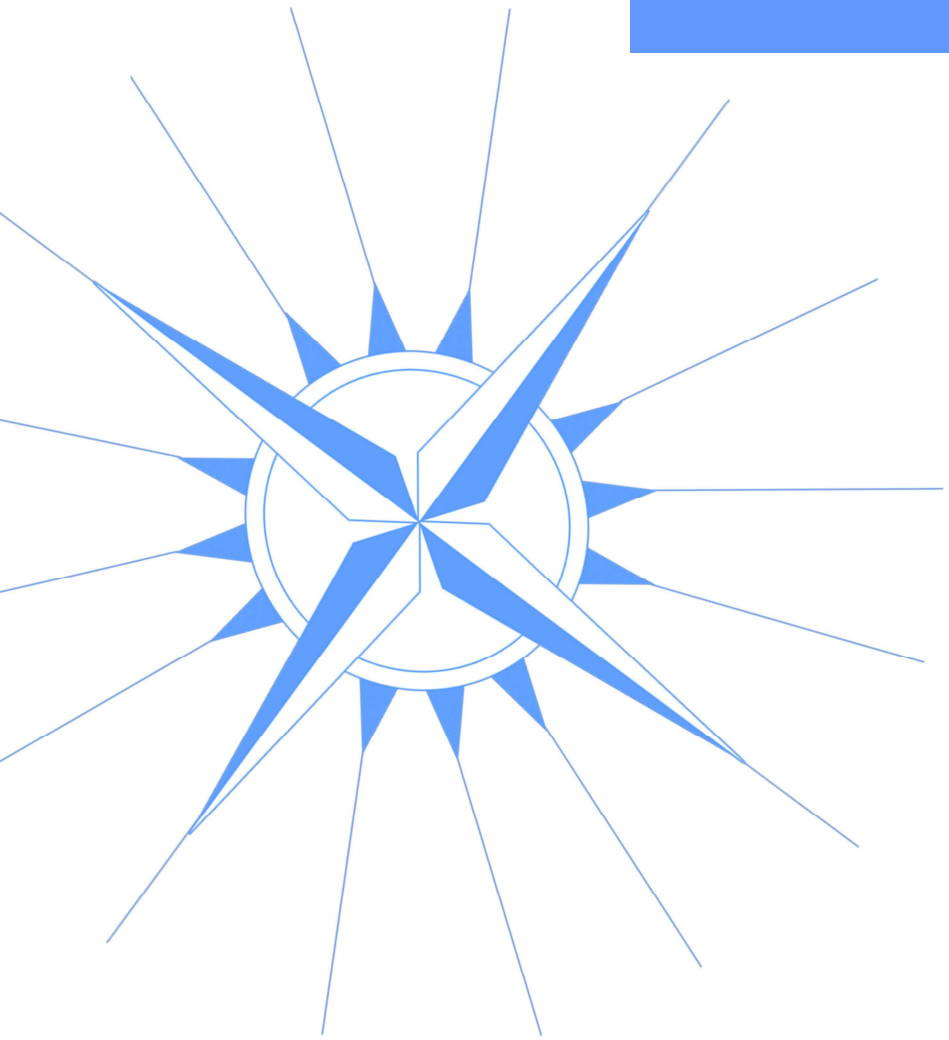
solutions for demanding business

ASSECO GROUP

Annual Report
for the year ended 31 December 2013



CONSOLIDATED FINANCIAL STATEMENTS OF ASSECO GROUP

for the year ended 31 December 2013
prepared in accordance with the International Financial Reporting Standards adopted by the EU

CONSOLIDATED FINANCIAL STATEMENTS

of Asseco Group for the year ended 31 December 2013

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CONSOLIDATED FINANCIAL STATEMENTS

of Asseco Group for the year ended 31 December 2013

These consolidated financial statements were approved for publication by the Management Board of Asseco Poland S.A. on 21 March 2014.

Management Board:

Adam Góral	President of the Management Board
Przemysław Borzestowski	Vice President of the Management Board
Andrzej Dopierała	Vice President of the Management Board
Tadeusz Dyrga	Vice President of the Management Board
Rafał Kozłowski	Vice President of the Management Board
Marek Panek	Vice President of the Management Board
Paweł Piwowar	Vice President of the Management Board
Zbigniew Pomianek	Vice President of the Management Board
Włodzimierz Serwiński	Vice President of the Management Board
Przemysław Sęczkowski	Vice President of the Management Board
Robert Smułkowski	Vice President of the Management Board

CONSOLIDATED INCOME STATEMENT

ASSECO GROUP

	Note	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Sales revenues	1	**5,898.1**	**5,529.1**
Cost of sales	1	**(4,443.4)**	**(4,051.7)**
Gross profit on sales		**1,454.7**	**1,477.4**
Selling costs	1	(387.5)	(399.3)
General administrative expenses	1	(453.7)	(434.3)
Net profit on sales		**613.5**	**643.8**
Other operating income	2	18.7	18.5
Other operating expenses	2	(21.7)	(10.5)
Operating profit		**610.5**	**651.8**
Financial income	3	221.0	88.2
Financial expenses	3	(79.5)	(75.4)
Pre-tax profit and share in profits of associates		**752.0**	**664.6**
Corporate income tax *(current and deferred tax expense)*	4	(115.1)	(110.0)
Share in profits of associates	12	2.1	3.2
Net profit for the reporting period		**639.0**	**557.8**
Attributable to:			
Shareholders of the Parent Company		**393.9**	**370.6**
Non-controlling interests		245.1	187.2
Consolidated earnings per share attributable to Shareholders of Asseco Poland S.A. (in PLN):			
Basic consolidated earnings per share from continuing operations for the reporting period	5	4.75	4.76
Diluted consolidated earnings per share from continuing operations for the reporting period	5	4.75	4.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

ASSECO GROUP

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Net profit for the reporting period	**639.0**	**557.8**
Other comprehensive income:		
Components that may be reclassified to profit or loss		
Net profit/loss on valuation of financial assets available for sale	0.6	0.1
Income tax relating to components of other comprehensive income	0.1	0.2
Exchange differences on translation of foreign operations	14.6	(322.8)
Components that will not be reclassified to profit or loss		
Amortization of intangible assets recognized directly in equity	(0.8)	(0.8)
Actuarial gains/losses	(3.7)	(1.9)
Income tax relating to components of other comprehensive income	0.9	-
Total other comprehensive income	**11.7**	**(325.2)**
TOTAL COMPREHENSIVE INCOME FOR THE REPORTING PERIOD	**650.7**	**232.6**
Attributable to:		
Shareholders of the Parent Company	407.1	259.6
Non-controlling interests	243.6	(27.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSECO GROUP

ASSETS	Note	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Non-current assets			
Property, plant and equipment	7	690.9	686.2
Intangible assets	8	869.7	937.9
Investment property	9	32.9	1.6
Goodwill	10	4,670.6	4,907.2
Investments in associates accounted for using the equity method	12	495.8	20.5
Long-term receivables	15	27.1	37.8
Deferred income tax assets	4	77.8	95.0
Long-term financial assets	13	50.2	81.3
Long-term prepayments and accrued income	14	31.4	27.7
		6,946.4	**6,795.2**
Current assets			
Inventories	17	95.9	77.2
Prepayments and accrued income	14	93.0	99.3
Trade receivables	15	1,155.1	1,182.2
Corporate income tax receivable	15	38.3	50.6
Receivables from the state and local budgets	15	20.1	16.6
Other receivables	15	388.5	319.4
Other non-financial assets		26.4	27.5
Financial assets	13	97.6	114.9
Cash and short-term deposits	18	756.4	959.9
		2,671.3	**2,847.6**
Non-current assets classified as held for sale	19	**22.7**	-
TOTAL ASSETS		**9,640.4**	**9,642.8**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSECO GROUP

EQUITY AND LIABILITIES	Note	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Equity ***(attributable to shareholders of the Parent Company)***			
Share capital	20	83.0	83.0
Share premium		4,180.1	4,180.1
Transactions with non-controlling interests		(71.5)	(45.9)
Exchange differences on translation of foreign operations		58.4	45.4
Retained earnings		674.1	524.8
Net profit for the reporting period attributable to shareholders of the Parent Company		393.9	370.1
		5,318.0	**5,157.5**
Non-controlling interests		**1,946.6**	**2,066.7**
Total equity		**7,264.6**	**7,224.2**
Non-current liabilities			
Interest-bearing bank loans, borrowings and debt securities	21	365.3	410.1
Long-term finance lease liabilities	22	129.2	138.5
Long-term financial liabilities	24	144.5	144.3
Deferred income tax liabilities	4	110.8	114.1
Long-term provisions	23	41.9	25.2
Long-term deferred income	26	62.7	63.1
Other long-term liabilities	25	2.0	1.3
		856.4	**896.6**
Current liabilities			
Interest-bearing bank loans, borrowings and debt securities	21	163.1	194.8
Finance lease liabilities	22	22.7	20.3
Financial liabilities	24	76.7	42.0
Trade payables	25	420.8	359.1
Corporate income tax payable	25	19.6	24.9
Liabilities to the state and local budgets	25	119.6	143.3
Other liabilities	25	251.4	234.4
Provisions	23	28.7	33.3
Deferred income	26	180.3	208.5
Accruals	26	236.5	261.4
		1,519.4	**1,522.0**
TOTAL LIABILITIES		**2,375.8**	**2,418.6**
TOTAL EQUITY AND LIABILITIES		**9,640.4**	**9,642.8**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ASSECO GROUP

	Share capital	Share premium	Transactions with non-controlling interests	Exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions
As at 1 January 2013 (audited)	**83.0**	**4,180.1**	**(45.9)**	**45.4**	**894.9**	**5,157.5**	**2,066.7**	**7,224.2**
Net profit for the reporting period	-	-	-	-	393.9	**393.9**	245.1	**639.0**
Total other comprehensive income for the reporting period			-	14.2	(1.0)	**13.2**	(1.5)	**11.7**
Dividends for the year 2012	-	-	-	-	(200.0)	**(200.0)**	(106.8)	**(306.8)**
Equity-settled employee payment transactions	-	-	-	-	-	**-**	16.9	**16.9**
Transactions with non-controlling interests (including settlement of contingent financial liabilities to non-controlling shareholders (put option))	-	-	(25.6)	-	-	**(25.6)**	(12.1)	**(37.7)**
Loss of control over subsidiaries				(1.2)	(19.8)	**(21.0)**	(270.1)	**(291.1)**
Obtaining control over subsidiaries	-	-	-	-	-	**-**	8.4	**8.4**
As at 31 December 2013 (audited)	**83.0**	**4,180.1**	**(71.5)**	**58.4**	**1,068.0**	**5,318.0**	**1,946.6**	**7,264.6**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

ASSECO GROUP (continued)

	Share capital	Share premium	Transactions with non-controlling interests	Exchange differences on translation of foreign operations	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions
As at 1 January 2012 (audited)	**77.6**	**3,951.1**	**(1.2)**	**138.6**	**695.2**	**4,861.3**	**2,191.6**	**7,052.9**
Net profit for the reporting period	-	-	-	-	370.1	**370.1**	185.8	**555.9**
Total other comprehensive income for the reporting period	-	-	-	(110.0)	(0.5)	**(110.5)**	(212.8)	**(323.3)**
Dividend for the year 2011	-	-	-	-	(169.9)	**(169.9)**	(95.1)	**(265.0)**
Issuance of series K shares	5.4	231.0	-	-	-	**236.4**	-	**236.4**
Cost of issuance of series K shares	-	(2.0)	-	-	-	**(2.0)**	-	**(2.0)**
Equity-settled employee payment transactions	-	-	-	-	-	-	24.8	**24.8**
Transactions with non-controlling interests (including settlement of contingent financial liabilities to non-controlling interests (put option)	-	-	(44.7)	16.8	-	**(27.9)**	(292.2)	**(320.1)**
Obtaining control over subsidiaries	-	-	-	-	-	-	264.6	**264.6**
As at 31 December 2012 (audited)	**83.0**	**4,180.1**	**(45.9)**	**45.4**	**894.9**	**5,157.5**	**2,066.7**	**7,224.2**

CONSOLIDATED STATEMENT OF CASH FLOWS

ASSECO GROUP

	Note	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Cash flows – operating activities			
Pre-tax profit from continuing operations and profit on discontinued operations		752.0	664.6
Total adjustments:		**126.0**	**182.4**
Depreciation and amortization	1	264.5	239.0
Changes in working capital	28	(6.2)	(67.0)
Interest income/expenses		20.5	2.9
Gain/loss on foreign exchange differences		7.0	(1.2)
Gain/loss on financial assets (valuation, disposal, impairment, etc.)		23.0	(20.4)
Other financial income/expenses	3	(193.4)	0.7
Gain/loss on disposal of property, plant and equipment and intangible assets	2	(2.6)	1.0
Gain on disposal of an organized part of enterprise	2	(7.0)	-
Costs of equity-settled employee payment transactions	1	16.9	24.8
Revaluation write-downs on intangible assets and property, plant and equipment	7, 8	2.0	4.9
Other pre-tax profit adjustments		1.3	(2.3)
Cash generated from operating activities		**878.0**	**847.0**
Corporate income tax paid		(125.6)	(167.4)
Net cash provided by (used in) operating activities		**752.4**	**679.6**
Cash flows – investing activities			
Disposal of property, plant and equipment and intangible assets		9.3	12.1
Acquisition of property, plant and equipment and intangible assets	28	(211.2)	(216.9)
Acquisition of investment property		(26.1)	-
Expenditures for the acquisition of subsidiaries and associates	28	(258.5)	(186.2)
Cash and cash equivalents in subsidiaries acquired	28	18.4	96.0
Disposal of shares in related companies		15.8	10.3
Cash and cash equivalents in subsidiaries disposed of	28	(92.8)	-
Disposal/settlement of financial assets carried at fair value through profit or loss		11.7	10.9
Acquisition/settlement of financial assets carried at fair value through profit or loss		(15.0)	(0.9)
Disposal of financial assets available for sale		2.3	8.8
Acquisition of financial assets available for sale		(1.1)	-
Disposal of financial assets held to maturity		3.4	6.7
Acquisition of financial assets held to maturity		-	(5.9)
Loans granted	28	(30.3)	(139.8)
Loans collected	28	71.0	130.3
Interest received		15.0	22.2
Dividends received		4.0	4.1
Other cash flows from investing activities		-	(0.1)
Net cash provided by (used in) investing activities		**(484.1)**	**(248.4)**

(continued)	Note	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Cash flows – financing activities			
Proceeds from transactions with non-controlling interests	28	9.7	4.7
Acquisition of non-controlling interests	28	(13.9)	(82.4)
Proceeds from bank loans and borrowings		110.7	221.0
Redemption of debt securities		(53.4)	(107.0)
Repayment of bank loans and borrowings		(151.5)	(102.1)
Finance lease liabilities paid		(21.7)	(20.5)
Interest paid		(35.9)	(32.2)
Dividends paid out	28	(307.9)	(290.4)
Grants received for purchases of property, plant and equipment and/or development projects		-	23.4
Other cash flows from financing activities		0.2	(4.4)
Net cash provided by (used in) financing activities		**(463.7)**	**(389.9)**
Net increase (decrease) in cash and cash equivalents		**(195.4)**	**41.3**
Net foreign exchange differences		(8.0)	(56.3)
Cash and cash equivalents as at 1 January		959.6	974.6
Cash and cash equivalents as at 31 December	18	**756.2**	**959.6**

SUPPLEMENTARY INFORMATION TO THE CONSOLIDATED FINANCIAL STATEMENTS

I. GENERAL INFORMATION

Asseco Group ("Asseco Group", the "Group") is a group of companies, whose Parent Company is Asseco Poland S.A. (the "Parent Company", "Company", "Issuer") with registered office at 14 Olchowa St., Rzeszów, Poland.

The Company was established on 18 January 1989 as a limited liability company and subsequently, under notary deed of 31 August 1993, it was transformed into and since then has operated as a joint-stock company with registered office at 72a, 17 Stycznia St., Warsaw, Poland. The Company is entered in the Register of Entrepreneurs of the National Court Register under the number KRS 0000033391 (previously it was entered in the Commercial Register maintained by the District Court of the Capital City of Warsaw, Commercial Court, XVI Commercial and Registration Department, under the number RHB 17220).

On 4 January 2007, the Issuer changed its name from Softbank S.A. to Asseco Poland S.A., and moved its registered office from 72a, 17 Stycznia St., Warsaw to 80 Armii Krajowej Av., Rzeszów. On 8 March 2010, the Issuer moved its registered office from 80 Armii Krajowej Av., Rzeszów to 14 Olchowa St., Rzeszów.

Since 1998, the Company's shares have been listed on the main market of the Warsaw Stock Exchange S.A. The Company has been assigned the statistical ID number REGON 010334578.

The period of the Company's operations is indefinite.

Asseco Poland S.A. is the largest IT company listed on the Warsaw Stock Exchange. The Company is also a major player in the European software producers market.

As a leader of the Group, Asseco Poland S.A. is actively engaged in business acquisitions both in the domestic and foreign markets, seeking to strengthen its position across Europe and worldwide. The Company is now expanding its investment spectrum for software houses, with an eye to gain knowledge of their local markets and customers, as well as access to innovative and unique IT solutions.

Our comprehensive offering includes products dedicated for the sectors of banking and finance, public administration, industry, trade, and services. The Group has got a wide-range portfolio of proprietary products, unique competence and experience in the execution of complex IT projects, and a broad customer base, including the largest financial institutions, major industrial enterprises as well as public administration bodies.

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

1. Basis for preparation

These consolidated financial statements were prepared in accordance with the historical cost convention, except for financial assets carried at fair value through profit or loss and financial assets available for sale which are also measured at fair value.

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

These consolidated financial statements were prepared on a going-concern basis, assuming the Group will continue its business operations over a period not shorter than 12 months from 31 December 2013. Till the date of approving these consolidated financial statements, we have not observed any circumstances that would threaten the Group companies' ability to continue as going concerns.

2. Compliance statement

These consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU IFRS").

As at the date of approving these financial statements for publication, given the ongoing process of implementation of IFRS standards in the EU as well as the nature of the Group's operations, within the scope of accounting policies applied by the Group, there are differences between IFRS and EU IFRS. The Company took advantage of the option, which is given to adopters of the International Financial Reporting Standards adopted by the EU, to apply the IFRS 10, IFRS 11, IFRS 12, and amended IAS 27 and IAS 28 only for annual periods beginning on or after 1 January 2014.

IFRS include standards and interpretations accepted by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee ("IFRIC").

Some of the Group companies maintain their accounting books in accordance with the accounting policies set forth in their respective local regulations. The consolidated financial statements may include adjustments not disclosed in the accounting books of the Group's entities which were introduced to adjust the financial statements of those entities to the IFRS.

3. Estimates

In the period of 12 months ended 31 December 2013, our approach to making estimates was not subject to any substantial change.

4. Professional judgement

Preparing consolidated financial statements in accordance with IFRS requires making estimates and assumptions which impact the data disclosed in such financial statements. Despite the estimates and assumptions have been adopted based on the Group's management best knowledge on the current activities and occurrences, the actual results may differ from those anticipated.

Presented below are the main areas which in the process of applying the accounting policies were subject to accounting estimates and the management's professional judgement, and whose estimates, if changed, could significantly affect the Group's future results.

i. Valuation of IT contracts and measurement of their completion

The Group executes a number of contracts for construction and implementation of information technology systems. Additionally, some of those contracts are denominated in foreign currencies. Valuation of IT contracts requires that future operating cash flows are determined in order to arrive at the fair value of income and expenses and to provide the fair value of the embedded currency derivatives, as well as it requires measurement of the progress of contract execution. The percentage of contract completion shall be measured as the relation of costs already incurred (provided such costs contribute to the progress of work) to the total costs planned, or as a portion of man-days worked out of the total work effort required.

Assumed future operating cash flows are not always consistent with the agreements with customers or suppliers due to modifications of IT projects implementation schedules. As at 31 December 2013, receivables arising from valuation of IT contracts amounted to PLN 170.2 million, while liabilities resulting from such valuation equalled PLN 38.1 million.

In case of contracts denominated in foreign currencies deemed to be functional currencies or

in case of contracts denominated in EUR (even if EUR is not a functional currency), embedded financial derivatives are not disclosed separately. In the Management's opinion, EUR should be regarded as a currency commonly used in contracts for the sale or purchase of IT systems and services. Revenues and expenses relating to such contracts are determined on the basis of spot exchange rates. In all the other cases embedded derivatives are separated from their host contracts. When an embedded instrument is separated, revenues resulting from the host contract are recognized at the embedded exchange rate; whereas, any foreign exchange differences between the exchange rate applied in the issued invoice and the embedded exchange rate are recognized as financial income or expense. As at 31 December 2013, no embedded instruments were separated from any effective agreements.

ii. Rates of depreciation and amortization

The level of depreciation and amortization rates is determined on the basis of anticipated period of useful economic life of the components of tangible and intangible assets. The Group verifies the adopted periods of useful life on an annual basis, taking into account the current estimates. In 2013 the rates of depreciation and amortization applied by the Group were not subject to any substantial modifications.

iii. Goodwill and intangible assets with indefinite useful life – impairment testing

In line with the Group's policy, every year as at 31 December, the Management Board of the Parent Company performs an annual impairment test on cash-generating units to which goodwill as well as intangible assets with an indefinite period of useful life have been allocated. Whereas, as at each interim balance sheet date, the Management Board of the Parent Company performs a review of possible indications of impairment of cash-generating units to which goodwill and/or intangible assets with indefinite useful life have been allocated. In the event such indications are identified, an impairment test should be carried out as at the interim balance sheet date.

Each impairment test requires making estimates of the value in use of cash-generating units or groups of cash-generating units to which goodwill and/or intangible assets with indefinite useful life have been allocated. The value in use is estimated by determining both the future cash flows expected to be achieved from the cash-generating unit or units and a discount rate to be subsequently used in order to calculate the net present value of those cash flows. Impairment tests that were carried out as at 31 December 2013 have been described in detail in explanatory note 11 to these consolidated financial statements.

iv. Liabilities to pay for the remaining shares in subsidiaries (put options)

As at 31 December 2013, the Group recognized liabilities resulting from future payments to non-controlling shareholders. Determination of the amounts payable under such liabilities required making estimates of future financial results of our subsidiaries. As at 31 December 2013, such liabilities amounted to PLN 158.2 million (see explanatory note 24 to these consolidated financial statements).

v. Liabilities for deferred contingent payments for controlling interests in subsidiaries

As at 31 December 2013, the Group recognized liabilities for deferred contingent payments for controlling interests in subsidiaries in the amount of PLN 55.3 million. Determination of the amounts payable under such liabilities required making estimates of future financial results of our subsidiaries (see explanatory note 24 to these consolidated financial statements).

vi. Classification of leasing agreements

The Group classifies its leasing contracts as operating or financial depending on whether substantially all the risks and rewards incidental to ownership of leased assets are retained by the lessor or transferred to the leaseholder. Such assessment is based on the economic substance of each leasing transaction.

5. Accounting policies applied

The accounting policies adopted in the preparation of these consolidated financial statements are coherent with those applied for the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for applying new or amended standards and interpretations effective for annual periods beginning on or after 1 January 2013:

- Amendments to IAS 19 *Employee Benefits* – effective for annual periods beginning on or after 1 January 2013. The IAS 19 amendments concerning defined benefit plans include: eliminating the use of the 'corridor' approach, imposing the requirement of immediate recognition of changes in defined benefit obligations and plan assets, immediate recognition of past service costs, recognition of actuarial gains and losses through other comprehensive income, and expanding the scope of disclosures. These amendments also modify the classification of short-term and long-term employee benefits. The application of these amendments resulted in the need to restate the comparable data.
- Amendments to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* – effective for annual periods beginning on or after 1 July 2012. These amendments concern the classification of items of other comprehensive income. Components of other comprehensive income that will be reclassified to profit or loss shall be disclosed separately from components that will not be reclassified to profit or loss. The Group has made retrospective changes to the presentation of other comprehensive income as disclosed in its financial statements. Adoption of these amendments affected neither the Group's financial position nor its comprehensive income.
- Amendments to IAS 12 *Income Taxes: Deferred Tax: Recovery of Underlying Assets* – effective for annual periods beginning on or after 1 January 2012 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2013. Adoption of these amendments did not affect the Group's financial position, financial performance, nor the scope of information presented in its financial statements.
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* – effective for annual periods beginning on or after 1 July 2011 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2013. Amendments to IFRS 1 did not apply to the Group's companies.
- IFRS 13 *Fair Value Measurement* – effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single framework for measuring fair value of both financial and non-financial assets and liabilities, where such measurement is required or permitted by other IFRSs. IFRS 13 does not include requirements on when fair value measurement is required. The provisions of IFRS 13 are applicable to determining fair value at initial recognition as well as subsequently to initial recognition. The standard requires new disclosures about the valuation techniques (approaches) and input information/data used for the determination of fair value, as well as about the impact of certain inputs on measuring fair value. Adoption of IFRS 13 did not affect the Group's financial position, financial performance, nor the scope of information presented in its financial statements.
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* – effective for annual periods beginning on or after 1 January 2013. This interpretation does not apply to the Group's companies.
- Amendments to IFRS 7 *Financial Instruments: Disclosures: Offsetting of Financial Assets and Financial Liabilities* – effective for annual periods beginning on or after 1 January 2013. These amendments require additional qualitative and quantitative disclosures about transfers of financial assets, where:
  - financial assets are derecognized in their entirety, but the entity's involvement in such assets is continued (e.g. through options or guarantees associated with the transferred assets);
  - financial assets are not derecognized in their entirety.

  Adoption of these amendments affected neither the Group's financial position nor its financial performance.
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards:*

Government Loans – effective for annual periods beginning on or after 1 January 2013. Amendments to IFRS 1 did not apply to the Group's companies.

- Amendments resulting from the annual review of IFRSs (published in May 2012) – effective for annual periods beginning on or after 1 January 2013:
  - IAS 1 – the amendment clarifies the difference between additional comparative data submitted voluntarily and the required minimum of comparative data;
  - IAS 16 – the amendment clarifies that main spare parts and servicing equipment that meet the definition of property, plant and equipment should not be classified as inventory;
  - IAS 32 – the amendment removes the existing requirements for recognition of taxes under IAS 32 and requires that income taxes resulting from distributions to holders of financial instruments should be accounted for in accordance with IAS 12;
  - IAS 34 – the amendment clarifies the requirements of IAS 34 relating to disclosures of the total values of assets and liabilities for each reportable segment in order to enhance consistency with the requirements under IFRS 8 Operating Segments. In accordance with this amendment, the total values of assets and liabilities of a reporting segment must be disclosed only if such values are regularly reported to the entity's chief operating decision maker, or if the total values of assets and liabilities of a reporting segment change substantially from those disclosed in the previous annual financial statements.

  Adoption of these amendments did not affect the Group's financial position, financial performance, nor the scope of information presented in its financial statements.

The Group did not decide on early adoption of any other standard, interpretation or amendment which has been published but has not yet become effective.

6. New standards and interpretations published but not in force yet

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

- The first phase of IFRS 9 *Financial Instruments: Classification and Measurement* as amended – entry into force has been delayed by the IASB without indicating the planned date of endorsement;
- IFRS 10 *Consolidated Financial Statements* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014. The Company has decided to apply this IFRS for annual periods beginning on or after 1 January 2014;
- IFRS 11 *Joint Arrangements* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014. The Company has decided to apply this IFRS for annual periods beginning on or after 1 January 2014;
- IFRS 12 *Disclosure of Interests in Other Entities* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014. The Company has decided to apply this IFRS for annual periods beginning on or after 1 January 2014;
- Amendments of IFRS 10, IFRS 11 and IFRS 12 *Transitional Provisions* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014;

- IAS 27 *Separate Financial Statements* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014. The Company has decided to apply the amended IAS for annual periods beginning on or after 1 January 2014;
- IAS 28 *Investments in Associates and Joint Ventures* – effective for annual periods beginning on or after 1 January 2013 – to be applied in the EU at the latest for annual periods beginning on or after 1 January 2014. The Company has decided to apply the amended IAS for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 32 *Financial Instruments: Presentation: Offsetting of Financial Assets and Financial Liabilities* – effective for annual periods beginning on or after 1 January 2014;
- Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities* (published on 31 October 2012) – effective for annual periods beginning on or after 1 January 2014 – not adopted by the EU till the date of approval of these financial statements;
- IFRIC 21 *Levies* – effective for annual periods beginning on or after 1 January 2014 – not adopted by the EU till the date of approval of these financial statements;
- Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* (issued on 29 May 2013) – effective for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* (issued on 27 June 2013) – effective for annual periods beginning on or after 1 January 2014;
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (issued on 21 November 2013) – effective for annual periods beginning on or after 1 January 2014 – not adopted by the EU till the date of approval of these financial statements;
- Amendments resulting from the annual improvements of IFRSs 2010-2012 – some amendments are effective for annual periods beginning on or after 1 July 2014, and some prospectively for transactions occurring on or after 1 July 2014 – not adopted by the EU till the date of approval of these financial statements;
- Amendments resulting from the annual improvements of IFRSs 2011-2013 – effective for annual periods beginning on or after 1 July 2014 – not adopted by the EU till the date of approval of these financial statements;
- IFRS 14 *Regulatory Deferral Accounts* – effective for annual periods beginning on or after 1 January 2016 – not adopted by the EU till the date of approval of these financial statements.

The Group is currently conducting an analysis of how the above-mentioned amendments are going to impact its consolidated financial statements.

7. Corrections of material errors

In the reporting period, no events occurred that would require making corrections of any material misstatements.

8. Changes in the presentation principles applied

In the reporting period, the applied principles of presentation were not subject to any change.

9. Change in the comparable data

In the period of 12 months ended 31 December 2013, the Group completed the process of allocation of the purchase price of Sigma Turkey (a subsidiary of Asseco South Eastern Europe) and CommIT Technology Solutions Ltd (a subsidiary of Magic Software Enterprises Ltd). The table below presents the changes that were introduced to the Group's balance sheet data as at 31 December 2012 as a result of the completed purchase price allocation process:

	Report for the year ended 31 Dec. 2012 (audited) PLN millions	Changes resulting from purchase price allocation as at 31 Dec. 2012 PLN millions	Restated balance sheet as at 31 Dec. 2012 (restated) PLN millions
Non-current assets	**6,791.8**	**3.4**	**6,795.2**
Intangible assets	936.7	1.2	937.9
Goodwill	4,905.0	2.2	4,907.2
Current assets	**2,847.6**	-	**2,847.6**
TOTAL ASSETS	**9,639.4**	**3.4**	**9,642.8**
Equity (attributable to shareholders of the Parent Company)	5,157.5		5,157.5
Non-controlling interests	2,067.1	(0.4)	2,066.7
Total equity	**7,224.6**	**(0.4)**	**7,224.2**
Non-current liabilities	893.4	3.2	896.6
Current liabilities	1,521.4	0.6	1,522.0
Total liabilities	**2,414.8**	**3.8**	**2,418.6**
TOTAL EQUITY AND LIABILITIES	**9,639.4**	**3.4**	**9,642.8**

As described above, amendments to IAS 19 *Employee Benefits* have been applicable to the Company's financial statements as of 1 January 2013. The IAS 19 amendments concerning defined benefit plans imposed the requirement of immediate recognition of changes in defined benefit obligations and plan assets, immediate recognition of past service costs, as well as recognition of actuarial gains and losses through other comprehensive income. As a result, the comparable data had to be restated because till 31 December 2012 the Company recognized all of its actuarial gains and losses in the income statement. The table below presents the changes that were introduced to the Group's consolidated income statement drawn up for the year ended 31 December 2012 due to the amendments of IAS 19:

	Report for the year ended 31 Dec. 2012 (audited) PLN millions	Changes resulting from amended IAS 19 PLN millions	Restated income statement for the year ended 31 Dec. 2012 (restated) PLN millions
Sales revenues	**5,529.1**	**-**	**5,529.1**
Cost of sales	(4,053.4)	1.7	(4,051.7)
Selling costs	(399.5)	0.2	(399.3)
General administrative expenses	(434.3)	-	(434.3)
Net profit on sales	**641.9**	**1.9**	**643.8**
Operating profit	**649.9**	**1.9**	**651.8**
Net profit for the reporting period	**555.9**	**1.9**	**557.8**
of which attributable to:			
Shareholders of the Parent Company	*370.1*	*0.5*	*370.6*
Non-controlling interests	*185.8*	*1.4*	*187.2*

III. SIGNIFICANT ACCOUNTING POLICIES

1. Consolidation rules

These consolidated financial statements include the financial statements of the Parent Company – Asseco Poland S.A. as well as financial statements of its subsidiaries in each case prepared for the year ended on 31 December 2013. Subsidiaries are entities in which the Group holds more than half of the votes at the general meeting of shareholders or is able to govern the financial and operating policy of such entities in any other way. Assessment whether the Group controls other entities is made considering the existence and influence of potential votes, which may be exercised at the general meeting of shareholders of such entities.

Annual financial statements and financial figures of subsidiaries are prepared for the same reporting period as in the case of the Parent Company, with the use of coherent accounting policies for similar transactions and economic activities. If needed, accounting policies of subsidiaries are modified in order to assure their compliance with the principles adopted by the Group. In order to determine any divergent accounting policies, adjustments have to be made.

