation reflects the division of economic benefits obtained. Sales of goods for resale and materials are a part of typical trade activities, while sales of goods and services are the result of completed IT projects consisting in constructing IT systems and their maintenance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

2. Operating Expenses.

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Cost of goods for resale and materials sold (-)	(262,453)	(160,612)
Raw materials and energy used (-)	(11,675)	(10,603)
Contracted services (-)	(99,285)	(98,510)
Salaries and wages (-)	(87,910)	(89,428)
Employee benefits (-)	(12,328)	(11,844)
Depreciation and amortisation (-)	(10,116)	(10,891)
Taxes and charges (-)	(1,727)	(1,141)
Business trips (-)	(2,477)	(2,811)
Others (-)	(5,360)	(22,722)
Expenses on software incurred in relation to implementation of IT systems (-)	(2,875)	(14,238)
Expenses on purchase of hardware for implementation of IT systems (-)	(2,567)	(33,174)
Total	**(498,773)**	**(455,974)**
Change in inventories, work in progress and prepayments and accrued income	970	834
Cost of products for own needs (-)	(491)	(964)
Selling costs (-)	(15,745)	(13,868)
General and administrative expenses (-)	(42,063)	(54,352)
Cost of products sold (-)	(178,991)	(227,012)

In 2005, the Group incurred costs of operating leasing of property, plant and equipment amounting to PLN 1,489 thousand; in 2004, these costs amounted to PLN 2,177 thousand.

In 2005, the Group made valuation allowances for inventories of goods for resale and incurred costs of development of new products amounting to PLN 1,897 thousand. The reason for these valuation allowances was the fact that likely future economic benefits were lower than the book value of these assets.

In 2005, the Group reversed valuation allowances relating to receivables amounting to PLN 457 thousand. This was made due to the fact that the company became fully convinced of obtaining this cash.

In 2005, the Group decided to change the presentation of its operating revenues and expenses with division into products and goods for resale. At present, operating revenues and expenses are classified as products or goods for resale by projects, irrespective of whether they are own solutions or were made by other companies.

In 2004, this change resulted in the increase in cost of products and services sold by PLN 109,351 thousand and in the decrease in cost of goods for resale and materials in the same amount.

The above-mentioned change does not result from the application of IFRS.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

3. Other Operating Income and Expenses.

Other operating income

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Refund of overpaid withholding tax	11,294	33
Gain on sales of property, plant and equipment	0	265
Release of provisions:	276	5,791
Release of provisions for costs resulting from tax risks	0	2,899
Other provisions	0	2,453
Provisions for liabilities	276	200
Release of unused part of the restructuring provision	0	239
Others	14	822
Total other operating income	**11,584**	**6,911**

In 2005, on the basis of the verdict of the District Administrative Court of Warsaw of 23 May 2005, obtained by the issuer on 6 July 2005 and on the basis of the annulling decisions of the Director of Tax Chamber of 30 and 31 May 2005, Softbank S.A. applied for the lump-sum income tax ("withholding tax") reimbursement paid on 6 January 2003 for the years 1998-2002 in the amount of PLN 10,440 thousand. On the basis of the verdict of the District Administrative Court (WSA) and annulling decisions of the Director of Tax Chamber, it was resolved that the issuer had not been obliged to pay the above amount to the account of the tax office. In 2005, the issuer received the lump-sum income tax ("withholding tax") reimbursement for the years 1998-2001 amounting to PLN 11,294 thousand.

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Other operating expenses

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Donations to unrelated companies (-)	(155)	(133)
Loss on sale of property, plant and equipment (-)	(95)	0
Provisions for deferred tax (-)	(61)	(584)
Valuation allowances for intangible assets (-)	0	(4,421)
Other provisions, including:	(1,103)	(5,505)
Provisions for liabilities (-)	(1,103)	(778)
Restructuring provision (-)	0	(4,727)
Other operating expenses (-)	(558)	(893)
Reinvoicing (-)	(139)	(33)
Total other operating expenses	**(2,111)**	**(11,569)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

4. Financial Income and Expenses.

Financial income

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Interest income on loans granted, debt securities and bank deposits	2,661	4,131
Other interest income	8,294	2,186
Exchange rate gains	257	749
Dividend received from unrelated companies	811	37
Gains on sale of capital investments in related companies	399	635
Gains on changes in the value of capital investments	46	9
Other financial income	592	839
Total financial income (at historical value)	**13,060**	**8,586**
Gains on change in fair value of embedded currency derivatives	12,805	0
Gains on realisation of currency derivatives – concluded forward contracts	21,518	2,075
Gains on change in fair value of currency derivatives - concluded forward contracts	9,965	63,084
Valuation of options for shares of Asseco Poland S.A.	2,830	0
Total financial income	**60,178**	**73,745**

In 2005, the dominant entity of the Softbank Group sold 100% of shares held in Epsilio S.A., as a result of the contract for sale of shares concluded in December 2004. The sales price of shares of Epsilio S.A. was determined at PLN 24,500 thousand and the payment was divided into two instalments. The first instalment amounting to PLN 12,450 thousand was paid in 2004 and the second in December 2005 which was described more precisely in Note 12 to the consolidated financial statements. The Group's profit on sale of shares of Espilio S.A. amounted to PLN 399 thousand in 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

4. Financial Income and Expenses (continued).

Financial expenses

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Interest expense on bank credits and current account credits (-)	(2,375)	(1,516)
Other interest expenses (-)	(1,955)	(782)
Interest on short-term commercial papers (-)	(2,461)	(1,318)
Exchange rate losses (-)	(9,206)	(3,259)
Losses on sale of capital investments in related companies	0	(32)
Losses on decrease in value of capital investment	(444)	(3,522)
Cost of financial leasing and lease agreements with purchase option (-)	(14)	(13)
Other financial expenses (-)	(275)	(666)
Total financial expenses (at historical cost)	**(16,730)**	**(11,108)**
Losses on changes in fair value of embedded currency derivatives (-)	(22,414)	(84,984)
Losses on changes in fair value of currency derivatives – concluded forward contracts(-)	(19,893)	0
Total financial expenses	**(59,037)**	**(96,092)**

In the first half of 2005, Softbank Serwis Sp. z o.o. and companies from Kazakhstan set up the company SoftTechnologies Sp. z o.o. (legal form in line with legal regulations of Kazakhstan). Softbank Serwis obtained 45% of shares and entitlement to the same percentage of votes at the General Meeting of this company, bringing in the contribution of PLN 300 thousand. The remaining 55% of shares is held by companies from Kazakhstan. Moreover, Softbank Serwis is obliged to bring in the contribution in kind in the form of copyright to “intellectual property” resulting from the software valued at PLN 435 thousand.

In 2005, the Group did not include the company SoftTechnologies Sp. z o.o. in its consolidated financial statements. This was the result of the conflict between shareholders of this company from Kazakhstan which resulted in stopping all projects and discontinued operations. Due to the fact that other shareholders illegally appointed another Management Board apart from the one elected in line with legal regulations, the Group lost its control over this company in 2005.

On the basis of the verdict of the Supreme Court of Kazakhstan of 24 January 2006, resolutions of the Extraordinary General Meeting of Soft Technologies Sp. z o.o. of 27 June 2005 appointing the second Management Board were declared null and void.

As at 31 December 2005, the Group held 45% of shares in Soft Technologies Sp. z o.o. with registered office in Almaty, Kazakhstan and the full investment amounting to PLN 300 thousand was covered with valuation allowances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

4. Financial Income and Expenses (continued).

Financial expenses (continued)

In 2005 and in the corresponding period of the previous year, the Group had a range of concluded forward contracts for purchase or sale of EUR and USD. Valuation of concluded forward contracts in 2005 led to the increase in financial expenses of the Group by PLN 19,893 thousand and increased financial income by PLN 9,965 thousand. In 2004, valuation of concluded forward contracts increased financial income by PLN 63,084 thousand.

In 2005 and in the corresponding period of the previous year, the Group had a range of embedded financial derivatives resulting from concluded trade contracts in EUR and USD. In 2005, valuation of embedded financial derivatives increased financial income by PLN 12,805 thousand and financial expenses by PLN 22,414 thousand. In 2004, valuation of embedded currency derivatives increased financial expenses by PLN 84,984 thousand.

In October 2005, the Company concluded the option contract for purchase of 268 thousand shares of Asseco Poland S.A. (former Comp Rzeszów S.A.) within 6 months from 27 September 2005 with Mr. Adam Góral. As at 31 December 2005, the value of these options amounted to PLN 2,830 thousand and increased financial income in full amount. The option was valued on the basis of the mathematical model for valuation of so-called Hawaii-options.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

5. Current and deferred income tax

Main sources of taxable income deductions (current and deferred income tax)

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Current income tax	**4,293**	**752**
Deferred income tax	**920**	**(4,913)**
Relating to temporary differences	920	(4,913)
Income tax indicated in the consolidated profit and loss account	**5,213**	**(4,161)**

Main sources of equity deductions (deferred income tax)

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Unrealised profit on financial assets available for sale	0	(1,601)

Deferred income tax directly presented in the equity in 2004 results from valuation of financial assets available for sale (investment in shares of Asseco Poland S.A.). In 2005, as a result of the acquisition of an additional block of shares of the above-mentioned company, it became an associated company and its previous valuation was reversed.

Legal regulations relating to value added tax, corporate income tax, personal income tax and social security contributions are subject to frequent changes which results in the fact that quite often there is no reference to fixed regulations or legal precedents. Regulations in force also contain unclear provisions leading to different opinions relating to interpretations of tax regulations both between state institutions and in relations between the company and state institutions. Tax settlements and other (e.g. relating to customs and foreign currencies) may be subject to control by institutions entitled to impose high fees and additional liabilities. Consequences of a different interpretation of tax regulations than the one represented by tax authorities controlling the fulfilment of tax obligations by the Company may lead to a situation where the Company must pay disputed amounts including high default interest. As a result, tax risk in Poland is higher than in the majority of countries with a more developed tax system .Tax settlements may be subject to the control of relevant state tax institutions within a 5-year period. This may lead to the situation where amounts presented in the financial statements may change after their final determination by tax authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

5. Current and deferred income tax (continued).

Income tax on gross pre-tax profit calculated with the use of the tax rate according to legal regulations and income tax calculated with the use of the Group's effective tax rate.

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Pre-tax gross profit (loss) on continued operations	50,595	(5,363)
Pre-tax loss on discontinued operations	(111)	(84)
Pre-tax gross profit (loss)	**50,484**	**(5,447)**
Corporate income tax rate as required by tax legal regulations	19%	19%
Income tax calculated with tax rate as required by tax legal regulations in Poland - 19%	9,592	(1,035)
Withholding tax reimbursement	(2,155)	0
Non-taxable financial income expenses	(380)	2,740
Non-taxable revenues and non-tax deductible expenses	5,026	(2,225)
Difference between tax and financial depreciation	153	2,590
Difference resulting from a different tax rate used for calculation of income tax paid abroad	695	0
Changes in valuation allowances for deferred tax assets	(7,639)	(5,323)
Other	(79)	(908)
Income tax calculated with the effective tax rate: 2005 - 10.3% (2004: 76.4%)	**5,213**	**(4,161)**

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Income tax in the profit and loss account	5,213	(4,161)
Income tax in equity	0	(1,601)
Income tax relating to discontinued operations in the profit and loss account	0	0
Total income tax on continued operations	**5,213**	**(5,762)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

5. Current and deferred income tax (continued).

	CONSOLIDATED BALANCE SHEET		CONSOLIDATED PROFIT AND LOSS ACCOUNT	
	31 December 2005 PLN thousand	31 December 2004 PLN thousand	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Provision for deferred tax				
Difference between tax and financial depreciation (-)	(98)	(87)	(164)	(47)
Deferred profits and losses on currency contracts (-)	(9,757)	(12,099)	2,333	11,786
Financial income relating to accrued interest (-)	(64)	(1,853)	(9)	1,736
Costs (revenues) from valuation of long-term IT contracts in the balance sheet (-)	(9,014)	(8,521)	4	7,889
Valuation of financial assets available for sale (-)	0	(1,601)	0	0
Revaluation of land and property to fair value (-)	(484)	(485)	15	15
Other financial income and expenses	(559)	0	(532)	0
Other (-)	(123)	(1)	(144)	1
Gross provision for deferred tax	**(20,099)**	**(24,647)**		
Deferred tax assets				
Difference between tax and financial depreciation	2,967	4,212	(1,155)	(2,543)
Financial expenses relating to accrued interest	167	238	(123)	(238)
Accrued expenses, provisions and other liabilities	2,701	3,086	(298)	(1,746)
Valuation allowances for receivables	825	143	536	149
Valuation allowances for investments	5,594	5,632	(152)	891
Other	338	1,140	(317)	(297)
Losses carried forward	9,546	18,534	(9,567)	5,144
Valuation allowances for inventories	384	0	2	0
Costs (revenues) from valuation of long-term IT contracts in the balance sheet	9,309	7,888	741	(6,909)
Embedded financial derivatives	18,316	16,561	1,594	(15,586)
Unrealised financial income (expenses)	682	461	517	165
Gross deferred tax assets	**50,829**	**57,895**		
Valuation allowances for non-retrievable deferred tax assets	(10,113)	(13,022)	7,639	(5,323)
Net deferred tax assets	**40,716**	**44,873**		
Deferred tax			**920**	**(4,913)**
Net deferred tax assets less provision for deferred tax	**20,617**	**20,226**		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

5. Current and deferred income tax (continued).

As at 31 December 2005, total potential deferred tax assets calculated by the Group amounted to PLN 50,829 thousand, and after deduction of the provision for deferred tax, PLN 30,730 thousand.
As at 31 December 2004, total potential deferred tax assets calculated by the Group amounted to PLN 57, 895 thousand, and after deduction of the provision for deferred tax, PLN 33, 248 thousand.

Both in the reporting period and in the corresponding period of the previous year, main items of deferred tax assets after deduction by the provision for deferred tax were the same:

- tax losses carried forward from previous years,
- valuation of IT (implementation) contracts,
- surplus of unrealised financial expenses over financial income.

As at 31 December 2005, the Group verified its estimates relating to the income planned for future periods and decided that deferred tax assets (after deduction by the provision for deferred tax) which may be recovered amounts to PLN 20,617 thousand.
On the basis of estimations made for taxable income in the years 2006 – 2008 and present legal regulations on income tax, the Group's management thinks that realisation of deferred tax assets in the above given amount is very likely. According to the estimation of taxable income, all unrealised losses carried forward from previous years as at 31 December 2005 will be realised. However, this estimation assumes that a part of deferred tax assets will not have been realised by the end of 2008. The Group's management is not able to assess taxable income after the forecast period on the basis of the above-mentioned estimation. Consequently, realisation of deferred tax assets in full amount is not sure and the valuation allowances were made in the amount of PLN 10,113 thousand.

In 2005 and 2004, the Group did not recognise deferred tax assets relating to the investment in Softbank Serwis Sp. z o.o. amounting to PLN 1,239 thousand.

Changes in deferred tax assets in the balance sheet after deduction of the provision for deferred tax do not correspond to the amount presented in the consolidated profit and loss account as a result of the sale of Epsilio S.A. and acquisition of Koma S.A. and Incenti S.A. in the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

6. Discontinued operations.

Consolidated profit and loss account	12 months ended 31 December 2005	12 months ended 31 December 2004
	PLN thousand	PLN thousand
Revenues	439	609
Expenses	596	(693)
Loss from operating activities	(157)	(84)
Pre-tax loss	(111)	0
Pre-tax loss from discontinued operations	(111)	(84)
Net loss attributable to discontinued operations	**(111)**	**(84)**

Consolidated balance sheet	31 December 2005	31 December 2004
	PLN thousand	PLN thousand
Property, plant and equipment	0	0
Trade receivables	0	32
Assets classified as held for sale (discontinued operations)	**0**	**32**
Trade payables	0	81
Other liabilities	0	82
Liabilities directly related to assets classified as held for sale (discontinued operations)	**0**	**163**
Net liabilities attributable to discontinued operations	**0**	**131**

Consolidated cash flow statement	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Net cash flows from operating activities	(111)	(84)
Net cash used in operating activities	**(111)**	**(84)**
Loss per share:	**(111)**	**(84)**
Basic and diluted loss from discontinued operations per share	(0.01)	0.00

In 2004, the Group's management decided to discontinue publishing activities conducted by Mediabank S.A. by executing a relevant contract for sale of titles and other rights related to the publishing of magazines.
In 2005, the Group sold its publishing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

7. Earnings per share.

Basic earnings per share shall be calculated by dividing the net profit for the business year attributable to shareholders of the dominant entity by the average weighted number of ordinary shares in this business year.
Diluted earnings per share shall be calculated by dividing the net profit for the business year attributable to shareholders by the average weighted number of ordinary shares in this business year.
The below tables present data on the net profit and number of shares used for calculation of the basic and diluted earnings per share:

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Net profit from continued operations attributable to shareholders of Softbank S.A.	42,178	529
Loss from discontinued operations attributable to shareholders of Softbank S.A.	(111)	(84)
Net profit attributable to shareholders of the dominant entity used for calculation of diluted earnings per share	42,067	445

	12 months ended 31 December 2005 number of shares	12 months ended 31 December 2004 number of shares
Average weighted number of ordinary shares used for calculation of basic earnings per share	22,281,425	20,950,512
Dilution:	32,748	16,374
Modified average weighted number of ordinary shares used for calculation of diluted earnings per share	22,314,173	20,966,886

The Group's calculation of the average weighted number of shares in 2005 includes 25,174,713 shares issued in the years 1997-2005.
In the calculation of the modified average weighted number of shares in 2005, the Group took into account 25,174,713 U1, U2 and T series shares issued, each with the nominal value of PLN 1 and 32,748 convertible bonds issued in 2001.
Convertible bonds were issued as a motivation program for the management of Multinet S.A., Pik-Net Sp. z o.o. and Polbox Sp. z o.o. which was described in detail in Note 23 to the financial statements.
As the conditions of the motivation program had not been met, 16,374 convertible bonds were distributed to shareholders of Multinet S.A., Pik-Net Sp. z o.o. and Polbox Sp. z o.o. as a partial payment for these companies which was described in detail in Note 19 to the financial statements.
In November 2005, the Management Board of Softbank S.A. resolved to grant 16,374 b convertible bonds to selected employees of Softbank S.A. Rules of granting bonds and conditions of the motivation program were specified in March 2006 and comprise the following elements: length of service, opinion of the direct superiors, qualifications. Bonds shall be granted until 31 October 2006.

There were no other transactions relating to shares issued or potential shares between the balance sheet date and preparation date of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

8. Dividends

According to the resolution of the General Meeting of Softbank S.A., the net profit for 2004 was fully transferred to supplementary capital.

In 2006, the Management Board of Softbank S.A. intends to recommend a dividend payment amounting to 30% of the net profit for 2005 to the General Meeting. The dividend per share shall amount to PLN 0.64.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

9. Property, plant and equipment.

31 December 2005 PLN thousand	Land and buildings	Computers and other office equipment	Transport means	Other tangible assets	Tangible assets under construction	Total
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
1 January 2005 including amortisation	**18,299**	**7,053**	**2,825**	**950**	**69**	**29,196**
Increase due to:	**1,748**	**11,960**	**2,434**	**712**	**0**	**16,854**
Acquisition	66	6,416	1,058	447	0	**7,987**
Acquisition of affiliated companies	1,682	5,544	1,376	265	0	**8,867**
Decrease due to:	**(1,158)**	**(5,603)**	**(1,827)**	**(220)**	**(27)**	**(8,835)**
Amortisation in the reporting period	(938)	(4,370)	(1,104)	(498)	0	**(6,910)**
Sale of affiliated companies	(254)	(532)	(603)	(19)	(27)	**(1,435)**
Other changes	34	(701)	(120)	297	0	**(490)**
31 December 2005 including accumulated amortisation	**18,889**	**13,410**	**3,432**	**1,442**	**42**	**37,215**
1 January 2005						
Purchase price/production cost	23,330	26,349	7,831	4,447	69	**62,026**
Accumulated amortisation and impairment charges (-)	(5,031)	(19,296)	(5,006)	(3,497)	0	**(32,830)**
Net book value as at 1 January 2005	**18,299**	**7,053**	**2,825**	**950**	**69**	**29,196**
31 December 2005						
Gross value or fair value	25,095	42,439	8,954	6,363	42	**82,893**
Accumulated amortisation and impairment charges (-)	(6,206)	(29,029)	(5,522)	(4,921)	0	**(45,678)**
Net book value as at 31 December 2005	**18,889**	**13,410**	**3,432**	**1,442**	**42**	**37,215**

As at 31 December 2005, property, plant and equipment amounting to PLN 6,052 thousand (net book value) secured bank credits taken amounting to PLN 7,506 thousand as at 31 December 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

9. Property, plant and equipment (continued).

31 December 2004 PLN thousand	Land and buildings	Computers and other office equipment	Transport means	Other tangible assets	Tangible assets under construction	Total
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
1 January 2004 including amortisation	**18,244**	**7,776**	**3,034**	**1,273**	**38**	**30,365**
Increase due to:	**921**	**3,079**	**1,491**	**231**	**69**	**5,791**
Acquisition	921	3,079	1,491	231	69	**5,791**
Decrease due to:	**(866)**	**(3,802)**	**(1,700)**	**(554)**	**(38)**	**(6,960)**
Amortisation in the reporting period	(857)	(3,826)	(1,373)	(371)	0	**(6,427)**
Sale of affiliated companies	0	(10)	(106)	0	0	**(116)**
Other decrease	(9)	34	(221)	(183)	(38)	**(417)**
31 December 2004 including accumulated amortisation	**18,299**	**7,053**	**2,825**	**950**	**69**	**29,196**
1 January 2004						
Purchase price/production cost	21,870	27,416	8,201	4,809	38	**62,334**
Accumulated amortisation and impairment charges (-)	(3,626)	(19,640)	(5,167)	(3,536)	0	**(31,969)**
Net book value as at 1 January 2004	**18,244**	**7,776**	**3,034**	**1,273**	**38**	**30,365**
31 December 2004						
Gross value or fair value	23,330	26,349	7,831	4,447	69	**62,026**
Accumulated amortisation and impairment charges (-)	(5,031)	(19,296)	(5,006)	(3,497)	0	**(32,830)**
Net book value as at 31 December 2004	**18,299**	**7,053**	**2,825**	**950**	**69**	**29,196**

As at 31 December 2004, property, plant and equipment amounting to PLN 7,057 thousand (net book value) secured bank credits taken amounting to PLN 2,105 thousand as at 31 December 2004.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

10. Investment property.

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Opening balance as at 1 January	**1,666**	**1,685**
Decrease including:	(1,666)	(19)
Amortisation in the reporting period	0	(19)
Sale of investment property	(1,666)	0
Closing balance	**0**	**1,666**

As at 30 June 2005, the Group's management decided to sell the investment (perpetual leasehold of land) fulfilling the contract for purchase of shares of Sawan Grupa Softbank S.A., according to which this transaction was to be settled by payment of PLN 1,700 thousand or by transferring the above mentioned perpetual leasehold of land.
A the end of 2005, the Group sold the above-mentioned investment property and purchased shares of Sawan Grupa Softbank S.A. which was described more precisely in Note 12 to the consolidated financial statements.

As at 31 December 2004, the investment (perpetual leasehold of land) with the book value of PLN 1,666 thousand secured bank credits taken amounting to PLN 1,335 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

11. Intangible assets.

31 December 2005 PLN thousand	Cost of development work	Software	Patents and licenses	Other	Total
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Purchase price as at 1 January 2005 including amortisation	**336**	**2,458**	**3,175**	**20**	**5,989**
Increase due to:	**538**	**444**	**11,061**	**964**	**13,007**
Acquisition	470	310	8,955	964	**10,699**
Acquisition of affiliated companies	68	134	2,106	0	**2,308**
Decrease due to: (-)	**(141)**	**(1,197)**	**(3,428)**	**(24)**	**(4,790)**
Amortisation for the reporting period	(141)	(1,169)	(1,892)	(4)	**(3,206)**
Sale	0	0	(1,536)	0	**(1,536)**
Sale of affiliated companies	0	(28)	0	(20)	**(48)**
31 December 2005 including accumulated amortisation	**733**	**1,705**	**10,808**	**960**	**14,206**
1 January 2005					
Purchase price (gross book value)	3,339	8,687	12,169	170	**24,365**
Accumulated amortisation and impairment charges (-)	(3,003)	(6,229)	(8,994)	(150)	**(18,376)**
Net book value as at 1 January 2005	**336**	**2,458**	**3,175**	**20**	**5,989**
31 December 2005					
Purchase price (gross book value)	3,946	8,851	20,760	1,027	**34,584**
Accumulated amortisation and impairment charges (-)	(3,213)	(7,146)	(9,952)	(67)	**(20,378)**
Net book value as at 31 December 2005	**733**	**1,705**	**10,808**	**960**	**14,206**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

11. Intangible assets (continued).

31 December 2004 **PLN thousand**	**Cost of development work**	**Software**	**Patents and licenses**	**Other**	**Total**
	PLN thousand	**PLN thousand**	**PLN thousand**	**PLN thousand**	**PLN thousand**
Purchase price as at 1 January 2004 including amortisation	**3,921**	**3,586**	**3,683**	**30**	**11,220**
Increase due to:	**964**	**180**	**1,173**	**0**	**2,317**
Acquisition	964	180	1,173	0	**2,317**
Decrease due to: (-)	**(4,549)**	**(1,308)**	**(1,681)**	**(10)**	**(7,548)**
Impairment charges	(2,996)	0	0	0	**(2,996)**
Amortisation for the reporting period	(1,553)	(1,279)	(1,613)	0	**(4,445)**
Other decrease	0	(29)	(68)	(10)	**(107)**
31 December 2004 including accumulated amortisation	**336**	**2,458**	**3,175**	**20**	**5,989**
1 January 2004					
Purchase price (gross book value)	6,497	8,569	11,112	682	**26,860**
Accumulated amortisation and impairment charges (-)	(2,576)	(4,983)	(7,429)	(652)	**(15,640)**
Net book value as at 1 January 2004	**3,921**	**3,586**	**3,683**	**30**	**11,220**
31 December 2004					
Purchase price (gross book value)	3,339	8,687	12,169	170	**24,365**
Accumulated amortisation and impairment charges (-)	(3,003)	(6,229)	(8,994)	(150)	**(18,376)**
Net book value as at 31 December 2004	**336**	**2,458**	**3,175**	**20**	**5,989**

In 2005 and 2004, patents, licenses, software and assets manufactured by the company including development work were subject to straight-line depreciation during the period of their economic use amounting to 5 years (patents and licenses), 3 years (software) or between 3 and 5 years (assets manufactured by the company). Other intangible assets were subject to straight-line depreciation for the period of 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

12. Consolidation goodwill.

Since 1 January 2004, consolidation goodwill has not been subject to depreciation. Instead, the Company carries out impairment tests every year.

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Book value of consolidation goodwill		
Epsilio S.A.	0	23,899
Mediabank S.A.	51	51
ZUI Novum Sp. z o.o.	262	262
Sawan Grupa Softbank S.A.	2,714	865
Koma S.A.	21,224	0
Incenti S.A.	7,619	0
Gladstone Consulting Limited	28,500	0
Total book value	**60,370**	**25,077**

The following changes in consolidation goodwill took place in the reporting period and corresponding period:

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Book value of consolidation goodwill at the beginning of the period	**25,077**	**29,358**
Epsilio S.A.	23,899	28,426
Mediabank S.A.	51	51
ZUI Novum Sp. z o.o.	262	262
Sawan Grupa Softbank S.A.	865	152
Zeto-Rodan Sp. z o.o.	0	467
Increase in consolidation goodwill as a result of acquisitions of shares	**58,938**	**713**
Sawan Grupa Softbank S.A.	1,849	713
Koma S.A.	21,224	0
Incenti S.A.	7,619	0
Gladstone Consulting Limited	28,246	0
Decrease in goodwill due to impairment charges in 2004	**0**	**(4,527)**
Epsilio S.A.	0	(4,527)
Decrease in goodwill due to sale of companies:	**(23,899)**	**(467)**
Epsilio S.A.	(23,899)	0
Zeto-Rodan Sp. z o.o.	0	(467)
Exchange rate differences from recalculation of goodwill relating to Gladstone Consulting Limited	**254**	**0**
Total book value at the end of the period	**60,370**	**25,077**

Consolidation goodwill is subject to impairment tests every year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

12. Consolidation goodwill (continued).

Impairment tests of consolidation goodwill

Goodwill resulting from acquisition of companies was subject to the impairment test as at the balance sheet date. Recovery value was determined on the basis of the utility value using estimations of cash flows based on 5-year financial budgets approved by Company management. No increase in cash flows was assumed for the periods following the estimation period. The average discount rate was between 11% and 18%, depending on the risk relating to cash-generating entities.

In 2005, no impairment charges for consolidation goodwill were made. In 2004, the Company made impairment charges for consolidation goodwill created as a result of the acquisition of Epsilio S.A. amounting to PLN 4,527 thousand. These impairment charges were due to conclusion of the contract for the sale of shares held in this company and were the difference between fair value of the sales price and goodwill plus fair value of net assets of the company. The sale of Epsilio S.A. is described below in detail.

In 2005, the dominant entity received many offers for purchase of shares held in Mediabank S.A. for the price amounting to between PLN 2,500 thousand and PLN 6,000 thousand depending on the financial results of the company. Moreover, the above-mentioned company was also valued by an independent expert.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

12. Consolidation goodwill (continued).

Purchase of shares of Sawan Grupa Softbank S.A.

On 27 January 2005, Softbank S.A. concluded the contract for purchase of 7,000 shares of Sawan Grupa Softbank S.A. with registered office in Kraków, each with the nominal value of PLN 11 for the total price of PLN 3,492 thousand. The contract was signed with three natural persons .Purchased shares represent 28.12% of the share capital and give entitlement to the same percentage of votes at the General Meeting of Sawan Grupa Softbank S.A.
As a result of this transaction, the Group became a 100% owner of Sawan Grupa Softbank S.A.
The payment for these shares amounting to PLN 1,792 thousand was divided into instalments. As at 31 December 2005, the purchase price was paid in full with Group funds.

The following table presents the settlement of the above mentioned transaction.