Subsidiaries are consolidated for the period in which they were controlled by the Group (from the beginning of such control to its end). Should the Group lose control over a subsidiary company, the consolidated financial statements shall include the results of such subsidiary for the part of the year during which it was controlled by the Group. Acquisitions of subsidiaries are entered in the accounting books using the acquisition method.

Any changes in equity/voting interest in a subsidiary that do not result in a loss of control are accounted for as capital transactions. In such events, in order to reflect changes in the ownership of a respective subsidiary, the Group shall adjust the carrying amount of controlling interests and non-controlling interests. Any differences between the change in non-controlling interests and the fair value of consideration paid or received are recognized directly in equity (transactions with non-controlling interests) and attributed to the owners of the parent company.

Combinations of businesses under common control are accounted for by the Group by the pooling of interests method.

All balances of settlements and transactions between the Group companies, including unrealized profits resulting from transactions within the Group, are fully eliminated during the consolidation.

2. Investments in associates

Investments in associates are accounted for using the equity method. Associates are entities in which the Group holds between 20% and 50% of votes at the general meeting of shareholders and which remain under significant influence from the Group, however, without being controlled. Financial statements of associates, adjusted to compliance with the IFRS, constitute the basis for valuation of shares in these companies owned by the Group using the equity method. The balance sheet dates of associates correspond to those applied by the Group.

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

Investment in an associated company comprises goodwill created at the acquisition date. Should the Group's participation in losses of an associated company equal or exceed the investment value, the Group does not recognize any further losses unless it committed itself to settle the liabilities of or to make payments to such associated company.

3. Goodwill

Goodwill arising from the acquisition of an entity is initially recognized at purchase cost constituting the excess of:

- the consideration transferred,
- the amount of any non-controlling interest in the acquired entity; and
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquired entity.

over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

After initial recognition, goodwill is accounted for at purchase cost less any accumulated impairment charges. Goodwill is tested for impairment on an annual basis as at 31 December, or more frequently if there are indications to do so. Goodwill is not subject to amortization.

As at the acquisition date, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergy effects arising from a business combination. Each cash-generating unit or group of units to which the goodwill is so allocated shall:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment identified in accordance with IFRS 8 Operating Segments.

An impairment write-down is determined by estimating the recoverable value of a cash-generating unit to which goodwill has been allocated. In the event the recoverable value of a cash-generating unit is lower than its carrying amount, an impairment charge shall be recognized.

Such a write-down is recognized as a financial expense.

In the event a cash-generating unit contains goodwill and a part of business of this cash-generating unit is sold, goodwill related to the disposed business shall be included in its carrying amount for the purpose of determining a gain or loss on disposal of that business. In such circumstances the value of goodwill sold shall be measured as a proportion of the value of business disposed to the value of the cash-generating unit retained.

4. Participation in a joint venture

The Group's shares in joint ventures is accounted for under the proportionate consolidation method whereby a venturer's share in each of the assets, liabilities, income and expenses of a jointly controlled entity is combined line by line with similar items in the venturer's consolidated financial statements. Before the financial data of a joint venture are entered in the consolidated financial statements, they are subject to appropriate adjustments in order to bring such financial data to compliance with the IFRS as applied by the Group.

5. Treatment of non-controlling interest put options in the consolidated financial statements

An entity's contractual obligation to purchase equity instruments gives rise to a financial liability for the estimated present value of future payment, even if such purchase obligation is conditional on the counterparty's exercise of its contractual right to cause such redemption, e.g. in situation where non-controlling shareholders are entitled to put shares of a subsidiary to be purchased by the parent company. If the purchase agreement does not provide for a transfer to the parent company of any benefits incidental to the ownership of an equity instrument subject to a put option, then at each balance sheet date non-controlling interests (to which a portion of net profit attributable to non-controlling interests is still allocated) are reclassified as a financial liability, as if such puttable equity instrument was redeemed on that date. Changes in the amount of such reclassified items are recognized directly in equity of the Group.

If the purchase agreement provides for a transfer to the parent company of benefits incidental to the ownership of an equity instrument subject to a put option, then, at the date of obtaining control as well as at each subsequent balance sheet date, no non-controlling interests are recognized in respect of such puttable equity instruments. Thus, a business combination is accounted for as if the equity interest acquired by the parent company in a subsidiary included the equity interest subject to a put option already at the date of obtaining control. Liabilities under such put option are measured at fair value at each balance sheet date; whereas, any changes in such estimates are recognized in the income statement (financial income/expenses). The share of profit attributable to the equity interest subject to a put option is allocated to the parent company.

In the case of put options, which were granted under agreements concluded before 1 January 2010, changes in the excess of estimated liability over the value of puttable non-controlling interests which resulted after 1 January 2010 were recognized directly in equity. Whereas, the difference between the estimated liability under the put option and the value of non-controlling interests measured as at 31 December 2009 was recognized in goodwill, pursuant to the accounting policy applied by the Group at that date.

6. Combination of businesses under common control

A business combination involving business entities under common control is a business combination whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

This refers in particular to transactions such as a transfer of companies or ventures between individual companies within a capital group, or a merger of a parent company with its subsidiary.

The effects of combinations of businesses under common control are accounted for by the Group by the pooling of interests method.

7. Translation of items expressed in foreign currencies

The currency of measurement applied by the Parent Company as well as the reporting currency used in these consolidated financial statements is the Polish zloty (PLN). The functional currencies of the Group's foreign subsidiaries include: NIS (Israeli new shekel), EUR (euro), USD (American dollar), CZK (Czech koruna), RON (Romanian new leu), RSD (Serbian dinar), HRK (Croatian kuna), DKK (Danish krone), and LTL (Lithuanian litas).

Transactions denominated in foreign currencies are first recognized at the functional currency exchange rate of the transaction date. Assets and liabilities expressed in foreign currencies are converted at the functional currency exchange rate prevailing at the balance sheet date. Foreign currency non-cash items valued at historical cost are converted at the exchange rate as at the initial transaction date. Foreign currency non-cash items valued at fair value are converted using the exchange rate as of the date when such fair value is determined.

As at the balance sheet date, assets and liabilities denominated in currencies other than Polish zloty are translated to Polish zlotys at the mid exchange rates of such currencies as published by the National Bank of Poland and in effect on the last day of the reporting period. Foreign currency differences resulting from such translation are accounted for respectively as financial income (expenses) or in equity, but they may also be capitalized as assets in case it is provided for in the adopted accounting policies.

In the case of indirect foreign subsidiaries, the financial statements are translated from their functional currencies to Polish zlotys in several stages, meaning their functional currency figures are first converted to the functional currency of their immediate parent company (lower-level parent), and subsequently the consolidated financial statements of such lower-level parent are translated into the functional currency of its parent company.

8. Property, plant and equipment

Property, plant and equipment are disclosed at purchase cost or production cost decreased by accumulated depreciation and any impairment write-downs. The initial value of tangible assets corresponds to their purchase cost increased by expenditures related directly to the purchase and adaptation of such assets to their intended use. Such expenditures may also include the cost of spare parts to be replaced on machinery or equipment at the time when incurred, if the recognition criteria are met. Any costs incurred after a tangible asset is made available for use, such as maintenance or repair fees, are expensed in the income statement at the time when incurred.

At the time of purchase tangible assets are divided into components of significant value for which separate periods of useful life may be adopted. General overhaul expenses constitute a component of assets as well.

Such assets are depreciated using the straight-line method over their expected useful lives.

A tangible asset may be derecognized from the balance sheet after it is disposed of or when no economic benefits are expected from its further use. Any gains or losses resulting from derecognition of an asset from the balance sheet (measured as the difference between net proceeds from disposal of such asset and its carrying amount) are recognized in the income statement for the period when such derecognition is made.

Investments in progress relate to tangible assets under construction or during assembly and are recognized at purchase cost or production cost, decreased by any potential impairment write-downs. Tangible assets under construction are not depreciated until their construction is completed and they are made available for use.

9. Intangible assets

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

The period of useful life of an intangible asset shall be assessed and classified as definite or indefinite. Intangible assets with a definite period of useful life are amortized using the straight-line method over the expected useful life, and amortization charges are expensed adequately in the income statement.

Impairment tests shall be performed every year for intangible assets with an indefinite period of useful life and those which are no longer used. The remaining intangible assets shall be tested for impairment if there are indications of a possible impairment. Should the carrying amount exceed the estimated recoverable value (the higher of the following two amounts: net sales price or value in use), the value of these assets shall be reduced to the recoverable value.

Any gains or losses resulting from derecognition of an intangible asset from the balance sheet (measured as the difference between net proceeds from disposal of such asset and its carrying amount) are recognized as other operating income or expenses in the income statement at the time when such derecognition is made.

Internally generated intangible assets

The Company presents in separate categories the final products of development projects ("internally generated software") and the products which have not been finished yet ("costs of development projects in progress"). An intangible asset generated internally as a result of development work (or completion of the development phase of an internal project) may be recognized if, and only if, the Company is able to demonstrate:

- the technical feasibility of completing such intangible asset so that it would be available for use or sale;
- the intention to complete the construction of such intangible asset;
- the ability to use or sell such intangible asset;
- how such intangible asset is going to generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development work and to make the intangible asset ready for use or sale;
- its ability to measure reliably the expenditure for the development work attributable to such intangible asset.

The cost of an internally generated intangible asset is the sum of expenditures incurred from the date when the intangible asset first meets the above-mentioned recognition criteria. Expenditures previously recognized as expenses may not be capitalized. The cost of an internally generated intangible asset comprises directly attributable costs necessary to create, produce, and prepare that asset to be capable of operating in the manner intended by management. Such costs shall include:

- costs of benefits for employees who are directly involved in the generation of an intangible asset;
- all directly attributable costs necessary to create, produce, and adjust an intangible asset, including any legal title registration fees and amortization of patents and licenses that are used to generate such intangible asset;
- costs of materials and services that are used or consumed directly in generating an intangible asset;

- indirect costs that are directly attributable to the generation of an intangible asset, including depreciation of equipment used in the generation process as well as rental costs of any office space utilized by the work team.

The cost of an internally generated intangible asset shall not include:

- selling, administrative and other general overhead expenditures;
- clearly identified work inefficiencies and initial operating losses incurred before an intangible asset achieves planned performance; and
- expenditures on training staff to operate such intangible asset.

Until completion of the development work, accumulated costs directly attributable to such development work are disclosed as "costs of development projects in progress". Upon completion of the development work, the ready-made product of the development work is reclassified to the category of "Internally generated software" and from that time the Company begins to amortize such internally generated software. Costs of development work which satisfy the above-mentioned criteria are recognized at purchase cost less accumulated amortization and accumulated impairment write-downs. All the expenditures carried forward to future periods are subject to amortization over the estimated period in which the related undertaking generates sales revenues.

10. Government grants

Government grants are recognized if, and only if, there is reasonable assurance that a beneficiary company will comply with the conditions attached to such grants and that such grants will be received. A grant shall be accounted for using the same approach irrespective of whether it is received in cash or as a reduction of liabilities towards the government.

If a grant is related to a specific cost item, then it shall be recognized as income (or as a reduction of expense) proportionally to the costs that the grant is intended to compensate.

Whereas, if a grant is related to a specific asset, then its fair value is accounted for as deferred income which is afterwards systematically, by way of equal annual write-offs, recognized in the income statement over the estimated useful life of the related asset as a reduced depreciation expense.

11. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset, that requires substantial time to be prepared to its intended use or sale, shall be capitalized as part of such asset's purchase cost or production cost. Other borrowing costs shall be recognized as an expense in the period in which they are incurred. Borrowing costs include interest expense as well as foreign exchange gains or losses to the extent achievable by an adjustment of interest expense.

The Company capitalizes borrowing costs related to the assets whose production was initiated on 1 January 2009 or later.

12. Impairment of non-financial assets

At each balance sheet date, the Company determines whether there are any indications of impairment of non-financial fixed assets. In the event such indications occur, or when it is necessary to carry out an annual impairment test, the Company estimates the recoverable value of a given asset or cash-generating unit to which such asset has been allocated.

The recoverable value of an asset or cash-generating unit corresponds to the fair value of such asset or cash-generating unit less the costs necessary to make the sale of such asset or cash-generating unit, or to the value in use of such asset or cash-generating unit, whichever is higher. This recoverable value is measured for individual assets unless a given asset does not generate cash flows significantly independent from cash flows generated by other assets or groups of assets. Impairment takes place when the carrying amount of an asset is higher than its recoverable value, in which case such asset shall be written-down to the determined recoverable amount. In order to determine the value in use, estimated future cash flows shall be discounted to their present value by applying a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks related to the given asset. Impairment write-downs on assets used in continuing operations are recognized as operating expenses.

At each balance sheet date, the Company determines whether there are any indications for reversal or reduction of an impairment charge that was recognized on a given asset in the prior periods. If such indications exist, the Company needs to estimate the recoverable value of relevant asset. A formerly recognized impairment charge may be reversed only when, from the date of the last recognition of impairment, changes in the estimates applied for determination of the recoverable value of the relevant asset occurred. If this is the case, the carrying amount of such asset shall be increased to its recoverable value. The increased amount cannot exceed the given asset's book value (net of depreciation) that would be carried in case no impairment charge was recognized on such asset in the prior years. A reversal of an impairment charge shall be immediately recognized as a reduction of operating expenses. Following a reversal of an impairment write-down, the depreciation charges made on the relevant asset during subsequent financial periods shall be adjusted in such a way as to enable systematic depreciation of the asset's verified book value (net of residual value) over the remaining period of its useful life.

13. Financial assets

Financial assets are divided into the following categories:

- Financial assets held to maturity,
- Financial instruments valued at fair value through profit or loss,
- Loans and receivables,
- Financial assets available for sale.

Financial assets held to maturity are financial assets quoted on an active market that are not derivative instruments, have identified or identifiable payments and a fixed maturity date, which the Company intends and is able to hold till maturity, and are different from:

- financial assets designated at the initial recognition as carried at fair value through profit or loss,
- financial assets designated as available for sale,
- assets qualifying as loans and receivables.

Financial assets held to maturity are valued at amortized cost using the effective interest rate. Financial assets held to maturity shall be classified as fixed assets if their maturity exceeds 12 months from the balance sheet date.

Financial assets carried at fair value through profit or loss include assets that satisfy one of the following conditions:

- have been classified as assets held for trading. Financial assets are classified as held for trading if they are:
  - purchased for resale in short term (up to 3 months),
  - a part of the portfolio of specific financial instruments which are managed together, and which are likely to generate short-term gains,
  - derivative instruments, except for derivatives which are used as the elements of hedge accounting or financial guarantee contracts;
- have been classified in this category, in accordance with IAS 39, at the time of initial recognition.

Financial assets carried at fair value through profit or loss are measured at the market value of financial instruments as at the balance sheet date with no regard to any costs of their disposal transaction. Changes in the value of such financial instruments are recognized as financial income or expenses in the income statement. In the event a contract includes one or more embedded financial derivatives, the whole contract may be classified as a financial asset carried at fair value through profit or loss. This is not applicable where the embedded derivative instrument does not significantly modify the cash flows that otherwise would be required by the contract, or it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is prohibited. Financial assets may be initially recognized as assets carried at fair value through profit or loss provided the following criteria are met: (i) such qualification eliminates or substantially decreases any inconsistency in recognition or measurement (accounting mismatch); or (ii) such assets belong to the group of financial assets which are managed and evaluated on a fair value basis, according to a documented risk management strategy; or (iii) such assets contain embedded financial derivatives which should be recognized separately.

Loans and receivables are financial assets, not classified as derivative instruments, with identified or identifiable payments which are not quoted on an active market. They are recognized as current assets unless their maturity periods are longer than 12 months from the balance sheet date. Loans granted and receivables with maturity periods longer than 12 months from the balance sheet date are recognized as fixed assets.

Financial assets available for sale comprise financial assets which are not derivative instruments, and which have been designated as available for sale, or do not belong to any of the above three categories of financial assets. Financial assets available for sale are carried at fair value, increased by the transaction-related costs that are directly attributable to the acquisition or issuance of a financial asset. If financial instruments are not quoted on an active market and it is impossible to determine their fair value reliably with alternative methods, such financial assets available for sale shall be measured at purchase cost adjusted by impairment charges. Provided financial instruments have a market price determined in a regulated active market or it is possible to determine their fair value in other reliable way, any positive or negative differences between the fair value and purchase cost of such assets available for sale (after deducting any deferred tax liabilities) shall be recognized in other comprehensive income. A decrease in the value of assets available for sale, resulting from their impairment, shall be recognized as a financial expense.

Purchases or disposals of financial assets are recognized in the accounting books at the transaction date. At the initial recognition, financial assets are measured at fair value which, in case of assets not classified as carried at fair value through profit or loss, shall be increased by directly attributable transaction-related expenses.

A financial asset shall be derecognized from the balance sheet if the Group no longer controls the contractual rights arising from such financial instrument. This usually takes place when the instrument is sold or when all cash flows generated by that instrument are transferred to an independent third party.

14. Inventories

The Company distinguishes two categories of inventories: goods for resale, and service parts (spare parts and computer hardware that have been purchased for the purposes of maintenance service contracts).

At each balance sheet date, an ageing analysis of goods for resale is performed, providing rationale for making any write-downs subject to the following rules:

- 100% write-down on goods stored longer than 2 years,
- 50% write-down on goods stored between 1 and 2 years.

The initial value of service parts is expensed on a straight-line basis over the duration of the maintenance service contract, for which such parts have been purchased.

Every year the Company verifies whether the adopted principles for recognition of write-downs correspond to the actual impairment of its inventories.

Write-downs on inventories shall be recognized as operating expenses.

15. Prepayments and accrued income

Prepayments comprise expenses incurred before the balance sheet date that relate to future periods or to future revenues.

Prepayments may in particular include the following items:

- prepaid third-party services (inclusive of maintenance services) which shall be provided in future periods,
- rents paid in advance,
- advance payments of insurance and subscription fees,
- expenses incurred in relation to an issuance of shares, until such issuance is registered,
- any other expenses incurred in the current period, but related to future periods.

16. Trade receivables

Trade receivables are recognized and disclosed at the amounts initially invoiced, less any allowances for doubtful accounts. Receivables with remote payment terms are recognized at the present value of expected payments.

Allowances for doubtful receivables are estimated when it is no longer probable that the entire amount of original receivables will be collected. The amount of allowances represents the difference between the nominal amount of receivables and their recoverable value, which corresponds to the net present value of expected cash flows discounted using the interest rate applicable to similar debtors. Doubtful receivables are expensed as operating costs at the time when they are deemed uncollectible.

Receivables are revaluated taking into account the probabilities of their collection, by making allowances for:

- receivables from debtors who went into liquidation or bankruptcy – up to the amount receivable not covered by any guarantee or other collateral, reported to the liquidator or magistrate in bankruptcy proceedings;
- receivables from debtors in case the declaration of bankruptcy is dismissed and the debtor's assets are insufficient to satisfy the costs of bankruptcy proceedings – in full amount receivable;
- receivables disputed by debtors and past-due where, following an assessment of the debtor's property and financial condition, collection of full contractual amounts is unlikely – up to the amount receivable not covered by any guarantee or other collateral;
- receivables that constitute an increase of other receivables subject to prior impairment write-downs – in full amount receivable until they are received or written-off as uncollectible;
- past-due (or not yet due) receivables, where it is highly probable they will become uncollectible because of the type of business or structure of customers – in the amount of reliably measured or full allowance for doubtful receivables.

Furthermore, the minimum levels of allowances for receivables as recognized by the Company are:

- 100% in relation to receivables in litigation, unless the Management Board believes that obtaining a favourable judgment by the Company is almost certain;
- 100% in relation to receivables past-due over 12 months (from the payment deadline), taking into account any partial payments or arrangements made after the balance sheet date;
- 50% in relation to receivables past-due between 6 and 12 months (from the payment deadline), taking into account any partial payments or arrangements made after the balance sheet date.

When deciding on any allowances, the Group takes into consideration not only events that took place before the balance sheet date, but also later events that took place prior to the preparation of financial statements if such events are related to receivables carried in the books as at the balance sheet date. Every year the Company verifies whether the adopted principles for recognition of write-downs correspond to the actual impairment of its receivables.

Allowances for trade receivables are recognized as operating expenses. Allowances for other receivables are recognized as other operating expenses. Allowances for accrued interest receivable are recognized as financial expenses.

If the cause for recognition of an allowance is no longer valid, such allowance shall be reversed, in the whole amount or in appropriate portion, being recognized as an increase in the value of a relevant asset or as an adjustment to respective cost items.

17. Cash and cash equivalents

Cash and cash equivalents presented in the balance sheet consist of cash kept in banks and on hand by the Company, short-term bank deposits with maturities not exceeding 3 months, and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the consolidated statement of cash flows consists of the above-defined cash and cash equivalents. For the purposes of the statement of cash flows, the Group decided not to present bank overdraft facilities (used as an element of financing) nor restricted cash in the balance of cash and cash equivalents.

18. Interest-bearing bank loans and borrowings

All bank loans, borrowings and debt securities are initially recognized at their purchase cost, being the fair value of cash received net of any costs associated with obtaining a credit or loan, or with issuing a debt security.

Subsequently to such initial recognition, bank loans, borrowings and debt securities are measured at amortized purchase cost using the effective interest rate. Determination of the amortized purchase cost shall take into account the costs related to obtaining a credit or loan, or issuing a debt security, as well as the discounts or bonuses obtained on repayment of the liability.

The difference between the cash received (net of costs related to obtaining a credit or loan, or issuing a debt security) and the repayment amount shall be disclosed in the income statement over the term of such financing.

19. Leases

Finance lease agreements, under which substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the Company, are recognized in the balance sheet at the commencement of the lease term, at fair value of the leased tangible asset or at present value of the minimum lease payments, whichever is lower. Lease payments are allocated between the finance charge and the reduction of the outstanding lease liability so as to obtain a constant periodic rate of interest on the remaining balance of the liability.

Financial expenses are recognized in the income statement unless they are eligible for capitalization (both in 2013 and the comparable period, the Company did not capitalize any interest expenses incurred under finance lease agreements).

Property, plant and equipment used under finance lease agreements are subject to depreciation over their estimated useful life or the lease term, whichever is shorter. However, if the lease agreement provides that after its termination the leaseholder shall obtain ownership of the leased asset, then such an asset shall be depreciated over its estimated useful life, i.e. following the depreciation rules applicable to similar owned assets.

Lease agreements, whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset, are considered as operating lease. Leasing fees and instalments under operating lease are recognized as operating expenses in profit or loss on a straight-line basis over the lease term. The conditional leasing fees are expensed in the period when they become due.

20. Trade payables

Trade payables relating to operating activities are recognized and disclosed at the amounts due for payment, and are recognized in the reporting periods which they relate to.

21. Provisions

A provision should be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Company expects that the expenditure required to settle a provision is to be reimbursed, e.g. under an insurance contract, this reimbursement should be recognized as a separate asset. When, and only when, it is virtually certain that such reimbursement will be received, expenses relating to such provision shall be disclosed in the income statement, net of the amount of any reimbursements.

The Company recognizes provisions for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received therefrom.

Where the effect of the time value of money is material, the amount of a provision shall be determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks related to the liability. Where discounting method is used, the increase in a provision due to the passage of time is recognized as a financial expense.

22. Provision for warranty repairs

The provision for warranty repairs is created to cover anticipated future costs of warranty or service obligations resulting from the executed IT contracts. The costs of fulfilment of our warranty obligations comprise mainly labour costs (number of man-days multiplied by the standard rate) as well as the cost of goods, materials and third-party services used in performing such warranty obligations.

This provision is set aside in the cases where:

- the client has not signed any contract for maintenance services;
- the scope of the maintenance services contract does not fully cover all anticipated costs of the fulfilment of warranty obligations;
- the scope of the manufacturer's warranty for any equipment resold is narrower than the scope of warranty the Company is contractually committed to provide to its client.

The provision amount recognized at the balance sheet date shall be proportional to the progress of the IT contract execution.

Any costs associated with the provision of our warranty services shall be, when incurred, deducted from the previously created provision. At each balance sheet date, the Company verifies the amount of carried provision for warranty repairs. If the actual costs of warranty services or anticipated future costs are lower/higher than assumed at the time of initial recognition of a provision, such provision shall be decreased/increased accordingly to reflect the Company's current expectations in respect of fulfilment of its warranty obligations in future periods.

23. Revenues

The Company presents its revenues from sales of products and services only. Such presentation appropriately reflects the business profile of the Company that is engaged in the provision of comprehensive information technology solutions based on proprietary products. While recognizing revenues the following criteria are also taken into account:

- Sales revenues

Sales revenues are recognized if the amount of revenue can be measured reliably and if it is highly probable that economic benefits associated with the transaction will flow to the Company.

Should it be impossible to estimate reliably the amount of revenue from a service transaction, such revenue shall only be recognized in the amount of costs incurred which the Company expects to recover.

The company identifies the following types of revenues:

- Revenues from the sale of own software licenses and/or services,
- Revenues from the sale of third-party software licenses and/or services, and
- Revenues from the sale of hardware.

Revenues from the sale of own software licenses and/or services, which are supplied/rendered under an implementation contract, shall be recognized proportionally to the completion of the entire contract. The rules for recognition of revenues from implementation contracts are described below.

In the case of own software licenses and/or services, revenues are recognized in the period in which the Company expects to be required to provide such services to the client.

Revenues from the sale of third-party software licenses and/or services may be recognized as sales of goods or as sales of services, depending on the nature of the contract with the client.

In the case of third-party software licenses and/or services for which the significant risks and rewards of ownership are transferred to the buyer at the time of the sale, revenues are recognized as sales of goods, this is in a lump sum at the time of the sale, regardless of whether a third-party license and/or service is provided for a specified or unspecified period of time. The Company considers that significant risks are transferred to the buyer when, after the delivery of a license/service, the Company is not obligated to provide any additional and potentially costly benefits to the client.

In other cases, i.e. when the significant risks and rewards incidental to the ownership of a third-party license and/or service are not transferred to the buyer at the time of the sale, revenues are recognized as sales of services, this is over a period in which such services are performed and proportionally to the completion of the entire transaction.

Revenues from the sale of hardware are recognized as sales of goods, provided that the significant risks and rewards resulting from a contract have been transferred to the buyer and the amount of revenue can be measured reliably.

- Interest

Interest income shall be recognized on a time proportion basis (taking into account the effective yield, this is the interest rate which accurately discounts future cash flows during the estimated useful life of a financial instrument) on the net book value of a financial asset.

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

- Dividends

Dividends shall be recognized when the shareholders' right to receive payment is vested.

24. Revenues and costs related to the execution of implementation contracts

Revenues from implementation contracts shall include highly probable revenues resulting from the concluded contracts and/or orders, which can be measured reliably. Therefore, the pool of such revenues does not include any proceeds that are doubtful despite being determined in a signed contract (e.g., the Company anticipates that a client may decide to resign from a portion of contracted work).

Contract revenues include the following:

- revenues resulting from issued invoices,
- future revenues resulting from signed agreements and/or orders placed on the basis of framework agreements.

Contract costs include the following:

- costs of goods, materials and third-party services sold (COGS), and
- costs of internal resources being involved in the contract execution.

The costs of internal resources employed in the contract execution are calculated on the basis of actual workload (for ended periods) or estimated workload (for forecast periods), and appropriate standard (cost) rate covering the production costs.

The standard rate corresponds to the cost of man-hour (or man-day) of our own production resources calculated on the basis of production costs budgeted for a given year.

Valuation of implementation contracts

The purpose for valuation of an IT implementation contract is to determine the amount of revenues to be recognized in a given period. The Company performs such valuation using the percentage of completion method.

Should the percentage progress of incurred costs, decreased by expected losses and increased by profits included in the income statement, exceed the percentage progress of invoiced sales, the amount of uninvoiced sales resulting from such difference shall be disclosed as other receivables in the balance sheet, under "Receivables arising from valuation of IT contracts".

On the other hand, if the percentage progress of invoiced sales exceeds the percentage progress of costs incurred, decreased by expected losses and increased by profits included in the income statement, then future-related revenues resulting from such difference shall be disclosed as other liabilities, under "Liabilities arising from valuation of IT contracts".

In case of contracts denominated in foreign currencies deemed to be functional currencies or in case of contracts denominated in EUR (even if EUR is not a functional currency), embedded financial derivatives are not disclosed separately. In the Management's opinion, EUR should be regarded as a currency commonly used in Poland in contracts for the sale or purchase of IT systems and services. Revenues and expenses relating to such contracts are determined on the basis of spot exchange rates. In all the other cases embedded derivatives are separated from their host contracts. When an embedded instrument is separated, revenues resulting from the host contract are recognized at the embedded exchange rate; whereas, any foreign exchange differences between the exchange rate applied in the issued invoice and the embedded exchange rate are recognized as financial income or expense.

Loss generating contracts

Loss generating contract is a contract, under which total revenues are lower than total costs.

In the event it is highly probable that the total contract execution costs exceed the total contract revenues, the anticipated loss shall be recognized as cost in the reporting period in which it has been detected, by creating a provision for contractual losses.

The amount of such provision and/or its legitimacy are subject to verification at each subsequent reporting date, until the completion of the contract.

The amount of created provisions for losses shall be disclosed in other liabilities, under "Liabilities arising from valuation of IT contracts".

Methods for measuring the percentage of contract completion

In order to measure the progress of contract completion, the Company applies a variety of methods allowing to determine reliably the percentage of work executed under the contract. Depending on the contract nature, these methods may include:

- determination of the proportion of costs incurred for work performed up to the balance sheet date to the estimated total contract costs;
- measurement of work performed; or
- comparison of work performed as a physical proportion of total work under the contract.

The percentage of completion method is applied on a cumulative basis in each accounting period to the current estimates of contract revenues and contract costs. The effects of changes in estimates of contract revenues or contract costs are recognized in the period in which such changes occur.

Combining and segmenting of implementation contracts

Valuation is usually performed on single contracts or contracts with annexes thereto, if such annexes modify the main contract by extending or limiting the subject thereof. In the event an annex represents an additional order, going beyond the subject of the main contract, and the price of such order is determined without reference to the main contract price, such annex shall be valued separately.

When a contract covers a number of elements, the implementation of each element should be treated as a separate contract, only if the following conditions are jointly met:

- separate offers have been submitted for each of the identified elements;
- each element has been subject to separate negotiations; and
- the costs and revenues of each element can be identified – revenues must be specified in the contract and/or order.

Whereas, a group of contracts may be treated as a single contract, if the following conditions are jointly met:

- the group of contracts is negotiated as a single package;
- the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin; and
- the contracts are performed concurrently or in a continuous sequence.

25. Operating costs

The Company maintains cost accounting both by cost nature and by cost function. Cost of sales comprises the costs resulted directly from purchases of goods sold and generation of services sold. Selling costs include the costs of distribution, marketing and sponsoring activities. General administrative expenses include the costs of the Company's management and administration activities.

26. Income tax and value added tax

For the purpose of financial reporting, deferred income tax is calculated applying the balance sheet liability method to all temporary differences that exist, at the balance sheet date, between the tax base of an asset or liability and its carrying amount disclosed in the financial statements. Deferred income tax liabilities are recognized in relation to all positive temporary differences – except for situations when a deferred tax liability arises from initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss, as well as in relation to positive temporary differences arising from investments in subsidiaries or associates or from interests in joint ventures – except for situations when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized in relation to all negative temporary differences, as well as unutilized deferred tax assets or unutilized tax losses carried forward to subsequent years, in such amount that it is probable that future taxable income will be sufficient to allow the above-mentioned temporary differences, assets or losses to be utilized. This does not apply to situations when deferred tax assets related to negative temporary differences arise from initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss. In relation to negative temporary differences arising from investments in subsidiaries or associates or from interests in joint ventures, deferred tax assets are recognized in the balance sheet in such amount only that it is probable that the above-mentioned temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences.

The carrying amount of an individual deferred tax asset shall be verified at every balance sheet date and shall be adequately decreased or increased in order to reflect any changes in the estimates of achieving taxable profit sufficient to utilize such deferred tax asset partially or entirely.

Deferred tax assets and deferred tax liabilities shall be valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax liability is reversed, based on the tax rates (and tax regulations) legally or factually in force at the balance sheet date.

Income tax relating to items that are directly recognized in equity shall be disclosed under equity and not in the income statement.

Revenues, expenses and assets shall be disclosed in the amounts excluding value added tax unless:

- value added tax paid at the purchase of goods or services is not recoverable from tax authorities; in such event the value added tax paid shall be recognized as a part of the purchase cost of an asset or as an expense, and
- receivables and liabilities are presented including value added tax.

Net amount of value added tax which is recoverable from or payable to tax authorities shall be included in the balance sheet as a part of receivables or liabilities.