	As at the acquisition date
	PLN thousand
Acquired assets	
Property, plant and equipment	938
Intangible assets	796
Investment property	1,662
Deferred tax assets	1,214
Cash and cash equivalents	277
Receivables	1,440
Inventories	10
Prepayments and accrued income	1,831
Total assets	**8,168**
Acquired liabilities	
Financial liabilities	1,947
Other liabilities and provisions	943
Total liabilities	**2,890**
Fair value of net assets	**5,278**
Acquired percentage of share capital	28%
Acquired net assets	**1,483**
Purchase price	**3,332**
Goodwill relating to acquisition	**1,849**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

12. Consolidation goodwill (continued).

Acquisition of Koma S.A.

On 11 July 2005, the Company received multiple-share certificates of 207,106 shares of Koma S.A. with registered office in Katowice, each with the nominal value of PLN 1 and with the entitlement to 100% of the share capital and votes at the General Meeting. Shares of Koma S.A. were acquired by means of U1 series shares from Prokom Software S.A. – dominant entity of Softbank S.A. (75% of shares) and three natural persons (25% of shares). The purchase price amounted to PLN 40,578 thousand and was paid with 1,459,646 U1 series shares, each with the issue price of PLN 27.80. The issue price was determined on the day on which the General Meeting of Softbank S.A. adopted a resolution on the transaction. Total purchase price paid for Koma S.A. amounted to PLN 40,801 thousand.

This transaction is another phase of the consolidation process of the Group's companies: Koma and Softbank Serwis Sp. z o.o., started in July, in order to create the Regional Maintenance Centre. The companies Koma S.A. and Softbank Serwis Sp. z o.o. specialise in technical maintenance of hardware. The merger will result in setting up a team of a few hundred highly specialised and qualified engineers, creating one of the biggest maintenance and logistic organisations in Poland.
The Koma Group also included two IT companies: Koma Nord Sp. z o.o. and MCCnet Sp. z o.o. (incorporated by Koma S.A. at the end of 2005). Koma Nord Sp. z o.o. focuses on advanced network technologies and therefore it operates as Network Technologies Centre for all branches of the Koma Group. MCCnet Sp. z o.o. offers mobile solutions which facilitate the management of remote maintenance, sales and transport teams.
In a valuation report prepared by an independent auditor, Koma's value as at 31 December 2004 was estimated at between PLN 52.8 million and PLN 64.3 million. The valuation was made using the discounted cash flow method (DCF) and by comparing market ratios.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

12. Consolidation goodwill (continued).

The following table presents the settlement of the above mentioned transaction.

	As at the acquisition date (according to book value) PLN thousand	Adjustments to fair value PLN thousand	As at the acquisition date (adjustments to fair value) PLN thousand
Acquired assets			
Property, plant and equipment	2,116	0	2,116
Intangible assets	202	0	202
Investment property	0	0	0
Financial assets	1,996	(1,075)	921
Deferred tax assets	195	(15)	180
Cash and cash equivalents	13,521	(68)	13,453
Receivables	8,865	(65)	8,800
Inventories	1,888	0	1,888
Prepayments and accrued income	628	0	628
Total assets	**29,411**	**(1,223)**	**28,188**
Acquired liabilities			
Financial liabilities	212	0	212
Other liabilities and provisions	8,050	134	8,184
Total liabilities	**8,262**	**134**	**8,396**
Fair value of net assets			**19,792**
Acquired percentage of share capital			100%
Acquired net assets			**19,792**
Purchase price			**41,016**
Goodwill relating to acquisition			**21,224**

Sales and net profit of Koma S.A. for 2005 before and after the acquisition date.

	For the period from 1 January 2005 to the acquisition date PLN thousand	For the period from the acquisition date to 31 December 2005 PLN thousand	12 months ended 31 December 2005 PLN thousand
Sales	**25,382**	**141,515**	**166,897**
Net profit (loss)	**(106)**	**1,911**	**1,805**

The above figures include transactions within the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

12. Consolidation goodwill (continued).

Acquisition of Incenti S.A.

As a result of realisation of contracts concluded in 2005 with Prokom Software S.A. (dominant entity of Softbank S.A.), at the beginning of October 2005, Softbank S.A. acquired 5,000,000 shares in Incenti S.A., each with the nominal value of PLN 10, amounting to 100% of the share capital and giving entitlement to 100% of votes at the General Meeting.

Softbank S.A. purchased shares of Incenti S.A. in exchange for 1,367,854 U2 series shares. The issue price of one share amounted to PLN 27.80, and so the purchase price paid for 100% of Incenti was PLN 38,026 thousand. The issue price was determined on the day on which the General Meeting of Softbank S.A. adopted a resolution on this transaction. The acquisition costs amounted to PLN 38,170 thousand.

Incenti deals with IT outsourcing and management of IT infrastructure used by client systems.

Incenti, with its well-known brand, will strengthen the offer and competences of Softbank. Combined competences of the whole Softbank Group with the use of the Data Processing Centre owned by Incenti, which meets highest world standards, will make it possible to build a centre for card outsourcing and strengthen the position of Incenti as an outsourcing centre of the Prokom Group. The offer of the Softbank Group targeted at banks and financial institutions will also be enhanced by e-learning solutions as well as BCP and DRP services. The acquisition of Incenti will facilitate organising enterprises focused on business process outsourcing (BPO), supplementing the IT outsourcing (ITO) currently available.

The valuation report prepared by an independent chartered accountant valued Incenti S.A. at PLN 37 – 47.1 million as at 31 December 2004. This valuation was made by using the discounted cash flow method (DCF) and by comparing market ratios.

The following table presents the settlement of the above mentioned transaction.

	As at the acquisition date (according to book value) PLN thousand	Adjustments to fair value PLN thousand	As at the acquisition date (after adjustments to fair value) PLN thousand
Acquired assets			
Property, plant and equipment	6,751	0	6,751
Intangible assets	2,106	0	2,106
Investment property	0	0	0
Financial assets	18,191	(49)	18,142
Deferred tax assets	0	0	0
Cash and cash equivalents	254	0	254
Receivables	8,205	(14)	8,191
Inventories	73	0	73
Prepayments and accrued income	294	0	294
Total assets	**35,874**	**(63)**	**35,811**
Acquired liabilities			
Financial liabilities	0	0	0
Other liabilities and provisions	5,260	0	5,260
Total liabilities	**5,260**	**0**	**5,260**
Fair value of net assets			**30,551**
Acquired percentage of share capital			1
Acquired net assets			**30,551**
Purchase price			**38,170**
Goodwill relating to acquisition			**7,619**

The above figures include transactions within the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

12. Consolidation goodwill (continued).

Sales and net profit (loss) of Incenti S.A. for 2005 before and after the acquisition date.

	For the period from 1 January 2005 to the acquisition date PLN thousand	For the period from the acquisition date to 31 December 2005 PLN thousand	12 months ended 31 December 2005 PLN thousand
Sales	**15,740**	**9,759**	**25,499**
Net profit (loss)	**394**	**1,503**	**1,897**

The above figures include transactions within the Group.

Acquisition of Gladstone Consulting Limited

In October 2005, Softbank S.A. purchased 510 A series shares of Gladstone Consulting Ltd. from Dadlaw Trustee Ltd with registered office in Nicosia, Cyprus, each with the nominal value of CYP 1, with entitlement to 51% of the company's share capital and votes at the General Meeting of Gladstone Consulting Ltd. Acquisition costs amounted to PLN 27,388 thousand. Furthermore, Softbank S.A. owns the call/put option for 49% of shares in Gladstone with entitlement to 49% of the share capital and votes at the General Meeting. Softbank S.A. is entitled to realise the call option by 31 March 2009. The seller may require Softbank S.A. to buy the remaining shares in Gladstone between 1 and 14 April 2009. The price for other shares shall be calculated on the basis of the initial price depending on the option realisation date and results of Gladstone. The Group did not make a valuation of call options for shares of Gladstone Consulting Limited because the option realisation price is not based on any ratios quoted on regulated markets. The option price depends directly on future results of the company.

The main business activities at Gladstone consist in providing professional consulting services relating to IT systems for financial institutions. Gladstone employs an international team of experienced experts in IT consultancy for the banking sector.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

12. Consolidation goodwill (continued).

The following table presents the settlement of the transaction.

	As at the acquisition date PLN thousand
Acquired assets	
Property, plant and equipment	0
Intangible assets	0
Investment property	0
Financial assets	0
Deferred tax assets	0
Cash and cash equivalents	209
Receivables	79
Inventories	0
Prepayments and accrued income	
Total assets	**288**
Acquired liabilities	
Financial liabilities	
Other liabilities and provisions	1,971
Total liabilities	**1,971**
Adjustments of net assets to fair value	0
Fair value of net assets	**(1,683)**
Acquired percentage of share capital	51%
Acquired net assets	**(858)**
Purchase price	**27,388**
Goodwill relating to acquisition	**28,246**

Sales and net profit (loss) of Gladstone Consulting Limited for 2005 before and after the acquisition date.

	For the period from 1 January 2005 to the acquisition date PLN thousand	For the period from the acquisition date to 31 December 2005 PLN thousand	12 months ended 31 December 2005 PLN thousand
Sales	**14,509**	**7,601**	**22,110**
Net profit (loss)	**(8,106)**	**5,222**	**(2,884)**

The above figures include transactions within the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

12. Consolidation goodwill (continued).

Sale of shares in Epsilio S.A.

In the first quarter of 2005, the dominant entity sold 100% of shares held in Epsilio S.A. as a result of the contract for sale of shares concluded in December 2004. The sales price was determined at PLN 24,500 thousand and the payment was divided into two instalments. The first one amounting to PLN 12,450 thousand was paid in 2004 and the second in December 2005. The present (discounted) value of the payment for shares of Epsilio S.A. amounted to PLN 23,798 thousand.

The following table presents the settlement of the transaction.

	As at the selling date PLN thousand
Sold assets	
Property, plant and equipment	1,363
Intangible assets	48
Deferred tax assets	445
Cash and cash equivalents	47
Receivables	1,290
Inventories	27
Financial assets	4,726
Prepayments and accrued income	1,204
Total assets	**9,150**
Sold liabilities	
Financial liabilities	324
Other liabilities and provisions	10,028
Total liabilities	**10,352**
Fair value of net assets	(1,202)
Net goodwill as at the selling date	23,899
Discount relating to fair value of the sales price	(702)
Sales price	23,798
Profit (loss) from sale of shares in Epsilio S.A.	**399**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

13. Investments in associated entities.

As at 31 December 2005, the Group had a 21.92% stake in Asseco Poland S.A. (former Comp Rzeszów S.A.) with registered office in Rzeszów.

The following table includes condensed data on the investment in Asseco Poland S.A.

	31 December 2005
	PLN thousand
Current assets	152,335
Short-term liabilities	62,279
Net assets	139,426
Revenues	218,983
Net profit	24,570
Investment book value	**86,308**

In December 2005, Softbank S.A. acquired 4.38% of shares in Asseco Poland S.A. (former Comp Rzeszów S.A.) with entitlement to 4.38% of the share capital and votes at the General Meeting. Acquisition costs of the above shares amounted to PLN 28,791 thousand and were financed with own funds. An additional block of shares was acquired by realising pre-emptive rights to shares of a new issue to which Softbank S.A. was entitled as a shareholder of Asseco Poland S.A., as well as by realising pre-emptive rights to 1,450 thousand shares acquired for PLN 316 thousand from Mr. Adam Góral (Chairman of the Management Board of Asseco Poland S.A.) in October 2005. As a result of this transaction, Softbank S.A. became the owner of 21.92% of shares in this company with entitlement to 21.92% of the share capital and votes at the General Meeting, obtaining a status of a significant investor of Asseco Poland S.A. As at 31 December 2005, the book value of the investment in Asseco Poland S.A. amounted to PLN 86,308 thousand.

In October 2005, Softbank S.A. concluded the option contract for the purchase of 268,000 shares of Asseco Poland S.A. with Mr. Adam Góral. This offer shall be binding for 6 months from 27 September 2006. The sales price of one share shall be the arithmetic mean of share prices of Asseco Poland S.A. quoted on the Warsaw Stock Exchange S.A. as at the end of the day calculated for last 3 months prior to the day on which Softbank S.A. issues a statement on accepting the offer. Submitting these offers by Mr. Adam Góral, main shareholder and Chairman of the Management Board of Asseco Poland S.A. as well as the statement of Softbank S.A. on accepting the offer and realisation of all pre-emptive rights to the new issue of C series shares of Asseco Poland S.A. is a continuation of the contract for sale of shares of Asseco Poland S.A. signed on 7 September 2004 between Mr. Adam Góral and Softbank S.A. (RB 8/2004). It also confirms the willingness and determination of both parties to continue and develop the cooperation agreement signed on 6 September 2004 between Softbank S.A. and Asseco Poland S.A. This agreement regulates the cooperation conditions between both companies concerning IT projects for the banking system. The cooperation in this area made it possible to enhance the range of products of both companies for the banking sector during the last 13 years. Furthermore, owing to the common use of competences and experiences as well as best resources gathered by both companies, it became possible to realise various projects at BGŻ S.A and PKO BP S.A. with much success. Another essential aspect of the cooperation was acquisition of 100% of shares in Epsilio S.A. by Asseco Poland S.A. from Softbank S.A., as a result of which Asseco Poland S.A. significantly strengthened its position on the market of software for regional and co-operative banks and Softbank S.A. could concentrate on the products for large corporate and retail banks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

13. Investments in associated entities (continued).

The associated company Asseco Poland S.A. (former Comp Rzeszów S.A.) was valued according to the acquisition costs at PLN 86,308 thousand. As at 31 December 2005, the market value of shares of this company amounted to PLN 123,623 thousand. Asseco Poland S.A. has been quoted on the Warsaw Stock Exchange S.A. since September 2004.

As at 31 December 2005, shares of Asseco Poland S.A (former COMP Rzeszów) with the net book value of PLN 86,308 thousand secured bank credits. As at 31 December 2005, these credit liabilities amounted to PLN 15,000 thousand.

14. Co-subsidiaries

As at 31 December 2005, the Group had a 45% stake in Soft Technologies Sp. z o.o. (legal form in line with legal regulations of Kazakhstan) with registered office in Almaty, Kazakhstan.

In 2005, the Group did not include the company Soft Technologies Sp. z o.o. in its consolidated financial statements. This company was set up in the first quarter of 2005 by Softbank Serwis Sp. z o.o. and companies from Kazakhstan (legal form in line with legal regulations of Kazakhstan). Softbank Serwis obtained 45% of shares and entitlement to the same percentage of votes at the General Meeting of this company, making a contribution of PLN 300 thousand. The reason for not including Soft Technologies Sp. z o.o. in the Group's consolidated financial statements was the result of the conflict between shareholders from Kazakhstan which resulted in stopping all projects and discontinued operations. Due to the fact that other shareholders illegally appointed a second Management Board apart from the one already elected in line with legal regulations, the Group lost control over this company in 2005.

On the basis of the verdict of the Supreme Court of Kazakhstan of 24 January 2006, resolutions of the Extraordinary General Meeting of Soft Technologies Sp. z o.o. of 27 June 2005 appointing the second Management Board were declared null and void.

Softbank Serwis is obliged to bring in the contribution in kind in the form of copyright to "intellectual property" resulting from the software valued at PLN 435 thousand.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

15. Financial assets available for sale.

Non-current financial assets available for sale.