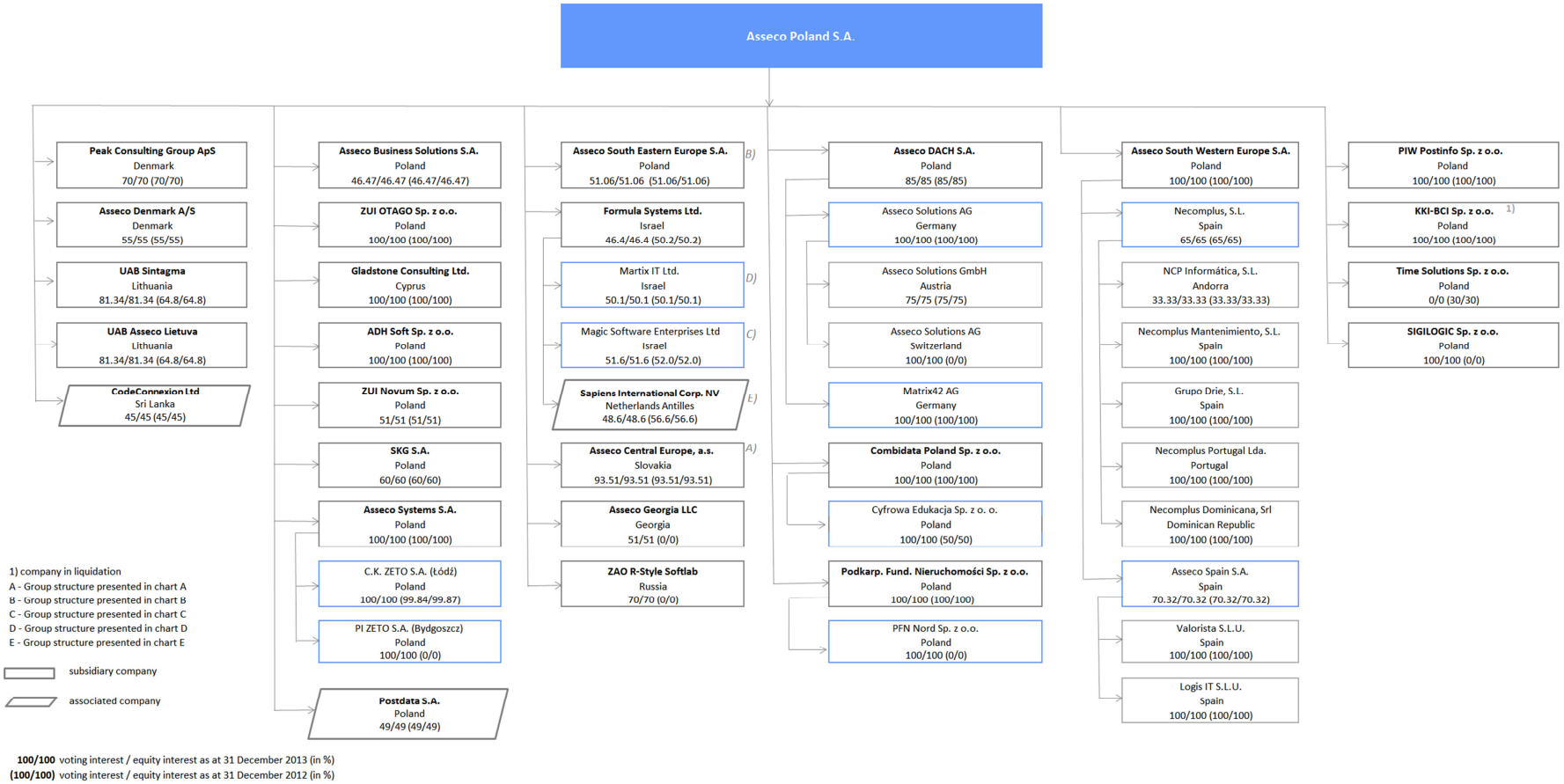
27. Earnings per share (basic and diluted)

Basic earnings per share attributable to shareholders of the Parent Company for each reporting period shall be computed by dividing the net profit from continuing operations for the reporting period by the weighted average number of shares outstanding in that period.

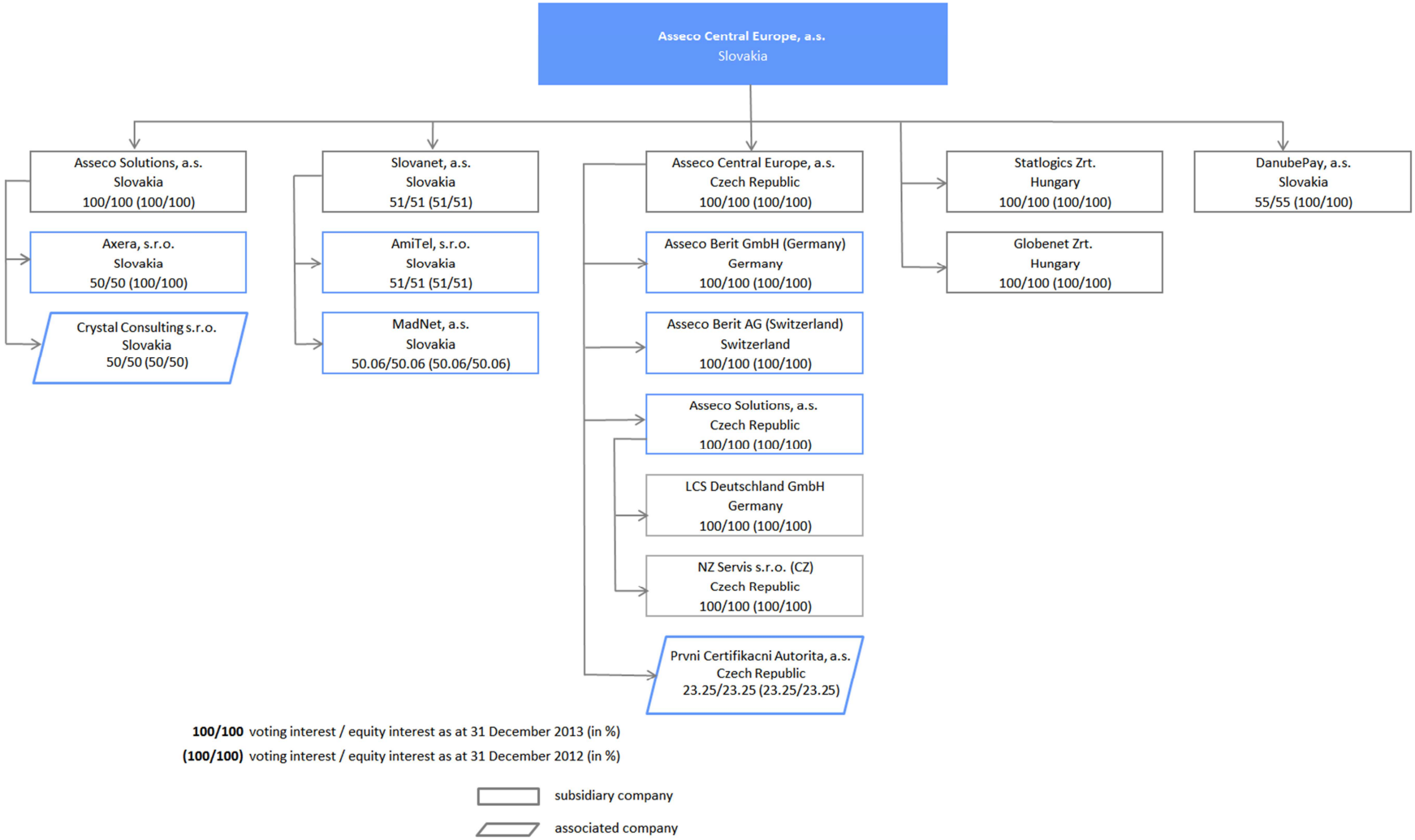
Diluted earnings per share attributable to shareholders of the Parent Company for each reporting period shall be calculated by dividing the net profit from continuing operations for the reporting period by the total of weighted average number of shares outstanding in that period and all shares from potential new issuances.

IV. ORGANIZATION AND CHANGES IN ASSECO GROUP STRUCTURE, INCLUDING INDICATION OF ENTITIES SUBJECT TO CONSOLIDATION

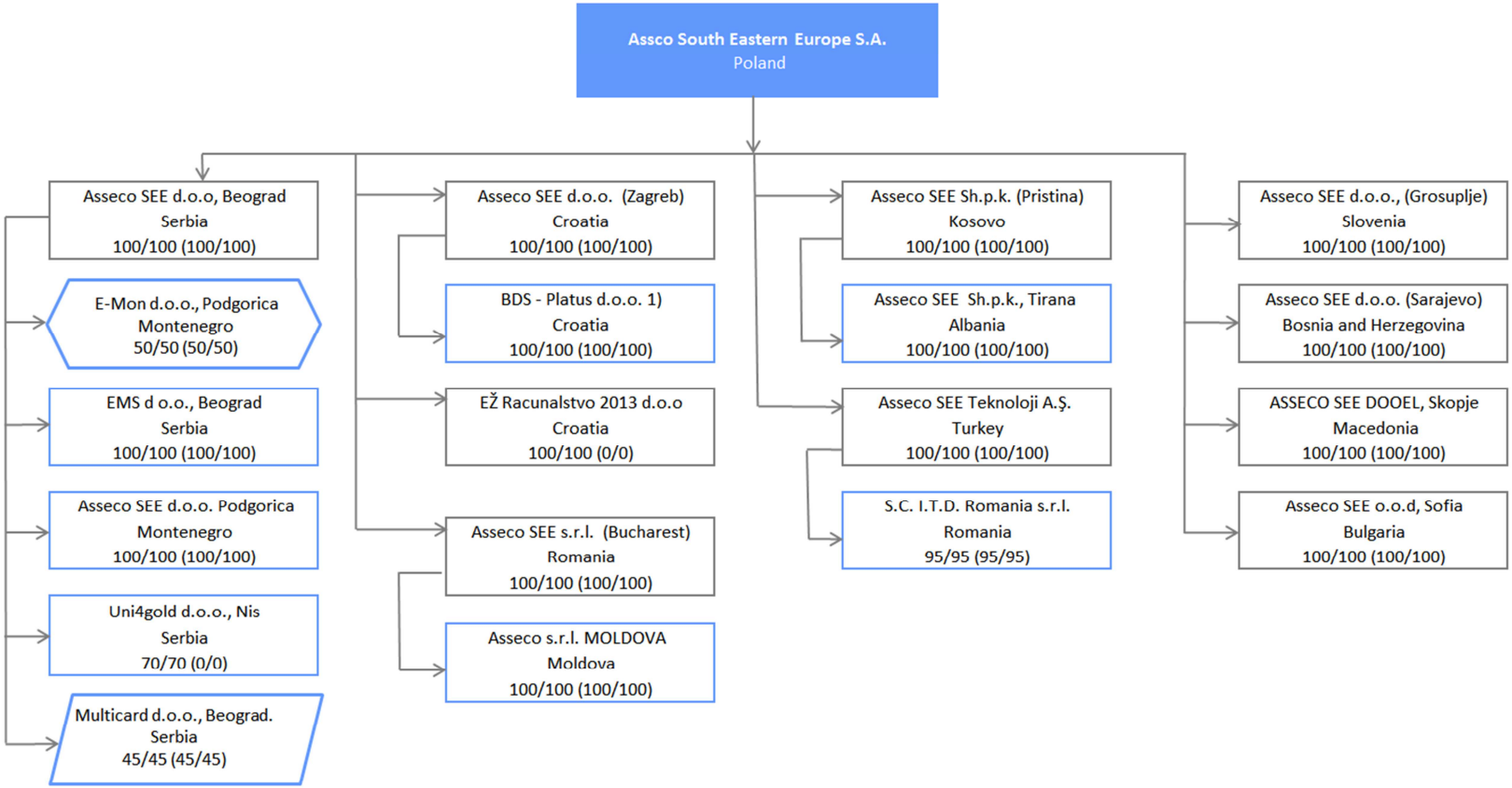
The chart below presents the organizational structure of Asseco Group as at 31 December 2013 and in the comparable period:



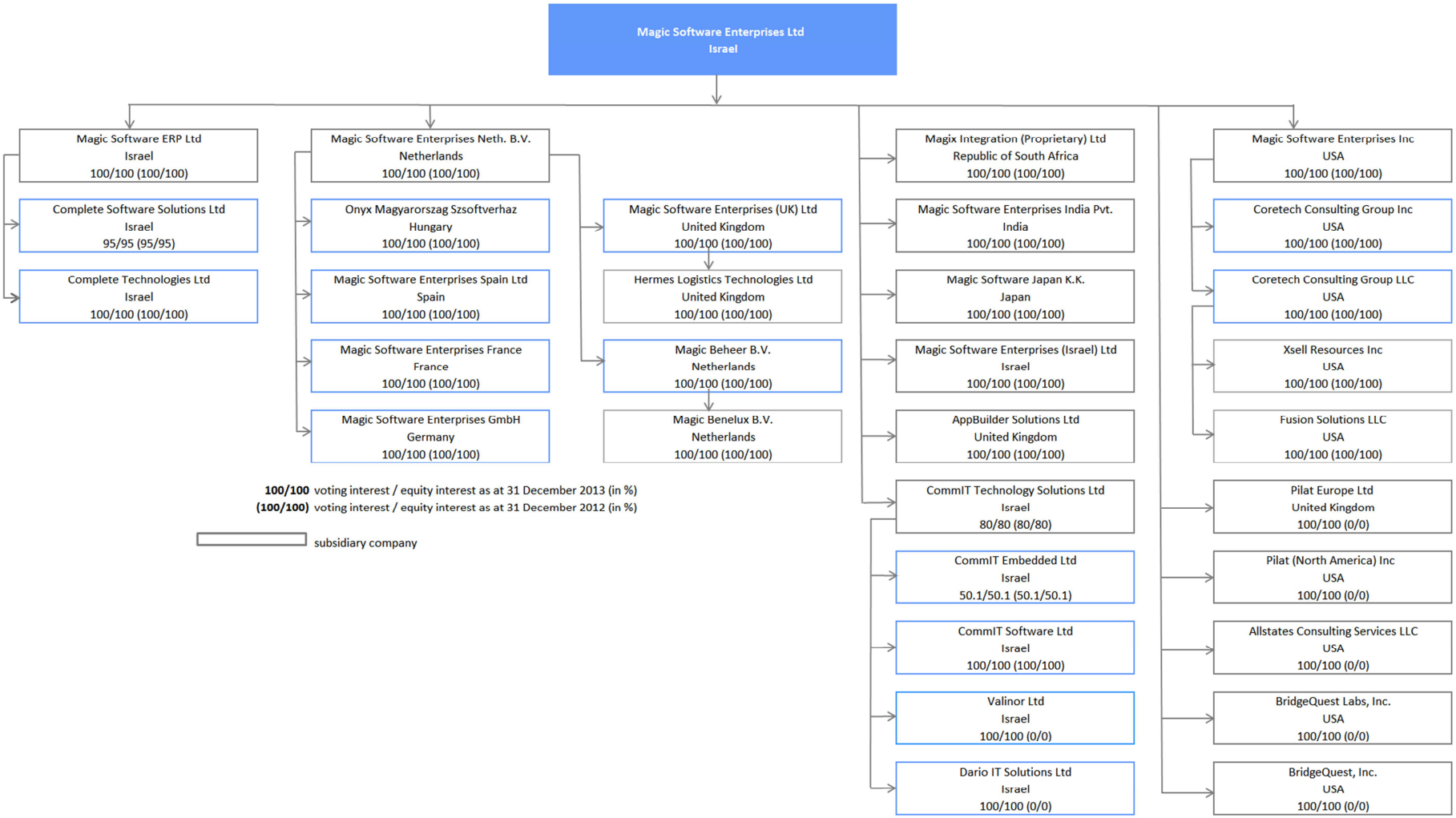
A. Organizational structure of Asseco Central Europe Group



B. Organizational structure of Asseco South Eastern Europe Group



C. Organizational structure of Magic Software Enterprises Group



D. Organizational structure of Matrix IT Group

Matrix IT Ltd
Israel

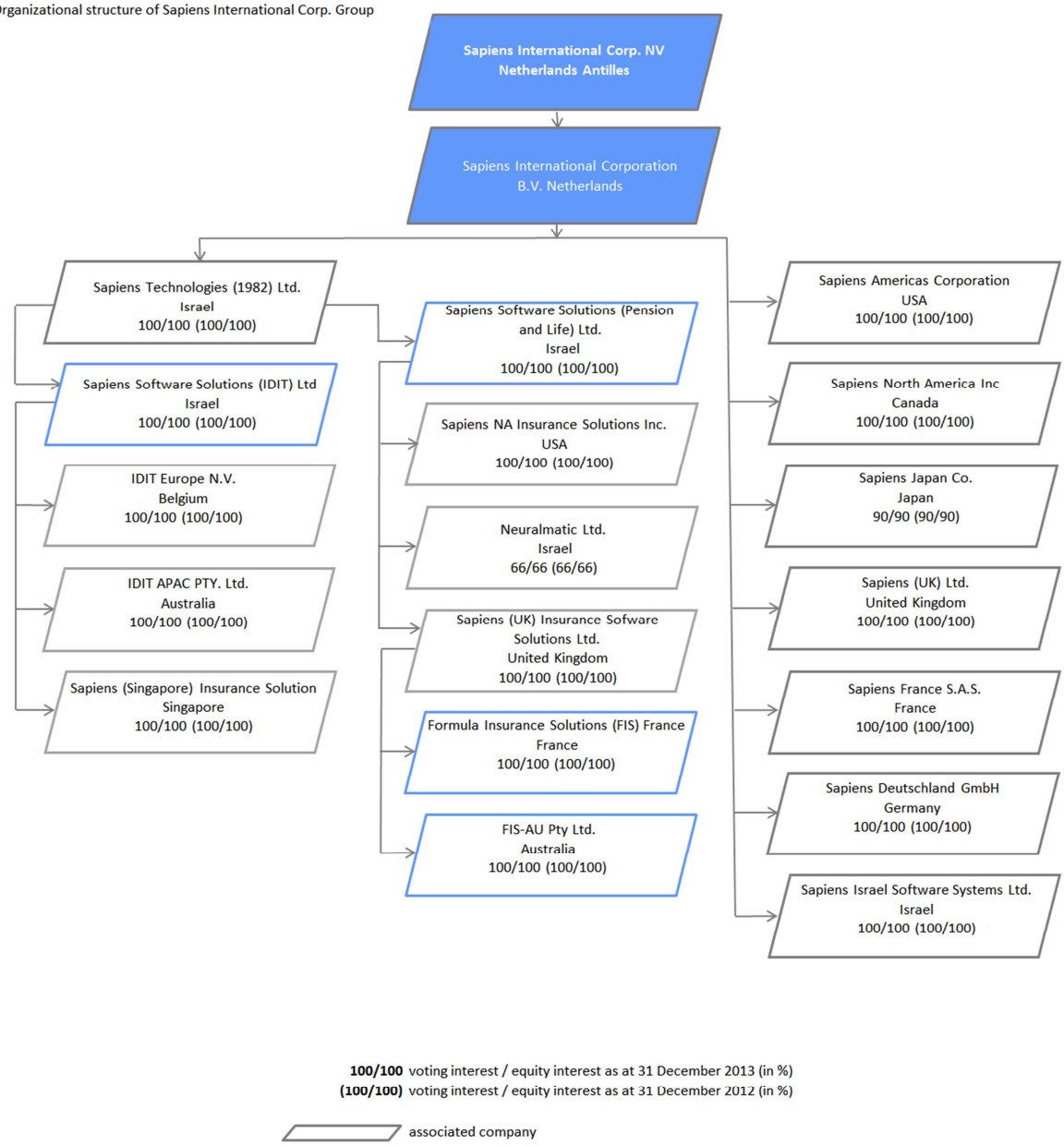
Tikshuv Systems In Education (Shacham) Ltd Israel 100/100 (100/100)	Matrix IT Business System Ltd Israel 100/100 (100/100)	Net-shore Ltd Israel 100/100 (100/100)	Matrix IT Global Services Ltd Israel 100/100 (100/100)	Hoshva Ltd Israel 100/100 (100/100)	Matrix IT Global services Bulgaria Bulgaria 100/100 (100/100)	2Bsecure Ltd Israel 100/100 (100/100)
Matrix IT Systems Devlopment & Integration Israel 100/100 (100/100)	A Soft Ltd Israel 100/100 (100/100)	Matrix IT Training Ltd Israel 100/100 (100/100)	Comprise Tecnologies Lts Israel 100/100 (100/100)	Link 2B Ltd* Israel 100/100 (100/100)	Xtivia Technologies Inc USA 100/100 (100/100)	2Bsecure USA Inc USA 100/100 (100/100)
Matrix IT Infrastructures And Communications Israel 100/100 (100/100)	Matrix IT Software Products Ltd Israel 100/100 (100/100)	IQ SOFT John Bryce Ltd Hungary 100/100 (100/100)	John Bryce Training Ltd Israel 100/100 (100/100)	Matrix IT Storage Software Ltd Israel 100/100 (100/100)	Matrix IT Telecom Solutions Ltd Israel 100/100 (100/100)	2BNet Ltd Israel 100/100 (100/100)
Hi-Tech Colleage Technology Training Ltd Israel 100/100 (100/100)	Sintec Advanced Technologies Israel 100/100 (100/100)	Tangram Soft Ltd Israel 100/100 (100/100)	Matrix IT Software Industries Israel 100/100 (100/100)	Effect Advanced Solutions Ltd Israel 100/100 (100/100)	K.B.I.S Ltd Israel 51/51 (51/51)	Cyber box Ltd Israel 70/70 (70/70)
Hi-Tech Mediatech Colleage (2002) Ltd Israel 100/100 (100/100)	Matrix IT Systems Ltd Israel 100/100 (100/100)	Tact System Testware Ltd Israel 100/100 (100/100)	John Bryce Projects Ltd Israel 100/100 (100/100)	Elon Software Systems Ltd* Israel 100/100 (100/100)	Matrix IT E.R.P Solutions Ltd Israel 100/100 (100/100)	Matrix Global China China 100/100 (0/0)
Matrix IT System Management Ltd Israel 100/100 (100/100)	Matrix IT Software Services Ltd Israel 100/100 (100/100)	Sigma Knowledge Inc. USA 100/100 (100/100)	Bashan Computer Systems Ltd Israel 100/100 (100/100)	Matrix IT InterSystems Lts Israel 100/100 (100/100)	JBT Cyprusus Cyprus 85/85 (85/85)	Exzac UK Ltd United Kingdom 100/100 (0/0)
Aluna Information Technologies Ltd Israel 100/100 (51/51)	Matrix IT Computer Solutions Ltd Israel 100/100 (100/100)	Tact Computer & Systems Ltd Israel 100/100 (100/100)	Blue Education Ltd Israel 100/100 (100/100)	Matrix IT Products & Services Ltd Israel 100/100 (100/100)	Highview Ltd Israel 100/100 (100/100)	Strategic Sales Systems Inc USA 100/100 (100/100)
Sintec Software Solutions (1996) Ltd * Israel 100/100 (100/100)	Sibam Ltd Israel 100/100 (100/100)	Heliogram Ltd Israel 100/100 (100/100)	Net Brayce Ltd Israel 100/100 (100/100)	Matrix IT Technologies (1997) Israel 100/100 (100/100)	Beyond Ltd Israel 100/100 (100/100)	
Matrix IT Medical Solutions Ltd Israel 100/100 (100/100)	Matrix J Rap Ltd Israel 100/100 (100/100)	Comsoft Export Ltd Israel 100/100 (100/100)	Forsoft ERP Consulting Ltd Israel 100/100 (100/100)	Tiltan Systems Engineering Ltd Israel 36/36 (36/36)	Supra Ltd Israel 100/100 (100/100)	
Matrix IT Integration & Infrastructures Ltd Israel 100/100 (100/100)	Atreyu Peripheral Infr.s Ltd Israel 100/100 (100/100)	Wincom Tchnologies Ltd* Israel 100/100 (100/100)	ROR System Implementation Israel 100/100 (100/100)	Novelia Ltd Israel 100/100 (100/100)	Matrix IT Global Services Macedonia DOOEL Macedonia 100/100 (100/100)	
Matrix IT Infrastr. And Comm. (1986) Ltd Israel 100/100 (100/100)	Matrix Travel Solutions Ltd Israel 100/100 (100/100)	Matrix IT Software Export Ltd " Israel 100/100 (100/100)	Forsoft Export Ltd * Israel 100/100 (100/100)	The Israel Management Center Israel 100/100 (100/100)	Connect: The Knowledge Network Corp. USA 100/100 (100/100)	
Matrix IT Multimedia Solutions Ltd Israel 100/100 (100/100)	Matrix IT Advanced Inf. System Ltd Israel 100/100 (100/100)	Blue IT Ltd Israel 100/100 (100/100)	Sivan.com Ltd Israel 100/100 (100/100)	Matchpoint IT Ltd Israel 75/75 (75/75)	Exzac Inc. USA 80/80 (80/80)	
Periscope Enterpr. And Managment Ltd Israel 100/100 (100/100)	Matrix IT Holdings Ltd Israel 100/100 (100/100)	Sinfor Blue Ltd * Israel 100/100 (100/100)	Doby Ofier Industrial Design Ltd Israel 100/100 (100/100)	Babcom Ltd Israel 50.1/50.1 (50.1/50.1)	Exzac HK Ltd Hong Kong 100/100 (100/100)	
Minix Systems & Communications Ltd Israel 100/100 (100/100)	Matrix BI Ltd Israel 60/60 (60/60)		Netwise Applications Ltd Israel 100/100 (100/100)			

100/100 voting interest / equity interest as at 31 December 2013 (in %)
(100/100) voting interest / equity interest as at 31 December 2012 (in %)

subsidiary company
associated company

* spółka zlikwidowana
" inactive company

E. Organizational structure of Sapiens International Corp. Group



100/100 voting interest / equity interest as at 31 December 2013 (in %)
(100/100) voting interest / equity interest as at 31 December 2012 (in %)

associated company

The Parent Company maintains control over Formula Systems (1985) Ltd. despite holding less than 50% of its shares (i.e. 46.36% as at 31 December 2013) due to the specific stock option plan provisions pertaining to voting rights attached to shares awarded to the CEO of Formula Systems under its employee stock option plan, as described in explanatory note 1 to these financial statements.

The Parent Company maintains control over Asseco Business Solutions S.A. despite holding less than 50% of its shares (i.e. 46.47% as at 31 December 2013) because, according to the articles of association of Asseco Business Solutions S.A., 3 out of the total 5 members of the Supervisory Board of that subsidiary are appointed by Asseco Poland S.A.

The Group holds shares in the companies of Bielpolsoft j.v. and Soft Technologies which were excluded from these consolidated financial statements because Asseco Group has no influence upon them whatsoever.

During the period of 12 months ended 31 December 2013, the following changes in the Group composition were observed:

Asseco Poland

Acquisition of shares in Przedsiębiorstwo Informatyki Zeto Bydgoszcz S.A.

On 15 February 2013, Asseco Systems S.A. (a subsidiary of Asseco Poland S.A.) acquired 2,936 shares in Przedsiębiorstwo Informatyki Zeto Bydgoszcz S.A. based in Bydgoszcz, Poland. The acquired shares represent 100% of the share capital of Zeto Bydgoszcz and carry 100% of voting rights at the general meeting of that company. This transaction has been described in more detail in explanatory note 10 to these consolidated financial statements.

Disposal of shares in Time Solutions sp. z o.o.

On 5 June 2013, Asseco Poland signed an agreement to sell all of its 30 shares in the company of Time Solutions. This transaction had no significant impact on these consolidated financial statements.

Acquisition of shares in Onyx Consulting LLC

On 21 June 2013, Asseco Poland signed an agreement to acquire 51% of shares in the company of Onyx Consulting LLC for the price of USD 200 thousand. Concurrently, Asseco signed another agreement under which it paid in USD 1,300 thousand for increasing the share capital of Onyx. Following both the transactions, our total investment in Onyx reached PLN 4.9 million. On 9 August 2013, this subsidiary was renamed as Asseco Georgia LLC.

Asseco Georgia was established in 2008. It is a provider of consulting and system implementation services for the banking and insurance industry companies as well as for the public administration. The company's operations are well diversified and include competence in software development, offering of proprietary ERP and CRM systems, solutions for insurance companies, software for schools and stores, as well as consulting services and implementation of third-party products. Asseco Georgia is one of the largest consulting firms in the Georgian IT market.

This transaction had no significant impact on these consolidated financial statements.

Change in Asseco Poland's equity interest in Formula Systems (1985) Ltd.

On 3 June 2013, Mr. Guy Bernstein, CEO of Formula Systems (1985) Ltd., exercised all of his 1,122,782 options for shares in Formula Systems that he had been granted under the employee stock option plan.

This transaction has been described in more detail in explanatory note 1 to these consolidated financial statements.

Acquisition of shares in ZAO R-Style Softlab

On 2 July 2013, Asseco Poland S.A. acquired a 70% stake in the company ZAO R-Style Softlab based in Moscow, Russia. The shares were purchased from the company Eransor Finance Limited, registered in Nicosia, Cyprus.

The total transaction cost amounted to USD 28 million. In addition, under the R-Style Softlab shares acquisition agreement, both the parties (i.e. non-controlling shareholders and Asseco Poland S.A.) have been granted put or call options, respectively, for all the remaining non-controlling interests. These options may be exercised within a period of seven months from 1 May 2016, and their exercise price shall

depend on financial results achieved by R-Style Softlab for the years 2013-2015.

R-Style Softlab is a Russian producer of software for the sector of banking and finance. It is an undisputed leader in the market, taking into account the number of its active clients (more than 400 companies operating mainly in Russia, Kazakhstan, Belarus, Uzbekistan, and Ukraine).

R-Style Softlab is headquartered in Moscow and has branches located in Bryansk, Vologda, Almaty, and Kiev. The company employs over 700 professionals and the quality of its services has been certified for compliance with the ISO 9001:2008 standard.

This transaction has been described in more detail in explanatory note 10 to these consolidated financial statements.

Establishing of the company PFN Nord Sp. z o.o.

On 26 September 2013, the company of PFN Nord Sp. z o.o. was established by our subsidiary Combidata Poland Sp. z o.o. acquiring a 90% stake, and PFN Sp. z o.o. acquiring the remaining 10% of shares. Subsequently, on 18 October 2013, Combidata sold all of its shares in PFN Nord to PFN Sp. z o.o.

The company's equity amounts to PLN 1.9 million.

This transaction had no significant impact on these consolidated financial statements.

Acquisition of shares in UAB Sintagma and UAB Asseco Lietuva

In late September and October 2013, Asseco Poland S.A. acquired a 32.14% stake in UAB Sintagma as well as a 32.14% stake in UAB Asseco Lietuva. The total purchase price was PLN 8.7 million. This transaction constituted a partial exercise of put options granted to non-controlling shareholders under the agreement for the acquisition of controlling interests in those subsidiaries which was concluded in September 2007. In accordance with that agreement, these options expired on 31 October 2013.

Having exercised their put options, some shareholders repurchased 15.6% of shares in UAB Sintagma and UAB Asseco Lietuva. Concurrently, Asseco Poland S.A. granted a new put option to shareholders, who did not exercise their put options in full, which shall be effective till 31 December 2018. The option exercise price was determined using the same formula as in the agreement of 2007.

As a result of the above-mentioned transactions, the equity and voting interest held by Asseco Poland in UAB Sintagma and UAB Asseco Lietuva increased from 64.8% to 81.34%. As at 31 December 2013, another stake of 3.06% shares is puttable by non-controlling shareholders.

The said transaction was accounted for as a transaction with non-controlling interests, hence it was recognized directly in the Group's consolidated equity.

Establishing of SIGILOGIC Sp. z o.o.

On 20 November 2013, the Parent Company established a company called SIGILOGIC Sp. z o.o. with a share capital of PLN 5.0 thousand. This transaction had no significant impact on these consolidated financial statements.

Merger of Combidata Poland sp. z o.o. and Profirma sp. z o.o.

On 21 November 2013, the General Meeting of Shareholders of Combidata Poland Sp. z.o.o. passed a resolution on the merger with Profirma Sp. z o.o. Combidata Poland acted as the taking-over company and the merger was registered on 6 December 2013.

The merger was conducted pursuant to art. 515 § 1 and art. 516 § 6 of the Commercial Companies Code, this is without increasing the share capital of Combidata, as well as without an exchange of shares in Profirma being the acquired company for shares in Combidata, because before the merger Combidata was the sole shareholder in Profirma.

Hence, this merger had no impact on the consolidated financial statements of Asseco Group.

Acquisition of shares in Cyfrowa Edukacja sp. z o.o. by Combidata Poland sp. z o.o.

On 30 December 2013, Combidata Poland sp. z o.o. signed an agreement to acquire 150 shares in Cyfrowa Edukacja sp. z o.o. worth PLN 105 thousand. As a result of this transaction Combidata acquired an additional 50% stake in Cyfrowa Edukacja. Hence, as at 31 December 2013, Combidata held 100% of the share capital of Cyfrowa Edukacja sp. z o.o. as well as 100% of voting rights at the company's general meeting.

The transaction was accounted for as an acquisition of assets, because the company of Cyfrowa Edukacja did not meet the definition of a business under IFRS 3.

Asseco Central Europe

Lower shareholding in DanubePay a.s.

On 20 September 2013, the Slovak Republic registry court recorded a disposal of 11,249 shares in DanubePay a.s. As a result of this transaction, Asseco Central Europe's equity interest in DanubePay a.s. dropped from 100% to 55%.

The said transaction was considered a transaction with non-controlling interests; hence it was recognized directly in the Group's consolidated equity.

Lower shareholding in Axera, s.r.o.

On 25 September 2013, our subsidiary Asseco Solutions, a. s. (SK) sold a 50% stake of shares in Axera, s.r.o.

The Group deemed that this transaction resulted in a loss of control over that company, and therefore it was accounted for as a transaction with non-controlling interests and recognized directly in the Group's consolidated equity.

Asseco South Eastern Europe

Merger of ASEE Turkey with Sigma Turkey and acquisition of non-controlling interests

On 6 May 2013, ASEE S.A. sold a 38.22% stake of shares it held in Sigma Turkey to ASEE Turkey. Following this transaction, the Group's total shareholding in the company of Sigma Turkey remained unchanged at the level of 98.68%. Subsequently, on 11 September 2013, a merger between our Turkish companies: ASEE Turkey (the taking-over company) and Sigma Turkey (the acquired company) was registered. The merger had no impact on the amounts disclosed in these consolidated financial statements.

Concurrently to the merger, we carried out a squeeze-out procedure and purchased a 1.32% non-controlling interest in Sigma. Following this procedure, ASEE S.A. has become the owner of 100% of shares in both the merged companies.

Acquisition of Uni4Gold Serbia by ASEE Serbia

On 30 April 2013, ASEE Serbia acquired a 70% stake in the company of Uni4Gold Serbia for EUR 112 thousand. The acquired company is engaged in the development of financial sector software.

This transaction has been described in more detail in explanatory note 10 to these consolidated financial statements.

Acquisition of EŽR Croatia by ASEE S.A.

On 23 October 2013, ASEE S.A. acquired 100% of shares in the company EŽ Računalstvo 2013 d.o.o. seated in Zagreb, Croatia, for the total amount not exceeding EUR 3,200 thousand.

The company is engaged in the installation and maintenance of payment terminals.

This transaction has been described in more detail in explanatory note 10 to these consolidated financial statements.

Magic Software Enterprises Group (a subsidiary of Formula Systems Group)

Acquisition of Pilat Europe Ltd and Pilat (North America) Inc, (hereinafter "Pilat")

On 14 February 2013, Magic Software Enterprises Ltd (an indirect subsidiary of the Parent Company) acquired 100% of shares in the Pilat group companies, namely Pilat Europe Ltd, based in the United Kingdom, and Pilat (North America) Inc, based in the U.S.

This transaction has been described in more detail in explanatory note 10 to these consolidated financial statements.

Acquisition of Valinor Ltd.

In May 2013, CommIT Technology Solutions Ltd, a subsidiary of Magic Software Enterprises, acquired 100% of shares in Valinor Ltd. Valinor is an Israeli company offering IT services in the area of database solutions. This transaction has been described in more detail in explanatory note 10 to these consolidated financial statements.

Acquisition of Dario IT Solutions ltd.

In June 2013, CommIT Technology Solutions Ltd, a subsidiary of Magic Software Enterprises, acquired 100% of shares in Dario IT Solutions Ltd. Dario IT Solutions is one of Microsoft's Israeli partners that provide network infrastructure management services.

This transaction has been described in more detail in explanatory note 10 to these consolidated financial statements.

Acquisition of Allstates Consulting Services LLC

On 11 November 2013, Magic acquired the company of Allstates Technical Services, LLC, based in the U.S. Allstates specializes in the provision of comprehensive consultancy services and body-shopping services for new technology companies (mainly IT and Telecoms). Magic believes that this acquisition will strengthen its market position in the U.S. and help expand the current customer base with leading Fortune 500 companies, contributing to the company's growth in the segment of professional services.

This transaction has been described in more detail in explanatory note 10 to these consolidated financial statements.

Matrix IT Group (a subsidiary of Formula Systems Group)

Acquisition of Strategic Sales Systems Inc

On 17 December 2013, Matrix IT (an indirect subsidiary of the Parent Company) took over 100% of shares in Strategic Sales Systems Inc, based in the U.S.

Strategic Sales Systems Inc is a leading integrator of Customer Relationship Management (CRM) solutions and Business Intelligence (BI) systems.

This transaction has been described in more detail in explanatory note 10 to these consolidated financial statements.

Formula Systems Group

Loss of control over Sapiens International Corporation NV

In November 2013, Sapiens International Corporation, a Formula Systems company (hereinafter "Sapiens") completed the process of issuance of 6,497,500 shares. Formula Systems did not acquire any new shares, hence its shareholding in Sapiens dropped to approx. 48.6%.

This transaction has been described in more detail in explanatory note 10 to these consolidated financial statements.

V. INFORMATION ON OPERATING SEGMENTS

According to IFRS 8, an operating segment is a separable component of the Group's business for which separate financial information is available and regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Asseco Group has identified the following reportable segments (a reportable segment is an operating segment that is required for disclosure under IFRS 8):

Polish market – this segment groups the companies which generate sales revenues mostly in the domestic market. Performance of this segment is analyzed on a regular basis by the Parent Company's Management Board acting as the chief operating decision maker. The Polish market segment comprises the following companies: Asseco Poland, Asseco Business Solutions, Combidata, ZUI Novum, ADH Soft, ZUI Otago, Asseco Systems, CK ZETO, SKG, PI ZETO Bydgoszcz, Podkarpacki Fundusz Nieruchomości, and Gladstone Consulting. The aforementioned companies offer comprehensive IT services intended for a broad range of clients operating in the sectors of financial institutions, enterprises and public administration.

South Eastern European market – this segment groups the companies which derive their revenues mostly from the markets of Serbia, Romania, Croatia, Macedonia, and Turkey. Performance of these companies is assessed on a periodic basis by the Management Board of Asseco South Eastern Europe. This segment is identical with the composition of Asseco South Eastern Europe Group. The segment's performance as a whole is subject to regular verification by the Management Board of Asseco Poland. The aforementioned companies offer comprehensive IT services intended for a broad range of clients operating primarily in the sector of financial institutions.

German market – this segment gathers the companies which generate sales revenues mostly in Germany and Austria. Performance of these companies is assessed on a periodic basis by the Management Board of Asseco DACH. This segment is identical with the composition of Asseco DACH Group. The segment's performance as a whole is subject to regular verification by the Management Board of Asseco Poland. This Group offers comprehensive IT services intended primarily for the enterprises sector.

Central European market – this segment groups the companies which derive their revenues mostly from the markets of Slovakia, Czech Republic, and Hungary. Performance of these companies is assessed on a periodic basis by the Management Board of Asseco Central Europe. This segment is identical with the composition of Asseco Central Europe Group. The segment's performance as a whole is subject to regular verification by the Management Board of Asseco Poland. The aforementioned companies offer comprehensive IT services intended for a broad range of clients operating in the sectors of financial institutions, enterprises and public administration.

Israeli market – this segment includes companies which generate sales revenues mostly in North America, Japan, and Europe, Middle East, and Africa (EMEA region). Performance of these companies is assessed on a periodic basis by the Management Board of Formula Systems; hence, the segment's composition corresponds to the structure of Formula Systems Group. The segment's performance as a whole is subject to regular verification by the Management Board of Asseco Poland.

The **"Other"** column includes financial results of the following entities: R-Style Softlab, Asseco Georgia, Sintagma, Asseco Lietuva, Asseco Spain, Asseco Denmark, Peak Consulting, and Necomplus Group. Financial results of these companies have been disclosed in aggregate, because none of them separately met the quantitative thresholds for operating segments as specified in IFRS 8.

Revenues from none of our clients exceeded 10% of the Group's total turnover in the period of 12 months ended 31 December 2013.

12 months ended 31 Dec. 2013 (audited)	Polish market PLN millions	South Eastern European market PLN millions	German market PLN millions	Central European market PLN millions	Israeli market PLN millions	Other PLN millions	Eliminations PLN millions	Total PLN millions
Sales to external customers	**1,763.0**	**470.3**	**212.7**	**551.0**	**2,544.2**	**356.9**		**5,898.1**
Inter-segment sales	*6.9*	*1.4*	*0.1*	*2.0*	*0.4*	-	*(10.8)*	-
Net operating profit/loss	**304.4**	**42.1**	**21.4**	**61.2**	**166.6**	**18.9**	**(4.1)**	**610.5**
Interest income	12.9	2.0	0.6	1.1	2.5	0.9	(1.7)	**18.3**
Interest expenses	(17.8)	(0.2)	(0.9)	(1.3)	(19.3)	(1.2)	1.7	**(39.0)**
Corporate income tax	**(59.7)**	**(7.4)**	**(4.8)**	**(15.4)**	**(23.7)**	**(4.1)**	**-**	**(115.1)**
Non-cash items:								
Depreciation and amortization	(89.3)	(13.9)	(6.8)	(47.7)	(94.4)	(13.5)	1.1	**(264.5)**
Impairment write-downs on segment assets:	(5.1)	(2.5)	(0.1)	(1.8)	(6.2)	0.5	-	**(15.2)**
write-down on goodwill	-	-	-	-	-	-	-	**-**
net write-down on operating assets	*(5.1)*	*(2.5)*	*(0.1)*	*(1.8)*	*(6.2)*	*0.5*	-	***(15.2)***
Share in profits of associates	2.6	-	-	1.4	(2.1)	0.2	-	**2.1**
Net profit (loss) of operating segment	**214.1**	**36.0**	**16.0**	**47.0**	**310.8**	**14.2**	**0.9**	**639.0**
Net cash provided by (used in) operating activities	**341.9**	**40.5**	**36.5**	**61.2**	**231.7**	**43.6**	**(3.0)**	**752.4**
Goodwill	**2,403.8**	**517.0**	**222.5**	**338.5**	**1,105.4**	**83.4**	**-**	**4,670.6**
Average workforce in the reporting period	**4,221**	**1,324**	**319**	**1,522**	**8,191**	**1,506**	**-**	**17,083**

12 months ended 31 Dec. 2012 (audited)	Polish market PLN millions	South Eastern European market PLN millions	German market PLN millions	Central European market PLN millions	Israeli market PLN millions	Other PLN millions	Eliminations PLN millions	Total PLN millions
Sales to external customers	**1,613.8**	**462.0**	**207.3**	**560.7**	**2,407.9**	**277.4**		**5,529.1**
Inter-segment sales	*5.9*	*0.5*	*0.1*	*0.4*	*3.5*	-	(10.4)	-
Net operating profit/loss	**349.9**	**52.6**	**14.4**	**73.5**	**157.7**	**5.8**	**(2.1)**	**651.8**
Interest income	22.3	2.9	0.6	1.9	3.5	0.7	(1.1)	**30.8**
Interest expenses	(18.4)	-	(1.1)	(1.1)	(20.4)	(1.4)	1.1	**(41.3)**
Corporate income tax	**(73.1)**	**(5.1)**	**(1.6)**	**(13.1)**	**(17.1)**	**-**	**-**	**(110.0)**
Non-cash items:								
Depreciation and amortization	(72.9)	(10.8)	(5.8)	(43.2)	(94.9)	(12.5)	1.1	**(239.0)**
Impairment write-downs on segment assets:	(6.5)	(2.0)	0.6	(2.8)	(3.5)	(4.3)	-	**(18.5)**
write-down on goodwill	-	-	-	-	-	*(4.4)*	-	***(4.4)***
net write-down on operating assets	*(6.5)*	*(2.0)*	*0.6*	*(2.8)*	*(3.5)*	*0.1*	-	***(14.1)***
Share in profits of associates	1.0	-	-	1.1	0.7	0.4	-	**3.2**
Net profit (loss) of operating segment	**298.4**	**49.6**	**6.8**	**72.4**	**131.8**	**0.9**	**(2.1)**	**557.8**
Net cash provided by (used in) operating activities	**281.8**	**54.2**	**20.7**	**72.2**	**242.0**	**9.0**	**(0.3)**	**679.6**
Goodwill	**2,284.3**	**511.6**	**219.4**	**347.9**	**1,434.7**	**109.3**	**-**	**4,907.2**
Average workforce in the reporting period	**4,149**	**1,285**	**323**	**1,556**	**8,016**	**629**	**-**	**15,958**

VI. EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Sales revenues and operating costs

During the period of 12 months ended 31 December 2013 and in the comparable period last year, operating revenues and costs were as follows:

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Sales revenues by type of products		
Proprietary software and services	4,474.3	4,197.4
Third-party software and services	688.6	628.1
Hardware and infrastructure	729.3	692.9
Other sales	5.9	10.7
Total	**5,898.1**	**5,529.1**
Sales revenues by sectors		
Banking and finance	1,993.9	1,854.3
Enterprises	2,355.2	2,364.2
Public Institutions	1,549.0	1,310.6
Total	**5,898.1**	**5,529.1**
Operating costs		
Cost of goods, materials and third-party services sold	(1,274.6)	(1,166.9)
Employee benefits	(2,534.9)	(2,364.9)
Depreciation and amortization [1)]	(262.3)	(239.0)
Other [2)]	(1,212.8)	(1,114.5)
Total	**(4,010.0)**	**(3,718.4)**
Cost of sales, of which:	**(4,443.4)**	**(4,051.7)**
Production costs	*(3,168.8)*	*(2,884.8)*
Cost of goods, materials and third-party services sold	*(1,274.6)*	*(1,166.9)*
Selling costs	**(387.5)**	**(399.3)**
General administrative expenses	**(453.7)**	**(434.3)**

1) *Additionally, the Group recognized a depreciation charge of PLN 2.2 million on leased property, which was included in other operating activities as part of expenses associated with revenues from the lease of office space.*
2) *Other operating costs comprise primarily third-party services (PLN 1,035.2 million in 2013 and PLN 971.9 million in 2012), business trips (PLN 61.4 million in 2013 and PLN 53.0 million in 2012), as well as materials and energy used (PLN 60.5 million in 2013 and PLN 51.7 million in 2012).*

i. Costs of employee benefits

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Salaries	(2,088.8)	(1,948.6)
Social insurance contributions	(160.0)	(141.7)
Retirement benefit expenses	(238.7)	(220.4)
Costs of equity-settled employee payment transactions	(16.9)	(24.8)
Other costs of employee benefits	(30.5)	(29.4)
Total employee benefit expenses	**(2,534.9)**	**(2,364.9)**

ii. Equity-settled employee payment transactions

The costs of equity-settled employee payment transactions correspond to stock option plans that were awarded to employees and management members of companies incorporated within Formula Systems Group. During the year ended 31 December 2013, such costs amounted to PLN 16.9 million as compared with PLN 24.8 million in the comparable period.

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Stock option plan for managers of Formula Systems	(10.2)	(16.5)
Stock option plan for managers and employees of Matrix IT Group	(3.0)	(4.7)
Stock option plan for managers and employees of Magic Software Enterprises Group	(1.0)	(1.7)
Stock option plan for managers and employees of Sapiens International Corporation Group	(2.7)	(1.9)
Total costs of equity-settled employee payment transactions	**(16.9)**	**(24.8)**

In March 2012, concurrently with the amendment and extension of its Chief Executive Officer's service agreement, the BoD of Formula Systems awarded its CEO with a new share option incentive plan, and redeemed 543,840 redeemable ordinary shares which were granted to him in September 2010 and which were not yet vested in their redemption date. Under the plan granted in 2012, the CEO of Formula Systems was granted with options exercisable to 1,122,782 ordinary shares of Formula Systems, as long as the Chief Executive Officer is (i) a director of Formula and/or (ii) a director of [each of the directly held subsidiaries of Formula; provided that if he fails to meet the foregoing requirement (A) due to the request of the board of directors of either Formula or any of its directly held subsidiaries (other than a request which is based on actions or omissions by the Chief Executive Officer that would constitute "cause" under his service agreement with Formula), (B) because the Chief Executive Officer is prohibited under the governing law or charter documents of the relevant company or the stock exchange rules and regulations applicable to such company from being a director of such company (other than due to his actions or omissions) or (C) notwithstanding the Chief Executive Officer's willingness to be so appointed (but provided that neither (A) nor (B) applies); then, in each of (A), (B) and (C), the Chief Executive Officer will be deemed to have complied with clauses (i) or (ii) above. The options vest, i.e., Formula Systems' redemption right with respect to the options and the underlying ordinary shares issuable upon exercise lapses, in equal quarterly installments over an eight year period that commenced in March 2012 and concludes in December 2019. The exercise price of the options is NIS 0.01 per share. In accordance with the terms of the option grant, the shares issuable upon exercise of the options will be deposited with a trustee and Formula Chief Executive Officer will not be permitted to vote or dispose of them until the shares are released from the trust, as described in the grant letter.

In June 2013, all options were exercised into shares however they have been deposited with a trustee and Formula Systems Chief Executive Officer is not permitted to vote or dispose of them until the shares are released from the trust. All shares participate in dividends and have the right to vote, however for so long as the shares are held by the trustee (even if they have vested) the voting rights may only be exercised by the trustee. In accordance with the guidelines of Formula systems incentive plan for so long as the shares underlying any grant under the plan are being held by the trustee they will be voted by the trustee in the same proportion as the results of the shareholder meeting. Only those shares for which the vesting period has expired may be collected from the Trustee. As of 31 December 2013 all 1,122,782 shares were deposited with the trustee.

In June 2013, all these options were exercised into shares and subsequently deposited with a trustee. As at the exercise date, this is as at 3 June 2013, the vesting period for 175,435 options has already lapsed, whereas rights to the remaining 947,347 options shall be acquired on a quarterly basis, during the period from 1 April 2013 till 31 December 2019. Following the issuance of 1,122,782 shares by Formula Systems, the equity interest held by Asseco Poland in Formula Systems dropped from 50.19% to 46.36%.

All the issued shares participate in dividends and carry voting rights; however, voting rights of shares deposited with the trustee may be exercised by the trustee (which applies also to the shares for which the vesting period has already lapsed). According to the provisions of the option plan, so long as the shares offered under the stock option plan are deposited with the trustee, the trustee shall exercise the respective voting rights proportionally to the rest of votes cast at a general meeting, not to affect the outcome of the vote.

Consequently, taking into account the principles of voting by the trustee and the fact that as at 31 December 2013 all of these 1,122,782 shares remained deposited with the trustee, Asseco Poland S.A. retained an absolute majority of voting rights at the general meeting of shareholders of Formula Systems in the year ended 31 December 2013.

iii. Reconciliation of depreciation and amortization charges

The table below presents the reconciliation of depreciation and amortization charges reported in the income statement with those disclosed in the tables of changes in property, plant and equipment (note 7) and in intangible assets (note 8).

	Note	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Depreciation charge for the period as disclosed in the table of changes in property, plant and equipment	7	(105.8)	(91.6)
Amortization charge for the period as disclosed in the table of changes in intangible assets	8	(165.1)	(153.6)
Depreciation charge on investment property for the period	9	(0.1)	-
Depreciation charge transferred to other operating activities		2.2	-
Amortization charge recognized directly in other comprehensive income		0.8	0.8
Reduction of amortization charge due to recognition of a grant to internally generated licenses		5.4	5.1
Capitalization of amortization charges on development projects in progress		0.3	0.3
Total depreciation and amortization charges recognized in operating costs		**(262.3)**	**(239.0)**

2. Other operating income and expenses

Other operating income and expenses in 2013 and in the comparable period were as follows:

Other operating income	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Gain on disposal of property, plant and equipment	3.0	1.3
Reversal of provisions	1.3	8.3
Grants related to income	0.2	0.2
Compensations received	3.6	5.4
Cash discounts and bonuses received	0.1	3.2
Gain on disposal of an organized part of enterprise	7.0	-
Other	3.5	0.1
Total	**18.7**	**18.5**

In the period of 12 months ended 31 December 2013, other operating income and expenses were mostly affected by the disposal of an organized part of enterprise, including two logistics projects, that was made by our subsidiary Asseco Central Europe (CZ) to Arvato Services k.s. for the price of EUR 2.0 million. The carrying value of the disposed business was increased by goodwill amounting to PLN 1.4 million (EUR 348 thousand). Goodwill allocated to the disposed part of enterprise was determined to reflect the proportion of the value of the disposed business to the value of the retained part of the cash-generating unit representing the "Central European market" segment.

In the period of 12 months ended 31 December 2012, the balance of other operating income and expenses was greatly influenced by the following operations:

- reversal of an allowance for other receivables – as at 31 December 2012, the Group reassessed its receivables from Prokom Investments S.A. to reflect the estimated value of collateral instruments to be established in order to secure the repayment of these receivables, as per the agreement concluded with Prokom Investments S.A. in December 2012. Following such estimates, the allowance for the principal amount receivable from Prokom Investments was reduced by PLN 6.9 million;
- reversal of a provision for the costs of court litigation in the amount of PLN 1.2 million which was created in previous years by Asseco South Eastern Europe S.A. (ASEE S.A.) in order to account for a potential tax liability arising from doubts whether the costs of a public offering of shares (IPO) may be recognized as tax-deductible. The court proceedings in this case were completed in 2012. During the course of legal proceedings, the company obtained negative interpretations of the tax authorities regarding the tax deductibility of such costs. Subsequently, the Company submitted an amendment to its income tax return, whereby most of the IPO-related costs have been treated as non-tax-deductible. Due to the utilization of tax losses and additional deductions, we have not incurred any additional tax liability, while the originally created provision has not been fully utilized.

Other operating expenses	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Loss on disposal of property, plant and equipment	(0.4)	(2.0)
Liquidation costs of property, plant and equipment, intangible assets, and inventories	(1.7)	(0.4)
Creation of provisions	(3.1)	(1.3)
Impairment write-down on investment property	(7.6)	-
Charitable contributions made	(1.2)	(2.1)
Penalties and compensations	(0.5)	(0.7)
Costs of post-accident repairs	(1.1)	(1.3)
Other	(6.1)	(2.7)
Total	**(21.7)**	**(10.5)**

In the year ended 31 December 2013, the Company reassessed the value of its real estate properties (land, business premises and office buildings) classified in the category of investment property. Property valuations prepared by professional appraisers showed that the carrying amounts of some properties exceeded their market values and therefore, as at 31 December 2013, the Group recognized an impairment write-down on its investment properties in the amount of PLN 7.6 million. As a result of recognizing such a write-down, the carrying amount of investment properties reflects their market value at 31 December 2013.

3. Financial income and expenses

During the period of 12 months ended 31 December 2013 and in the comparable periods, financial income and expenses were as follows:

Financial income	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Interest income on loans granted, debt securities, finance leases, trade receivables, and bank deposits	18.3	30.8
Other interest income	0.4	0.4
Foreign exchange differences	2.8	20.4
Gain on disposal of equity investments in related companies	184.0	25.7
Gain on revaluation of deferred payments for controlling interests in subsidiaries	11.2	6.8
Gain on exercise and/or valuation of financial assets carried at fair value through profit or loss	3.0	3.4
Other financial income	1.3	0.7
Total financial income	**221.0**	**88.2**

Gain on valuation of financial assets and equity investments achieved in the period of 12 months ended 31 December 2013 resulted primarily from a gain of PLN 183.5 million recognized on fair value measurement of a stake of shares held in Sapiens International (a Formula Systems company) that was performed due to the loss of control over Sapiens. This transaction has been described in more detail in explanatory note 10 to these consolidated financial statements. Whereas in the comparable period, gain on valuation/revaluation of financial assets and equity investments at the balance sheet date resulted primarily from a gain of PLN 10.6 million recognized on fair value measurement of a stake of shares held in Sapiens International (a Formula Systems company) that was performed at the date of regaining control, i.e. as at 27 January 2012. Until this date, this investment was accounted for using the equity method.

Gain/loss on revaluation of deferred payments for controlling interests in subsidiaries resulted from changes in the estimates of deferred contingent liabilities arising from the acquisition of controlling interests in subsidiaries.

Financial expenses	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Interest expense on bank loans, borrowings, debt securities, finance leases and trade payables	(39.0)	(41.3)
Other interest expenses	(5.1)	(4.4)
Foreign exchange differences	(4.1)	(6.3)
Impairment write-down on goodwill	-	(4.4)
Expenses related to obtaining control over subsidiaries	(3.5)	(1.7)
Loss on valuation/revaluation of financial assets at the balance sheet date	(15.1)	(7.0)
Loss on exercise and/or valuation of financial assets carried at fair value through profit or loss	(3.4)	(7.4)
Loss on revaluation of deferred payments for controlling interests in subsidiaries	(0.9)	(2.1)
Dividends paid out to non-controlling shareholders	(5.1)	-
Other financial expenses	(3.3)	(0.8)
Total financial expenses	**(79.5)**	**(75.4)**

Positive and negative foreign exchange differences are presented in net amounts (reflecting the surplus of positive differences over negative differences or otherwise) at the level of individual subsidiaries.

Loss on valuation/revaluation of financial assets resulted chiefly from an impairment charge on commercial papers issued by Prokom Investments S.A. that was recognized by the Parent Company as at 31 December 2013, as described in more detail in explanatory note 13 to these consolidated financial statements.

Expenses related to obtaining control over subsidiaries, which were incurred by the Group in 2013, were mainly associated with the acquisition of shares in PI Zeto Bydgoszcz S.A. (this transaction has been described in more detail in explanatory note 10 to these consolidated financial statements).

4. Corporate income tax

The main charges on pre-tax profit resulting from corporate income tax (current and deferred portions):

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Current corporate income tax and prior years adjustments	(118.1)	(110.2)
Deferred portion of income tax	3.0	0.2
Income tax expense as disclosed in the income statement	**(115.1)**	**(110.0)**

Regulations applicable to the value added tax, corporate income tax, personal income tax or social security contributions are subject to frequent amendments, thereby depriving taxpayers of a possibility to refer to well established legal decisions and precedents. The current regulations in force are not always unambiguous, which may cause additional discrepancies in their interpretation. Tax settlements are subject to control by the taxation authorities. Should any irregularities in tax settlements be detected, a taxpayer is obliged to pay the outstanding amounts along with the statutory interest thereon. Payment of tax arrears does not always release a taxpayer from penal and fiscal liability. In effect, the amounts of taxes payable disclosed in the financial statements may be later changed, after they are finally determined by the taxation authorities.

The table below presents the reconciliation of corporate income tax payable at the statutory tax rate on pre-tax profit and share in profits of associates with the corporate income tax computed at the Group's effective tax rate.

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Pre-tax profit	**752.0**	**664.6**
Statutory corporate income tax rate	19%	19%
Corporate income tax computed at the statutory tax rate	**142.9**	**126.3**
Difference due to different rate of corporate income tax paid abroad	18.6	11.3
Impairment write-downs on goodwill	-	0.8
Gain on losing / regaining control over a subsidiary	(34.9)	(2.1)
Income tax on dividends	7.6	6.1
Utilization of formerly unrecognized deferred income tax asset related to the prior years' losses	(15.8)	(30.5)
Reversal of a provision for potential tax liabilities	(8.9)	(3.3)
Changes in the calculation of corporate income tax for the prior years	0.6	(6.1)
Changes in income tax rates	(1.6)	-
Costs of equity-settled employee payment transactions	2.6	4.1
Taxes and charges (PFRON)	0.7	0.7
Public issuance expenses	0.4	-
Representation expenses	1.7	2.9
Other permanent differences	1.2	(0.2)
Corporate income tax at the effective tax rate of 15.3% in 2013 and 16.6% in 2012	**115.1**	**110.0**

The table below presents information on deferred income tax assets and liabilities:

	Deferred income tax liabilities, gross		Deferred income tax assets, gross	
	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Property, plant and equipment	35.8	33.6	13.6	14.2
Investment property	0.1	0.6	1.5	0.1
Intangible assets	121.6	150.5	(0.6)	18.3
Investments in associates accounted for using the equity method	-	-	0.1	0.1
Shares in subsidiaries	-	-	0.4	0.2
Financial assets available for sale	-	-	1.2	1.2
Financial assets carried at fair value through profit or loss	1.6	2.3	0.1	0.1
Loans granted	0.7	0.5	5.2	2.5
Inventories	-	-	1.0	2.2
Prepayments and accrued income	0.6	3.7	16.2	11.2
Trade receivables	6.9	7.1	5.8	5.9
Other receivables	31.7	22.0	13.3	4.0
Cash and cash equivalents	11.8	14.2	-	0.2
Non-current assets classified as held for sale	0.8	-	-	-
Interest-bearing bank loans, borrowings and debt securities	-	-	0.6	0.6
Provisions	-	-	12.6	8.4
Trade payables	0.1	0.1	0.1	-
Financial liabilities	-	-	26.5	27.9
Other liabilities	-	3.0	7.0	11.8
Accruals	0.1	-	24.8	26.2
Deferred income	-	0.2	6.7	11.6
Deferred income tax on share-based payment transactions	-	-	4.3	2.1
Deferred income tax on dividend payments	2.5	2.6	-	-
Losses deductible against future taxable income	-	-	104.0	154.0
Deferred income tax liabilities, gross	**214.3**	**240.4**	**n/a**	**n/a**
Deferred income tax assets, gross	**n/a**	**n/a**	**244.4**	**302.8**
Write-down due to inability to realize a deferred income tax asset	**n/a**	**n/a**	(63.1)	(81.5)
Deferred income tax assets, net	**n/a**	**n/a**	**181.3**	**221.3**
Deferred income tax assets/liabilities, net	**110.8**	**114.1**	**77.8**	**95.0**

The Group made an estimate of taxable income planned to be achieved in the future and concluded it will enable full recovery of deferred income tax assets disclosed in these consolidated financial statements.

	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Deferred income tax assets	77.8	95.0
Deferred income tax liabilities	(110.8)	(114.1)
Deferred income tax assets (+)/liabilities (-), net	**(33.0)**	**(19.1)**

Deferred income tax assets resulting from the prior years' tax losses, which were not recognized by the Group amounted to PLN 75.2 million as at 31 December 2013 as compared with PLN 95.4 million as at 31 December 2012.

5. Earnings per share

Basic earnings per share are computed by dividing net profit for the reporting period attributable to shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during that reporting period.

Diluted earnings per share are computed by dividing net profit for the reporting period attributable to shareholders of the Parent Company by the adjusted (for the diluting impact of potential shares) weighted average number of ordinary shares outstanding during that financial period, adjusted by the impact of diluting instruments. Both during the reporting period and the prior year's comparable period no events occurred that would result in a dilution of earnings per share.

The table below presents net profits and numbers of shares used for the calculation of earnings per share:

	12 months ended 31 Dec. 2013 (audited)	12 months ended 31 Dec. 2012 (audited)
Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	83,000,303	77,837,269
Net profit attributable to shareholders of the Parent Company (in PLN millions)	393.9	370.6
Net earnings per share (in PLN)	**4.75**	**4.76**

6. Information on dividends paid out

In 2013 the Parent Company paid out to its shareholders a dividend for the year 2012. On 24 April 2013, the Ordinary General Meeting of Shareholders of Asseco Poland S.A. passed a resolution to allocate PLN 200.0 million out of the Company's net profit for the financial year 2012 to payment of a dividend amounting to PLN 2.41 per share. The remaining portion of net profit in the amount of PLN 123.7 million was allocated to reserve capital. The dividend record date was set for 20 May 2013; whereas, the dividend payment was scheduled for 4 June 2013.

In 2012 the Parent Company paid out to its shareholders a dividend for the year 2011. On 25 April 2012, the Ordinary General Meeting of Shareholders of Asseco Poland S.A. passed a resolution to allocate PLN 169.9 million out of the Company's net profit for the financial year 2011 to payment of a dividend amounting to PLN 2.19 per share. The remaining portion of net profit in the amount of PLN 145.5 million was allocated to reserve capital. The dividend record date was set for 17 May 2012; whereas, the dividend payment was scheduled for 1 June 2012.