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
In unrelated companies		
Shares of COMP Rzeszów S.A.	0	65,945

In 2004, Softbank S.A. acquired 605 thousand shares of Comp Rzeszów S.A. (currently Asseco Poland S.A.) giving the entitlement to 17.54% of votes at the General Meeting and to the same share in the share capital. As this share did not give the Group the status of a significant investor, this investment was presented in non-current financial assets available for sale as at 31 December 2004.
In 2005, the Company increased its stake in Asseco Poland S.A. to 21.92% of the share capital and with the entitlement to 21.92% of votes at the General Meeting. Thus, the company obtained the status of a significant investor in Asseco Poland S.A. as a result of the transaction described in Note 13 to the consolidated financial statements.
Becoming a significant investor in Asseco Poland S.A. resulted in the reversion of valuations made at fair value and presentation of the investment at the purchase price as investments held in associated companies.
As at 31 December 2004, shares of Asseco Poland S.A. with the net book value of PLN 65,945 thousand served as collateral for bank credits taken. As at 31 December 2004, these credit liabilities amounted to PLN 36,870 thousand.

16. Financial assets held to maturity.

Current financial assets held to maturity.

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
In unrelated companies		
Bonds	17,388	15,072

Short-term corporate bonds and treasury bonds of high liquidity were an alternative to bank deposits. As at 31 December 2005, they secured bank guarantees (guarantees of due performance of contracts and tender guarantees) issued by the bank maintaining the bank account of the dominant entity to the amount of PLN 7,250 thousand.
As at 31 December 2004, the above described securities secured bank guarantees amounting to PLN 8,500 thousand.

The above described securities are valued using the amortised cost method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

17. Financial assets valued at fair value.

Non-current financial assets valued at fair value.

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Non-current	**35,333**	**29,291**
Treasury bonds	663	0
Concluded forward contracts for EUR and USD	31,758	29,291
Call option for shares of Asseco Poland S.A.	2,830	0
Other	82	0

Current financial assets valued at fair value.

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Current	**20,291**	**34,369**
Treasury bonds	260	0
Concluded forward contracts for EUR and USD	19,491	33,794
Financial instruments embedded in trade contracts	110	0
Investments in other companies	430	575

As at 31 December 2005, the Group's dominant entity concluded a range of forward transactions for purchase and sale of currencies – EUR and USD. These instruments are valued at fair value at each balance sheet date. As at 31 December 2005, the above assets were valued at PLN 51,249 thousand. As at 31 December 2004, concluded forward transactions were valued at PLN 63,085 thousand.

In October 2005, the Company concluded the option contract with Mr. Adam Góral for purchase of 268,000 shares of Asseco Poland S.A. (former Comp Rzeszów S.A.) within 6 months from 27 September 2005. As at 31 December 2005, the value of these options amounted to PLN 2,830 thousand and increased financial income in full amount. The option was valued on the basis of the mathematical model for valuation of so-called Hawaii options.

As at 31 December 2005, short-term and long-term bonds secured bank guarantees (guarantees of due performance of contracts and tender guarantees) to the amount of PLN 782 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

18. Current and non-current prepayments and accrued income.

Non-current prepayments and accrued income

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Maintenance services	7,460	6,956
Costs of the project "Internal Security System"	0	1,440
Other	59	5
Non-current prepayments and accrued income	**7,519**	**8,401**

In 2005, the Group made valuation allowances for expenses incurred in relation to a new product "Internal Security System" amounting to PLN 1,440 thousand. These valuation allowances were due to doubts on the possibility of obtaining economic benefits from this product.

In 2004, the Group made valuation allowances for costs incurred in relation to a new product "Internal Security System" amounting to PLN 1,060 thousand, valuing it at PLN 1,440 thousand. In 2004, these valuation allowances were due to the calculation of expected future economic benefits generated by the product described above.

Current prepayments and accrued income

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Maintenance services	11,584	7,107
Pre-paid insurance	238	243
Pre-paid subscriptions	19	40
Pre-paid rent	24	13
Pre-paid consulting services	93	51
Discount of guarantees settled according to the percentage of completion of the contract	1,061	1,317
Other	921	652
Costs of agreement with Apexim S.A.	0	1,218
Total current prepayments and accrued income	**13,940**	**10,641**

At the end of 2005 and 2004, prepayments and accrued income consisted of:

- costs of maintenance services to be booked in future periods,
- discount relating to guarantees of due performance of contracts settled according to the percentage of completion of the contract.

Current prepayments and accrued income result from the agreement between Epsilio S.A. and Apexim S.A. of 28 March 2002 on the transfer of rights and duties from the contract of 7 September 2000 for implementation of CSI at BGŻ S.A. – with remuneration for Apexim S.A.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

19. Inventories.

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Hardware and licenses for software for sale	20,171	19,636

In 2005, the Group made valuation allowances for inventories amounting to PLN 505 thousand. These valuation allowances resulted from verification of the value of goods for resale.

In 2005, sales of goods for resale and materials amounted to PLN 262,453 thousand and in 2004 to PLN 160,612 thousand.

No inventories were used to secure bank credits and loans in 2005 and 2004.

20. Implementation contracts.

In 2005 and 2004, the Softbank Group implemented many so-called implementation contracts (IT), such as "Integrated IT System" (ZSI) for PKO BP S.A., Central Register of Vehicles and Drivers (CEPiK) at MSWiA and many other smaller contracts. In line with IAS 11, sales from these contracts are recognised according to the percentage of completion of the contract progress. In 2004 and 2005, the Group valued the percentage of completion of contracts using the "cost" method (this consists in determining the relation of costs incurred to overall project costs) or according to the "work expenditure" method (by determining the relation of the work accomplished to all work needed to complete the project).

The following table includes basic data on realised implementation contracts.

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Costs incurred due to realisation of IT contracts (-)	(201,726)	(115,242)
Profits (losses) from realisation of IT contracts	**90,520**	**52,910**
Invoiced revenues from realisation of IT contracts	308,950	167,460
Receivables relating to valuation of IT contracts	27,122	24,010
Liabilities relating to valuation of IT contracts (-)	(43,826)	(23,318)
Hardware	23,855	6,257
Software	100,304	73,514
Maintenance services	53,655	20,429
Total sales from realisation of IT contracts	**177,814**	**100,200**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

21. Non-current and current receivables.

Non-current receivables

From unrelated companies	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Trade receivables	47,454	45,244
Receivables from deliveries non-invoiced	7,257	5,624
Receivables from guarantees of due performance of contracts	2,821	9,506
Other receivables	202	90
Total non-current receivables	**57,734**	**60,464**

Non-current trade receivables and receivables from deliveries non-invoiced do not include interest and were valued at the present (discounted) value.
Non-current receivables from guarantees of due performance of contracts include interest calculated with an interest rate of 0.1%. As at the balance sheet date and at the end of 2004, the above due amounts were valued at the present (discounted) value. Calculations were made based on the average discount rate of 5%.

As at 31 December 2005, other non-current receivables secured bank guarantees (guarantees of due performance of contracts and tender guarantees) to the amount of PLN 202 thousand.

Current receivables

Trade receivables

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Trade receivables, thereof:		
From related companies including:	18,502	1,060
From the dominant entity to Softbank S.A.	5,327	1,055
From affiliated companies of Prokom Software S.A.	235	1
From associated companies of Prokom Software S.A.	568	0
From associated companies	12,372	4
From other companies	150,341	120,662
Provision for uncollectible receivables (–)	(2,547)	(1,309)
Total current trade receivables	**166,296**	**120,413**

Trade receivables are not subject to interest and usually have a payment period of a maximum of 90 days.
The Group has a relevant policy based on selling its products to reliable clients. According to the management, this means that there is no credit risk exceeding the level covered by the provision for uncollectible receivables relevant for trade receivables of the Company.
Conditions of transactions with related companies are presented in Note 29 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

21. Non-current and current receivables (continued).

As at 31 December 2005, receivables amounting to PLN 12,000 thousand served as collateral for bank credits taken. As at 31 December 2005, there were no liabilities relating to these bank credits.
As at 31 December 2004, receivables amounting to PLN 12,089 thousand served as collateral for bank credits taken. As at 31 December 2005, there were no liabilities relating to these bank credits.
As at 31 December 2005, future receivables resulting from concluded trade contracts served as collateral for bank credits taken to the amount of PLN 72,000 thousand. As at 31 December 2005, liabilities relating to these bank credits amounted to PLN 3,813 thousand.
As at 31 December 2004, future receivables resulting from concluded trade contracts served as collateral for bank credits taken to the amount of PLN 29,213 thousand. As at 31 December 2005, there were no liabilities relating to these bank credits.
As at 31 December 2005, trade receivables secured bank guarantees (guarantees of due performance of contracts and tender guarantees) to the amount of PLN 239 thousand.

Other receivables

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
State budget receivables	**101**	**20**
Other receivables including:	**52,713**	**36,213**
Receivables from book valuation of IT contracts	27,122	24,010
Receivables from Apexim S.A.	0	4,585
Receivables relating to non-invoiced deliveries	15,178	11,047
Receivables relating to guarantees of due performance of contracts	8,156	0
Prepayments paid to other suppliers	622	0
Other receivables	2,128	2,059
Provision for other uncollectible receivables (–)	(493)	(5,488)
Total other (current) receivables	**52,814**	**36,233**

Receivables from valuation of IT contracts (implementation contracts) result from the surplus of the progress in realisation of implementation contracts over invoices issued.

Receivables relating to non-invoiced deliveries are connected with the sale of licenses of third parties for which invoices were issued only for the first license period.

Receivables relating to guarantees of due performance of the contract constitute a security in cash transferred to customers in order to cover any possible losses should the company not fulfil its obligations arising from realisation of contracts. These receivables are subject to a minimal interest rate of 0.1%. As at the balance sheet date and at the end of 2004, these receivables were valued at the present (discounted) value. An average discount rate of 5% was used for these calculations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

22. Cash.

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Cash in bank	29,704	8,506
Cash at the Company	43	28
Short-term deposits	24,194	38,810
Highly liquid financial instruments	8,199	0
Total cash and cash equivalents	**62,140**	**47,344**

The interest on cash in bank is calculated with variable interest rates which depend on bank overnight deposits. Short-term deposits may range from 1 day to 3 months depending on Group's demand for cash.

Highly liquid financial instruments are mainly short-term securities purchased in order to get better interest than for bank deposits.

As at 31 December 2005, short-term deposits secured bank guarantees to the amount of PLN 1,357 thousand.

As at 31 December 2005, the Group's unused credits amounted to PLN 152,706 thousand (31 December 2004: PLN 38,395 thousand).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

23. Share capital and capital reserves.

Share capital

Shares	Series	Nominal value per share	Number of shares	31 December 2005 PLN thousand Value of shares	31 December 2004 PLN thousand Value of shares
Ordinary shares – series:	A	1.00	2,000,000	2,000	2,000
Ordinary shares – series:	B	1.00	98	0	0
Ordinary shares – series:	C	1.00	102	0	0
Ordinary shares – series:	D	1.00	98	0	0
Ordinary shares – series:	E	1.00	102	0	0
Ordinary shares – series:	F	1.00	9,800	10	10
Ordinary shares – series:	G	1.00	10,200	10	10
Ordinary shares – series:	H	1.00	2,940,000	2,940	2,940
Ordinary shares – series:	I	1.00	3,030,000	3,030	3,030
Ordinary shares – series:	J	1.00	30,000	30	30
Ordinary shares – series:	K	1.00	1,964,998	1,965	1,965
Ordinary shares – series:	L	1.00	2,025,202	2,025	2,025
Ordinary shares – series:	M	1.00	20,000	20	20
Ordinary shares – series:	N	1.00	4,000,000	4,000	4,000
Ordinary shares – series:	P	1.00	526,940	527	527
Ordinary shares – series:	P	1.00	687,542	688	688
Ordinary shares – series:	P	1.00	104,830	105	105
Ordinary shares – series:	O	1.00	49,080	49	49
Ordinary shares – series:	O	1.00	5,200	5	5
Ordinary shares – series:	O	1.00	2,080	2	2
Ordinary shares – series:	O	1.00	7,720	8	8
Ordinary shares – series:	S	1.00	3,200,000	3,200	3,200
Ordinary shares – series:	O	1.00	336,520	337	337
Ordinary shares – series:	U1	1.00	1,459,646	1,459	0
Ordinary shares – series:	U2	1.00	1,367,854	1,368	0
Ordinary shares – series:	T	1.00	1,396,701	1,397	0
Total			**25,174,713**	**25,175**	**20,951**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

23. Share capital and capital reserves (continued).

Shares issue by the dominant entity

On 17 May 2005, the General Meeting of Softbank S.A. resolved to increase the capital by means of a share issue. Softbank S.A. issued 1,459,646 U1 series shares, 1,367,854 U2 series shares and 1,396,701 T series shares. In total, the Company issued 4,224,201 shares. The total number of shares issued amounted to 4,224,201. After the registration of the capital increase in the regional court, the share capital of Softbank S.A. is divided into 25,174,713 shares, each with the nominal value of PLN 1.

U1 series shares were taken up in exchange for non-cash contributions in the form of 100% of shares of Koma S.A. The issue price of U1 series shares amounted to PLN 27.80. The majority of shares were taken up by Prokom Software S.A. (dominant entity to Softbank S.A.), the owner of 75% of Koma S.A. and by three natural persons holding 25% of Koma S.A. The value of shares of Softbank S.A. distributed in exchange for shares of Koma S.A. amounted to PLN 40,578 thousand. The issue price was determined on the day on which the resolution on the transaction was adopted by the General Meeting of Softbank S.A.

On 11 July 2005, Softbank S.A. formally became the owner of shares of Koma S.A.

In 2006, Koma S.A. and Softbank Serwis Sp. z o.o. merged. They have a common business range of products - maintenance of hardware. By pooling the resources of both companies, the Management Board of Softbank intends to achieve synergy effects in the form of cost savings and higher efficiency.

U2 series shares were taken up in exchange for non-cash contributions in the form of 100% of shares in Incenti S.A. The issue price of U2 series shares amounted to PLN 27.80. The whole share issue of this company was taken up by Prokom Software S.A. (dominant entity to Softbank S.A.), the owner of 100% of shares of Incenti S.A. The value of shares of Softbank S.A. given in exchange for shares of Incenti S.A. amounted to PLN 38,026 thousand. The issue price was determined on the day on which the resolution on the transaction was adopted by the General Meeting of Softbank S.A.

On 12 October 2005, the Company obtained from Prokom Software S.A multiple-share certificates for 5,000,000 shares of Incenti S.A., each with the nominal value of PLN 10, giving entitlement to 100% of the share capital and votes at the General Meeting. As a result, the Company became the legal owner of these shares.

Subscription for T series shares took place between 24 June 2005 and 7 July 2005. Shareholders submitted 659 applications for a total number of 3,625,238 shares. A reduction by 92.3% was necessary. As a result, Softbank S.A. offered 1,396,701 T series shares. The issue price of one T series share amounted to PLN 24.0. The shares issue resulted in inflows of PLN 33,520 thousand. These revenues were used for the acquisition of shares in Gladstone Consulting Limited with registered office in Cyprus.

Nominal value of shares

All shares issued have the nominal value of PLN 1 and were fully paid for.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

23. Share capital and capital reserves (continued).

Supplementary capital

Supplementary capital (in line with the Code of Commercial Companies – KSH) was created from the surplus of the issue price over the nominal value after deduction by costs for the shares issue amounting to PLN 253,151 thousand.
Furthermore, in line with the resolution of the General Meeting of Softbank S.A., share capital was increased by undistributed profits. It was also used to set off losses amounting to PLN 6,733 thousand.
As at 31 December 2005, supplementary capital (in line with the Code of Commercial Companies – KSH) amounted to PLN 246,418 thousand, and as at 31 December 2004, PLN 116,154 thousand.