7. Property, plant and equipment

The net book value of property, plant and equipment, during the period of 12 months ended 31 December 2013 and in the comparable period, changed as a result of the following transactions:

for 12 months ended 31 December 2013 (audited)		Land and buildings PLN millions	Computers and other office equipment PLN millions	Transportation vehicles PLN millions	Other tangible assets PLN millions	Tangible assets under construction PLN millions	Total PLN millions
Net book value of property, plant and equipment as at 1 January 2013		**444.4**	**180.1**	**29.0**	**26.6**	**6.1**	**686.2**
Additions, of which:		**49.9**	**86.2**	**14.5**	**7.1**	**36.6**	**194.3**
Purchases and modernization		16.8	64.4	8.0	4.8	34.9	128.9
Obtaining control over subsidiaries		20.4	4.5	-	-	1.7	26.6
Finance leases		-	3.6	2.9	-	-	6.5
Transfers from tangible assets under construction to tangible assets		12.7	12.9	3.6	2.3	-	31.5
Transfers from inventories to tangible assets		-	0.8	-	-	-	0.8
Reductions, of which:		**(64.5)**	**(73.7)**	**(13.6)**	**(9.9)**	**(31.5)**	**(193.2)**
Depreciation charges for the reporting period		(27.5)	(59.3)	(11.8)	(7.2)	-	(105.8)
Disposal and liquidation		(1.5)	(1.2)	(1.8)	(0.4)	-	(4.9)
Loss of control over subsidiaries		(1.6)	(13.2)	-	(2.3)	-	(17.1)
Transfers from tangible assets under construction		-	-	-	-	(31.5)	(31.5)
Reclassifications to “Investment property”	9	(18.9)	-	-	-	-	(18.9)
Reclassifications to “Non-current assets classified as held for sale”	19	(15.0)	-	-	-	-	(15.0)
Revaluation write-downs (+/-)		-	-	0.1	0.1	-	**0.2**
Changes in presentation method (+/-)		(2.6)	(3.3)	2.7	0.1	3.8	0.7
Exchange differences on translation of foreign operations		**1.6**	**0.8**	**(0.2)**	**0.5**	**-**	**2.7**
Net book value of property, plant and equipment as at 31 December 2013		**428.8**	**190.1**	**32.5**	**24.5**	**15.0**	**690.9**

During the period of 12 months ended 31 December 2013, the Group reclassified several of its real estate properties (land, business premises and office buildings) which it intends to dispose of as non-current assets classified as held for sale. This has been described in more detail in explanatory note 19 to these consolidated financial statements.

for 12 months ended 31 December 2012 (audited)	Land and buildings PLN millions	Computers and other office equipment PLN millions	Transportation vehicles PLN millions	Other tangible assets PLN millions	Tangible assets under construction PLN millions	Total PLN millions
Net book value of property, plant and equipment as at 1 January 2012	**327.4**	**128.2**	**28.8**	**27.6**	**98.3**	**610.3**
Additions, of which:	**144.8**	**113.6**	**14.5**	**6.3**	**76.1**	**355.3**
Purchases and modernization	13.6	37.5	8.3	3.6	76.1	139.1
Obtaining control over subsidiaries	27.6	15.7	0.7	0.5	-	44.5
Finance leases	-	1.4	2.2	-	-	3.6
Transfers from tangible assets under construction to tangible assets	103.6	59.0	3.3	2.2	-	168.1
Reductions, of which:	**(23.4)**	**(53.7)**	**(13.4)**	**(6.5)**	**(168.1)**	**(265.1)**
Depreciation charges for the reporting period	(21.1)	(52.0)	(12.3)	(6.2)	-	(91.6)
Disposal and liquidation	(2.3)	(1.7)	(1.1)	(0.3)	-	(5.4)
Transfers from tangible assets under construction	-	-	-	-	(168.1)	(168.1)
Exchange differences on translation of foreign operations	**(4.4)**	**(8.0)**	**(0.9)**	**(0.8)**	**(0.2)**	**(14.3)**
Net book value of property, plant and equipment as at 31 December 2012	**444.4**	**180.1**	**29.0**	**26.6**	**6.1**	**686.2**

8. Intangible assets

The net book value of intangible assets, during the period of 12 months ended 31 December 2013 and in the comparable period, changed as a result of the following transactions:

for 12 months ended 31 December 2013 (audited)	Internally generated software and licenses PLN millions	Costs of development projects in progress PLN millions	Purchased software, patents, licenses and other intangibles PLN millions	Intangible assets recognized in a business combination PLN millions	"ASSECO" trademark PLN millions	Total PLN millions
Net book value of intangible assets as at 1 January 2013	**134.4**	**60.5**	**78.7**	**526.7**	**137.6**	**937.9**
Additions, of which:	**51.8**	**85.0**	**29.6**	**94.9**	**-**	**261.3**
Purchases and modernization	-	-	25.0	-	-	25.0
Obtaining control over subsidiaries	0.7	7.7	4.6	94.9	-	107.9
Capitalization of the costs of development projects	-	77.3	-	-	-	77.3
Transfers from the costs of development projects in progress	51.1	-	-	-	-	51.1
Reductions, of which:	**(89.0)**	**(72.3)**	**(28.0)**	**(142.4)**	**-**	**(331.7)**
Amortization charges for the reporting period	(60.6)	n/a	(25.1)	(79.4)	n/a	(165.1)
Disposal and liquidation	(0.2)	-	(0.8)	-	-	(1.0)
Loss of control over subsidiaries	(28.2)	(21.2)	(2.1)	(63.0)	-	(114.5)
Transfers to internally generated software	-	(51.1)	-	-	-	(51.1)
Revaluation write-downs (+/-)	**0.3**	**(3.2)**	**0.9**	**(0.2)**	-	**(2.2)**
Changes in presentation method (+/-)	(1.4)	1.9	(8.2)	7.0	-	**(0.7)**
Exchange differences on translation of foreign operations	**0.2**	**(2.7)**	**0.4**	**7.2**	-	**5.1**
Net book value of intangible assets as at 31 December 2013	**96.3**	**69.2**	**73.4**	**493.2**	**137.6**	**869.7**

For impairment testing purposes, intangible assets are allocated to individual cash-generating units or groups of cash-generating units, which are constituted by individual subsidiaries or groups of subsidiaries. The conducted annual impairment tests have been described in more detail in explanatory note 11 to these consolidated financial statements. The recoverable amount of the costs of development projects in progress was measured as at the balance sheet date by analyzing the future cash flows to be generated by each of such ongoing projects. Based on the carried out analysis, it was determined that the costs of development projects in progress were not impaired as at the balance sheet date.

for 12 months ended 31 December 2012 **(audited)**	**Internally generated software and licenses** **PLN millions**	**Costs of development projects in progress** **PLN millions**	**Purchased software, patents, licenses and other intangibles** **PLN millions**	**Intangible assets recognized in a business combination** **PLN millions**	**"ASSECO" trademark** **PLN millions**	**Total** **PLN millions**
Net book value of intangible assets as at 1 January 2012	**84.3**	**45.9**	**136.0**	**452.9**	**137.6**	**856.7**
Additions, of which:	**99.9**	**84.6**	**11.7**	**141.6**	**-**	**337.8**
Purchases and modernization	-	-	10.5	-	-	10.5
Obtaining control over subsidiaries	40.4	13.8	1.2	141.6	-	197.0
Capitalization of the costs of development projects	-	70.8	-	-	-	70.8
Transfers from the costs of development projects in progress	59.5	-	-	-	-	59.5
Reductions, of which:	**(53.5)**	**(64.4)**	**(21.7)**	**(78.4)**	**-**	**(218.0)**
Amortization charges for the reporting period	(53.5)	n/a	(21.7)	(78.4)	n/a	(153.6)
Impairment write-down for the reporting period	-	(4.9)	-	-	-	(4.9)
Transfers to internally generated software	-	(59.5)	-	-	-	(59.5)
Changes in presentation method (+/-)	**10.1**	**(2.1)**	**(41.5)**	**38.6**	**-**	**5.1**
Exchange differences on translation of foreign operations	**(6.4)**	**(3.5)**	**(5.8)**	**(28.0)**	**-**	**(43.7)**
Net book value of intangible assets as at 31 December 2012	**134.4**	**60.5**	**78.7**	**526.7**	**137.6**	**937.9**

Development projects

In 2013 as well as in the comparable period, the development projects carried out by the Group focused on the generation of new software or significant modification/extension of already marketed applications. The Group's policy pertaining to the capitalization of the costs of development projects in progress is described item 9 of Chapter III Significant Accounting Policies.

In the year ended 31 December 2013, total development project costs which qualified for capitalization amounted to PLN 77.3 million (vs. PLN 65.9 million in the comparable period) and they were incurred by the following operating segments:

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Polish market	12.7	18.6
South Eastern European market	12.7	8.7
German market	6.3	5.2
Central European market	5.6	2.3
Israeli market	33.6	27.3
Other	6.4	3.8
Total	**77.3**	**65.9**

Polish market

Within the Polish market segment, the largest expenditures for development work were made by Asseco Poland S.A (PLN 4.1 million) and Asseco Business Solutions S.A. (PLN 6.1 million).

In the year ended 31 December 2013, out of the total development expenditures made by Asseco Poland, PLN 2.4 million were spent in the Banking and Finance segment, while PLN 1.7 million were spent in the Public Administration segment.

Whereas, expenditures incurred by Asseco Business Solutions were related to the development of five products. The largest expenditures (PLN 2.6 million) were made to develop the ABS.Mobile Touch application – a mobile SFA/CRM system taking advantage of the latest touchscreen technologies. ABS Mobile Touch is a multiplatform application designed to run on mobile devices, such as tablets and smartphones with iOS (Apple) and Android operating systems. This application is intended to support sales operations conducted in the field.

Another product developed by Asseco Business Solutions in 2013 was SL ERP – an advanced and comprehensive ERP/MRP system which facilitates work across most business functions, including finance and accounting, human resources, sales, logistics, controlling, production, BI and WMS; the actual configuration of the target solution depends on the nature of business operations and the resulting management needs. Capitalized expenditures incurred for this project totalled PLN 1.9 million.

The third major product, in terms of development spending in 2013, was WAPRO – a set of applications for the management of small and medium-sized enterprises, designed to help operate the departments of sales, finance and accounting, human resources, and mobile employees.

Additionally, in 2013 the company capitalized the costs of development of two other products ABS.ERP.HR and ebi.faktor which amounted to PLN 0.4 million and PLN 0.3 million, respectively. The first tool is intended to support the personnel management functions, while adapting to individual needs and specific HR environments. This application provides comprehensive assistance in the processes of HR and payroll, resource management, recruitment, social processes, and planning of trainings. Whereas, ebi.faktor is a program designed to provide full support for businesses engaged in factoring services, receivables management, as well as debt collection services. The system is prepared to be used by both independent service providers as well as banks offering factoring services.

South Eastern European market

In the year ended 31 December 2013, the total capitalized costs of development projects carried out by ASEE Group amounted to PLN 12.7 million, in comparison to PLN 8.7 million spent in the previous year ended 31 December 2012.

Within the Banking Solutions segment, capitalized development expenditures were primarily related to the new lines of ASEBA Experience products – state-of-the-art banking software offered in the areas of distribution channels, core banking systems, and Business Intelligence solutions. Due to the development of our ASEBA and ASEBA Experience product lines, in 2013 we capitalized expenditures for: Experience solutions platform, ASEBA Experience Deposit Back Office (deposits management module), ASEBA Experience Loans Back Office (loan portfolio management module), ASEBA Experience Relationship Manager (customer relations module), ASEBA Experience Treasury (treasury management module), Product Studio (banking products management solution), ASEBA JiMBa (mobile banking platform), and ASEBA PFM (personal finance management solution). Furthermore, in 2013 we capitalized expenditures made for the development of LeaseFlex software (fully-fledged lease and asset lifecycle management solution dedicated to leasing companies) as well as InACT software (transaction monitoring, anti-fraud and anti-money laundering solution). The Payment Solutions segment develops a solution marketed under the NestPay® brand. It is a B2B platform handling the settlements of online card payments between headquarters and a network of dealers, which is designed to enable banks to offer card acceptance services for web merchants. Whereas, a major product developed by the Systems Integration segment in 2013 was Fidelity – a comprehensive solution that automates the full lifecycle of assets and spending processes.

German market

Within the German market segment, development expenditures totalled PLN 6.3 million in 2013, and virtually all of them were incurred by Matrix 42 AG, a subsidiary of Asseco DACH.

The company's development work in 2013 focused on one project – Workspace Management Cloud Version. Hence, the company's product portfolio was enriched with an application for the management of workspace in the cloud. Workspace Management is the crowning product of Matrix 42 that allows for centralization, automation and simplification of installations, as well as proper deployment and management of both software and hardware resources through self-service web portals. Completion of all the work associated with this project is expected in the first quarter of 2014; whereas, the cumulative value of capitalized expenditures shall reach PLN 9.5 million (EUR 2.3 million).

Central European market

In 2013, the companies of Asseco Central Europe Group incurred capital expenditures of PLN 5.6 million for the continued development of StarCARD software – a versatile, fully integrated and unified system for handling payment card transaction, both in ATMs and POS terminals. This software enables authentication and settlement of card payments, while its functionality may be extended to support customer loyalty programs and public transportation systems. The system works on Oracle 9i database and utilizes the UNIX operating system. This development project is still underway and it is headquartered at DanubePay, an especially established subsidiary that has been assigned to process the data and support all the applications within the StarCARD system.

Israeli market

In the Israeli market segment, the largest expenditures for development work amounting in total to PLN 33.6 million were made by the companies of Magic Software and Sapiens International (control over the later one was lost during the reporting period as Asseco Group did not acquire any new shares issued by that company on 19 November 2013).

In 2013, Magic focused primarily on continuing to develop its two flagship products: Magic xpa 2x and Magic xpi. In addition, in response to the market demand, the company has commenced the development of new off-line applications that could be operated on mobile devices without connecting to the Internet, in a manner as efficient as if being connected.

Described below are the two key development projects carried out in 2013:

- Magic xpa – Mobile Android – preparation of a "mobile client" application for Android and iOS platforms (the company has already offered such solutions for Windows Mobile and BlackBerry systems).
- Magic xpa – Mobile offline – a solution that supplements the above-mentioned "mobile client" project. This application is intended to enable customers to run a variety of applications without the need to connect their mobile device to a server.
- Magic xpi 4.0 – a server integrating with the Gigaspaces IMDG technology, which is aimed to entirely replace the remaining middleware offered by the company.

Whereas, development work carried out by Sapiens International in 2013 focused on upgrading the solutions of ALIS (v6.5) and IDIT (v10).

ALIS is a comprehensive L&P (Life&Pension) software package for the management of individual, group and employee insurance products. ALIS manages the entire lifecycle of insurance policies, from marketing activities, through underwriting processes and claims processing, to all tasks related to termination of the insurance period. ALIS v6.5 delivers innovative solutions to support life and endowment insurance operations, and in the future it will be also enhanced with new functionalities within the existing modules. In 2013, the company capitalized PLN 12.6 million (USD 4.2 million) of expenditures incurred in developing this software. The project is planned to be completed in 2014.

The second product developed by Sapiens in 2013 was IDIT v10, a component-based insurance solution intended primarily for European and Asian markets. This software supports traditional property and casualty insurances, direct insurance and bank assurance products, as well as other operations of insurance brokers. IDIT integrates front- and back-office processes, allowing for development of new insurance products, management of insurance policies, underwriting, running a call center, and handling remote users and partners. Expenditures capitalized under this project in 2013 amounted to PLN 3.3 million (USD 1.1 million).

Other markets

Within the Other markets segment, most of development expenditures amounting to PLN 3.5 million (RUB 37.8 million) were capitalized by R-Style Softlab, seated in Moscow – a direct subsidiary of Asseco Poland that was taken over in July 2013. In the second half of 2013, R-Style Softlab capitalized the costs incurred in the development of its three flagship products: RSDataHouse (hereinafter RSDH), Interbank, and RS-BUS.

RSDH is a product dedicated to a wide range of customers, including primarily all financial industry organizations, i.e. banks, leasing and factoring companies, loan institutions, insurers, and even state-owned enterprises. Owing to a wide range of applications available within RSDH, this software can be used to handle entire processes of financial management at various organizations. Among the applications developed in 2013, the following ones should be distinguished:

- Analytical Center used for processing large amounts of data as well as preparation of complex calculations, analyses and miscellaneous reports;
- General Ledger application allowing for collection, consolidation and reconciliation of all sorts of accounting information, including multivariate analyses of the aggregated data; this application also serves as a database for other business applications available under RSDH;

- Transaction Modelling module which enables storage of information on various types of business transactions and convergence of business and accounting data;
- CDI application intended for systematization and unification of information about the customer base, automation of customer data collection processes, as well as creation of a unified customer profile (golden record);
- IFRS utility designed to automate accounting and financial processes arising from the need to satisfy the requirements under the International Financial Reporting Standards, including in particular the preparation of financial statements in conformity with IFRS. This software makes it possible to automatically transform the statutory accounting data into the framework required by IFRS;
- Statutory Reporting application is based on the above-described General Ledger module and its task is to automate the process of preparing financial statements and other accounting reports in compliance with local reporting requirements. This application is broadly used by Russian banks for the purpose of reporting to the Central Bank of Russia;
- Budgeting and Controlling application that helps automate the process of budgeting and cost control in enterprises and financial institutions. This application is a flexible tool allowing for the simultaneous operation of different budgeting models, planning in physical units, use of forecasting algorithms, and online sharing of data with external IT systems;
- Management Accounts – Financial Reporting and Management Accounts – Portfolio Reporting tools, the first of which is used to provide management data with any degree of detail and in a chosen form (thanks to the database of ready-made charts, tables and reports). The second application is used for analyzing and reporting of the investment portfolio. It may be also used for the preparation of professional presentations, and is available in a version for mobile devices.
- Banking Risk application provides assistance in quantifying the risks involved in different areas of banking operations, it also includes a credit scoring system, and built-in algorithms for measuring and reporting of liquidity ratios required by the Central Bank of Russia.

Interbank RS is the second family of products developed by R-Style Softlab in 2013. The company intends to strengthen its position as a software provider in the segment of the so-called TOP-100 banks, especially in the area of front-office and e-banking solutions. Interbank RS is a state-of-the-art software that can be easily integrated with the existing core banking systems, back-office applications and other systems. The Interbank RS platform solves the problem of creating a unified space for the development of corporate and retail banking. Based on the Interbank RS platform, the company also developed a variety of applications, including Internet banking for private and corporate customers, Enterprise Cash Management module, and a wide range of front-office applications. The platform supports various channels of communication with customers, placing an emphasis on Internet-based services that can be accessed through a browser or a mobile device application. The solution features a configurable, user-friendly interface and does not require advanced knowledge of programming, while ensuring a high degree of security of transferred data. The following products are available within the Interbank RS platform:

- Interbank Mobile – a mobile application running on iOS and Android operating systems, providing a suite of components for Internet banking;
- Interbank RS Retail – a tool for individual customers that enables remote handling of bank accounts, payment cards, deposits and loans, internal and external money transfers, standing orders, instant communication with the bank, as well as blocking and resuming the use of payment cards;

- Interbank RS Core – a platform for developing software that automates customer services in the widely-understood sphere of finance. The platform is based on the J2EE technology, and its main task is to enable the creation of a virtual office at a bank in order to manage a variety of data aggregated in the core banking system, organize a complete workflow of banking processes, while providing the workflow features that are not supported by the core banking system. The platform can be operated through various communication channels such as Internet, phone (voice service), fax, SMS, e-mail, etc.;
- Interbank RS FrontOffice – a sales and services application that automates the process of remote customer service by providing access to consolidated customer information collected from various sources, enabling the creation of customer files, supporting the performance of individual sales plans and after-sales services, planning of sales based on a "sales funnel", as well as through the fulfilment of specific loan-related requirements, such as management of pledges.
- Interbank RS Corporate – a mobile application for corporate customers offering the following functionalities:
  - management of bank accounts, including a review of payments made,
  - making payments,
  - communication with the bank through the built-in e-mail service,
  - maintaining a legally binding workflow between the bank and corporate customers,
  - foreign currency operations and exchange,
  - managing the letters of credit,
  - issuance and management of corporate cards.

The last of the key products of R-Style Softlab is RS-BUS+. This product is designed to enable automation of banking processes in the segment of TOP-30 banks in Russia. Because of the huge scale of their operations, large banks put particular emphasis on the efficiency and effectiveness of IT tools used; therefore, R-Style Softlab takes intense efforts to improve these areas and seeks optimum software and hardware solutions, all in order to invent a reliable and fast-acting system to deal with front and back-office tasks. The system is integrated on the basis of Oracle Service Bus solution.

9. Investment property

The net book value of investment property, during the period of 12 months ended 31 December 2013 and in the comparable period, changed as a result of the following transactions:

	Note	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Net book value of investment property as at 1 January		**1.6**	**1.7**
Additions, of which:		**46.8**	**-**
Purchases		27.9	-
Reclassifications from "Property, plant and equipment"	7	18.9	-
Reductions, of which:		**(8.0)**	**-**
Depreciation charges for the reporting period		(0.1)	-
Disposal and liquidation		(0.2)	-
Reclassifications to "Assets held for sale"	19	(7.7)	-
			-
Impairment write-downs	2	**(7.6)**	**-**
Exchange differences on translation of foreign operations:		**0.1**	**(0.1)**
Net book value of investment property as at 31 December		**32.9**	**1.6**

Assets reclassified from the category of "Property, plant and equipment" include:

- land with an undetermined future purpose as at the date of reclassification;
- business premises which are no longer used by the Group to provide services or carry out administrative tasks.

In the year ended 31 December 2013, the Company verified the value of its investment properties. Property valuations prepared by professional appraisers showed that the carrying amounts of some properties exceeded their market values and therefore, as at 31 December 2013, the Group recognized an impairment write-down on its investment properties in the amount of PLN 7.6 million. As a result of recognizing such a write-down, the carrying amount of investment properties reflects their market value at 31 December 2013.

10. Goodwill

For impairment testing purposes, goodwill arising from obtaining control over subsidiaries is allocated by the Group in the following way:

- to the groups of cash-generating units that constitute an operating segment; or
- to individual subsidiaries; or
- to operating segments identified by the Parent Company (including: Banking and Finance, Public Administration, Enterprises, or Infrastructure).

The following table presents the amounts of goodwill as at 31 December 2013 and in the comparable period, indicating the type of cash-generating units to which it has been allocated:

Goodwill	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
groups of companies that constitute an operating segment	**855.5**	**859.5**
Asseco Central Europe Group (“Central European market” segment)	338.5	347.9
Asseco South Eastern Europe Group (“South Eastern European market” segment)	517.0	511.6
individual subsidiaries or groups of subsidiaries (smaller than an operating segment)	**1,702.7**	**2,005.8**
Formula Systems Group, of which	1,105.4	1,434.7
Magic Software Enterprises Ltd.	*488.5*	*470.0*
Matrix IT Ltd.	*616.9*	*591.6*
Sapiens International Corporation N.V.	*-*	*373.1*
Asseco DACH Group, of which	222.5	219.4
Asseco Germany A.G.	*69.3*	*68.3*
Matrix42 A.G.	*153.2*	*151.1*
Asseco South Western Europe Group, of which	33.6	33.1
Asseco Spain S.A.	*17.7*	*17.4*
Necomplus S.L.	*15.9*	*15.7*
Asseco Business Solutions S.A.	172.3	172.3
Combidata Poland Group	36.1	36.1
Asseco Denmark*	31.4	31.0
UAB Asseco Lietuva**	15.5	15.3
Gladstone Consulting Ltd	29.1	29.9
ADH-Soft Sp. z o.o.	4.2	4.2
Z.U.I. Otago Sp. z o.o.	22.0	22.0
Z.U.I. Novum Sp. z o.o.	0.3	0.3
C.K. Zeto S.A.	3.1	3.1
SKG S.A.	4.4	4.4
P.I. Zeto Bydgoszcz S.A.	19.9	n/a
Asseco Georgia LLC	2.9	n/a
operating segments identified within the Parent Company	**2,112.4**	**2,041.9**
Goodwill allocated to the segment of “Banking and Finance”	935.3	864.8
Goodwill allocated to the segment of “Public Administration”	916.4	916.4
Goodwill allocated to the segment of “Enterprises”	129.7	129.7
Goodwill allocated to the segment of “Infrastructure”	131.0	131.0
	4,670.6	**4,907.2**

** goodwill recognized on the acquisition of Asseco Denmark and Peak Consulting*
*** goodwill recognized on the acquisition of UAB Sintagma and UAB Asseco Lietuva*

In the period of 12 months ended 31 December 2013, the following changes in goodwill arising from consolidation were observed:

for 12 months ended 31 December 2013 (audited)	Goodwill from consolidation at the beginning of the period PLN millions	Increases due to obtaining of control PLN millions	Decrease due to loss of control PLN millions	Exchange differences on translation of foreign operations (+/-) PLN millions	Goodwill from consolidation at the end of the period PLN millions
Asseco Central Europe Group	347.9	-	(1.4)	(8.0)	338.5
Asseco South Eastern Europe Group	511.6	12.1	-	(6.7)	517.0
Asseco DACH Group	219.4	-	-	3.1	222.5
Formula Systems Group	1,434.7	35.3	(384.6)	20.0	1,105.4
Asseco South Western Europe Group	33.1	-		0.5	33.6
Asseco Business Solutions S.A.	172.3	-	-	-	172.3
Combidata Poland Group	36.1	-	-	-	36.1
Asseco Denmark	31.0	-	-	0.4	31.4
UAB Asseco Lietuva	15.3	-	-	0.2	15.5
Gladstone Consulting Ltd	29.9	-	-	(0.8)	29.1
ADH-Soft Sp. z o.o.	4.2	-	-	-	4.2
ZUI OTAGO Sp. z o.o	22.0	-	-	-	22.0
ZUI Novum Sp. z o.o	0.3	-	-	-	0.3
C.K. Zeto Łódź S.A.	3.1	-	-	-	3.1
SKG S.A.	4.4	-	-	-	4.4
P.I. Zeto Bydgoszcz S.A.	-	19.9	-	-	19.9
Asseco Georgia LLC	-	2.9	-	-	2.9
			-	-	
Goodwill allocated to the segment of “Banking and Finance”	864.8	77.9	-	(7.4)	935.3
Goodwill allocated to the segment of “Public Administration”	916.4	-	-	-	916.4
Goodwill allocated to the segment of “Enterprises”	129.7	-	-	-	129.7
Goodwill allocated to the segment of “Infrastructure”	131.0	-	-	-	131.0
	4,907.2	**148.1**	**(386.0)**	**1.3**	**4,670.6**

In the period of 12 months ended 31 December 2013, the balance of goodwill arising from consolidation was affected by the following transactions:

i. Przedsiębiorstwo Informatyki ZETO Bydgoszcz S.A. (hereinafter "Zeto Bydgoszcz")

On 15 February 2013, Asseco Systems S.A. (a subsidiary of Asseco Poland S.A.) acquired 2,936 shares in Przedsiębiorstwo Informatyki Zeto Bydgoszcz S.A. based in Bydgoszcz, Poland (www.zeto.bydgoszcz.pl). The acquired shares represent 100% of the share capital of Zeto Bydgoszcz and carry 100% of voting rights at the general meeting of that company.

Just like every ZETO "group" undertaking, this company is a provider of data processing services. Significant revenues are also generated from sales of proprietary software and services, including the development, modification and maintenance of systems produced by Zeto Bydgoszcz (EMIR and Farmer). Hence, among the company's major clients are the Social Insurance Institution (ZUS) and the Agricultural Social Insurance Fund (KRUS).

The fair values of identifiable assets and liabilities of Zeto Bydgoszcz as at the date of obtaining control were as follows:

	Fair value as at the acquisition date (audited) PLN millions
Assets acquired	
Property, plant and equipment	24.8
Intangible assets	47.4
Trade receivables	5.6
Financial assets	4.8
Cash and cash equivalents	2.2
Other assets	1.5
Total assets	**86.3**
Liabilities acquired	
Trade payables	0.1
Liabilities to the state and local budgets	2.6
Deferred income tax liabilities	12.3
Other liabilities	3.3
Total liabilities	**18.3**
Net assets value	**68.0**
Equity interest acquired	100%
Purchase price	**87.7**
Goodwill as at the acquisition date	**19.7**

The differences between the fair value and book value of net assets acquired resulted primarily from:

- fair value of real estate (office building) held by Zeto Bydgoszcz, amounting to PLN 20.0 million;
- estimated value of the acquired intangible assets, including software developed by the acquired company and its customer relations, in total amounting to PLN 44.8 million;
- deferred income tax recognized in relation to valuation of the above-mentioned assets.

Expenses related to the acquisition of shares in Zeto Bydgoszcz S.A. amounted to PLN 3.7 million.

ii. Pilat Europe Ltd and Pilat (North America) Inc (hereinafter "Pilat")

In February 2013, Magic Software Enterprises Ltd (an indirect subsidiary of the Parent Company) acquired 100% of shares in the Pilat group companies, namely Pilat Europe Ltd based in the U.K., and Pilat (North America) Inc based in the U.S., (hereinafter "Pilat") (www.pilat.com).

The purchase price of 100% of shares in both the companies amounted to USD 1,114 thousand (PLN 3.6 million).

These companies specialize in providing technologies and services related to the process of human capital management. The Pilat group companies operate primarily in North America (USA, Canada) and Western Europe (Belgium, France, Germany, Netherlands, United Kingdom, Switzerland).

The Pilat companies offer mainly:

- strategic consulting for enterprises in the areas related to human capital management (including "Performance Management", "Talent Management", "Compensation Management" and "Workforce Planning" solutions);
- proprietary software, professional services and tools to assist in the management of human capital (such as applications designed to conduct employee evaluations, including the 360 assessment, tools to support the process of providing feedback to employees, as well as coaching support tools).

Such software is also available for customers in the SaaS model.

The fair values of identifiable assets and liabilities of Pilat as at the date of obtaining control were as follows:

	Fair value as at the acquisition date (audited) USD '000	Fair value as at the acquisition date (audited) PLN millions
Assets acquired		
Property, plant and equipment	38	0.1
Intangible assets	331	1.1
Trade receivables	760	2.4
Cash and cash equivalents	792	2.5
Other assets	266	1.0
Total assets	**2,187**	**7.1**
Liabilities acquired		
Trade payables	188	0.6
Prepayments and accrued income	1,016	3.3
Other liabilities	365	1.2
Total liabilities	**1,569**	**5.1**
Net assets value	**618**	**2.0**
Equity interest acquired	100%	100%
Purchase price	**1,114**	**3.6**
Goodwill as at the acquisition date	**496**	**1.6**

iii. Valinor, Ltd.

In May 2013, CommIT Technology Solutions Ltd, a subsidiary of Magic Software Enterprises, acquired 100% of shares in Valinor Ltd (www.valinor.co.il/eng/).

Valinor is an Israeli company offering database solutions: SQL Server, Oracle, and MySQL. Valinor is specialized in project consulting as well as in installation and design of database systems. The company employs approx. 30 information system architects as well as experts in database management. Valinor helps its customers find creative and effective IT solutions, including development, conversion, upgrade and installation of complex database systems capable of handling large amounts of information.

The purchase price was estimated at USD 1.1 million (NIS 4.0 million) and it was divided into three portions: the first one amounting to USD 0.6 million (NIS 2.0 million) has been already paid on the transaction date, the second one of USD 0.4 million (NIS 1.3 million) has been deferred and will be payable in November 2013, and the third one amounting to USD 0.2 million (NIS 0.7 million) has been deferred and will be payable in May 2014. In addition, the purchase price may be increased by two additional payments, depending on financial results generated by Valinor in the years 2013-2014. As at the merger settlement date, the contingent deferred payment has been estimated at USD 0.6 million (NIS 2.2 million).

The provisional values of identifiable assets and liabilities of Valinor as at the date of obtaining control were as follows:

	Provisional value as at the acquisition date (audited) USD '000	Provisional value as at the acquisition date (audited) PLN millions
Assets acquired		
Property, plant and equipment	14	-
Intangible assets	641	2.1
Trade receivables	2	-
Cash and cash equivalents	122	0.4
Other assets	409	1.3
Total assets	**1,188**	**3.8**
Liabilities acquired		
Interest-bearing bank loans, borrowings and debt securities	131	0.4
Deferred income tax	177	0.6
Provisions for employee benefits	36	0.1
Trade payables	2	-
Other liabilities	350	1.1
Total liabilities	**696**	**2.2**
Net assets value	**492**	**1.6**
Equity interest acquired	100%	100%
Purchase price	**1,618**	**5.2**
Goodwill as at the acquisition date	**1,126**	**3.6**

As at 31 December 2013, the Group has not yet completed the process of purchase price allocation. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over this company.

iv. Dario IT Solutions ltd.

In June 2013, CommIT Technology Solutions Ltd, a subsidiary of Magic Software Enterprises, acquired 100% of shares in Dario IT Solutions Ltd (www.dario.co.il).

Dario IT Solutions is one of Microsoft's Israeli partners which provide network infrastructure management services.

Dario IT Solutions employs 8 specialists.

The purchase price was estimated at USD 2.0 million (NIS 7.5 million) and it was divided into two portions: the first one amounting to USD 1.1 million (NIS 4.0 million) has been already paid on the transaction date, whereas the second one amounting to USD 1.0 million (NIS 3.5 million) has been deferred and will be payable in April 2014. In addition, the purchase price may be increased by three additional payments, depending on financial results generated by Dario IT Solutions in the years 2013-2015. As at the merger settlement date, the contingent deferred payment has been estimated at USD 1.8 million (NIS 7.0 million).

The provisional values of identifiable assets and liabilities of Dario IT Solutions as at the date of obtaining control were as follows:

	Provisional value as at the acquisition date (audited) USD '000	Provisional value as at the acquisition date (audited) PLN millions
Assets acquired		
Property, plant and equipment	6.0	-
Intangible assets	948.0	3.1
Trade receivables	335.0	1.1
Cash and cash equivalents	643.0	2.1
Total assets	**1,932.0**	**6.3**
Liabilities acquired		
Interest-bearing bank loans, borrowings and debt securities	19.0	0.1
Deferred income tax	345.0	1.1
Provisions for employee benefits	52.0	0.2
Trade payables	12.0	-
Other liabilities	128.0	0.4
Corporate income tax payable	298.0	1.0
Total liabilities	**854.0**	**2.8**
Net assets value	**1,078.0**	**3.5**
Equity interest acquired	100%	100%
Purchase price	**3,723.0**	**12.2**
Goodwill as at the acquisition date	**2,645.0**	**8.7**

As at 31 December 2013, the Group has not yet completed the process of purchase price allocation. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over this company.

v. Uni4Gold Serbia

On 30 April 2013, ASEE Serbia acquired a 70% stake in the company of Uni4Gold Serbia for EUR 112 thousand. The acquired company is engaged in the development of financial sector software.

As at 31 December 2013, the process of purchase price allocation has not yet been completed. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over this company. The provisional values of identifiable assets and liabilities of this company as at the acquisition date were as follows:

	Provisional value as at the acquisition date (audited) PLN millions
Assets acquired	
Property, plant and equipment	0.7
Receivables	0.3
Cash and cash equivalents	0.1
Total assets	**1.1**
Liabilities acquired	**1.0**
Net assets value	**0.1**
Purchase price	**0.5**
Goodwill as at the acquisition date	**0.4**

vi. R-Style Softlab

On 2 July 2013, Asseco Poland S.A. acquired a 70% stake in the company ZAO R-Style Softlab based in Moscow, Russia (eng.r-style.com). The shares were purchased from the company Eransor Finance Limited, registered in Nicosia, Cyprus.

The total transaction cost amounted to USD 28 million (PLN 92.9 million).

In addition, under the R-Style Softlab shares acquisition agreement, both the parties (i.e. non-controlling shareholders and Asseco Poland S.A.) have been granted put or call options, respectively, for all the remaining non-controlling interests. These options may be exercised within a period of seven months from 1 May 2016, and their exercise price shall depend on financial results achieved by R-Style Softlab for the years 2013-2015.