Supplementary capital amounting to PLN 8,392 thousand, one third of the Company's share capital, in line with the Code of Commercial Companies, may not be distributed to shareholders. It may be used only to cover losses.

In line with IFRS, the Company does not present the item"supplementary capital" in its financial statements. Instead, it discloses such elements as:

- share premium (agio),
- retained earnings/(losses).

Increase in the supplementary capital in 2005 was directly related to the shares issue as described above and to the transfer of the result for 2004 to supplementary capital in line with the Code of Commercial Companies.

Shareholders of Softbank S.A. were presented in the Notes to the present consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

23. Share capital and capital reserves (continued).

Other parts of equity

	Capital reserves relating to unrealised net profits	Capital part of convertible bonds	Total
	PLN thousand	PLN thousand	PLN thousand
1 January 2005	**6,826**	**801**	**7,627**
Net profit on financial assets available for sale	(6,826)	0	**(6,826)**
31 December 2005	**0**	**801**	**801**
1 January 2004	0	801	**801**
Net profit on financial assets available for sale	6,826		**6,826**
31 December 2004	**6,826**	**801**	**7,627**

Capital reserves relating to unrealised net profits

This position includes revaluation of non-current financial assets available for sale valued at fair value as at the balance sheet date after deducting deferred tax relating to this position. Decrease in capital reserves relating to unrealised net profits for 2005 resulted from obtaining the status of a significant shareholder in Asseco Poland S.A. (former Comp Rzeszów S.A.) as described in detail in Note 13 to the present consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

23. Share capital and capital reserves (continued).

Capital part of convertible bonds

The capital part of convertible bonds is the result of a partial payment for shares of Multinet S.A. and Polbox S.A. in the form of shares of Softbank S.A. transferred at nominal value.
On 3 July 2000, Softbank S.A. concluded the contracts for purchase of shares of Multinet S.A., Pik-Net Sp. z o.o. and Polbox Sp. z o.o., undertaking to realise the motivation program for the management of these companies. The motivation program assumed the issue of 32,748 convertible bonds and depended on achieving targets by the above mentioned companies. The expected results were not achieved. As a result, convertible bonds were not (and will not be) distributed to the management of Multinet S.A., Pik-Net Sp. z o.o. and Polbox Sp. z o.o. Thus, according to the contract for purchase of shares of the above described companies, half of the convertible bonds, 16,374 bonds will be distributed on the concluding day of the motivation program to entities selling these companies.
The Group determined the purchase price of shares based on the fair value of assets distributed in exchange for shares.

Minority interests

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
At the beginning of the period	3,497	5,989
Sale of affiliated companies	0	18
Share in the result of affiliated companies	3,204	(1,731)
Purchase of shares of Sawan Grupa Softbank S.A.	(2,318)	(779)
At the end of the period	**4,383**	**3,497**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

24. Long-term and short-term financial liabilities.

Long-term financial liabilities

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Embedded financial instruments in trade contracts	76,038	76,212
Concluded contracts for financial leasing of property, plant and equipment	0	185
Total	**76,038**	**76,397**

Short-term financial liabilities

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Embedded financial instruments in trade contracts	20,363	14,121
Concluded contracts for financial leasing of property, plant and equipment	0	257
Total	**20,363**	**14,378**

As at 31 December 2005, the Group had a range of embedded financial derivatives. These instruments resulted mainly from denomination of payments in EUR or USD in concluded trade contracts. As at 31 December 2005, these liabilities amounted to PLN 96,401 thousand. As at 31 December 2004, liabilities relating to embedded financial instruments amounted to PLN 90,333 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

25. Short-Term Interest-Bearing Bank Loans and Securities in Issue.

Current account credits:	Company	Maximum debt as at 31 December 2005	Maximum debt as at 31 December 2004	Effective interest rate%	Maturity date	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Credit for defined period of time	Nord LB	15,000	0	1M WIBOR + margin	2006-05-31	15,000	0
Current account credit	ING Bank Śląski S.A.	10,000	10,000	1M WIBOR + margin	not specified	0	0
Current account credit	PKO BP S.A.	70,000	5,000	1M WIBOR + margin	2006-07-31	7,481	0
Current account credit	BPH S.A.	50,000	10,000	1M WIBOR + margin	2006-06-30	3,813	0
Current account credit	Nord LB	20,000	0	1M WIBOR + margin	2006-05-31	0	0
Current account credit	Raiffeisen Bank Polska S.A.	10,000	10,000	1M WIBOR + margin	2006-10-31	0	0
Current account credit	BPH-PBK S.A. Kraków	0	2,000	1M WIBOR + margin	2005-05-31	0	1,805
Current account credit	BPH-PBK S.A. Kraków	0	300	1M WIBOR + margin	2005-06-30	0	0
Current account credit	Bank Millennium	2,100	2,100	1M WIBOR + margin	2005-09-09	0	0
Current account credit	Bank Millennium	1,900	800	1M WIBOR + margin	2006-09-08	0	0
		179 000	**40,200**			**26,294**	**1,805**
Other credits:							
Investment credit	BRE BANK	900	900	WIBOR 1M + margin	2005-12-31	25	300
Credit for the purchase of shares in COMP Rzeszów SA	BPH S.A.	0	36,870	WIBOR 1M + margin	2005-06-14	0	36,870
TOTAL		**900**	**37,770**			**25**	**37,170**

As at 31 December 2005, the Group held credit facilities in current accounts, under which the available financing amounted to approx. PLN 179,900 thousand. As at the end of the reporting period, the Group utilised PLN 26,294 thousand. As at the end of the previous year, the financing available under credit facilities was PLN 40,200 thousand and related liabilities amounted to PLN 1,805 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

25. Short-Term Interest-Bearing Bank Loans and Securities in Issue (continued).

Debt securities:	Nominal value as at 31 December 2005	Nominal value as at 31 December 2004	Effective interest rate%	Maturity date	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Bonds	0	4,000	7.00%	2005-01-10	0	3,992
Bonds	0	12,000	6.90%	2005-01-10	0	11,977
Bonds	0	12,500	6.95%	2005-02-10	0	12,400
Bonds	0	1,500	7.00%	2005-03-09	0	1,480
Bonds	0	5,000	7.75%	2005-04-20	0	4,883
Bonds	0	7,000	8.23%	2005-09-09	0	6,613
Bonds	0	4,000	7.79%	2005-12-06	0	3,722
Bonds	5,000	0	7.45%	2006-02-01	4,967	0
Bonds	5,000	0	6.35%	2006-03-20	4,928	0
Bonds	4,000	0	6.60%	2006-03-20	3,947	0
TOTAL	**14,000**	**46,000**			**13,842**	**45,067**

As at 31 December 2005, total debt of the Softbank Group under contracted credits and issued debt securities amounted to PLN 40,161 thousand, which represents a decrease compared with the level as at 31 December 2004 (PLN 84,042 thousand). Both in the reporting period and in 2004, the margin realised by the Softbank Group's lenders ranged from 1% to 3%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

25. Short-Term Interest-Bearing Bank Loans and Securities in Issue (continued).

As at 31 December 2005, property, plant and equipment with the net book value of PLN 6,502 thousand served as collateral for bank credits taken. As at 31 December 2005, liabilities resulting from these credits taken amounted to PLN 7,506 thousand.
As at 31 December 2004, property, plant and equipment with the net book value of PLN 7,057 thousand served as collateral for bank credits taken. As at 31 December 2004, liabilities resulting from these credits taken amounted to PLN 2,105 thousand.
As at 31 December 2005, shares of Asseco Poland S.A. (former Comp Rzeszów S.A.) with the net book value of PLN 86,308 thousand served as collateral for bank credits taken. As at 31 December 2005, liabilities resulting from these credits taken amounted to PLN 15,000 thousand.
As at 31 December 2004, shares of Asseco Poland S.A. with the net book value of PLN 65,945 thousand served as collateral for bank credits taken. As at 31 December 2004, liabilities resulting from these credits taken amounted to PLN 36,870 thousand.
As at 31 December 2005, receivables amounting to PLN 12,000 thousand served as collateral for bank credits taken. As at 31 December 2005, there were no liabilities relating to these credits.
As at 31 December 2004, receivables amounting to PLN 12,089 thousand served as collateral for bank credits taken. As at 31 December 2004, there were no liabilities relating to these credits.
As at 31 December 2005, future receivables resulting from concluded trade contracts served as collateral for bank credits taken to the amount of PLN 72,000 thousand. As at 31 December 2005, liabilities relating to these bank credits amounted to PLN 3,813 thousand.
As at 31 December 2004, future receivables resulting from concluded trade contracts served as collateral for bank credits taken to the amount of PLN 29,213 thousand. As at 31 December 2004, there were no liabilities relating to these bank credits.
As at 31 December 2004, investment property in the form of perpetual lease of land with the book value of PLN 1,666 thousand secured a bank credit taken to the amount of PLN 1,335 thousand.

Convertible bonds
On 3 July 2000, Softbank S.A. concluded the contract for purchase of shares of Multinet S.A., Pik-Net Sp. z o.o. and Polbox Sp. z o.o., undertaking to realise the motivation program for the management of these companies. The motivation program assumed the issue of 32,748 convertible bonds and depended on the above companies achieving targets results. The assumed results were not achieved. As a result, convertible bonds were not (and will not be) distributed to the management of Multinet S.A., Pik-Net Sp. z o.o. and Polbox Sp. z o.o. Thus, according to the contract for purchase of shares of the above companies, half of the convertible bonds, 16,374 bonds, will be distributed on the final day of the motivation program to entities selling these companies. The Company determined the purchase price of shares based on fair value of assets given in exchange for shares.
In November 2005, the Management Board of Softbank S.A. resolved to grant 16,374 convertible bonds to selected employees of Softbank S.A. Rules of granting bonds and conditions of the motivation program were specified in March 2006 and comprise the following elements: duration of employment, opinion given by direct superiors, qualifications. Bonds shall be granted until 31 October 2006 and valued at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

The Company presented the purchase price of shares based on fair value of assets given in exchange for shares.

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Liabilities relating to issue of convertible bonds	33	33

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

26. Long-term and short-term provisions for liabilities.

	Guarantee repairs	Tax arrears	Costs of ongoing court proceedings	Provision for restructuring	Benefits after employment period	Provision for liabilities relating to managerial contracts	Other provisions	Total
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
1 January 2005	**0**	**0**	**2,649**	**827**	**564**	**4,136**	**201**	**8,377**
Created in the business year	259	0	82	0	276	0	124	**741**
Used	0	0	0	(760)	(219)	(4,136)	(314)	**(5,429)**
Released	(90)	0	0	0	(167)	0	0	**(257)**
Acquisition (sale) of affiliated companies	829	0	(2,631)	0	35	0	0	**(1,767)**
31 December 2005	**998**	**0**	**100**	**67**	**489**	**0**	**11**	**1,665**
1 January 2004	**0**	**4,318**	**2,236**	**0**	**396**	**0**	**0**	**6,950**
Changes in 2004	0	(4,318)	413	827	168	4,136	201	**1,427**
\								
31 December 2004	**0**	**0**	**2,649**	**827**	**564**	**4,136**	**201**	**8,377**
Short-term provisions - 31 December 2005	412	0	100	67	102	0	11	**692**
Long-term provisions - 31 December 2005	586	0	0	0	387	0	0	**973**
	998	**0**	**100**	**67**	**489**	**0**	**11**	**1,665**
Short-term provisions - 31 December 2004	0	0	2,649	827	289	4,136	201	**8,102**
Long-term provisions - 31 December 2004	0	0	0	0	275	0	0	**275**
	0	**0**	**2,649**	**827**	**564**	**4,136**	**201**	**8,377**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

26. Long-term and short-term provisions for liabilities (continued).

Guarantee repairs

The provision for costs of guarantee repairs relates to guarantee maintenance of hardware sold to the Group's customers in 2005.

Costs of ongoing court proceedings

The provision for costs of ongoing court proceedings in 2004 mainly related to claims of former employees of Epsilio S.A. In 2005, Epsilio S.A. was sold.

Provision for restructuring

In 2004, the dominant entity of the Softbank Group carried out internal restructuring of management structures in the Group. As at 31 December 2004 and 31 December 2005, the remaining provision relates to benefits of former employees.

Benefits after the employment period

The provision for benefits after the employment period relates only to pension benefits which will be paid to the Group's employees when retiring. The Group pays a one-month average salary to employees retiring in line with the provisions of the Labour Code.

Provision for liabilities relating to managerial contracts

The provision for liabilities relating to managerial contracts was created for the motivation program for the management of Softbank S.A. in the years 2003 – 2005. This motivation program was a bonus for the contribution in development of the Company. The conditions of the motivation program were specified in September 2003 and included the sale of 147,714 shares of Softbank S.A. at nominal value or payment of the bonus amounting to PLN 4,136 thousand irrespective of the employment status on the payment date or any other conditions. In 2005, the Company paid out the above mentioned bonus in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

27. Long-term and short-term trade and other liabilities.

Short-term trade liabilities

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
To related companies including:	38,336	66,808
The dominant entity to Softbank S.A.	23,974	54,524
Affiliated companies of Prokom Software S.A.	2,618	11
Associated companies of Prokom Software S.A.	11,744	12,273
Other companies	103,023	57,982
Trade liabilities (short-term)	**141,359**	**124,790**

Trade liabilities are not subject to interest and usually have a payment period of 15 - 90 days.

The conditions of transactions with related companies were described in Note 29 to the financial statements.

Short-term liabilities relating to tax, customs, social security and other public liabilities

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
VAT	6,672	6,441
Personal income tax (from employees)	1,355	1,753
Zakład Ubezpieczeń Społecznych (Social Security Office)	2,284	1,953
Other	155	560
Total liabilities relating to tax, customs, social security and other public liabilities	**10,466**	**10,707**

The amount resulting from the difference between VAT liabilities and receivables is payable to relevant tax authorities each month.

Other long-term liabilities

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Liabilities relating to non-invoiced deliveries	**4,915**	**0**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

27. Long-term and short-term trade and other liabilities (continued).

Other short-term liabilities

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Liabilities to employees relating to salaries and wages	1,166	508
Zakładowy Fundusz Świadczeń Socjalnych (Company's Social Benefits Fund)	149	709
Prepayments relating to future deliveries	49	0
Agreement with Apexim S.A.	0	5,257
Liabilities relating to valuation of IT contracts	43,826	23,318
Liabilities relating to non-invoiced deliveries	2,496	0
Liabilities relating to the sale of shares in Epsilio S.A.	0	12,495
Other liabilities	67	210
Total other liabilities	**47,753**	**42,497**

Other liabilities relate mainly to items resulting from valuation of implementation contracts and non-invoiced deliveries.

In 2004, other liabilities also included prepayments received for shares of Epsilio S.A. and liabilities relating to the agreement between Epsilio S.A. and Apexim S.A., as a result of the agreement of 28 March 2002 between Epsilio S.A. (former name: Wonlok S.A.) and Apexim S.A. on transfer of rights and duties to the contract of 7 September 2000 on implementation of the CSI system at BGŻ S.A. (Epsilio S.A. was sold in 2005).