Non-controlling interests under this transaction were measured proportionally to the percentage share of such non-controlling interests in the fair value of identifiable net assets of the acquired entity.

As at 31 December 2013, the Group has not yet completed the process of purchase price allocation. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over this company.

The Group is currently conducting the process of identification and valuation of the acquired assets, liabilities and contingent liabilities, including liabilities relating to tax risk (in the second quarter of 2014, R-Style is going to undergo a tax audit for the years 2010-2012; the results of this audit will be significant for estimating contingent liabilities arising from uncertain tax and legal liabilities).

The provisional values of identifiable assets and liabilities of R-Style Softlab as at the date of obtaining control were as follows:

	Provisional value as at the acquisition date (audited) RUB millions	Provisional value as at the acquisition date (audited) PLN millions
Assets acquired		
Property, plant and equipment	9.5	1.0
Intangible assets	388.5	39.2
Trade receivables	59.5	6.0
Cash and cash equivalents	59.0	6.0
Other assets	36.6	3.7
Total assets	**553.1**	**55.9**
Liabilities acquired		
Trade payables	121.5	12.3
Prepayments and accrued income	3.0	0.3
Deferred income tax liabilities	60.0	6.1
Other liabilities	156.1	15.8
Total liabilities	**340.6**	**34.5**
Net assets value	**212.5**	**21.4**
Value of non-controlling interests	**63.8**	**6.4**
Equity interest acquired	70%	70%
Purchase price	**919.7**	**92.9**
Goodwill as at the acquisition date	**771.0**	**77.9**

Provisional values as at 31 December 2013 include, among others:

- estimated value of the acquired intangible assets, including software developed by the acquired company and its customer relations, in total amounting to PLN 30.3 million;
- deferred income tax recognized in relation to valuation of the above-mentioned assets.

Goodwill arising from the acquisition of R-Style Softlab has been allocated to the cash-generating unit constituted by the "Banking and Finance" segment identified in the Parent Company. The Group's management expects that the synergies arising from this transaction will bring the greatest benefits to the "Banking and Finance" segment which will be able to sell its products to the clients of R-Style Softlab.

vii. EŽR Croatia

On 23 October 2013, ASEE S.A. acquired 100% of shares in the company EŽ Računalstvo 2013 d.o.o. seated in Zagreb, Croatia, for the total amount not exceeding EUR 3.2 million. The consideration for the shares has been divided into two portions. The first instalment amounting to EUR 2.5 million (of which EUR 2,362 thousand due to the seller and EUR 138 thousand for the share capital increase) was paid on the date of signing the share acquisition agreement. The amount of the second instalment will depend on the acquired company's financial results and shall range from EUR 300 thousand to EUR 700 thousand.

As at 31 December 2013, the process of purchase price allocation has not yet been completed. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over this company.

The provisional values of identifiable assets and liabilities of this company as at the acquisition date were as follows:

	Provisional value as at the acquisition date (audited) PLN thousands
Assets acquired	
Property, plant and equipment	135
Intangible assets	32
Trade receivables	1,130
Other assets	181
Cash and cash equivalents	167
Total assets	**1,645**
Liabilities acquired	
Trade payables and other liabilities	1,632
Total liabilities	**1,632**
Net assets value	**13**
Equity interest acquired	100%
Purchase price	**11,687**
Goodwill as at the acquisition date	**11,674**

viii. Allstates Technical Services, LLC

On 11 November 2013, Magic acquired 100% of shares in the company Allstates Technical Services, LLC, based in the U.S. Allstates specializes in the provision of comprehensive consultancy services and body-shopping services for new technology companies (mainly IT).

As at 31 December 2013, the process of purchase price allocation has not yet been completed. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over this company. The provisional values of identifiable assets and liabilities of Allstates Technical Services, LLC as at the date of obtaining control were as follows:

	Provisional value as at the acquisition date (audited) USD thousands	Provisional value as at the acquisition date (audited) PLN millions
Assets acquired		
Intangible assets	2,874.0	8.9
Trade receivables	3,163.0	9.8
Total assets	**6,037.0**	**18.7**
Liabilities acquired		
Other liabilities	100.0	0.3
Total liabilities	**100.0**	**0.3**
Net assets value	**5,937.0**	**18.4**
Purchase price	**10,963.0**	**34.1**
Goodwill as at the acquisition date	**5,026.0**	**15.7**

ix. Strategic Sales Systems Inc.

On 17 December 2013, Matrix IT (an indirect subsidiary of the Parent Company) acquired 100% of shares in Strategic Sales Systems Inc, based in the U.S.

The consideration of USD 400 thousand was paid in cash on the transaction date. In addition, the seller may be entitled to receive a conditional payment of up to USD 1.5 million in the future, which will depend on the achievement of the determined sales targets and financial results by that company.

As at 31 December 2013, the process of purchase price allocation has not yet been completed. Therefore, goodwill recognized on this acquisition may be subject to change in the period of 12 months from the date of obtaining control over this company.

The provisional values of identifiable assets and liabilities of Strategic Sales Systems Inc. as at the date of obtaining control were as follows:

	Provisional value as at the acquisition date (audited) USD thousands	Provisional value as at the acquisition date (audited) PLN millions
Assets acquired		
Property, plant and equipment	15	-
Intangible assets	296	1.2
Trade receivables and other receivables	445	1.3
Cash and cash equivalents	408	1.2
Total assets	**1,164**	**3.7**
Liabilities acquired		
Trade payables	248	0.7
Other liabilities	1,035	3.4
Total liabilities	**1,283**	**4.1**
Net assets value	**(119)**	**(0.4)**
Equity interest acquired	100%	100%
Purchase price	**1,533**	**4.6**
Goodwill as at the acquisition date	**1,652**	**5.0**

x. Loss of control over Sapiens International Corporation

In November 2013, Sapiens International Corporation, a Formula Systems company (hereinafter "Sapiens") completed the process of issuance of 6,497,500 shares at the price of USD 6.25 per share. The proceeds from this issuance amounted to approx. USD 37.7 million, net of issuance-related expenses.

Formula Systems did not acquire any new shares and therefore, as a result of this transaction, the shareholding of Formula Systems in Sapiens dropped to approx. 48.6%. The Management Board deemed that, due to a decrease in equity interest and voting interest below 50%, the control over the company of Sapiens has been lost.

Hence, as a result of issuing 6,497,500 shares in 2013, Sapiens is no longer a subsidiary of Formula Systems, but just an associated company.

The following table presents the result of recognizing the loss of control over the company of Sapiens:

	Carrying amounts in the consolidated financial statements of Asseco Poland as at the date of losing control	
	(audited)	(audited)
	USD millions	PLN millions
Assets		
Property, plant and equipment	4.9	15.2
Intangible assets	36.6	113.3
Goodwill arising from consolidation	124.4	384.6
Deferred income tax assets	4.2	12.8
Trade receivables	24.2	74.7
Other receivables	2.6	8.0
Prepayments and accrued income	1.2	3.7
Cash and cash equivalents	31.6	97.7
Total assets	**229.7**	**710.0**
Trade payables and other liabilities		
Trade payables	6.9	21.3
Other liabilities	11.6	35.8
Prepayments and accrued income	20.7	63.9
Deferred income tax liabilities	2.7	8.1
Provisions	2.3	7.1
Total liabilities	**44.2**	**136.2**
Net assets as at the date of losing control	**185.5**	**573.8**
Value of non-controlling interests as at the date of losing control	**87.3**	**270.1**
Fair value of other interests in Sapiens as at the date of losing control	**157.9**	**488.4**
Exchange differences on translation of foreign operations	n/a	(1.2)
Financial result on the loss of control attributable to shareholders of Formula Systems	**59.7**	**183.5**
Equity interest of Asseco Poland in Formula Systems	46.36%	46.36%
Financial result on the loss of control attributable to shareholders of Asseco Poland S.A.	**27.7**	**85.6**

As described in section II.6 of these consolidated financial statements, the Group has elected to apply IFRS 10 for annual periods beginning on or after 1 January 2014.

According to the new IFRS 10, an investor, irrespective of the nature of its involvement with the investee, should in each case analyze whether it is a parent, taking into account the influence it exerts on such entity. IFRS 10 identifies the following three elements of control:

- power over the investee;
- exposure, or rights, to variable returns from involvement with the investee (participation in the return or loss on investments); and
- the ability to use power over the investee to affect the amount of the investor's returns.

An investor must possess all the three elements of the definition of control to conclude it controls an investee. The assessment of control is based on all facts and circumstances and the conclusion is reassessed if there is an indication that there are changes to at least one of the three above-mentioned elements of control.

The Group is currently analyzing the impact of IFRS 10 on its consolidated financial statements as of 1 January 2014, among others, in relation to the control or the lack of control over the company of Sapiens. Due to the lack of an absolute majority of voting rights at the general meeting of shareholders of Sapiens, the Group is currently considering whether there are any other reasons and/or circumstances that might indicate that Sapiens is still controlled by the Group.

An eventual conclusion that, in accordance with IFRS 10, the control over Sapiens has not been lost may have a significant impact on the Group's future consolidated financial statements, because it will require a restatement of the comparable data (i.e. data for the year ended 31 December 2013) as if the control over Sapiens was never lost in 2013. In particular, such a restatement would involve elimination from the income statement of the financial result recognized on the loss of control over Sapiens in 2013, as well as recognition of revenues and costs of Sapiens for the full fiscal year, i.e. for the period of 12 months ended 31 December 2013. Hence, the consolidated net profit attributable to Shareholders of the Parent Company for the year ended 31 December 2013 would decrease by PLN 84.9 million.

As a result of such a restatement of the comparable data, individual items of the Group's assets and liabilities would also have to be adjusted for the respective items of assets and liabilities of Sapiens, and investments in associates would have to be reduced by the amount of investment in Sapiens, i.e. by PLN 475.7 million.

The following table presents selected financial data of the companies, in which the Group obtained control during the period of 12 months ended 31 December 2013:

	For the period of 12 months ended 31 December 2013	
	Sales revenues	Net profit for shareholders of the Parent Company
	(audited)	(audited)
	PLN millions	PLN millions
Acquisitions made by Asseco South Eastern Europe Group	3.4	(0.1)
Acquisitions made by Magic Software Enterprises Group	81.4	1.0
P.I. Zeto Bydgoszcz S.A.	33.2	5.0
Asseco Georgia LLC	1.7	(0.5)
R-Style Softlab	93.4	2.4
	213.1	**7.8**

11. Impairment testing

Both as at 31 December 2012 and during the period of 12 months ended 31 December 2013, the stock market capitalization of Asseco Poland S.A. remained under the book value of the Group's assets. The Management Board of Asseco considered such situation as an indication of possible impairment of our cash-generating units to which goodwill has been allocated.

In line with the Group's policy, each year as at 31 December, the Management Board of the Parent Company performs an annual impairment test on cash-generating units or groups of cash-generating units to which goodwill as well as intangible assets with an indefinite period of useful life have been allocated. Each impairment test requires making estimates of the recoverable value of a cash-generating unit or a group of cash-generating units to which goodwill is allocated.

In the case of cash-generating units constituted by companies quoted on an active market, the recoverable value may equal the market value (i.e. stock market capitalization) of a company or its value in use, whichever is higher. Therefore, for cash-generating units constituted by companies quoted on an active market, impairment testing was performed in two stages. First of all, the book value of a cash-generating unit or group was compared to its market value (capitalization). If the market value exceeded the book value, no impairment of a cash-generating unit or group was deemed to have occurred. Otherwise, we estimated the value in use of a cash-generating unit by applying the model of discounted free cash flow to firm (FCFF).

In the case of cash-generating units constituted by non-public companies or groups of companies, impairment testing involved determination of their value in use by applying the model of discounted free cash flow to firm (FCFF).

Our companies or groups of companies quoted on an active market include: Asseco Central Europe a.s., Asseco Business Solutions S.A., Magic Software Enterprises Ltd, Matrix IT Ltd, and Asseco South Eastern Europe S.A.

The table below compares the market values of our cash-generating units constituted by companies or groups of companies quoted on an active market against their book values as at 31 December 2013:

31 Dec. 2013 **(audited)**	**Asseco Central Europe a.s.** **PLN millions**	**Asseco South Eastern Europe S.A.** **PLN millions**	**Asseco Business Solutions S.A.** **PLN millions**	**Magic Software Enterprises Ltd.** **PLN millions**	**Matrix IT Ltd.** **PLN millions**
carrying amount of cash-generating unit	522.2	667.6	211.6	807.2	1,048.0
market capitalization	436.1	497.6	431.9	882.7	953.8
surplus (+) / deficit (-) of fair value over book value	**(86.1)**	**(170.0)**	**220.3**	**75.5**	**(94.2)**

Hence, as at 31 December 2013, low market capitalization might indicate possible impairment of the following companies or groups of companies quoted on an active market: Asseco Central Europe, Asseco South Eastern Europe, and Matrix IT Ltd.

In the calculation of the value in use of cash-generating units or groups, which are constituted by individual subsidiaries, the following assumptions have been adopted:

- for each subsidiary, the so-called business units were analyzed which, when put together, comprise the budget and forecasts of the whole subsidiary company;
- detailed forecasts covered the period of 5 years, for which increasing cash flows were assumed, while for further time of each subsidiary operations the residual value was computed assuming no growth in cash flows;
- the assumed increases in cash flows depend upon the strategy of the entire Group, tactical plans of individual companies, they take due account of conditions prevailing in particular markets by region and sector, at the same time reflecting the present and potential order portfolios;

- the forecasts for foreign subsidiaries assumed growth of sales in their functional currencies;
- the discount rates applied were equivalent to the weighted average cost of capital for a given cash-generating unit. Particular components of the discount rate were determined taking into account the market values of risk-free interest rates, the beta coefficient leveraged to reflect the market debt-equity structure, as well as the expected market yield.

The Group carried out a sensitivity analysis in relation to other goodwill impairment tests conducted as at 31 December 2013, in order to find out how much the selected parameters applied in the model could be changed so that the estimated value in use of cash-generating units equalled their carrying amounts. Such sensitivity analysis examined the impact of changes in the applied:

- real discount rate applied for the residual period, i.e. cash flows generated after 2018;
- compound annual growth rate of free cash flow changes over the forecast period, i.e. in the years 2014-2018;

as factors with influence on the recoverable value of a cash-generating unit, assuming other factors remain unchanged.

The results of the conducted sensitivity analysis are presented in the table below:

	Carrying amount of cash-generating unit	Discount rate		Compound annual growth rate of cash flows	
		applied in the model for residual period	terminal	applied in the model for forecast period	terminal
	PLN millions	%	%	%	%
Cash-generating units constituted by companies or groups of companies					
Asseco Central Europe Group	522.2	8.3%	30.8%	6.1%	(15.5%)
Asseco South Eastern Europe Group	667.6	9.6%	18.6%	25.5%	16.0%
Matrix IT Ltd.	1,048.0	7.5%	11.7%	(4.8%)	(11.1%)
Asseco Germany A.G.	232.4	6.6%	13.7%	(11.3%)	(19.8%)
Matrix42 A.G.	71.9	6.6%	13.8%	3.9%	(8.7%)
Asseco Spain S.A.	132.2	10.1%	50.8%	23.7%	0.2%
Necomplus S.L.	80.0	10.1%	32.7%	(10.4%)	(23.3%)
Combidata Poland Group	52.5	9.3%	19.5%	0.5%	(9.3%)
Asseco Denmark	62.1	7.2%	12.8%	20.2%	10.1%
UAB Sintagma	18.5	11.1%	17.7%	(3.1%)	(10.2%)
Gladstone Consulting Ltd	31.9	10.2%	12.1%	17.8%	14.9%
ADH-Soft Sp. z o.o.	6.1	11.1%	∞	21.9%	(24.8%)
ZUI OTAGO Sp. z o.o	5.5	9.3%	69.0%	3.1%	(16.0%)
C.K. Zeto Łódź	32.0	11.1%	18.8%	2.0%	(3.0%)
SKG S.A.	33.2	11.1%	∞	4.6%	(18.1%)
P.I. Zeto Bydgoszcz S.A.	90.2	9.3%	20.0%	3.9%	(6.9%)
Cash-generating units constituted by operating segments identified by the Parent Company					
Goodwill allocated to the segment of "Banking and Finance"	1,320.9	7.7%	7.9%	4.6%	4.3%
Goodwill allocated to the segment of "Public Administration"	1,395.0	7.7%	8.4%	4.0%	3.1%
Goodwill allocated to the segment of "Enterprises"	262.7	7.7%	∞	15.9%	(22.0%)
Goodwill allocated to the segment of "Infrastructure"	151.4	7.7%	19.6%	31.7%	16.0%

∞ - means that the terminal discount rate for the residual period is greater than 100%.

The conducted impairment test did not indicate a necessity for the Parent Company to recognize any impairment charges on its cash-generating units as at 31 December 2013.

12. Investments in associates

As at 31 December 2013, the Parent Company's associated entities were Sapiens International Corporation, Postdata, CodeConnexion, Prvni Certifikacni Autorita, Crystal Consulting, and Tiltan System Engineering.

As at 31 December 2012, the Parent Company's associated entities were Postdata, CodeConnexion, Prvni Certifikacni Autorita, Crystal Consulting, and Tiltan System Engineering.

The above-mentioned investments are valued using the equity method.

The table below presents condensed information on the investments held by Asseco Group:

	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Non-current assets	327.8	40.9
Current assets	344.7	3.9
Non-current liabilities	(135.3)	(10.7)
Current liabilities	(11.4)	(1.2)
Net assets	**525.8**	**32.9**
Book value of investments	**495.8**	**20.5**

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Revenues	46.5	45.6
Net profit (loss)	4.9	4.3
Share in profits of associates	**2.1**	**3.2**

As described in explanatory note 10 to these consolidated financial statements, in November 2013, Sapiens International Corporation, a Formula Systems company (hereinafter "Sapiens") completed the process of issuance of 6,497,500 shares. Formula Systems did not acquire any new shares and therefore, as a result of this transaction, the shareholding of Formula Systems in Sapiens dropped to 48.6%. The Management Board deemed that, due to a decrease in equity interest and voting interest below 50%, the control over the company of Sapiens has been lost, however significant influence is still exerted. Hence, as a result of this transaction, the company of Sapiens has been consolidated under the equity method since the beginning of December 2013.

13. Financial assets

As at 31 December 2013 and in the comparable period, the Group held the following financial assets:

	31 Dec. 2013 (audited)		31 Dec. 2012 (audited)	
	Long-term PLN millions	Short-term PLN millions	Long-term PLN millions	Short-term PLN millions
Financial assets held to maturity				
Treasury bonds	-	-	-	3.2
	-	**-**	**-**	**3.2**
Loans, of which:				
Loans granted to entities related through the key management personnel	15.8	30.5	34.2	1.7
Loans granted to employees	0.3	1.3	0.8	1.2
Loans granted to other entities	13.4	1.0	23.3	0.2
Term cash deposits with original maturities exceeding 3 months	1.8	7.7	1.8	59.5
	31.3	**40.5**	**60.1**	**62.6**
Financial assets carried at fair value through profit or loss, of which:				
Currency forward contracts (EUR & USD)	5.9	2.8	9.4	3.1
Corporate bonds (quoted on active markets)	-	17.7	-	16.2
Treasury bonds	-	23.9	-	22.0
Shares in companies quoted on active markets	-	10.1	-	5.1
	5.9	**54.5**	**9.4**	**46.4**
Financial assets available for sale, of which:				
Shares in companies quoted on active markets	2.1	0.7	1.5	0.7
Shares in companies not listed on stock markets	10.9	-	10.3	-
Treasury and corporate bonds (quoted on active markets)	-	1.9	-	2.0
	13.0	**2.6**	**11.8**	**2.7**
Total	**50.2**	**97.6**	**81.3**	**114.9**

Loans granted are measured at amortized cost at each balance sheet date. Loans to related entities were granted on an arm's length basis.

Loans granted to related entities

Loans granted to related entities include loans granted to the following related parties:

	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Gdyński Klub Koszykówki Arka S.A.[1)]	7.2	4.3
Asseco Resovia S.A.[2)]	12.2	4.5
Gambit Sp. z o.o.[3)]	8.7	9.7
Matrix42 Inc. [4)]	18.1	17.4
Loans granted to other related entities	0.1	-
	46.3	**35.9**

1) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Przemysław Sęczkowski, Vice President of the Company's Management Board, served as Member of the Management Board of Gdyński Klub Koszykówki Arka S.A.*

2) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Adam Góral, President of the Company's Management Board, served as Member of the Supervisory Board of Asseco Resovia S.A., whereas Mr. Marek Panek, Vice President of the Company's Management Board, served as Member of the Management Board of Asseco Resovia S.A.*

3) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Krzysztof Koszewski, Member of the Supervisory Board of Combidata Poland Sp. z o.o., was a shareholder in Gambit Sp. z o.o.*

4) In the period from 30 January 2013 as well as in the comparable period, a major shareholder in Matrix42 Inc, served as Member of the Management Board of Asseco DACH S.A. (a subsidiary of the Parent Company). Furthermore, in the period of 12 months ended 31 December 2013 as well as in the comparable period, the Group held an 18% equity interest in Matrix42 Inc.

During the period of 12 months ended 31 December 2013, the largest changes in the amounts of loans granted to related parties were observed in the case of Asseco Resovia S.A. and Gdyński Klub Koszykówki Arka S.A. The main characteristics of loans granted to these entities have been described below:

Loan granted to Asseco Resovia S.A.

This loan was granted under an agreement of July 2012 as later amended as well as under an agreement of August 2013. The loan shall be paid out in portions. The loan interest rate is variable and equals WIBOR 3M + margin. Such interest is charged and paid on a quarterly basis. The loan granted under the agreement of July 2012 shall be repaid till 31 December 2014; whereas, the loan granted under the agreement of August 2013 shall be repaid till 30 June 2016. Both the loans may be also partially repaid before the due date. The parties to the loan agreement agreed that amounts paid out under this loan may be recognized as payments on the account of the sponsorship agreement of 15 March 2012. The loan has been secured by a promissory note.

Loans granted to Gdyński Klub Koszykówki Arka S.A.

Loans with a maximum amount of PLN 9.0 million were granted under the agreements of October 2012 and March 2013. The loan has been paid out in portions. The loan interest rate is variable and equals WIBOR + margin. Such interest shall be charged and paid on a quarterly basis in the case of the loan granted under the agreement of October 2012, and on a semi-annual basis in the case of the loan granted under the agreement of March 2013. The first loan shall be repaid till 31 July 2015 and the second one shall be repaid till 31 March 2015, whereas partial repayments are also possible before the due date. The parties to the loan agreement agreed that amounts paid out under this loan may be recognized as payments on the account of the sponsorship agreements signed. The loan has been secured by a promissory note.

Loans granted to other entities

Loans granted to other entities comprise primarily commercial papers issued by Prokom Investments S.A. (net of impairment write-downs recognized); their face value (before impairment write-downs) amounts to PLN 26.0 million. In December 2012, the parties (i.e. Asseco Poland S.A. and Prokom Investments S.A.) concluded an agreement stipulating the rules of repayment and providing collaterals, among others, for the above-mentioned commercial papers. The issued commercial papers will be renewed (rolled out) in December 2013 and December 2014; hence they shall be finally redeemed in December 2015. The interest on these commercial papers shall be based on 1Y WIBOR rate, as quoted two business days before the deadline for redemption of consecutive tranches, increased by a margin. Such interest shall be paid by Prokom Investments within the deadlines for redemption of consecutive tranches of commercial papers. In order to secure the repayment of its commercial papers, Prokom Investments has established a collateral in the form of an ordinary pledge and registered pledge amounting to PLN 171,000,000 on its shareholding in Korporacja Budowlana Dom S.A. seated in Krotoszyn.

As at 31 December 2013, the Management Board of the Parent Company assessed the recoverable amount of commercial papers based on the value of established collaterals. The recoverable amount of commercial papers was estimated at PLN 7.3 million as at 31 December 2013, hence the related impairment write-down was increased by the amount of PLN 14.3 million. A cost incurred on such revaluation of commercial papers was recognized in financial expenses (see: explanatory note 3 to these consolidated financial statements).

The balance of **term cash deposits** includes term deposits with an original maturity of more than 3 months.

Financial assets held to maturity are measured at amortized cost at each balance sheet date.

This category includes investments in Treasury bonds quoted on an active market.

Financial assets carried at fair value through profit or loss include forward transactions for purchase or sale of foreign currencies and the portfolio of financial assets held for trading, which comprise corporate bonds quoted on active markets and investment-rated Treasury bonds, as well as shares in companies quoted on active markets. Investments in debt securities and company shares are an alternative form of spare cash management as applied by Matrix IT Ltd. (a subsidiary of the Formula Systems Group). Forward transactions have been concluded chiefly in order to hedge against the foreign currency risk resulting from finance leases of real estate.

The fair value of currency forward contracts is determined at each balance sheet date using calculation models based on inputs that are directly observable in active markets. Whereas, the fair value of the financial assets portfolio is determined on the basis of quoted prices of such assets in active markets.

Financial assets available for sale include primarily equity investments not exceeding 20% of the target company's outstanding stock as well as bonds purchased without an intention to be held to maturity.

Investments in companies quoted on active markets are measured at fair value at each balance sheet date, on the basis of their closing prices on the balance sheet date. Any changes in such valuation are recognized in other comprehensive income. Investments in companies not listed on active markets are measured at their purchase cost adjusted by any impairment charges.

14. Prepayments and accrued income

As at 31 December 2013 and in the comparable periods, prepayments and accrued income included the following items:

	31 Dec. 2013 (audited)		31 Dec. 2012 (audited)	
	Long-term PLN millions	Short-term PLN millions	Long-term PLN millions	Short-term PLN millions
Prepaid services, of which:	31.3	88.2	27.7	91.1
Prepaid maintenance services and license fees	*22.7*	*61.1*	*14.9*	*62.6*
Prepaid sponsoring	*7.3*	*11.6*	*12.0*	*13.0*
Prepaid rents and averaging of instalments under operating leases	*-*	*2.3*	*-*	*2.8*
Prepaid insurance	*0.1*	*4.2*	*0.4*	*4.1*
Other prepaid services	*1.2*	*9.0*	*0.4*	*8.6*
Expenses related to services performed for which revenues have not been recognized yet	-	2.5	-	2.8
Public issuance expenses	-	-	-	0.5
Other prepayments and accrued income	0.1	2.3	-	4.9
Total	**31.4**	**93.0**	**27.7**	**99.3**

As at 31 December 2013 as well as at the end of the comparable period, prepayments and accrued income comprised mainly:

- costs of prepaid maintenance services and licensing fees that will be gradually expensed in the income statement in future periods;
- prepaid marketing and advertising expenses, mostly in favour of Gdyński Klub Koszykówki Arka S.A. (basketball club) and Asseco Resovia S.A. (volleyball club).

In connection with the existing sponsorship agreements concluded with Gdyński Klub Koszykówki Arka S.A. and Asseco Resovia S.A., the Parent Company has off-balance-sheet liabilities arising from remunerations payable under these agreements. The sponsorship agreement with Gdyński Klub Koszykówki Arka S.A shall remain in effect till 31 July 2017 and the amount of outstanding payments equals PLN 11.8 million. The sponsorship agreement with Asseco Resovia S.A. shall remain in effect till 31 May 2016 and the amount of outstanding payments equals PLN 12.9 million.

15. Long-term and short-term receivables

	31 Dec. 2013 (audited)		31 Dec. 2012 (audited)	
	Long-term	Short-term	Long-term	Short-term
	PLN millions	PLN millions	PLN millions	PLN millions
Trade receivables, of which:				
from related companies	-	9.1	-	5.6
from other companies	2.8	1,195.0	0.7	1,224.2
Allowance for doubtful receivables (-)	-	(49.0)	-	(47.6)
	2.8	**1,155.1**	**0.7**	**1,182.2**
Corporate income tax receivable	**-**	**38.3**	-	**50.6**
Receivables from the state and local budgets				
Value added tax	-	5.8	-	5.8
Other	-	14.3	3.7	10.8
	-	**20.1**	**3.7**	**16.6**
Other receivables				
Receivables from valuation of IT contracts	-	170.2	-	112.2
Receivables from uninvoiced deliveries	-	187.3	-	156.9
Receivables under finance leases	0.2	0.4	0.5	0.8
Receivables from guarantees of due performance of contracts	-	6.0	2.7	4.6
Receivables from grants	-	3.2	-	10.7
Receivables from advance payments and security deposits	21.4	10.0	17.0	10.4
Receivables from employees	-	1.8	-	1.7
Receivables from disposal of tangible fixed assets	-	0.2	-	0.2
Other receivables	10.1	18.4	15.4	29.1
Allowance for other uncollectible receivables (-)	(7.4)	(9.0)	(2.2)	(7.2)
	24.3	**388.5**	**33.4**	**319.4**

Related party transactions have been presented in explanatory note 27 to these consolidated financial statements.

Other receivables from the state and local budgets include primarily receivables of Matrix IT subsidiaries amounting to PLN 13.4 million (NIS 15.4 million), arising from government grants awarded for the employment of workers of Arabic origin as well as of other religious and ethnic minorities.

Receivables from valuation of IT contracts (implementation contracts) result from the surplus of the percentage of completion of implementation contracts over invoices issued. More information on implementation contracts has been provided in explanatory note 16 to these consolidated financial statements.

Receivables relating to uninvoiced deliveries result from sales of services which were performed during the reporting period, but have not been invoiced until the balance sheet date.

Receivables relating to guarantees of due performance of contracts constitute a security in cash extended in favour of customers in order to compensate for their potential losses should the company fail to fulfil its contractual obligations.

Other receivables include, among others, receivables from Prokom Investments S.A. from the sale of shares in Beskidzki Dom Maklerski S.A. (hereinafter BDM S.A.). Such receivables (net of allowances) amounted to PLN 1.2 million as at 31 December 2013, as compared with PLN 9.1 million as at 31 December 2012. The amount receivable decreased due to a repayment that was made by Prokom Investments to the Company in 2013. Other receivables also include receivables from Nordinfo Capital Sp. z o.o. amounting to PLN 2.8 million resulting from the sale of shares in KOMA Nord Sp. z o.o.

The Group has an adequate policy in place that allows for selling products to reliable clients only. Owing to that, in the Management's opinion the credited sales risk would not exceed the level covered with allowances for doubtful receivables. The Group's policy for establishing allowances for doubtful receivables is described in item 16 of the Significant Accounting Policies.

The following table presents the ageing structure of gross receivables (i.e. before allowances and discounts) as at 31 December 2013 and 31 December 2012, which provides the basis for recognition of allowances following the general rules:

Ageing of trade receivables	31 Dec. 2013 (audited)		31 Dec. 2012 (audited)	
	PLN millions	%	PLN millions	%
Receivables not yet due	**817.7**	**67.8%**	**791.2**	**64.3%**
Past-due receivables not subject to write-downs	**339.4**	**28.1%**	**379.9**	**30.9%**
Receivables past-due up to 3 months	299.0	24.8%	340.3	27.7%
Receivables past-due from 3 to 6 months	40.4	3.4%	39.6	3.2%
Past-due receivables subject to write-downs	**49.8**	**4.1%**	**59.4**	**4.8%**
Total trade receivables	**1,206.9**	**100.0%**	**1,230.5**	**100.0%**

16. Implementation contracts

In the years 2013 and 2012, the Group executed a number of the so-called IT implementation contracts. In line with IAS 11, sales generated from such contracts are recognized according to the percentage of completion of relevant contracts. The Group measures the percentage of completion of IT implementation contracts using basically the "cost" method (this is by determining the relation of costs incurred to the overall project costs) or according to the "work-effort" method (by determining the portion of work completed out of the total work effort required in a project).

The following table includes basic data about the ongoing IT implementation contracts:

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Revenues from execution of IT contracts recognized in the reporting period	759.7	719.6
For all projects being in progress at the balance sheet date:		
Revenues recognized from execution of IT contracts (cumulative)	2,651.5	2,411.7
Costs incurred due to execution of IT contracts (cumulative)	(1,750.5)	(1,511.2)
Net provisions for losses on IT contracts	(12.9)	(6.6)
Profit (loss) on execution of IT contracts	888.1	893.9
Invoiced revenues from execution of IT contracts (cumulative)	2,506.6	2,354.8
Receivables arising from valuation of IT contracts	170.2	112.2
Liabilities arising from valuation of IT contracts	(25.2)	(55.5)
Exchange differences on translation of foreign operations	(0.1)	0.2

17. Inventories

The Group holds two main categories of inventories: goods for resale, and service parts. The category of goods for resale includes mainly computer hardware and third-party software licenses intended for resale under the implementation or supply contracts. Hence, majority of goods for resale are purchased for the purpose of execution of already signed or highly probable contracts.

The category of service parts includes computer hardware, spare parts and other materials that have been purchased for the performance of maintenance services.

	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Computer hardware, third-party software licenses and other goods for resale	94.8	77.5
Computer hardware, spare parts and other materials intended for the performance of repair/maintenance services	6.1	5.2
Write-down on goods for resale (-)	(5.0)	(5.5)
Total	**95.9**	**77.2**

18. Cash and cash equivalents

	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Cash at bank	469.2	453.8
Cash on hand	1.0	1.5
Short-term bank deposits (up to 3 months)	286.2	504.6
Cash equivalents	-	-
Total cash and cash equivalents as disclosed in the balance sheet	**756.4**	**959.9**
Interest accrued on cash and cash equivalents	(0.2)	(0.3)
Bank overdraft facilities utilized for current liquidity management	-	-
Total cash and cash equivalents as disclosed in the cash flow statement	**756.2**	**959.6**

The interest on cash at bank is calculated with variable interest rates, depending on interest rates offered on bank deposits. Short-term deposits are made for varying periods of between one day and three months and earn interest at their respective fixed interest rates.