Other liabilities are not subject to interest.

Short-term accrued expenses

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Provision for untaken holiday	3,851	2,416
Provision for employee bonuses	7,937	5,320
Provision for other costs (non-invoiced)	5,374	896
Total accrued expenses	**17,162**	**8,632**

Accrued expenses comprise provisions for untaken holiday, provisions for salaries and wages of the present period to be paid out in future periods, resulting from principles of bonus systems used in the Softbank Group and provisions for costs of Group's current operating activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

27. Long-term and short-term trade and other liabilities (continued).

Short-term deferred income

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Prepayments	121	0
Maintenance services	11,581	9,712
Other	3	12
Total deferred income	**11,705**	**9,724**

Long-term deferred income

	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Maintenance services	**11,635**	**9,919**

The balance of deferred income relates mainly to prepayments for services provided such as: maintenance and IT services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

28. Transactions with related companies.

Name	Softbank Group's sales to related companies for		Softbank Group's purchases from related companies for	
	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Transactions with the dominant entity				
Prokom Software S.A.	8,969	1,955	55,232	117,856
Transactions with companies related to Prokom Software S.A.				
Prokom Investments S.A.(****)	0	0	164	0
Transactions with affiliated companies of Prokom Software SA				
ABG-Ster Projekt S.A.	466	0	1,449	0
Combidata Poland Sp. z o.o.	0	0	243	0
Koma Nord Sp. z o.o.(*)	0	0	2	0
Koma S.A. (*)	0	24	75	0
MCCnet Sp. z o.o. (*)	0	0	1	0
Optix Polska Sp. z o.o.	121	0	0	608
Safe Computing Sp. z o. o.	0	0	0	220
Spin S.A.	258	0	31	0
WiedzaNet Sp. z o.o.	15	0	2,118	0
Transactions with associated companies of Prokom Software SA				
Comp S.A.	0	0	5,741	6,996
Enigma Systemy Ochrony Informacji Sp. z o.o.	0	0	2	0
Incenti S.A. (**)	0	10	0	0
Pacomp	2	0	0	0
Postdata S.A.	1	1	0	0
Total transactions with related companies	**9,832**	**1,990**	**65,058**	**125,680**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

28. Transactions with related companies (continued).

Name	Softbank Group's receivables as at		Softbank Group's liabilities as at	
	31 December 2005 PLN thousand	31 December 2004 PLN thousand	31 December 2005 PLN thousand	31 December 2004 PLN thousand
Transactions with associated companies				
Asseco Poland S.A. (***)	12,369	0	0	0
Comp Soft Sp. z o o. (***)	3	0	0	0
Transactions with the dominant entity				
Prokom Software S.A.	5,327	1,055	23,893	54,524
Transactions with companies related to Prokom Software S.A.				
Prokom Investments S.A.(****)	0	0	81	0
Transactions with affiliated companies of Prokom Software SA				
ABG-Ster Projekt S.A.	568	0	706	0
Combidata Poland Sp. z o.o.	0	0	1	0
Koma S.A. (*)	0	0	0	1
Optix Polska Sp. z o.o.	59	0	10	10
Spin S.A.	176	0	24	0
WiedzaNet Sp. z o.o.	0	0	2,582	0
Transactions with associated companies of Prokom Software SA				
Comp S.A.	0	0	11,037	12,273
Postdata S.A.	0	1	0	0
Total transactions with related companies	**18,502**	**1,056**	**38,334**	**66,808**

(*) On 1 July 2005, KOMA SA, Koma Nord Sp. z o.o. and MCCnet Sp. z o.o. became affiliated companies of Softbank SA and joined the Softbank Group. At the end of 2005, MCCNet Sp. z o.o. joined Koma S.A.
(**) On 1 October 2005, Incenti S.A. became the affiliated company of Softbank S.A. and is a part of the Softbank Group.
(***)On 31 December 2005, Asseco Poland S.A became the associated company.
(****)Prokom Investments S.A. is a minority shareholder at Prokom Software S.A.

The above transactions with related parties were market transactions. They were performed within statutory business activities of the Group companies.

All figures in PLN thousand

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

29. Related companies.

The structure of the Softbank Group with its share in the share capital and votes at the General Meeting of the companies specified below is presented in the following table.

	Country of registration	% share in total votes at GM		% of share capital held	
Affiliated companies		**31 December 2005**	**31 December 2004**	**31 December 2005**	**31 December 2004**
bezpieczeństwo.pl Sp. z o.o.	Poland	100 %	100 %	100 %	100 %
Bielpolsoft j.v.	Belarus	85 %	85 %	85 %	85 %
Gladstone Consulting Limited	Cyprus	51 %	0 %	51 %	0 %
Incenti S.A.	Poland	100 %	0 %	100 %	0 %
Koma S.A.(*)	Poland	100 %	0 %	100 %	0 %
Koma Nord Sp. z o.o.(**)	Poland	100 %	0 %	100 %	0 %
AWiM Mediabank S.A.	Poland	100 %	100 %	100 %	100 %
Epsilio S.A.	Poland	0 %	100 %	0 %	100 %
ZUI Novum Sp. z o.o.	Poland	51 %	51 %	51 %	51 %
Netpower	Poland	100 %	49 %	100 %	49 %
Sawan Grupa Softbank S.A.	Poland	100 %	72 %	100 %	72 %
Softbank Serwis Sp. z o.o.	Poland	100 %	100 %	100 %	100 %
Associated companies					
Asseco Poland S.A.(***)	Poland	22 %	18 %	22 %	18 %

(*) Share held indirectly by Softbank Serwis Sp. z o.o.
(**) Share held indirectly by Koma S.A.
(***) In December 2005, Softbank S.A. reached a status of a significant shareholder in Asseco Poland S.A. (former Comp Rzeszów S.A.)

In 2005, many changes took place in the Softbank Group. The Group sold all shares held in Epsilio S.A. and purchased the following companies: Gladstone Consulting Limited, Incenti S.A. and Koma S.A. (affiliated companies of Softbank S.A.).
Furthermore, in December 2005, Softbank S.A. increased its share in Asseco Poland S.A. (formerly Comp Rzeszów S.A.) which became an associated company as a result of this transaction.
All the above changes in the structure of the Softbank Group are described in Notes 12 and 13 to the consolidated financial statements.

Financial results of companies in the Softbank Group for 2005

The consolidated financial statements of the Softbank Group for 2005 include results of Softbank S.A. and consolidated companies. The following table presents basic data on the companies included in the consolidated financial statements for 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

29. Related companies (continued).

Key financial data of companies included in the consolidated financial statements for 2005*

Name % of share capital/total votes	Main scope of business	Sales PLN thousand 12 months ended 31 December 2005	12 months ended 31 December 2004
Softbank S.A. Dominant entity www.softbank.pl	Provision of comprehensive IT solutions primarily to the financial and public administration sectors.	323,891	388,828
bezpieczeństwo.pl Sp. z o.o. 100/100	Building and implementation of IT systems supporting and coordinating activities of rescue services.	0	292
Epsilio S.A.** 0/0	Creation and implementation of IT solutions in the banking sector, including cooperative banking	2,563	27,196
Incenti S.A. 100/100 www.incenti.pl	Implementing and offering e-learning platforms, implementing competence systems, designing, building and implementing BPC and DRP, IT outsourcing	9,956	n/d
Gladstone Consulting Limited 51/51	Professional consulting services relating to IT systems for financial institutions	7,601	n/d
Koma S.A.*** 100/100 www.koma.com.pl	Comprehensive provision of IT infrastructure, business management and HR management systems, provision of software and maintenance services.	124,850	n/d
Koma Nord Sp. z o.o.*** 100/100 www.komanord.com.pl	Provision of hardware, local and distributed network systems, as well as software supporting business management.	18,461	n/d
AWiM Mediabank S.A. 100/100 www.mediabank.pl	Marketing, operation of a radio station (Radio PiN 102 FM.	5,999	3,998
NetPower S.A. 49/49	Provision of corporate IT applications and solutions.	0	0
ZUI Novum Sp. z o.o. 51/51 www.novum.pl	Creation of banking applications and provision of comprehensive IT systems for cooperative banks.	13,092	12,181
Sawan Grupa Softbank S.A. 100/100	Provision of IT solutions for management (i.e. data warehouses, reporting systems, CRM systems).	6,073	12,769
Softbank Serwis Sp. z o.o. 100/100 www.softbankserwis.pl	Maintenance of software and hardware supplied by the Group, services based on IT systems outsourcing.	51,638	62,888

***)** *Before consolidation eliminations.*
****)** *In Q1 2005, Softbank SA sold 100% of shares in Epsilio SA to COMP Rzeszów S.A. Epsilio S.A's results were consolidated to 28 February 2005.*
*****)** *In Q3 2005, Softbank acquired a 100% stake in the equity of Koma SA, and indirectly 99.9% of shares in Koma Nord Sp. z o.o., affiliated company of Koma S.A.. Koma S.A.'s and Koma Nord's results have been consolidated since 1 July 2005. In the case of these companies, data for 2005 was given for the period 1 July 2005-31 December 2005.*
******)** *In Q4 2005, Softbank S.A. acquired 100% of shares in Incenti S.A. and a 51% stake at Gladstone Consulting Limited. Results of these companies have been consolidated since 1 October 2005.*
The equity interests are presented as at 31December 2005.
bezpieczeństwo.pl Sp. z o.o. and NetPower SA do not conduct operating activities. Following the sale of its business to Softbank S.A., Sawan Grupa Softbank S.A. did not conduct operating activities in the second half of 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

29. Related companies (continued).

Key financial data of undertakings included in 2005 consolidated financial statements *

Name % of share capital/total vote	Main scope of business	Net profit/(loss) PLN thousand 12 months ended 31 December 2005	12 months ended 31 December 2004
Softbank S.A. Dominant entity www.softbank.pl	Provision of comprehensive IT solutions primarily to the financial and public administration sectors.	52,650	(5,420)
Bezpieczeństwo.pl Sp. z o.o. 100/100	Building and implementation of IT systems supporting and coordinating the activities of rescue services.	(22)	2,328
Epsilio S.A.** 0/0	Creation and implementation of IT solutions in the banking sector, including cooperative banking	(236)	4,062
Incenti S.A. 100/100 www.incenti.pl	Implementing and offering e-learning platforms, implementing competence systems, designing, building and implementing BPC and DRP, IT outsourcing	1,483	n/d
Gladstone Consulting Limited 51/51	Professional consulting services relating to IT systems for financial institutions	5,222	n/d
Koma S.A.*** 100/100 www.koma.com.pl	Comprehensive provision of IT infrastructure, business management and HR management systems, provision of software and maintenance services.	474	n/d
Koma Nord Sp. z o.o.*** 100/100 www.komanord.com.pl	Provision of hardware, local and distributed network systems, as well as software supporting business management.	791	n/d
AWiM Mediabank S.A. 100/100 www.mediabank.pl	Marketing, operation of a radio station (Radio PiN 102 FM.	(2,589)	(4,189)
NetPower S.A. 49/49	Provision of corporate IT applications and solutions.	(70)	(56)
ZUI Novum Sp. z o.o. 51/51 www.novum.pl	Creation of banking applications and provision of comprehensive IT systems for cooperative banks.	979	570
Sawan Grupa Softbank S.A. 100/100	Provision of IT solutions for management (i.e. data warehouses, reporting systems, CRM systems).	3,729	(3,251)
Softbank Serwis Sp. z o.o. 100/100 www.softbankserwis.pl	Maintenance of software and hardware supplied by the Group, services based on IT systems outsourcing.	(7,424)	68

) *Before consolidation eliminations.*
****)*** *In Q1 2005, Softbank S.A. sold a 100% stake in the equity in Epsilio S.A. to COMP Rzeszów S.A.. Epsilio S.A.'s results were consolidated to 28 February 2005.*
*****)*** *In Q3 2005, Softbank acquired a 100% stake in the equity of Koma S.A., and indirectly 99.9% of shares in Koma Nord Sp. z o.o., affiliated company of Koma S.A.. Koma S.A.'s and Koma Nord's results have been consolidated since 1 July 2005. In the case of these companies, data for 2005 was given for the period 1 July .2005-31 December .2005.*
******)*** *In Q4 2005, Softbank S.A. acquired 100% of shares in Incenti S.A. and a 51% stake at Gladstone Consulting Limited. Results of these companies have been consolidated since 1 October 2005*
The equity interests are presented on 31 December 2005.
bezpieczeństwo.pl Sp. z o.o. and NetPower SA do not conduct operating activities. Following the sale of its business to Softbank SA, Sawan Grupa Softbank SA did not conduct operating activities in the second half of 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

29. Related companies (continued).

Off-balance sheet liabilities connected with related companies

As at 31 December 2005, guarantees and sureties granted by Softbank S.A. to secure credits taken by related companies were as follows:

- surety granted to AWiM Mediabank S.A. for the investment credit agreement amounting to PLN 1,200 thousand. As at 31 December 2005, outstanding investment credit amounted to PLN 25 thousand.

As at 31 December 2004, guarantees and sureties granted by Softbank S.A. to secure credits taken by related companies were as follows:

- surety granted to AWiM Mediabank S.A. for the investment credit agreement amounting to PLN 1,200 thousand. As at 31 December 2004, outstanding investment credit amounted to PLN 300 thousand,
- guarantee securing the revolving credit granted by Bank BPH to Sawan Grupa Softbank S.A. to the amount of PLN 2,000 thousand. As at 31 December 2004, outstanding revolving credit amounted to PLN 1,805 thousand,
- guarantee securing the current account credit granted by Bank BPH to Sawan Grupa Softbank S.A. to the amount of PLN 300 thousand. As at 31 December 2004, there was no outstanding current account credit.

As at 31 December 2005, sureties granted by Softbank S.A. to secure other liabilities were as follows:

- surety for the contract of 26 February 2004 for the construction of structural network concluded between Softbank Serwis Sp. z o.o. and Tyco Sp. z o.o. As at 31 December 2005, estimated used value of the surety amounted to PLN 6,948 thousand.

As at 31 December 2004, sureties granted by Softbank S.A. to secure other liabilities were as follows:

- surety for the contract of 26 February 2004 for the construction of structural network concluded between Softbank Serwis Sp. z o.o. and Tyco Sp. z o.o. As at 31 December 2004, the estimated value of the surety utilised amounted to PLN 7,342 thousand.

In order to meet IAS obligations relating to disclosure of information on companies related to the key management, the Group introduced procedures consisting in identifying such transactions.
At the date of approval of the present consolidated financial statements, the Group did not have information on any non-market transactions with companies related to the key management.

As at 31 December 2005, unsettled liabilities relating to the above described transactions with companies related to the key management (Management Boards and Supervisory Boards of the Group companies) - according to the information owned by Softbank S.A. – amounted to PLN 514 thousand.
As at 31 December 2004, liabilities relating to the above described transactions with companies related to the key management - according to the information owned by Softbank S.A. – amounted to PLN 13 thousand.

All figures in PLN thousand

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

29. Related companies (continued).

During 12 months 2005 ended on 31 December 2005, net value of transactions with companies related to the key management - according to Softbank S.A. – amounted to PLN 676 thousand.
During the 12 months ending on 31 December 2005, the net value of transactions with companies related to the key management - - according to Softbank S.A. – amounted to PLN 737 thousand.

30. Employment.

Average Group workforce in the reporting period:	**12 months ended 31 December 2005**	**12 months ended 31 December 2004**
Management Board of the dominant entity	5	6
Management Board of Group companies	13	19
Production departments	586	574
Maintenance departments	186	136
Sales departments	82	80
Administration departments	156	176
Total	**1,028**	**991**

Softbank Group workforce as at	**31 December 2005**	**31 December 2004**
Management Board of the dominant entity	5	5
Management Board of Group companies	9	18
Production departments	614	571
Maintenance departments	204	117
Sales departments	75	84
Administration departments	148	160
Total	**1,055**	**955**

Workforce in the Group companies as at	**31 December 2005**	**31 December 2004**
Softbank S.A.	620	379
bezpieczeństwo.pl Sp. z o.o.	0	0
Epsilio S.A.	0	202
Gladstone Consulting Limited	0	0
Incenti S.A.	65	0
Koma Nord Sp. z o.o.	10	0
Koma S.A.	148	0
AWiM Mediabank S.A.	19	26
NetPower S.A.	0	0
ZUI Novum Sp. z o.o.	36	35
Sawan Grupa Softbank S.A.	3	90
Softbank Serwis Sp. z o.o.	154	223
Total	**1,055**	**955**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

30. Employment (continued).

As at 31 December 2005, the Softbank Group employed 1,055 staff. The workforce in the Softbank Group increased by 100 employees compared to the end of 2004. The increase in the number of employees, despite the sale of Epsilio with 202 employees at the end of 2004, results from acquisitions of companies in 2005 (mainly Koma S.A. and Incenti S.A.).

Except for the dominant entity, staff numbers decreased in all Group companies. The restructuring process carried out at affiliated companies in 2004 is the main reason for the decrease in the employment level. At the same time, Softbank S.A.'s workforce increased by 241 employees, and now numbers 620 persons. The new personnel were employed primarily in connection with the performance of Bank PKO BP SA contracts and the CEPiK (Central Register of Vehicles and Drivers) contract. In addition, Softbank S.A. assumed some employees of Softbank Serwis Sp. z o.o. and Sawan Grupa Softbank S.A. as a part of the IT expertise consolidation in several Group companies.

31. Off-balance sheet commitments and liabilities to other companies.

In its commercial activities, the Group uses bank guarantees and letters of credit, as well as insurance contract and tender guarantees as a security in business transactions with various organisations, companies and administration entities. As at 31 December 2005, contingent liabilities relating to the above mentioned instruments amounted to PLN 16,100 thousand, after PLN 28,023 thousand at 31 December 2004.

As at 31 December 2005 and 31 December 2004, the Group was also a party to a number of lease, tenancy and similar contracts resulting in the following future liabilities:

Rent liabilities	**31 December 2005 PLN thousand**	**31 December 2004 PLN thousand**
Up to 1 year	5,880	3,924
From 1 to 5 years	10,227	8,619
Over 5 years	1,915	2,756
Total	**18,022**	**15,299**

Liabilities relating to operating leasing of property, plant and equipment	**31 December 2005 PLN thousand**	**31 December 2004 PLN thousand**
Up to 1 year	921	1,390
From 1 to 5 years	1,241	395
Over 5 years	0	0
Total	**2,162**	**1,785**

Costs incurred in relation to operating leasing are presented in Note 2 to the consolidated financial statements.

On the basis of the contract for purchase of 51% of shares in Gladstone Consulting Limited concluded in October 2005 between Dadlaw Trustee Ltd with registered office in Nicosia, Cyprus and Softbank S.A., the dominant entity has a purchase option for the remaining 49% of shares. This option is binding until 31 March 2009. Dadlaw Trustee Ltd is also entitled to require Softbank S.A. to buy the remaining shares in Gladstone in April 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

31. Off-balance sheet commitments and liabilities to other companies (continued).

In relation to the personnel reduction in the Department of Risk Management Systems of Softbank S.A., described in the current report published on 2 March 2006, former employees sued the Company for compensation. According to the Management Board of Softbank S.A., this claim will be fully rejected.

32. Objectives and principles of financial risk management

The main financial instruments used by the Group are bank credits, bonds, convertible bonds, ordinary shares, cash and short-term deposits. Main objective of these financial instruments is to provide funds for financing the Group's business activities. The Group also has other financial instruments, such as trade receivables and liabilities arising from business activities conducted.
The main types of risk resulting from financial instruments used by the Group are interest rate risk, liquidity risk, currency risk and credit risk. The Management Board verifies and approves principles of risk management relating to every kind of risk mentioned above – these principles are briefly described below. Furthermore, the Group is concerned with monitoring the risk of market prices relating to all its financial instruments.

Interest rate risk

The interest rate risk as a result of changes in interest rates exists mainly in the case of short-term financial liabilities – credits and debt securities issued. The Group does not have long-term financial liabilities relating to credits and debt securities. To some extent, the Group's profits and cash flows from operating activities may suffer from changes in interest rates, as the majority of the Group's financial liabilities are based on variable interest rates. These, in turn, are based on WIBOR 1M or 3M interest rate plus bank margin - in 2005 and 2004, this margin was between 1% and 3%.

Part of assets are debt securities (with fixed interest) issued by companies and treasury bonds held to maturity valued at fair value through the profit and loss account. The following table presents characteristics of securities.

Securities held to maturity	**Nominal value**	**Interest**
	PLN thousand	**%**
IP Kwidzyń	6,000	4.95 %
IP Kwidzyń	10,150	4.51%
Treasury bonds	1,000	4.45 %

Securities valued at fair value through the profit and loss account	**Nominal value**	**Interest**
	PLN thousand	**%**
Treasury bonds	133	variable
Treasury bonds	245	8.5%
Treasury bonds	492	6.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

32. Objectives and principles of financial risk management

Currency risk

Group's sales and operating expenses are denominated mainly in Polish zloty (PLN). However, some revenues and expenses are denominated in foreign currencies (EUR and USD) for which there is currency risk. The Group concludes currency forward contracts in order to manage the currency risk more effectively. The Group does not fulfil the requirements of so-called "security accounting".
Moreover, some contracts for renting office space are denominated in foreign currencies (USD and EUR) which results in additional risk.

Risk of price changes

The price risk is insignificant in the case of the Group because the prices of goods for resale are individually negotiated.

Credit risk

Group's financial assets most prone to the credit risk are cash and cash equivalents, settlements with related companies and trade receivables.
The Group concludes transactions only with well-known companies with a good credit rating. All customers wanting to be entitled to deferred payments are subject to an introductory process of checking the creditworthiness of a customer. Furthermore, current monitoring of receivables makes it possible to eliminate the risk of uncollectible receivables almost entirely.
Trade receivables, presented in the financial statements after deducting the provision for uncollectible receivables, reflect the character of the Group's business activities focused on a relatively small number of contracts realised for largest Polish companies and government institutions.
The Group adopted a relevant credit policy consisting in selling products, providing services and financing only customers with a verified credit history and a high credit rating. Credit risk in the Group is not concentrated in any segment of the Group's activities.
In relation to other Group's financial assets, such as cash and cash equivalents, financial assets available for sale and some financial derivatives, the Group's credit risk results from the lack of possibilities to make payments by the other contract party. The maximum exposure to this risk is equal to the book value of these instruments.

Liquidity risk

Taking into account a dynamic development, the Group's objective is to maintain a balance between financial stability and flexibility by using various sources of financing, such as bank credits, bonds and operating leasing contracts.

Fair value

As at 31 December 2005 and 31 December 2004, the fair value of financial assets and liabilities owned by the Group did not significantly differ from their book value, except for the investment in the associated company Asseco Poland S.A. as described in Note 13 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

33. Remuneration paid or due to the Members of the Management Board and Supervisory Board of the dominant entity and the Group's related companies

	12 months ended 31 December 2005 PLN thousand	12 months ended 31 December 2004 PLN thousand
Management Board	**8,143**	**14,939**
Krzysztof Korba - Chairman of the Management Board	3,440	3,200
Robert Smułkowski - Member of the Management Board	1,163	3,397
Piotr Jeleński - Member of the Management Board	1,100	707
Przemysław Borzestowski - Member of the Management Board	1,220	1,040
Przemysław Sęczkowski - Member of the Management Board	1,220	1,040
Aleksander Lesz – Chairman of the Management Board to 1 March 2004	0	1,195
Jarosław Ogorzałek – Member of the Management Board to 23 July 2004	0	4,348
Adam Dąbkowski – Member of the Management Board to 16 January 2004	0	12
Supervisory Board	**200**	**178**
Ryszard Krauze – Chairman of the Supervisory Board	0	0
Stanisław Janiszewski – Member of the Supervisory Board	68	67
Piotr Mondalski – Member of the Supervisory Board	68	22
Maria Zagrajek – Member of the Supervisory Board	0	0
Marek Jakubik – Member of the Supervisory Board	0	0
Alicja Kornasiewicz – Member of the Supervisory Board	30	67
Maciej Grelowski – Member of the Supervisory Board	34	22
Total	**8,343**	**15,117**

The remuneration paid to the Members of the Supervisory Board of Softbank S.A, who were also members of the Management Board of Prokom Software S.A., amounted to PLN 102 thousand in 2005, compared to PLN 44 thousand in 2004.

34. Capital expenditure.

In 2005, the Group spent PLN 77,658 thousand on investments, including PLN 16,799 thousand on non-financial fixed assets. Capital expenditure planned for 2006 amount to approximately PLN 78,000 thousand.

Capital expenditure incurred in 2004 amounted to PLN 66,096 thousand, including PLN 7,919 thousand on non-financial fixed assets.

35. Opinion on feasibility of meeting financial forecasts for 2005 published by the Management Board.

The Management Board of Softbank SA did not publish any financial forecasts for 2005.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

36. Factors which may affect the Group's performance to the end of the present business year according to the Management Board.

In the opinion of the Management Board of Softbank S.A., Group's current financial standing, its production potential, and market position constitute no threats to continued growth of the Group in 2005. However, there are numerous factors, both internal and external, which will directly or indirectly affect the Group's performance in the coming periods.
External factors influencing future performance of the Softbank Group include development of the economic situation in Poland, increased demand for IT solutions from the banking and public administration sectors, competition from other IT sector players, and exchange rate changes (mainly USD and EUR).
Significant internal factors influencing future performance of the Softbank Group include progress in realisation of concluded contracts, results of contract tenders and negotiations in the IT sector as well as restructuring processes at the Group companies, in particular incorporation of Sawan by Softbank S.A. and a merger of Softbank Serwis Sp. z o.o. and Koma SA.

37. Significant events after the balance sheet date.

No significant events took place between the balance sheet date and the preparation date of the consolidated financial statements for 2005, i.e. to 14 April 2006 which were not included in the financial statements for the reporting period.

38. Significant events relating to previous years.

No significant events relating to previous years took place to the preparation date of the consolidated financial statements for 2005, i.e. to 14 April 2006 which were not included in the financial statements for the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

39. Effect of the application of IFRS on comparable data presented in the consolidated financial statements.

The table below sets forth the effect of individual differences between the previously applied (until the end of 2004) Polish Accounting Standards (PAS) and the International Financial Reporting Standards (IFRS) adopted as of 1 January 2005 on the consolidated equity as at 1 January 2004, the consolidated equity as at 31 December 2004 and consolidated net profit for 2004.

	1 January 2004 PLN thousand
Consolidated equity according to PAS	**128 152**
Non-current assets at fair value	2,706
Transfer of capitalised cost of shares issue to equity	(695)
Determination of fair value of revenues and expenses and their valuation at amortised cost	(200)
Transfer of minority interests following adjustments after adoption of IFRS to equity	5,995
Other adjustments	1
Consolidated equity according to IFRS	**135,959**

	31 December 2004 PLN thousand
Consolidated equity according to PAS	**157,521**
Non-current assets at fair value	2,630
Transfer of capitalised cost of shares issue to equity	(442)
Determination of fair value of revenues and expenses and their valuation at amortised cost	(7,634)
Estimated provision for results on IT contracts, arising from disclosure of revenues and expenses at fair value	(15,528)
Depreciation of investment property	(40)
Provision created for deferred income tax relating to financial assets available for sale	(1,602)
Transfer of minority interests following adjustments after adoption of IFRS to equity	3,497
Reversal of goodwill amortisation for 2004 and goodwill valuation allowances	2,325
Other adjustments	11
Consolidated equity according to IFRS	**140,738**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

39. Effect of the application of IFRS on comparable data presented in the consolidated financial statements (continued).

	12 months ended 31 December 2004 PLN thousand
Consolidated net profit according to PAS	**29,369**
Non-current assets at fair value – increase in depreciation	(76)
Transfer of shares issue cost write-off to equity	253
Determination of fair value of revenues and expenses and their valuation at amortised cost	(7,434)
Estimated provision for results on IT contracts, arising from disclosure of revenues and expenses at fair value	(15,528)
Depreciation of investment property	(40)
Reversal of goodwill amortisation and making revaluation allowances for goodwill	2,325
Change in classification of Asseco Poland S.A. shares (former COMP Rzeszów S.A.)	(8,429)
Transfer to equity of minority interests	(1,708)
Other adjustments	(18)
Consolidated net profit according to IFRS	**(1,286)**

Changing from Polish Accounting Standards (applied to the end of 2004) to International Financial Reporting Standards (since 1 January 2005), the Softbank Group used the following principles (exclusions) relating to IFRS 1:

- the Group resolved not to use the provisions of IFRS 3 retrospectively in relation to mergers carried out in the past which had taken place before the date of change to IFRS.
- some items of property, plant and equipment (significant items purchased before 1996 and not subject to revaluation after that date) were valued at fair value.

Furthermore, the Issuer reclassified the investment in shares of Asseco Poland S.A. (former Comp Rzeszów S.A.) to the position “financial assets available for sale” which had been classified as “financial assets for sale” in the additional note to the consolidated financial statements of the Softbank Group for the period ended on 31 December 2004, prepared in line with Polish Accounting Standards.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

39. Effect of the application of IFRS on comparable data presented in the consolidated financial statements (continued).

The following table presents the influence of individual adjustments relating to the application of IFRS 1 from 1 January 2005 in terms of value on individual positions of the balance sheet as at 31 December 2004.