19. Assets classified as held for sale

During the period of 12 months ended 31 December 2013, the Group reclassified several of its real estate properties (land, business premises and office buildings) from property, plant and equipment to the category of "Non-current assets classified as held for sale". All the reclassified properties are available for immediate sale in their existing condition (presently these properties are not used by the Group). The decisions have been made to sell all of these properties and we actively seek potential buyers. At the moment of reclassification, the fair values of these properties (determined on the basis of professional appraisal reports prepared in 2013) exceeded their carrying amounts, hence, as at 31 December 2013, there were no indications of impairment of any of the reclassified properties.

As at 31 December 2012, none of the Group's assets were classified as held for sale.

20. Share capital

The Company's share capital as at 31 December 2013 and in the comparable period amounted to PLN 83,000,303.00 and has been fully paid up. The share capital is divided into 83,000,303 ordinary shares with a par value of PLN 1 each. The Company has not issued any preference shares.

During the year ended 31 December 2013, the amount of the share capital remained unchanged.

The Company's authorized capital is equal to its share capital.

Treasury shares

On 3 November 2011, the Extraordinary General Meeting of Shareholders passed a resolution allowing the Company to repurchase up to 25,596,623 own ordinary bearer shares with a par value of PLN 1 each. It was concurrently decided that the total amount allocated by the Company to finance the price (consideration) payable for the repurchase of own shares shall not exceed PLN 450 million. Such repurchase shall be financed with the Company's own funds, in particular from a special purpose fund to be set aside from reserve capital.

Own Shares may be repurchased on a regulated market according to the principles regarding buy-back programs and stabilization of financial instruments set out in the Commission Regulation (EC) No. 2273/2003 of 22 December 2003 (the "Regulation"), or otherwise as permitted by law, including in particular by launching one or more tender offers for Own Shares. In the event Own Shares are repurchased not on a regulated market but otherwise as permitted by law, such repurchase may only be conducted by means of a tender offer addressed to all the Company's shareholders, respecting the principle of equal treatment of shareholders in the buy-back of Own Shares. Concurrently, the Extraordinary General Meeting of Shareholders resolved that Own Shares may not be repurchased in block transactions.

Own Shares will be repurchased by the Company at a price (consideration) determined by the Management Board; however, in the cases where:

1) the Company purchases Own Shares on a regulated market – the maximum price per one Own Share shall not be higher than the price determined pursuant to the Regulation and shall not be lower than the arithmetic average of the closing prices of the Company's shares quoted in the continuous trading system on the Warsaw Stock Exchange ("WSE") on 3 consecutive days preceding the date of publication of a current report containing information on the Company's order placed with a provider of brokerage services to conduct and manage the purchase of a specific stake of Own Shares. The price paid for shares purchased on a regulated market shall be additionally determined in accordance with relevant provisions of the Rules and Regulations of the Warsaw Stock Exchange; or

2) the Company purchases Own Shares in another manner permitted by law, including in particular by undertaking one or more tender offers for Own Shares – the fixed price shall not be more than 10% lower than the arithmetic average of the closing prices of the Company's shares quoted in the WSE continuous trading system on 3 consecutive days preceding the date of publication of a current report containing the Company's announcement of each specific tender offer for Own Shares; whereas, the maximum fixed price shall not be higher the arithmetic average of the closing prices of the Company's shares quoted in the WSE continuous trading system on 3 consecutive days preceding the date of publication of a current report containing the Company's announcement of each specific tender offer for Own Shares, with a possibility to increase such price by a maximum of 10% to be decided by the Management Board.

The repurchase of Own Shares may, at the discretion of the Company's Management Board, be effected through an entity conducting brokerage activities, while the Management Board shall be entitled to choose such entity and establish the conditions for such cooperation.

The Company will be able to repurchase Own Shares pursuant to the EGMS resolution of 3 November 2011 within 36 months of the date of its adoption.

Until 31 December 2013, the Company has not yet acquired any own shares.

21. Interest-bearing bank loans and debt securities issued

	Loan currency	Effective interest rate	Repayment date	Outstanding debt as at: 31 Dec. 2013 (audited) PLN millions	Outstanding debt as at: 31 Dec. 2012 (audited) PLN millions	Maximum debt as at: 31 Dec. 2013 (audited) PLN millions	Maximum debt as at: 31 Dec. 2012 (audited) PLN millions
Bank overdraft facilities	*EUR*	EONIA + margin	Q4 2013	-	7.2	9.3	22.6
		EURIBOR + margin	Q3 2012	-	-	-	12.3
			Q1 2013	-	0.8	-	0.8
			Q3 2013	-	-	1.0	1.4
			Q4 2013	-	0.3	20.8	8.2
			Q1 2014	2.1	-	2.1	-
			Q2 2014	-	4.7	14.4	14.0
			Q3 2014	2.6	12.2	12.4	12.3
			Q4 2014	1.6	1.9	7.0	7.7
		fixed interest rate	Q2 2014	-	4.3	8.6	9.3
			Q4 2014	-	-	3.4	3.6
	HUF	BUBOR+margin	Q1 2013	-	0.3	-	1.1
	MKD	fixed interest rate	Q4 2013	-	-	0.2	0.2
	PLN	WIBOR + margin	Q2 2013	-	-	-	0.5
			Q2 2014	7.8	9.9	175.0	176.5
			Q3 2014	-	-	152.0	150.0
			Q4 2014	-	-	3.0	-
			Q1 2015	-	-	70.0	70.0
			Q3 2016	-	-	150.0	150.0
	multi-currency	EURIBOR + margin	Q2 2014	-	-	10.4	7.0
	TRY	variable	not specified	-	-	-	3.3
	JPY	fixed interest rate	not specified	0.1	-	0.2	0.2
	NIS	Prime (Israel) + margin	not specified	34.9	26.3	-	-
				49.1	**67.9**	**639.8**	**651.0**

	Loan currency	Effective interest rate	Repayment date	31 Dec. 2013 (audited) Short-term PLN millions	31 Dec. 2013 (audited) Long-term PLN millions	31 Dec. 2012 (audited) Short-term PLN millions	31 Dec. 2012 (audited) Long-term PLN millions
Non-revolving bank loans	*EUR*	EURIBOR + margin	Q4 2013	-	-	0.8	-
			Q3 2014	1.3	-	0.9	0.6
			Q4 2014	1.2	-	-	-
			2015	2.4	0.8	1.2	1.9
			2016	2.0	-	0.7	2.0
			2017	4.3	12.2	3.6	13.5
			2018	2.7	8.9	-	-
			2022	-	0.1	-	0.2
		fixed interest rate	Q3 2013	-	-	0.7	-
			2018	0.4	1.3	-	-
	NIS	Prime (Israel) + margin	Q3 2013	-	-	0.3	-
			2015	8.7	18.7	2.7	26.4
			2016	1.1	2.4	-	-
		fixed interest rate	2016	12.7	19.7	3.3	9.2
			2017	10.5	38.3	9.6	46.8
			2018	15.7	61.5	9.9	49.6
			2019	8.7	41.1	8.4	47.7
	PLN	WIBOR + margin	2022	16.0	122.0	20.8	173.5
	USD	LIBOR + margin	Q4 2014	12.1	-	12.6	12.4
		fixed interest rate	2016	3.0	5.7	-	-
	TRY	fixed interest rate	Q3 2013	-	-	0.4	-
			Q1 2014	0.3	-	-	-
	HRK	EURIBOR + margin	2017	1.2	3.5	-	-
			2019	-	0.2	-	-
		fixed interest rate	Q2 2014	0.2	-	-	-
			2016	2.0	3.5	-	-
				106.5	**339.9**	**75.9**	**383.8**

	Loan currency	Effective interest rate	Repayment date	31 Dec. 2013 (audited)		31 Dec. 2012 (audited)	
				Short-term	Long-term	Short-term	Long-term
				PLN millions	PLN millions	PLN millions	PLN millions
Borrowings			Q4 2012	-	-	0.4	-
			Q1 2013	-	-	-	-
			Q1 2014	1.1	-	-	-
			Q4 2014	0.5	-	0.2	0.5
	EUR	EURIBOR+margin	2015	1.7	0.6	1.6	2.3
			2016	0.2	1.1	-	1.0
			2018	3.8	15.0	-	18.5
			2020	0.2	7.6	-	4.0
			2021	-	0.2	-	-
	NIS	fixed interest rate	not specified	-	0.9	-	-
				7.5	**25.4**	**2.2**	**26.3**

The Group's liabilities under non-revolving bank loans and borrowings amounted to PLN 479.3 million as at 31 December 2013, of which PLN 365.3 million represented debt with maturities of over 12 months. Whereas, as at 31 December 2012, liabilities under non-revolving bank loans and borrowings amounted to PLN 488.2 million, of which PLN 410.1 million represented long-term debt.

In the reporting period, the margins realized by lenders to Asseco Group companies ranged from 0.01 to 5.25 percentage points on an annual basis. Whereas, in the comparable period such margins ranged from 0.095 to 3.65 percentage points per annum.

As at 31 December 2013, the Group has already paid off its liabilities resulting from issuance of debt securities. The table below presents the basic parameters of debt securities which have been already settled as at the balance sheet date:

	Division into short- and long-term portion	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions	Effective interest rate	Currency
Debt securities issued by Matrix IT Ltd	long-term portion	-	-	5.15%	NIS
	short-term portion	-	48.8		
		-	**48.8**		

These debt securities were issued in August 2007 by Matrix Ltd. and must be redeemed in four equal portions of NIS 50 million (ca. PLN 44.7 million), on the following dates: 31 December 2010, 31 December 2011, 31 December 2012, and 31 December 2013.

The first tranche was redeemed in December 2010, the second one on 2 January 2012, the third one on 31 December 2012, whereas the fourth one on 30 June 2013. These debt securities were listed on TASE as of 21 February 2008.

Hence, the Group's total liabilities under all bank loans and borrowings taken out and debt securities issued aggregated at PLN 528.4 million as at 31 December 2013, as compared with PLN 604.9 million outstanding as at 31 December 2012.

Assets serving as security for bank loan facilities:

Category of assets	Net value of assets		Utilized amount of loan facility secured with assets	
	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Intangible assets - software	-	1.6	-	2.7
Tangible assets - land and buildings	188.1	201.6	140.5	195.0
Tangible assets – computers and other office equipment	7.9	-	4.7	-
Long-term investments	51.2	89.3	19.9	16.4
Cash deposits	-	-	-	-
Current and future receivables	65.6	64.3	15.0	13.0
TOTAL	**312.8**	**356.8**	**180.1**	**227.1**

Assets serving as security for bank guarantee facilities:

Category of assets	Net value of assets		Amount of granted guarantee secured with assets	
	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Cash deposits	3.4	1.4	-	-
Current receivables	-	-	-	-
Other receivables	7.6	7.9	5.9	5.9
TOTAL	**11.0**	**9.3**	**5.9**	**5.9**

Some loans taken from Polish and Israeli banks come with the so-called covenants which impose an obligation to maintain certain financial ratios at the levels required by the bank. These ratios are related to the level of indebtedness, e.g. debt to EBITDA or debt to equity ratios, or to achieving the expected operating profits. In the event a company carrying such a covenanted loan fails to satisfy the said requirements, the bank may apply a sanction in the form of a higher credit margin. Should the bank deem the new level of a ratio to be unacceptable, the bank may in certain cases exercise its rights in the collateral provided as security. As at 31 December 2013 and in the comparable periods, we did not default on any of such financial covenants.

22. Finance lease liabilities

As at 31 December 2013, the subjects of finance lease agreements, where the Group is a leaseholder, included:

- office buildings,
- cars,
- IT hardware.

The table below presents the ageing structure of finance lease liabilities as at 31 December 2013 and in the comparable period:

	31 Dec. 2013 (audited)		31 Dec. 2012 (audited)	
	Long-term	*Short-term*	*Long-term*	*Short-term*
	PLN millions	PLN millions	PLN millions	PLN millions
Leasing of real estate	119.4	16.7	133.8	15.4
Leasing of transportation vehicles	2.8	1.7	2.1	1.7
Leasing of IT hardware	7.0	4.3	2.6	3.2
Total	**129.2**	**22.7**	**138.5**	**20.3**

Leasing of real estate

Net value of office buildings which are held under finance lease agreements amounted to PLN 56.0 million as at 31 December 2013, as compared with PLN 64.7 million as at 31 December 2012.

Minimum future cash flows and liabilities under the real estate finance lease agreement are as follows:

	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
	PLN millions	PLN millions
Minimum lease payments		
in the period shorter than 1 year	23.9	23.4
in the period from 1 to 5 years	120.4	95.2
in the period longer than 5 years	20.1	66.5
Future minimum lease payments	**164.4**	**185.1**
Future interest expense	**28.3**	**35.9**
Present value of finance lease commitment		
in the period shorter than 1 year	16.7	15.4
in the period from 1 to 5 years	99.8	72.5
in the period longer than 5 years	19.6	61.3
Finance lease commitment	**136.1**	**149.2**

As at 31 December 2013, the average effective rate of return on the above finance leases equalled 4.6%, as compared with 3.6% as at 31 December 2012.

Leasing of cars and IT hardware

Net value of IT hardware and cars which are held under finance lease agreements amounted to PLN 17.8 million as at 31 December 2013, as compared with PLN 14.5 million as at 31 December 2012.

The aggregate future cash flows and liabilities under such finance lease of cars and equipment are as follows:

	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Minimum lease payments		
in the period shorter than 1 year	6.8	5.2
in the period from 1 to 5 years	10.6	5.1
in the period longer than 5 years	-	-
Future minimum lease payments	**17.4**	**10.3**
Future interest expense	**1.6**	**0.7**
Present value of finance lease commitment		
in the period shorter than 1 year	6.0	4.9
in the period from 1 to 5 years	9.8	4.7
in the period longer than 5 years	-	-
Finance lease commitment	**15.8**	**9.6**

As at 31 December 2013, the average effective rate of return on the above finance leases equalled 8.1%.

23. Provisions

	Warranty repairs and products returned PLN millions	Costs related to on-going court proceedings PLN millions	Provision for post-employment benefits PLN millions	Provision for tax risks PLN millions	Other provisions PLN millions	Total PLN millions
As at 1 January 2013 (audited)	**22.7**	**0.7**	**12.2**	**12.9**	**10.0**	**58.5**
Provisions created during the reporting period	39.8	2.0	3.9	2.3	6.4	**54.4**
Unwinding of discount and actuarial gains/losses	0.1	-	3.9	-	-	**4.0**
Provisions utilized during the reporting period	(3.8)	-	(6.1)	-	(3.8)	**(13.7)**
Provisions reversed during the reporting period	(14.0)	-	(0.6)	(9.8)	(0.8)	**(25.2)**
Obtaining control over subsidiaries	-	-	0.7	-	-	**0.7**
Loss of control over subsidiaries	-	-	(4.5)	(2.6)	-	**(7.1)**
Exchange differences on translation of foreign operations	0.1	(0.1)	(0.4)	-	(0.6)	(1.0)
As at 31 December 2013 (audited)	**44.9**	**2.6**	**9.1**	**2.8**	**11.2**	**70.6**
As at 31 December 2013, of which	**44.9**	**2.6**	**9.1**	**2.8**	**11.2**	**70.6**
Short-term as at 31 December 2013	12.3	2.4	0.5	2.8	10.7	**28.7**
Long-term as at 31 December 2013	32.6	0.2	8.6	-	0.5	**41.9**
As at 31 December 2012	**22.7**	**0.7**	**12.2**	**12.9**	**10.0**	**58.5**
Short-term as at 31 December 2012	13.7	0.7	0.7	12.5	5.7	**33.3**
Long-term as at 31 December 2012	9.0	-	11.5	0.4	4.3	**25.2**

Provision for warranty repairs

The provision created for the costs of warranty repairs corresponds to provision of own software guarantee services as well as to handling of the guarantee maintenance services being provided by the producers of hardware that was delivered to the Group's customers.

Provision for post-employment benefits

The provision for post-employment benefits relates entirely to retirement benefits which are to be paid to the Group's employees when they go into retirement.

24. Financial liabilities

	31 Dec. 2013 (audited)		31 Dec. 2012 (audited)	
	Long-term	Short-term	Long-term	Short-term
	PLN millions	PLN millions	PLN millions	PLN millions
Dividend payment liabilities	-	7.2	-	3.6
Liabilities for the acquisition of shares – deferred and contingent payments for controlling interests	11.3	44.0	30.3	27.1
Liabilities for the acquisition of shares in subsidiaries (put options)	133.0	25.2	113.3	10.9
Other financial liabilities	0.2	0.3	0.7	0.4
	144.5	**76.7**	**144.3**	**42.0**

As at 31 December 2013 and in the comparable periods, the Group carried estimated liabilities resulting from deferred and/or contingent payments for controlling interests. The amounts of the above-mentioned liabilities have been measured using the price calculation formula as defined in the controlling interest acquisition agreements, which shall correspond to a given company's net profit for the contractual term multiplied by a predetermined coefficient.

The table below presents liabilities resulting from deferred and/or contingent payments for controlling interests in subsidiaries as at 31 December 2013 and in the comparable period:

Liabilities for deferred and/or contingent payments for controlling interests	31 Dec. 2012	Increases due to obtaining of control	Changes in estimates	Exchange differences on translation of foreign operations (+/-)	Repayment of liabilities	31 Dec. 2013
(audited)	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions
Liabilities for acquisitions made by Asseco Central Europe Group	5.2	-	(0.4)	0.2	(1.5)	3.5
Liabilities for acquisitions made by Asseco South Eastern Europe Group	-	1.8	-	-		1.8
Liabilities for acquisitions made by Magic Software Enterprises Group	15.5	12.4	(1.3)	1.0	(10.9)	16.7
Liabilities for acquisitions made by Matrix IT Group	35.0	3.5	(5.8)	1.6	(1.8)	32.5
Liabilities for the acquisition of SKG S.A.	1.7	-	-	-	(0.9)	0.8
	57.4	**17.7**	**(7.5)**	**2.8**	**(15.1)**	**55.3**

As at 31 December 2013 and in the comparable periods, the Group had liabilities resulting from the acquisition of non-controlling interests in subsidiaries (put options). The amounts of such liabilities have been estimated using the formula for calculation of the exercise price of options that the Group granted to non-controlling shareholders, which corresponds to a given company's net profit for the contractual term multiplied by a predetermined coefficient. The table below presents liabilities resulting from put options granted to non-controlling shareholders in subsidiaries as at 31 December 2013 and in the comparable period:

Liabilities under put options granted to non-controlling shareholders	31 Dec. 2012	Increases due to obtaining of control	Changes in estimates	Exchange differences on translation of foreign operations (+/-)	Repayment of liabilities	31 Dec. 2013
(audited)	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions	PLN millions
UAB Sintagma & UAB Asseco Lietuva	10.9	-	(5.8)	0.2	(4.5)	0.8
Asseco South Eastern Europe S.A.[1)]	41.5	-	4.6	-	-	46.1
Multicard d.o.o.	1.1	-	(1.1)	-	-	-
Companies of Matrix IT Group [2)]	61.7	-	(2.4)	2.9	-	62.2
Companies of Magic Software Enterprises Group [3)]	2.2	-	(0.1)	-	-	2.1
SKG S.A.	6.8	-	0.3	-	-	7.1
ZAO R-Style Softlab	-	39.9		-	-	39.9
	124.2	**39.9**	**(4.5)**	**3.1**	**(4.5)**	**158.2**

1) Option extended in favour of the European Bank for Reconstruction and Development
2) Liabilities related to the acquisition of companies: Babcom Centers, Matchpoint, K.B.I.S., and Exzac.
3) Liabilities related to the acquisition of CommIT Software Ltd.

As at 31 December 2012, the Group carried a long-term liability under put options held by non-controlling shareholders in Multicard Serbia. The amount owed by ASEE Group corresponded to the estimated present value of future payment for the remaining stake of shares in the above-mentioned company. As at 31 December 2013, the Group ceased to disclose Multicard Serbia as its subsidiary due to losing control over that company. The non-controlling shareholders' right to exercise their put options was contingent upon achievement of certain earnings by the company. As the above-mentioned condition was not satisfied and the put options became unexercisable, the said liability was no longer recognized by the Group as at 31 December 2013. This liability has been reversed in correspondence with the Group's equity.

25. Long-term and short-term liabilities

As at 31 December 2013 and in the comparable periods, the Group had the following liabilities:

	31 Dec. 2013 (audited)		31 Dec. 2012 (audited)	
	Long-term PLN millions	Short-term PLN millions	Long-term PLN millions	Short-term PLN millions
Trade payables, of which				
to related companies	-	7.4	-	3.0
to other companies	0.3	413.4	0.5	356.1
	0.3	**420.8**	**0.5**	**359.1**
Corporate income tax payable	**-**	**19.6**	**-**	**24.9**
Liabilities to the state and local budgets				
Value added tax (VAT)	-	87.9	-	87.7
Personal income tax (PIT)	-	11.1	-	18.7
Social Insurance Institution (ZUS)	-	18.3	-	21.6
Withholding income tax	-	0.8	-	0.6
Other	-	1.5	-	14.7
	-	**119.6**	**-**	**143.3**
Other liabilities				
Liabilities arising from valuation of IT contracts	-	38.1	-	62.1
Liabilities due to uninvoiced deliveries	-	57.3	-	14.9
Liabilities due to guarantees of due performance of contracts	1.1	0.3	0.6	0.3
Liabilities to employees (including salaries payable)	-	113.5	-	128.1
Trade prepayments received	-	30.5	-	12.9
Liabilities due to purchases of tangible assets and intangible assets	0.1	8.0	-	2.8
Other liabilities	0.5	3.7	0.2	13.3
	1.7	**251.4**	**0.8**	**234.4**

Trade payables are non-interest bearing.

Transactions with related companies are presented in explanatory note 27 to these consolidated financial statements.

26. Accruals and deferred income

	31 Dec. 2013 (audited)		31 Dec. 2012 (audited)	
	Long-term	Short-term	Long-term	Short-term
	PLN millions	PLN millions	PLN millions	PLN millions
Accruals, of which:				
Accrual for unused holiday leaves	-	56.6	-	62.9
Accrual for employee and management bonuses	-	111.8	-	95.0
Provision for expenses	-	68.1	-	103.5
	-	**236.5**	**-**	**261.4**
Deferred income, of which:				
Maintenance services	23.1	158.7	21.8	160.1
Other prepaid services	2.5	13.1	-	39.0
Grants for the development of assets	37.1	7.5	41.3	7.7
Other	-	1.0	-	1.7
	62.7	**180.3**	**63.1**	**208.5**

The balance of accruals comprises: accruals for unused holiday leaves, accruals for salaries of the current period to be paid out in future periods which result from the bonus schemes applied by the Group, provision for the audit of financial statements, and provisions for operating expenses of the Group's companies which were incurred in the current reporting period but have not been invoiced until the balance sheet date.

The balance of deferred income comprises mainly future revenues recognized over time for the provision of services, such as IT support services, as well as grants for the development of assets. Grants for the development of assets represent subsidies received by the Group in connection with its development projects or projects related to the creation of IT competence centers.

27. Related party transactions

Asseco Group sales to related companies:		12 months ended 31 Dec. 2013 (audited)	12 months ended 31 Dec. 2012 (audited)
Name of entity	**Transaction type**	**PLN millions**	**PLN millions**
Transactions with associates			
Postdata S.A.	*Sale of goods and services related to implemented IT projects*	8.1	8.5
	Total	**8.1**	**8.5**
Transactions with entities related through the Group's Key Management Personnel			
Gdyński Klub Koszykówki Arka S.A.[1)]	*Rental of office space*	0.4	0.5
Polnord S.A.[2)]	*Sale of goods and services related to implemented IT projects; rental of office space*	15.3	8.0
Kredyt Bank S.A.[3)]	*Sale of goods and services related to implemented IT projects*	n/a	1.7
Bioton S.A.[4)]	*Sale of goods and services related to implemented IT projects*	n/a	0.3
Prokom Investments S.A.[5)]	*Rental of office space*	n/a	0.5
Kopex S.A.[6)]	*Sale of goods and services related to implemented IT projects*	-	0.5
Decsoft S.A.[7)]	*Sale of goods and services related to implemented IT projects*	18.1	-
Ruch S.A.[8)]	*Sale of goods and services related to implemented IT projects*	1.0	n/a
Epta d.o.o.[9)]	*Sale of services related to operating activities*	0.9	n/a
Matrix42 Inc.[10)]	*Sale of goods and services related to implemented IT projects*	0.4	0.7
Disig, a.s.[11)]	*Sale of goods and services related to implemented IT projects*	1.6	-
Virte, a.s.[12)]	*Sale of goods and services related to implemented IT projects*	4.5	-
UAB Konferenta[13)]	*Sale of services related to implemented IT projects and other activities*	0.1	0.2
Higher School of Finance and Administration in Sopot[14)]	*Rental of office space*	-	0.1
Other entities related through the key management personnel		0.3	0.1
	Total	**42.6**	**12.6**
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of Asseco Poland S.A.			
Włodzimierz Serwiński	*Sale of goods and services related to other activities*	0.1	-
Dariusz Brzeski	*Sale of goods and services related to other activities*	-	0.1
	Total	**0.1**	**0.1**
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of other Group companies		**0.1**	**-**
	Total related party transactions	**50.9**	**21.2**

1) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Przemysław Sęczkowski, Vice President of the Company's Management Board, served as Member of the Management Board of Gdyński Klub Koszykówki Arka S.A.*

2) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Przemysław Sęczkowski, Vice President of the Company's Management Board, served as Member of the Supervisory Board of Polnord S.A.*

3) *In the period of 12 months ended 31 December 2012, Mr. Adam Noga, Member of the Company's Supervisory Board, served as Member of the Supervisory Board of Kredyt Bank S.A. He held this position till 4 January 2013, hence, in the period of 12 months ended 31 December 2013, Kredyt Bank S.A. was no longer an entity related through the Key Management Personnel.*

4) *In the period from 2 August 2012 to 31 October 2012, Mr. Wiesław Walendziak, served concurrently as Member of the Company's Supervisory Board and as Member of the Supervisory Board of Bioton S.A.*

5) *In the period from 2 August 2012 to 31 October 2012, Mr. Wiesław Walendziak, served concurrently as Member of the Company's Supervisory Board and as Member of the Supervisory Board of Prokom Investments S.A.*

6) *In the year ended 31 December 2012, Mr. Artur Kucharski, Member of the Company's Supervisory Board, served as Member of the Management Board of Kopex S.A. Mr. Artur Kucharski has been dismissed from that position in Kopex S.A. as of 21 September 2012. On 26 June 2013, Mr. Piotr Augustyniak, Member of the Company's Supervisory Board, was appointed as Member of the Supervisory Board of Kopex S.A. Hence, in the period from 21 September 2012 to 26 June 2013, Kopex S.A. was not an entity related through the Key Management Personnel.*

7) *In the period of 12 months ended 31 December 2013, Mr. Jacek Duch, Chairman of the Company's Supervisory Board, served as Member of the Supervisory Board of Decsoft S.A.*

8) *Mr. Dariusz Stolarczyk, Member of the Company's Supervisory Board, was appointed as Member of the Management Board of Ruch S.A. as of 1 September 2013. Hence, that company has become an entity related through our key management personnel as of 1 September 2013.*

9) *A major shareholder in Epta d.o.o also serves as President of the Management Board of EŽ Računalstvo 2013 d.o.o (a subsidiary of Asseco South Eastern Europe), which was acquired on 23 October 2013. Hence, that company has become an entity related through our key management personnel as of 23 October 2013.*

10) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, our subsidiary Matrix42 AG held an 18% equity interest in Matrix42 Inc. In addition, in the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Herber Uhl, a major shareholder in Matrix42 Inc, was also a non-controlling shareholder in Asseco DACH S.A.*

11) *In the period of 12 months ended 31 December 2013, Juraj Kováčik served as Member of the Supervisory Board of Disig, a.s. (as of 23 September 2013) as well as performed managerial functions in Slovanet a.s. (a subsidiary of Asseco Central Europe).*

12) *In the period of 12 months ended 31 December 2013, Juraj Kováčik performed managerial functions in Virte, a.s. as well as in Slovanet a.s. (a subsidiary of Asseco Central Europe).*

13) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, shareholders in UAB Konferenta, Mr. Albertas Sermokas and Mr. Evaldas Drasutis, both served as members of the managerial stuff of UAB Sintagma and Asseco Lietuva.*

14) *Our subsidiary Combidata Poland Sp. z o.o. has a status of a founder of the Higher School of Finance and Administration in Sopot.*

Asseco Group purchases from related companies:		12 months ended 31 Dec. 2013 (audited)	12 months ended 31 Dec. 2012 (audited)
Name of entity	**Transaction type**	**PLN millions**	**PLN millions**
Transactions with associates			
Postdata S.A.	*Purchase of goods and services related to implemented IT projects*	0.8	0.1
	Total	**0.8**	**0.1**
Transactions with entities related through the Group's Key Management Personnel			
Gdyński Klub Koszykówki Arka S.A.[1)]	*Sponsoring*	5.4	9.4
Asseco Resovia S.A.[2)]	*Sponsoring*	6.8	5.7
Prokom Investments S.A.[3)]	*Rental of office space*	n/a	0.1
Koma Nord Sp. z o.o. [4)]	*Purchase of services related to implemented IT projects*	0.4	0.2
Comex S.A.[5)]	*Purchase of goods and services related to implemented IT projects*	n/a	0.6
Epta d.o.o.[6)]	*Purchase of tangible assets, goods and services related to operating activities*	0.6	n/a
Matrix42 Inc. [7)]	*Purchase of goods and services related to implemented IT projects*	1.6	10.3
Matrix42 Ukraine[8)]	*Purchase of goods and services related to implemented IT projects*	4.4	3.1
MHM d.o.o.[9)]	*Rental of office space*	5.7	5.6
DM3 d.o.o.[10)]	*Rental of office space*	0.6	0.6
Business Data Consulting S.R.L. [11)]	*Purchase of advisory services*	0.2	0.5
MB Distribution Ltd.[12)]	*Purchase of goods and services related to implemented IT projects*	0.7	1.8
Disig, a.s.[13)]	*Purchase of goods and services related to implemented IT projects*	1.7	-
FOMAX, a.s.[14)]	*Purchase of goods and services related to implemented IT projects*	4.1	-
UAB Linkas[15)]	*Rental of office space; purchase of services related to other activities*	1.1	1.0
Higher School of Finance and Administration in Sopot[16)]	*Purchase of goods and materials related to implemented IT projects*	-	0.2
Other entities related through the key management personnel		4.2	3.1
	Total	**37.5**	**42.2**
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of Asseco Poland S.A.			
Dariusz Brzeski	*Purchase of advisory services*	1.0	1.4
Andrzej Gerlach	*Purchase of advisory services*	2.3	1.0
Piotr Jakubowski	*Purchase of advisory services*	0.4	0.4
		3.7	**2.8**
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of other Group companies		**2.3**	**2.0**
	Total related party transactions	**44.3**	**47.1**

1) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Przemysław Sęczkowski, Vice President of the Company's Management Board, served as Member of the Management Board of Gdyński Klub Koszykówki Arka S.A.*

2) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Adam Góral, President of the Company's Management Board, served as Member of the Supervisory Board of Asseco Resovia S.A., whereas Mr. Marek Panek, Vice President of the Company's Management Board, served as President of the Management Board of Asseco Resovia S.A.*

3) *In the period from 2 August 2012 to 31 October 2012, Mr. Wiesław Walendziak, served concurrently as Member of the Company's Supervisory Board and as Member of the Supervisory Board of Prokom Investments S.A. Hence, Prokom Investments S.A. was an entity related through our key management personnel only in the period from 2 August 2012 to 31 October 2012.*

4) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Andrzej Gerlach, the Company's Commercial Proxy, served as Member of the Supervisory Board of Koma Nord Sp. z o.o.*

5) *In the period from 2 August 2012 to 31 October 2012, Mr. Wiesław Walendziak, served concurrently as Member of the Company's Supervisory Board and as Member of the Supervisory Board of Comex S.A. Hence, Comex S.A. was an entity related through our key management personnel only in the period from 2 August 2012 to 31 October 2012.*

6) *A major shareholder in Epta d.o.o also serves as President of the Management Board of EŽ Računalstvo 2013 d.o.o (a subsidiary of Asseco South Eastern Europe), which was acquired on 23 October 2013. Hence, that company has become an entity related through our key management personnel as of 23 October 2013.*

7) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, our subsidiary Matrix42 AG held an 18% equity interest in Matrix42 Inc. In addition, in the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Herber Uhl, a major shareholder in Matrix42 Inc, was also a non-controlling shareholder in Asseco DACH S.A.*

8) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Jochen Jaser, a shareholder in Matrix42 Ukraine, was also a non-controlling shareholder in our subsidiary Asseco DACH S.A. Furthermore, Mr. Jaser serves as member of the managerial stuff of our subsidiary Matrix42 A.G.*

9) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, shareholders in MHM d.o.o. served as members of the managerial stuff of subsidiaries of Asseco South Eastern Europe.*

10) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Mihail Petreski, a shareholder in DM3 d.o.o., served as Vice Chairman of the Supervisory Board of Asseco South Eastern Europe.*

11) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Dragos Stan, a shareholder in Business Data Consulting S.R.L., served as Member of the Management Board of Asseco SEE s.r.l. (a subsidiary of Asseco South Eastern Europe).*

12) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, Mr. Dragos Stan, a shareholder in MB Distribution Ltd., served as Member of the Management Board of Asseco SEE s.r.l. (a subsidiary of Asseco South Eastern Europe).*

13) *In the period of 12 months ended 31 December 2013, Juraj Kováčik served as Member of the Supervisory Board of Disig, a.s. (as of 23 September 2013) as well as performed managerial functions in Slovanet a.s. (a subsidiary of Asseco Central Europe).*

14) *In the period of 12 months ended 31 December 2013, Peter Máčaj served as Member of the Supervisory Board of FOMAX, a.s. as well as performed managerial functions in Slovanet a.s. (a subsidiary of Asseco Central Europe). In addition, during the same period, Mr. Juraj Kováčik performed managerial functions both in FOMAX, a.s. and in Slovanet a.s.*

15) *In the period of 12 months ended 31 December 2013 as well as in the comparable period, shareholders in UAB Konferenta, Mr. Albertas Sermokas and Mr. Evaldas Drasutis, both served as members of the managerial stuff of UAB Sintagma and Asseco Lietuva.*

16) *Our subsidiary Combidata Poland Sp. z o.o. has a status of a founder of the Higher School of Finance and Administration in Sopot.*

Name of entity	Trade receivables and other receivables as at		Trade payables and other liabilities as at	
	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Associates				
Postdata S.A.	1.8	2.2	0.1	0.2
	1.8	**2.2**	**0.1**	**0.2**
Transactions with entities related through the Group's Key Management Personnel				
Gdyński Klub Koszykówki Arka S.A.	0.4	-	0.6	-
Asseco Resovia S.A.	-	-	2.7	-
Polnord S.A.	2.1	3.1	-	-
Kredyt Bank S.A.	n/a	0.3	n/a	-
Bioton S.A.	n/a	n/a	n/a	n/a
Prokom Investments S.A.	n/a	n/a	n/a	n/a
Koma Nord Sp. z o.o.	-	-	0.1	0.1
Kopex S.A.	-	-	-	-
Comex S.A.	n/a	n/a	n/a	n/a
Decsoft S.A.	0.6	-	-	-
Ruch S.A.	1.2	n/a	-	n/a
Epta d.o.o.	0.3	n/a	0.6	n/a
Matrix42 Inc.	3.9	4.0	-	-
Matrix42 Ukraine	-	-	-	-
MHM d.o.o.	-	-	-	-
DM3 d.o.o.	-	-	-	-
Business Data Consulting S.R.L.	-	-	-	-
MB Distribution Ltd.	-	-	0.1	0.5
Disig a.s.	1.4	-	0.3	-
Virte a.s.	2.4	-	-	-
Fomax a.s.	-	-	2.5	-
UAB Konferenta	-	-	-	-
UAB Linkas	-	-	0.3	0.3
Higher School of Finance and Administration in Sopot	1.5	-	-	-
Other	0.3	0.5	-	1.8
Total	**14.1**	**7.9**	**7.2**	**2.7**
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of Asseco Poland S.A.				
Włodzimierz Serwiński	-	-	-	-
Dariusz Brzeski	-	-	0.1	0.1
Andrzej Gerlach	-	-	-	-
Piotr Jakubowski	-	-	0.1	-
Total	**-**	**-**	**0.2**	**0.1**
Transactions with Members of the Management Board and Supervisory Board and Commercial Proxies of other Group companies	**0.1**	**0.1**	**0.1**	**-**
Total related party transactions	**16.0**	**10.2**	**7.6**	**3.0**

Transactions with related parties are carried out on an arm's length basis.

As at 31 December 2013, the balance of receivables from related entities comprised trade receivables (PLN 9.1 million) as well as other receivables (PLN 6.9 million). Whereas, as at 31 December 2012, receivables from related entities comprised trade receivables (PLN 5.6 million) as well as other receivables (PLN 4.6 million).

As at 31 December 2013, liabilities to related entities comprised trade payables (PLN 7.4 million) as well as other liabilities (PLN 0.2 million). As at 31 December 2012, liabilities towards related entities comprised trade payables only.

Loans granted to related entities are described in explanatory note 13 to these consolidated financial statements.

As at 31 December 2013, almost all cash resources held by R-Style Softlab amounting to PLN 15.7 million (RUB 172 million) were deposited on bank accounts at Russian Elite Bank which is an entity related through the key management personnel of R-Style Softlab.

28. Notes to the statement of cash flows

Cash flows – operating activities

The table below presents items included in the line "Changes in working capital":

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Change in inventories	(17.1)	(17.4)
Change in receivables and non-financial assets	(59.9)	94.5
Change in liabilities	48.8	(95.7)
Change in prepayments and accruals	(1.5)	(44.5)
Change in provisions	23.5	(3.9)
	(6.2)	**(67.0)**

Cash flows – investing activities

In the period of 12 months ended 31 December 2013, the balance of cash flows from investing activities was affected primarily by the following proceeds and expenditures:

- Acquisitions of property, plant and equipment and intangible assets include purchases of property, plant and equipment for PLN 116.9 million, purchases of intangible assets for PLN 19.1 million, as well as expenditures for ongoing development projects amounting to PLN 75.2 million.
- Expenditures for the acquisition of subsidiaries and associates, and cash and cash equivalents in the acquired subsidiaries as at the date of obtaining control:

	Acquisition of subsidiaries (audited) PLN millions	Cash in subsidiaries acquired (audited) PLN millions
Acquisitions made by Magic Software Enterprises Group	(56.6)	5.0
Acquisitions made by Matrix IT Group	(3.1)	1.2
Acquisitions made by Asseco South Eastern Europe Group	(11.0)	0.4
Acquisitions made by Asseco Central Europe Group	(1.5)	n/a
P.I. Zeto Bydgoszcz S.A.	(87.7)	2.2
Onyx Consulting LLC	(4.9)	3.6
SKG S.A.	(0.8)	n/a
ZAO R-Style Softlab	(92.9)	6.0
	(258.5)	**18.4**

- "Net proceeds from disposal of shares in related companies" include primarily a partial repayment of the sale price of Uniquare. Uniquare company, a former subsidiary of Asseco Central Europe, was sold in the second quarter of 2010.
- "Cash and cash equivalents in subsidiaries disposed of" include primarily cash held by Sapiens International Corporation as at the date of losing control over that company.
- "Dividends received" correspond to dividends received from associates.
- The following table presents detailed cash flows relating to loans during the period of 12 months ended 31 December 2013:

	Loans collected (audited) PLN millions	Loans granted (audited) PLN millions
Loans for entities related through key management personnel:	9.0	(15.1)
Gdyński Klub Koszykówki Arka S.A.	-	*(4.4)*
Asseco Resovia S.A.	-	*(7.7)*
Gambit Sp. z o.o.	*1.2*	-
National Chamber of Commerce (KIG)	*7.8*	*(3.0)*
Loans for other related entities	0.1	-
Loans for employees	0.5	(1.1)
Loans for unrelated entities	8.0	(8.0)
Term cash deposits with original maturities exceeding 3 months	53.4	(6.1)
Total	**71.0**	**(30.3)**

Cash flows – financing activities

- "Proceeds from transactions with non-controlling interests" include capital raised from issuances of shares by companies of Formula Systems Group under their employee stock option plans which are paid by non-controlling shareholders.
- The table below presents a summary of expenditures for the acquisition of non-controlling interests in the year ended 31 December 2013 and in the comparable period:

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Acquisition of an additional stake in Sapiens International	(8.4)	(14.1)
Acquisition of treasury shares by Sapiens International	-	(22.6)
Acquisition of an additional stake in Magic	-	(8.2)
Acquisition of an additional stake in Matrix IT	(0.4)	(1.4)
Acquisition of a non-controlling interest in Exzac	-	(15.5)
Acquisition of a non-controlling interest in GlobeNet	-	(5.1)
Acquisition of a non-controlling interest in Statlogics	-	(10.6)
Acquisition of a non-controlling interest in Combidata	-	(4.7)
Acquisition of a non-controlling interests in UAB Asseco Lietuva and UAB Sintagma	(4.5)	-
Acquisition of other non-controlling interests	(0.6)	(0.2)
Total	**(13.9)**	**(82.4)**

- "Dividends paid out" include dividend payments made by the Parent Company and subsidiaries to their non-controlling shareholders.

29. Off-balance-sheet liabilities in favour of related companies

As at 31 December 2013, guarantees and sureties extended by Asseco Poland for Arka Gdynia Basketball Club, an entity related through our key management personnel, were as follows:

- surety in the amount of PLN 1.2 million (EUR 0.3 million) issued in favour of Euroleague Properties NV in order to secure the participation of Arka Gdynia Basketball Club in the Euroleague.

As at 31 December 2013, no guarantees were granted to any other related companies.

30. Off-balance-sheet liabilities to other companies

The Group is a party to a number of rental, leasing and other contracts of similar nature, resulting in the following off-balance-sheet liabilities for future payments:

	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Liabilities under leases of space		
In the period up to 1 year	85.1	90.1
In the period from 1 to 5 years	195.2	238.9
Over 5 years	2.6	30.1
	282.9	**359.1**
Liabilities under operating lease agreements		
In the period up to 1 year	42.7	49.9
In the period from 1 to 5 years	37.2	46.3
Over 5 years	-	-
	79.9	**96.2**

In March 2013, the Parent Company signed an agreement with Grójecka Holdings Sp. z o.o. to terminate the rental of an office building located at 127 Grójecka St. in Warsaw. The conditions precedent set out in the agreement have been met at the end of June and the beginning of July 2013. Hence, off-balance-sheet liabilities resulting from leases of office space as at 31 December 2013 no longer include the Group's liabilities from rental of the above-mentioned office building, and therefore long-term off-balance-sheet liabilities disclosed as at 31 December 2013 are lower than such obligations reported in the comparable periods.

31. Objectives and principles of financial risk management

Asseco Group is exposed to a number of risks arising either from the macroeconomic situation of the countries where the Group companies operate as well as from microeconomic situation in individual companies. The main external factors that may have an adverse impact on the Group's financial performance are: (i) fluctuations in foreign currency exchange rates versus the Polish zloty, and (ii) changes in official interest rates. The financial results are also indirectly affected by the pace of GDP growth, value of public orders for IT solutions, level of capital expenditures made by enterprises, and the inflation rate. Whereas, the internal factors with potential negative bearing on the Group's performance are: (i) risk related to the increasing cost of work, (ii) risk arising from underestimation of the project costs when entering into contracts, and (iii) risk of concluding a contract with a dishonest customer.

Foreign currency risk

The Group's presentation currency is the Polish zloty; however, many contracts or leasing agreements are denominated in foreign currencies. With regard to the above, the Group is exposed to potential losses resulting from fluctuations in foreign currency exchange rates versus the Polish zloty in the period from concluding a contract until it is invoiced or paid for. Moreover, functional currencies of the Group's foreign subsidiaries are the local currencies of the countries where they operate. Consequently, assets and financial results of such subsidiaries need to be converted to Polish zlotys and their values presented in the Group financial statements may change as they remain under the influence of foreign currency exchange rates.

Identification: According to the Group's procedures pertaining to entering into commercial contracts, each agreement that is concluded or denominated in a foreign currency different from the functional currency shall be entered into a detailed record.

Measurement: The exposure to foreign currency risk is measured by the amount of an embedded financial instrument on one hand, and on the other by the amount of currency derivatives concluded for hedging purposes. The procedures applicable to the execution of IT projects require making systematic updates of the project implementation schedules as well as the cash flows generated under such projects.

Objective: The purpose of counteracting the risk of fluctuations in foreign currency exchange rates is to mitigate their negative impact on the contract margins.

Actions: Contracts settled in foreign currencies are hedged with simple derivatives such as currency forward contracts, while instruments embedded in foreign currency denominated contracts are hedged with non-deliverable forward contracts. Whereas, contracts concluded in foreign currencies are hedged with forward contracts with delivery of cash.

Matching the actions to hedge against the foreign currency risk means selecting suitable financial instruments to offset the impact of changes in the risk-causing factor on the Group's financial performance (changes in embedded instruments and concluded instruments are balanced out). Nevertheless, because the project implementation schedules and cash flows generated thereby are characterized by a high degree of changeability, the Group companies are prone to changes in their exposure to foreign exchange risk. Therefore, the companies dynamically transfer their existing hedging instruments or conclude new ones with the objective to ensure the most effective matching. It has to be taken into account that the valuation of embedded instruments changes with the reference to the parameters as at the contract signing date (spot rate and swap points), while transferring or conclusion of new instruments in the financial market may only be effected on the basis of current rates available. Hence, it is possible that the value of financial instruments will not be matched and the Group's financial result will be potentially exposed to the foreign currency risk.

Interest rate risk

Changes in the market interest rates may have a negative influence on the financial results of the Group. The Group is exposed to the risk of interest rate changes primarily in two areas of its business activities: (i) change in the value of interest charged on loan facilities granted by external financial institutions to the Group companies, which are based on variable interest rates, and (ii) change in valuation of the concluded and embedded derivative instruments, which are based on the forward interest rate curve.

Identification: The interest rate risk arises and is recognized by individual companies of the Group at the time of concluding a transaction or financial instrument based on a variable interest rate. All such agreements are subject to analysis by appropriate departments within the Group companies, hence the knowledge of that issue is complete and acquired directly.

Measurement: The Group companies measure their exposure to the interest rate risk by preparing statements of the total amounts resulting from all the financial instruments based on a variable interest rate. Additionally, the Group companies maintain records of debt planned to be incurred during the next 12 months, and in case of long-term instruments – for the period of their maturity.

Objective: The purpose of reducing such risk is to eliminate incurrence of higher expenses due to the concluded financial instruments based on a variable interest rate.

Actions: In order to reduce their interest rate risk, the Group companies may: (i) try to avoid taking out loan facilities based on a variable interest rate or, if not possible, (ii) conclude forward rate agreements.

Matching: The Group gathers and analyzes the current market information concerning present exposure to the interest rate risk. For the time being the Group companies do not hedge against changes of interest rates due to a high degree of unpredictability of their loan repayment schedules.

Financial liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This solution takes into account the maturity deadlines of investments and financial assets (e.g. receivables, other financial assets) as well as the anticipated cash flows from operating activities.

The Group's objective is to maintain a balance between continuity and flexibility of financing by using various sources of funds.

The following table shows the Group's trade payables as at 31 December 2013 and 31 December 2012, by maturity period based on the contractual undiscounted payments.

Trade payables	**31 Dec. 2013 (audited)**		**31 Dec. 2012 (audited)**	
	PLN millions	**%**	**PLN millions**	**%**
Liabilities due already	31.7	7.53%	37.3	10.39%
Liabilities falling due within 3 months	387.1	91.93%	306.1	85.24%
Liabilities falling due within 3 to 6 months	0.6	0.14%	15.1	4.20%
Liabilities falling due within 6 to 12 months	1.7	0.40%	0.6	0.17%
	421.1	**100.0%**	**359.1**	**100.0%**

The tables below present the ageing structure of other financial liabilities as at 31 December 2013 and 31 December 2012.

	Liabilities falling due within 3 months	**Liabilities falling due within 3 to 12 months**	**Liabilities falling due within 1 to 5 years**	**Liabilities falling due after**	**Total**
As at 31 December 2013 (audited)					
Bank overdraft facility	14.9	34.3	-	-	49.2
Investment loan and other loan facilities	22.2	67.2	282.6	66.7	438.7
Loans and debt securities	4.6	19.9	32.1	3.0	59.6
Finance lease liabilities	8.4	21.7	131.8	20.1	182.0
Total	**50.1**	**143.1**	**446.5**	**89.8**	**729.5**

	Liabilities falling due within 3 months	Liabilities falling due within 3 to 12 months	Liabilities falling due within 1 to 5 years	Liabilities falling due after	Total
As at 31 December 2012 (audited)					
Bank overdraft facility	29.9	38.0	-	-	**67.9**
Investment loan and other loan facilities	7.2	60.1	312.3	116.0	**495.6**
Loans and debt securities	2.2	67.0	28.2	3.8	**101.2**
Finance lease liabilities	6.7	21.9	100.3	66.5	**195.4**
Total	**46.0**	**187.0**	**440.8**	**186.3**	**860.1**

Effects of reducing the foreign currency risk

The Group companies try to conclude contracts with their clients in local currencies of the countries where they operate in order to avoid exposure to the risk arising from fluctuations in foreign currency exchange rates versus their own functional currencies.

An analysis of the currency structure of assets and liabilities indicated that, as at 31 December 2013, the Group had the largest foreign currency exposure on the pairs of EUR/PLN, NIS/USD, USD/NIS, EUR/USD, and USD/PLN. Whereas, as at 31 December 2012, the Group was mostly exposed to foreign currency risk on the pairs of EUR/PLN, USD/NIS, EUR/USD, USD/PLN, and EUR/HUF.

The table below shows the aggregated amounts of financial assets and liabilities as well as trade receivables and payables which are exposed to foreign currency risk to the greatest extent. The table was prepared on the basis of separate financial statements of Asseco Group companies, in which specific currency risks were identified from the perspective of an individual subsidiary.

As at 31 December 2013, none of the Group's companies held any bank loans or borrowings denominated in currencies other than their functional currencies. This was also the case as at 31 December 2012.

In the currency pairs presented in the table, the first one denotes the currency in which a transaction was concluded, while the second one represents the functional currency of the company which concluded such transaction.

as at 31 December 2013 (audited) *transaction currency / company's functional currency*	*EUR/PLN*	*NIS/USD*	*USD/NIS*	*EUR/USD*	*USD/EUR*	*USD/PLN*	*USD/RUB*
Financial assets							
Currency forward contracts	8.7	-	-	-	-	-	-
Cash and cash equivalents	12.1	24.3	59.8	18.2	1.0	0.5	4.5
Financial assets available for sale	-	1.6	5.7	-	-	-	-
Cash deposits	-	-	0.8	-	-	-	-
Loans granted	-	-	0.8	-	-	-	-
Trade receivables	3.1	28.4	30.3	12.2	-	3.6	0.6
Financial liabilities							
Finance lease liabilities	(135.9)	-	-	-	-	-	-
Financial liabilities carried at fair value through profit or loss	(1.8)	(18.9)	(46.6)	-	-	-	-
Trade payables	(10.3)	(3.2)	(23.9)	(1.2)	(9.6)	(14.4)	-
Net foreign currency exposure	**(124.1)**	**32.2**	**26.9**	**29.2**	**(8.6)**	**(10.3)**	**5.1**

An analysis of the currency structure of assets and liabilities indicated that, as at 31 December 2012, the Group had the largest foreign currency exposure on the pairs of EUR/PLN, USD/NIS, EUR/USD, USD/PLN, and EUR/HUF.

as at 31 December 2012 (audited) *transaction currency / company's functional currency*	*EUR/ PLN*	*NIS/ USD*	*USD/ NIS*	*EUR/ USD*	*USD/ PLN*	*PLN/ USD*	*EUR/ HUF*
Financial assets							
Currency forward contracts	12.0	-	-	-	-	-	
Cash and cash equivalents	1.8	45.8	38.9	20.3	0.6	0.9	10.1
Financial assets held to maturity	-	0.1	0.9	-	-	-	-
Financial assets available for sale	-	1.0	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-
Trade receivables	3.7	29.4	29.7	21.6	2.2	-	1.5
Financial liabilities							
Finance lease liabilities	(142.2)	-	-	-	-	-	-
Financial liabilities carried at fair value through profit or loss	-	(12.5)	(57.3)	-	-	-	-
Trade payables	(11.1)	(13.9)	(27.0)	(1.1)	(14.4)	-	-
Net foreign currency exposure	**(135.8)**	**49.9**	**(14.8)**	**40.8**	**(11.6)**	**0.9**	**11.6**

Effects of reducing the interest rate risk

The Group companies use external financing in the form of bank loans and borrowings taken out and debt securities issued. External sources of financing may be used both for operating activities (financing of working capital) and the Group's investing activities (purchase/construction of fixed assets, capital investments).

The Group's total liabilities under all bank loans and borrowings taken out and debt securities issued aggregated at PLN 528.4 million as at 31 December 2013, of which the amount of PLN 223.4 million was exposed to the interest rate risk.

Whereas, as at 31 December 2012, the Group's total liabilities under all bank loans and borrowings taken out and debt securities issued aggregated at PLN 604.9 million, of which the amount of PLN 337.5 million was exposed to the interest rate risk.

The Group does not really have a strategy for hedging against the interest rate risk.

The interest rate risk involved in other items of financial assets and liabilities is not substantial.

Fair value

As at 31 December 2013, the Group held the following financial assets measured at fair value:

As at 31 December 2013 (audited)	Book value	Level 1 i)	Level 2 ii)	Level 3 iii)
Financial assets carried at fair value through profit or loss				
Currency forward contracts	8.7	-	8.7	-
Treasury and corporate bonds	41.6	41.6	-	-
Shares in companies quoted on active markets	10.1	10.1	-	-
Total	**60.4**	**51.7**	**8.7**	**-**
Financial assets available for sale				
Shares in companies listed on regulated markets	2.8	2.8	-	-
Shares in companies not listed on regulated markets	10.9	-	-	10.9
Treasury and corporate bonds	1.9	-	1.9	-
Total	**15.6**	**2.8**	**1.9**	**10.9**

i. fair value determined on the basis of quoted prices offered in active markets for identical assets;
ii. fair value determined using calculation models based on inputs that are, either directly or indirectly, observable in active markets;
iii. fair value determined using calculation models based on inputs that are not, directly or indirectly, observable in active markets.

As at 31 December 2012, the Group held the following financial assets measured at fair value:

As at 31 December 2012 (audited)	Book value	Level 1 i)	Level 2 ii)	Level 3 iii)
Financial assets carried at fair value through profit or loss				
Currency forward contracts	12.5	-	12.5	-
Treasury and corporate bonds	38.2	38.2	-	-
Shares in companies quoted on active markets	5.1	5.1	-	-
Total	**55.8**	**43.3**	**12.5**	**-**
Financial assets available for sale				
Shares in companies listed on regulated markets	2.2	2.2	-	-
Shares in companies not listed on regulated markets	10.3	-	1.3	9.0
Treasury and corporate bonds	2.0	2.0	-	-
Total	**14.5**	**4.2**	**1.3**	**9.0**

i. fair value determined on the basis of quoted prices offered in active markets for identical assets;
ii. fair value determined using calculation models based on inputs that are, either directly or indirectly, observable in active markets;
iii. fair value determined using calculation models based on inputs that are not, directly or indirectly, observable in active markets.

32. Employment

The Group's average workforce in the reporting period*	12 months ended 31 Dec. 2013 (audited)	12 months ended 31 Dec. 2012 (audited)
Management Board of the Parent Company	10	11
Management Boards of the Group companies	133	138
Production departments	14,487	13,424
Sales departments	1,474	1,198
Administration departments	979	1,187
Total	**17,083**	**15,958**

**Average employment in the reporting period in full-time salaried jobs, i.e. employment in full-time jobs adjusted for (reduced by) positions which are not salaried by the Group companies (such as an unpaid leave, maternity leave, etc.)*

Numbers of employees in the Group companies as at	31 Dec. 2013 (audited)	31 Dec. 2012 (audited)
Asseco Poland S.A.	3,137	3,154
Formula Systems Group	7,566	8,330
Asseco Central Europe Group	1,442	1,597
Asseco South Eastern Europe Group	1,416	1,353
ZAO R-Style Softlab	848	n/a
Asseco Business Solutions S.A.	592	587
Asseco South Western Europe Group	488	524
Asseco DACH Group	363	345
C.K. Zeto Łódź S.A.	147	152
UAB Sintagma & UAB Asseco Lietuva	159	143
Combidata Poland Sp. z o.o.	143	162
ZUI OTAGO Sp. z o.o.	130	102
PI Zeto Bydgoszcz S.A.	120	n/a
ZUI Novum Sp. z o.o.	59	55
ADH-Soft Sp. z o.o.	47	46
SKG S.A.	44	43
Asseco Georgia LLC	42	n/a
Asseco Denmark	25	27
Peak Consulting	14	18
Gladstone Consulting Ltd.	-	-
Total	**16,782**	**16,638**

33. Remuneration of the entity authorized to audit financial statements

The table below discloses the amounts due to the entity authorized to audit financial statements of the Company, namely Ernst & Young Audyt Polska Sp. z o.o. sp.k. (formerly: Ernst & Young Audit Sp. z o.o.), paid or payable for the years ended 31 December 2013 and 31 December 2012, in breakdown by type of service:

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Obligatory audit of the annual financial statements	1.4	1.2
Other certification services	-	0.5
Transaction advisory services	-	-
Total	**1.4**	**1.7**

34. Remuneration of the Management Board and Supervisory Board of Asseco Poland S.A.

The table below presents the amounts of remuneration payable to individual Members of the Company's Management Board and Supervisory Board for performing their duties at the Parent Company during the years 2013 and 2012.

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Management Board		
Adam Góral	1.9	2.1
Renata Bojdo [1)]	n/a	0.4
Przemysław Borzestowski	1.5	1.4
Andrzej Dopierała [7)]	0.7	n/a
Tadeusz Dyrga	1.8	1.9
Rafał Kozłowski [2)]	0.8	0.4
Marek Panek	1.1	1.4
Paweł Piwowar	1.7	1.6
Zbigniew Pomianek	2.0	2.3
Włodzimierz Serwiński	1.2	1.3
Przemysław Sęczkowski	1.7	1.9
Robert Smułkowski	1.9	1.9
Wojciech Woźniak [3)]	n/a	1.7
Total	**16.3**	**18.3**
Supervisory Board		
Jacek Duch	0.17	0.16
Piotr Augustyniak [4)]	0.07	0.01
Dariusz Brzeski	0.07	0.06
Artur Kucharski	0.07	0.06
Antoni Magdoń [5)]	n/a	0.03
Adam Noga	0.11	0.10
Dariusz Stolarczyk [4)]	0.07	0.01
Wiesław Walendziak [6)]	n/a	0.02
Total	**0.56**	**0.45**

1. *Mrs. Renata Bojdo resigned from the position of Vice President of the Management Board as of 14 May 2012;*
2. *Appointed as Vice President of the Company's Management Board as of 1 June 2012;*
3. *On 5 October 2012, Mr. Wojciech Woźniak resigned from the position of Vice President of the Management Board;*
4. *On 23 October 2012, the General Meeting of Shareholders of Asseco Poland appointed Messrs Dariusz Stolarczyk and Piotr Augustyniak as Members of the Supervisory Board;*
5. *On 30 June 2012, Mr. Antoni Magdoń resigned from the position of Member of the Supervisory Board;*
6. *On 5 October 2012, Mr. Wiesław Walendziak filed a resignation from the position of Member of the Supervisory Board with effect from 31 October 2012;*
7. *The Company's Supervisory Board, during its meeting held on 21 June 2013, appointed Mr. Andrzej Dopierała to serve as Member and Vice President of the Company's Management Board over the five-year joint term of office running from 2011 to 2016. Mr. Andrzej Dopierała has taken the position of Vice President of the Management Board as of 1 September 2013.*

The table below presents remuneration payable to Members of the Management Board and Supervisory Board of Asseco Poland for acting as Members of the Management Boards and/or Supervisory Boards in subsidiaries of Asseco Poland during the years 2013 and 2012.

	12 months ended 31 Dec. 2013 (audited) PLN millions	12 months ended 31 Dec. 2012 (audited) PLN millions
Members of the Management Board of Asseco Poland performing functions in subsidiaries	0.3	0.4
Members of the Supervisory Board of Asseco Poland performing functions in subsidiaries	-	0.2
Total	**0.3**	**0.6**

35. Capital management

The primary objective of the Group's capital management is to maintain a favourable credit rating and safe level of capital ratios in order to support the Group's business operations and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in response to changing economic conditions. To maintain or adjust the capital structure, the Group may revise its dividend payment policy, return some capital to shareholders or issue new shares.

The Group consistently monitors the balance of its capital using the leverage ratio, which is calculated as a relation of net liabilities to total equity increased by net liabilities. Net liabilities include interest-bearing bank loans, borrowings, trade payables and other liabilities, decreased by cash and cash equivalents.

	31 Dec. 2013 (audited) PLN millions	31 Dec. 2012 (audited) PLN millions
Interest-bearing loans and borrowings	528.4	604.9
Finance lease liabilities	151.9	158.8
Trade payables, state budget liabilities, and other liabilities	813.4	763.0
Minus cash and cash equivalents (-)	(756.4)	(959.9)
Net debt	**737.3**	**566.8**
Equity	5,318.0	5,157.5
Equity and net debt	**6,055.3**	**5,724.3**
Leverage ratio	**12.2%**	**9.9%**

36. Seasonal and cyclical nature of business

The Group's sales revenues are subject to some seasonality in individual quarters of the year. The fourth quarter revenues tend to be somewhat higher than in the remaining periods, as bulk of such turnover is generated from IT services contracts executed for large enterprises and public institutions. Such entities make their purchases of hardware and licenses usually in the last months of a year.

37. Significant events after the balance sheet date

❑ *Registration of the merger of Asseco Poland S.A. with PIW "POSTINFO" Sp. z o.o.*

On 2 January 2014, the Management Board of Asseco Poland S.A. announced that the Company agreed upon and signed the plan of merger with PIW "POSTINFO" Sp. z o.o. seated in Warsaw. The merger was effected pursuant to art. 492 § 1 item 1 of the Commercial Companies Code (merger by acquisition), this is by transferring all the assets of Postinfo (being the acquired company) to Asseco Poland (acting as the taking-over company). Following the merger,

the company of Postinfo was dissolved without going into liquidation.

Because prior to the merger, Asseco Poland S.A. held 100% of shares in the acquired company, the said merger will have no impact on the consolidated financial statements of Asseco Group.

The planned amalgamation is a part of Asseco Poland's policy aimed at streamlining and simplifying the legal and organizational structure of Asseco Group.

❑ *Merger of ASEE Croatia and EŽR Croatia*

On 2 January 2014, a merger of our two Croatian subsidiaries, namely ASEE Croatia (the taking-over company) and EŽR Croatia (the acquired company) was registered.

The said transaction will have no impact on the consolidated financial statements of the Group.

❑ *Acquisition of 100% of shares in Asseco Solutions AG by Asseco Central Europe*

On 2 January 2014, the Management Board of Asseco Central Europe signed an agreement to acquire 100% of shares in Asseco Solutions AG seated in Germany.

❑ *Declaration of dividend payment by Magic Software Enterprises Ltd. (hereinafter "Magic")*

On 20 February 2014, Magic Software Enterprises Ltd declared to pay out a dividend of USD 0.12 per share. The dividend record date was set for 27 February 2014; whereas, the dividend payment was scheduled for 14 March 2014.

❑ *Issuance of shares by Magic Software Enterprises Ltd. (hereinafter "Magic")*

On 28 February 2014, Magic completed the process of issuance of 6,900,000 shares at the price of USD 8.5 per share. The total capital raised from this issuance shall reach nearly USD 54.7 million. The company intends to use the issuance proceeds for general business purposes, including financing of its working capital and potential acquisitions. As a result of that issuance, the equity and voting interest held in Magic by Formula Systems (a subsidiary of Asseco Poland) dropped to approx. 49.5%.

Due to the lack of an absolute majority of voting rights at the general meeting of shareholders of Magic Software Enterprises Ltd., the Group is currently analyzing whether there are any other reasons and/or circumstances that might indicate that Magic is still controlled by the Group in accordance with IFRS 10. If, pursuant to the provisions of IFRS 10, it is concluded that the control over Magic has been lost, this transaction may have a significant impact on revenues, expenses, assets, liabilities and cash flows to be disclosed in the Group's consolidated financial statements for 2014.

❑ *Making an arrangement with Prokom Investments S.A.*

On 17 March 2014, Asseco Poland S.A. and Prokom Investments S.A. signed an annex to the agreement dated 20 December 2012 under which the parties agreed that the current amount of Prokom Investments liabilities towards Asseco Poland would be settled on 18 March 2014.

On 18 March 2014, Prokom Investments S.A. and Podkarpacki Fundusz Nieruchomości Sp. z o.o. (hereinafter "PFN") concluded an agreement, under which Prokom Investments sold 18,143 shares in Park Wodny Sopot Sp. z o.o. seated in Sopot, representing a 98.33% equity interest in that company, to PFN, and furthermore authorized PFN to pay the total sale price to Asseco Poland on behalf and by assignment of Prokom Investments. PFN accepted the assignment and became liable and responsible directly to Asseco.

Since Asseco Poland also had a liability towards PFN resulting from the acquisition of new shares in PFN; therefore, on 18 March 2014, Asseco Poland and PFN signed an agreement to offset their mutual obligations.

As a result, Asseco's liabilities to PFN have been entirely extinguished with its receivables from Prokom; whereas, PFN's liabilities to Asseco have been entirely compensated with the payment due from Asseco for the acquisition of new shares in PFN; hence mutual obligations of both the companies have been offset.

38. Significant events related to prior years

Until the date of preparing these financial statements for the period of 12 months ended 31 December 2013, this is until 21 March 2014, we have not observed any significant events related to prior years, which have not but should have been included in these financial statements.

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