	No. Explanation	31 December 2004 According to PAS PLN thousand	Result of change from PAS to IFRS PLN thousand	31 December 2004 According to IFRS PLN thousand
ASSETS				
Non-current assets		**193,169**	**53,086**	**246,255**
Property, plant and equipment	1	26,567	2,629	29,196
Property investment	2	1,706	(40)	1,666
Intangible assets		5,989	0	5,989
Consolidation goodwill	3	22,752	2,325	25,077
Non-current financial assets available for sale		65,945	0	65,945
Non-current financial assets valued at fair value		29,291	0	29,291
Non-current receivables	4	9,596	50,868	60,464
Non-current deferred tax assets	5	22,733	(2,507)	20,226
Non-current prepayments and accrued income	6	8,590	(189)	8,401
Current assets		**343,610**	**(59,500)**	**284,110**
Inventories		19,636	0	19,636
Prepayments and accrued income	7	40,493	(29,852)	10,641
Trade and other receivables	8	185,917	(28,869)	157,048
Financial assets held to maturity		15,072	0	15,072
Financial assets valued at fair value		34,369	0	34,369
Cash and short-term deposits	9	48,123	(779)	47,344
Assets classified as held for sale	**10**	**0**	**32**	**32**
TOTAL ASSETS		**536,779**	**(6,382)**	**530,397**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

39. Effect of the application of IFRS on comparable data presented in the consolidated financial statements (continued).

	No Explanation	31 December 2004 According to PAS PLN thousand	Result of change from PAS to IFRS PLN thousand	31 December 2004 According to IFRS PLN thousand
EQUITY AND LIABILITIES				
Equity (attributable to shareholders of the dominant entity)		**157,521**	**(20 280)**	**137,241**
Share capital		20,951	0	20,951
Share premium (agio)	11	145,798	2,727	148,525
Unrealised net profits	12	0	6,826	6,826
Other capital	13	1,190	(389)	801
Retained earnings/ (losses) and net profit (loss) for the year	14	(10,418)	(29,444)	(39,862)
Minority interests	15	3,508	(11)	3,497
Total equity		**161,029**	**(20,291)**	**140,738**
Long-term liabilities		**87,577**	**(986)**	**86,591**
Long-term provisions		355	(80)	275
Long-term provision for deferred income tax	16	906	(906)	0
Other long-term liabilities		76,397	0	76,397
Long-term financial liabilities		9,919	0	9,919
Short-term liabilities		**288,173**	**14,732**	**302,905**
Trade payables and other liabilities	17	253,988	22,459	276,447
Provisions	18	11,685	(3,583)	8,102
Accrued expenses and deferred income	19	22,500	(4,144)	18,356
Liabilities directly related to assets classified as held for sale	**20**	**0**	**163**	**163**
TOTAL LIABILITIES		**375,750**	**13,909**	**389,659**
TOTAL EQUITY AND LIABILITIES		**536,779**	**(6,382)**	**530,397**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

39. Effect of the application of IFRS on comparable data presented in the consolidated financial statements (continued).

Explanation of adjustments relating to the application of IFRS from 1 January 2005

1. Property, plant and equipment – some items of property, plant and equipment were revalued to fair value as at 1 January 2004. This adjustment was made for all significant items of property, plant and equipment purchased before 1996 (to the end of 1996, there was hyperinflation in Poland), and not revalued since 1996. The difference between the book value and fair value of property, plant and equipment amounted to PLN 2,705 thousand and depreciation for 2004 was PLN 76 thousand. This adjustment increased the book value of property, plant and equipment as at 31 December 2004 by PLN 2,629 thousand (see 14a. below).

2. Investment property – for the purpose of valuation of investment property, the Group used the historical cost method deducted by accumulated amortisation and impairment charges. Depreciation of the investment property has been calculated since 1 January 2004. For 2004, it amounted to PLN 40 thousand. As at 31 December 2004, this adjustment led to the decrease in the value of the investment property by PLN 40 thousand (see point 14b. and 15 below).

3. Consolidation goodwill – in line with the Polish Accounting Standards used to the end of 2004, consolidation goodwill was subject to regular depreciation and valuation allowances. According to IFRS, at the date of change from PAS to IFRS (i.e. 1 January 2004), the Group reversed all amortisation of goodwill made in 2004 amounting to PLN 6,852 thousand. Consolidation goodwill resulting from acquisition of affiliated companies determined in this way was subject to impairment tests. Based on the analysis of consolidation goodwill, the Group made valuation allowances for goodwill created as a result of the acquisition of Epsilio S.A. in the amount of PLN 4,527 thousand. This was due to the conclusion of the contract for the sale of this company in December 2004 as specified in Notes 4, 13 and 29 to the consolidated financial statements. This adjustment led to the decrease in the consolidation goodwill by PLN 2,325 thousand (see 14 f. below).

4. Non-current receivables – the Group reclassified non-current receivables (maturity exceeding 12 months from the balance sheet date) – at fair value – from current assets to non-current receivables. This adjustment led to the decrease in this position by PLN 50,868 thousand (see 8b. below).

5. Deferred tax assets:

   a. As at 31 December 2004, the Group deducts deferred tax assets by the provision for deferred tax – this offset was made individually for each company. The adjustment decreased the value of presented deferred tax assets by PLN 906 thousand (see point 16 below),
   b. Changes in the classification of the investment in COMP Rzeszów S.A. (see 15d. below) resulted in the fact that (as at 31 December 2004) the Group created a provision for deferred tax assets amounting to PLN 1,601 thousand relating to this investment which decreased deferred tax assets (see 12b below).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

39. Effect of the application of IFRS on comparable data presented in the consolidated financial statements (continued).

6. Non-current prepayments and accrued income – previously used PAS allowed the Company to capitalise the costs of share issues which took place before the end of 2002 and depreciate them within a period of 5 years. According to IFRS, total costs of share issues have to be disclosed in the equity at the moment of the share issue. This adjustment led to the decrease in non-current prepayments and accrued income by PLN 189 thousand (see 11a. below).

7. Prepayments and accrued income:
    a. according to PAS, the result of valuation of IT (implementation) contracts was presented as prepayments and accrued income. IFRS requires disclosure of these items as other receivables (or liabilities, depending on the character). This adjustment resulted in the decrease in prepayments and accrued income by PLN 29,599 thousand (see 8c. below).
    b. previously used PAS allowed the Company to capitalise the costs of share issues which took place before the end of 2002 and depreciate them within the period of 5 years. According to IFRS, total costs of share issues have to be disclosed in the equity at the moment of the share issue. This adjustment led to the decrease in prepayments and accrued income by PLN 253 thousand (see 11a. below).

8. Trade and other receivables:
    a. according to PAS, receivables (revenues) were presented at nominal value. IFRS require the disclosure of receivables (revenues) at fair value. As at 31 December 2004, the difference between the nominal value and fair value of receivables (revenues) amounted to PLN 7,568 thousand and led to the decrease in receivables (see 14e. below).
    b. the Group reclassified non-current receivables (maturity exceeding 12 months from the balance sheet date) – at fair value – from current assets to non-current receivables. This adjustment led to the decrease in this position by PLN 50,868 thousand (see 4 above).
    c. according to PAS, the result of valuation of IT (implementation) contracts was presented as prepayments and accrued income. IFRS require the disclosure of these items as other receivables. This adjustment resulted in the increase in receivables by PLN 29,599 thousand (see 7a above),
    d. reclassification of PLN 32 thousand to assets classified as held for sale (see 10 below).

9. Cash – according to PAS, cash on the account of ZFSS (Company's Social Benefits Fund) was presented as Group’s cash. IFRS require the presentation of cash at the ZFSS account after compensation with expenses relating to ZFSS. This adjustment resulted in the decrease in cash as at 31 December 2004 by PLN 779 thousand (see 17d. below).

10. Assets classified as held for sale – as at 31 December 2004, the Group classified in this position assets relating to the publishing activities amounting to PLN 32 thousand (see 8d. above).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

39. Effect of the application of IFRS on comparable data presented in the consolidated financial statements (continued).

11. Surplus of the sale price of shares over their nominal value:
    a. previously used PAS allowed the Company to capitalise the costs of share issues which took place before the end of 2002 and depreciate them within the period of 5 years. According to IFRS, total costs of share issues have to be disclosed in the equity at the moment of the share issue. This adjustment led to the decrease in the surplus of the sale price of shares over their nominal value by PLN 710 thousand (see points 6, 7b and 14c. below).

12. Unrealised profits:
    a. the issuer reclassified the investment in shares of Asseco Poland S.A. (former Comp Rzeszów S.A.) to financial assets available for sale. In the notes to the consolidated financial statements of the Softbank Group for the period ended on 31 December 2004, prepared in line with PAS, these were presented as financial assets available for sale. This classification resulted in the transfer of PLN 8,428 thousand from results of previous years to unrealised profits as a result of the valuation of financial assets available for sale (see point 14d. below),
    b. as a result of the change in classification of the investment in shares of Asseco Poland S.A. (see point 15d. below), as at 31 December 2004, the Group disclosed the provision for deferred tax amounting to PLN 1,601 thousand relating to this investment as a deduction of unrealised profits (see 5b. above).

13. Other capital:
    a. according to PAS in use to the end of 2004, the capital from revaluation of property, plant and equipment was subject to regular revaluation to market value and presented as capital reserves in line with resolutions of the Minister of Finance. According to IFRS 1, the Group valued selected (significant) items of non-current assets at fair value and the differences from valuation were presented as a part of retained earnings/(losses) amounting to PLN 389 thousand (see 14g. below).

14. Retained earnings/(losses) and net profit (loss) for the year:
    a. at the date of change to IFRS, revaluation of selected items of property, plant and equipment to fair value was made. This adjustment was made for all significant items of property, plant and equipment purchased before 1996 (to the end of 1996, there was a hyperinflation in Poland), and not revalued since 1996. The difference between the book value and fair value of property, plant and equipment amounted to PLN 2,705 thousand and depreciation for 2004 was PLN 76 thousand. This adjustment increased retained earnings (losses) as at 31 December 2004 by PLN 2,629 thousand (see 1 above).
    b. for the purpose of valuation of investment property, the Group used the historical cost method deducted by accumulated amortisation and impairment charges. Depreciation of the investment property has been calculated since 1 January 2004. For 2004, it amounted to PLN 40 thousand. As at 31 December 2004, this adjustment led to the decrease in retained earnings (losses) by PLN 40 thousand. The adjustment of depreciation of the investment property decreased the minority interests in retained earnings (losses) by PLN 11 thousand (see 2 and 15 of explanations below and above).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

39. Effect of the application of IFRS on comparable data presented in the consolidated financial statements (continued).

c. previously used PAS allowed the Company to capitalise the costs of share issues which took place before the end of 2002 and depreciate them within the period of 5 years. According to IFRS, total costs of share issues have to be disclosed in the equity at the moment of the share issue. This adjustment led to the increase in retained earnings (losses) by PLN 268 thousand (see 6 and 7b above).

d. the issuer reclassified the investment in shares of Asseco Poland S.A. (former Comp Rzeszów S.A.) to financial assets available for sale. In the notes to the consolidated financial statements of the Softbank Group for the period ended on 31 December 2004, prepared in line with PAS, these were presented as financial assets available for sale. This classification resulted in the decrease of retained earnings (losses) by PLN 8,428 thousand – valuation of financial assets available for sale (see 11a. below).

e. in line with PAS, receivables and liabilities (revenues and expenses) were presented at nominal value. IFRS require the disclosure of receivables and liabilities (revenues and expenses) at fair value. As at 31 December 2004, the difference between the nominal value and fair value of receivables and liabilities (revenues and expenses) amounted to PLN 23,162 thousand and resulted in the decrease in retained earnings (losses) (see 8a. and 17a. below and above),

f. in line with PAS in use to the end of 2004, consolidation goodwill was subject to regular depreciation and valuation allowances. According to IFRS, at the date of change from PAS to IFRS (i.e. 1 January 2004), the Group reversed all amortisation of goodwill made in 2004 amounting to PLN 6,852 thousand. Consolidation goodwill resulting from acquisition of affiliated companies determined in this way was subject to impairment tests. Based on the analysis of consolidation goodwill, the Group made valuation allowances for goodwill created as a result of the acquisition of Epsilio S.A. in the amount of PLN 4,527 thousand. This was due to the conclusion of the contract for the sale of this company in December 2004 as specified in Note 12 to the consolidated financial statements. This adjustment led to the increase in retained earnings (losses) by PLN 2,325 thousand (see also point 3 f. above).

g. according to PAS used to the end of 2004, the capital from revaluation of property, plant and equipment, subject to regular revaluation to market value and presented as capital reserves in line with resolutions of the Minister of Finance. According to IFRS 1, the Group valued selected (significant) items of non-current assets at fair value and the differences from valuation were presented as a part of retained earnings/(losses) amounting to PLN 389 thousand (see 13. above).

15. Minority interests – the adjustment of depreciation of the investment property (see 2 above) decreased the minority interests in relation to the equity by PLN 11 thousand (see 14b above).

16. Provision for deferred tax – as at 31 December 2004, the Group deducts deferred tax assets by the provision for deferred tax (see 5a. above) – this offset was made individually for each company. The adjustment decreased the value of presented deferred tax assets by PLN 906 thousand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

39. Effect of the application of IFRS on comparable data presented in the consolidated financial statements (continued).

17. Other liabilities:
    a. according to PAS, these liabilities (expenses) were presented at nominal value. In line with IFRS, these liabilities (expenses) shall be presented at fair value. As at 31 December 2004, the difference between the nominal value and fair value of liabilities (expenses) amounted to PLN 15,595 thousand and led to the increase in other liabilities (see 14e above).
    b. according to PAS, the result of valuation of IT (implementation) contracts was presented as prepayments and accrued income and in line with IFRS, it shall be presented as other liabilities. This adjustment led to the increase in liabilities by PLN 6,560 thousand (see 18 and 19a.below),
    c. according to IFRS, a part of provisions did not meet the requirements for classifying them as provisions – this resulted in the transfer of provisions amounting to PLN 1,247 thousand to other liabilities (see 18 below),
    d. according to PAS, cash on the account of ZFSS (Company's Social Benefits Fund) was presented as Group cash. IFRS require the presentation of cash at the ZFSS account after offsetting with expenses relating to ZFSS. This adjustment resulted in the decrease in liabilities by PLN 779 thousand (see 9. above).
    e. transfer of PLN 163 thousand to liabilities directly related to assets classified as held for sale (see 20 below).

18. Provisions - according to IFRS, a part of provisions did not meet the requirements for classifying them as provisions. This resulted in the transfer of provisions amounting to PLN 3,663 thousand to accrued expenses and deferred income as well as to other liabilities at the date of change to IFRS (see 17c.above and 19b. below).

19. Accrued expenses and deferred income:
    a. according to PAS, the result of valuation of IT (implementation) contracts was presented as prepayments and accrued income and in line with IFRS it shall be presented as other liabilities. This adjustment led to the decrease in accrued expenses and deferred income by PLN 6,560 thousand (see 17b. above),
    b. according to IFRS, a part of provisions did not meet the requirements for classifying them as provisions. This resulted in the transfer of provisions amounting to PLN 2,416 thousand to accrued expenses and deferred income (see 18 above).

20. Liabilities directly related to assets classified as held for sale – as at 31 December 2004, the Group classified in this position liabilities relating to the publishing activities amounting to PLN 32 thousand (see 17e. above).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF THE SOFTBANK GROUP

39. Effect of the application of IFRS on comparable data presented in the consolidated financial statements (continued).

Compared to the financial statements presented in previous years, the above changes should, according to PAS, result in creation of deferred tax assets and provision for deferred tax. However, based on analyses of future taxable income, the management of the Softbank Group is of the opinion that maximum deferred tax assets after offsetting the provision for deferred tax amounts to PLN 21,827 thousand.
Deferred tax assets of the Softbank Group in comparable periods as described above were additionally deducted by the provision for deferred tax relating to unrealised profits from the valuation of financial assets available for sale (shares of COMP Rzeszów S.A.) amounting to PLN 1,601 thousand. This change did not additionally influence the Group result for 2004. The reason for this are plans of the Management Board of Softbank S.A. relating to the acquisition of an additional block of shares of COMP Rzeszów S.A., as a result of which Softbank S.A. shall obtain the status of a significant shareholder in COMP Rzeszów S.A. The increase in the share in Asseco Poland S.A. as described above took place in 2005 and resulted in the decrease in the present value of this company (fair value) to the value equal to the purchase price. As a result, positive temporary differences relating to valuation of shares held in Asseco Poland S.A. were corrected.