SELENA FM S.A.

FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2014
WITH THE AUDITOR'S OPINION AND REPORT

Wrocław, 23 March 2015

INCOME STATEMENT

Figures in PLN thousand	Note	Year ended 31 December 2014	Year ended 31 December 2013
Continued operations			
Revenue from the sale of goods and materials		373 558	385 303
Revenues from the sale of services		31 789	32 337
Revenue from sales		**405 347**	**417 640**
Cost of sales	6	359 793	374 067
Gross profit (loss)		**45 554**	**43 573**
Other operating income	7.1	1 878	303
Selling and marketing costs	6	20 926	17 880
General and administrative expenses	6	15 942	16 745
Other operating costs	7.2	18 126	14 925
Operating profit (loss)		**-7 562**	**-5 674**
Finance revenues	8.1	9 277	115 747
Financial expenses	8.2	21 707	76 918
Profit (loss) before tax		**-19 992**	**33 155**
Income tax	9	1 456	1 151
Net profit (loss) on continued operations		**-21 448**	**32 004**
Discontinued operations			
Profit (loss) on discontinued operations		–	–
Net profit (loss) for the previous year		**-21 448**	**32 004**
Earnings per share (continued operations) (PLN/share):	10		
- basic		-0,94	1,40
- diluted		-0,94	1,40

STATEMENT OF COMPREHENSIVE INCOME

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Profit after tax	-21 448	32 004
Total other net comprehensive income	0	0
Total comprehensive income	**-21 448**	**32 004**

STATEMENT OF FINANCIAL POSITION

Figures in PLN thousand	Note	31 December 2014	31 December 2013
Property, plant and equipment	14	3 331	2 397
Intangible fixed assets	15	8 251	3 516
Shares in subsidiaries	16	148 973	139 944
Other long-term receivables		0	14
Long-term portion of loans granted		66 483	44 698
Other long term financial assets	18	0	2 326
Deferred tax asset	9.3	0	775
Non-current assets		**227 038**	**193 670**
Inventories	19	3 873	2 573
Trade receivables	20	149 544	139 947
Other short-term receivables	21	20 726	26 507
Short-term portion of loans granted		4 183	4 242
Other short-term financial assets	18	35	6 126
Cash and cash equivalents	22	5 163	34 919
Current assets		**183 524**	**214 314**
TOTAL ASSETS		**410 562**	**407 984**
Registered capital	23.1	1 142	1 142
Supplementary capital	23.2	237 739	212 128
Other reserves	23.3	19 163	19 163
Retained profit / (loss carried forward)		-21 448	32 004
- retained profit / loss carried forward from previous years		0	0
- profit (loss) after tax		-21 448	32 004
Equity		**236 596**	**264 437**
Long-term portion of bank and other loans	27	51 354	14 306
Other financial liabilities	26	1 173	673
Deferred tax liability	9.3	628	0
Non-current liabilities		**53 155**	**14 979**
Trade liabilities	24	89 041	92 595
Short-term portion of bank and other loans	27	27 448	30 989
Other financial liabilities	26	653	429
Income tax payable		31	537
Other short-term liabilities	25	3 638	4 018
Current liabilities		**120 811**	**128 568**
Total liabilities		**173 966**	**143 547**
TOTAL EQUITY AND LIABILITIES		**410 562**	**407 984**

STATEMENT OF CASH FLOWS

Figures in PLN thousand	Note	Year ended 31 December 2014	Year ended 31 December 2013
Cash flows from operating activities			
Profit / loss before tax on continued operations		**-19 992**	**33 155**
Profit / loss before tax on discontinued operations		–	–
Adjusted by:			
Depreciation		2 223	2 116
FX (gains) / losses		-2 677	-178
Interest and dividends		-1 884	-113 228
Profit / loss on investing activities		19 411	74 761
Change in the balance of receivables	30	-17 577	-77 467
Change in the balance of inventories		-1 300	-271
Change in the balance of obligations	30	11 694	110 614
CIT paid		-562	-37
Other		0	53
Net cash flows from operating activities		**-10 664**	**29 518**
Cash flows from investing activities			
Inflows from sale of tangible fixed assets		210	165
Acquisition of tangible and intangible fixed assets		-5 328	50
Increase in shares in subsidiaries		-9 029	0
Purchase of bonds		-1 850	0
Dividends and interest received		1 278	132
Loans granted		-27 892	-32 516
Repayments of loans granted		1 300	20 972
Bond repayments received		7 850	6 000
Net cash flows from investing activities		**-33 461**	**-5 197**
Cash flows from financing activities			
Repayment of finance lease obligations		-497	-508
Inflows from bank / other loans received		47 305	51 276
Repayment of loans		-24 895	-44 304
Payment of dividend		-6 394	-7 025
Interest paid		-1 342	-1 802
Net cash flows from financing activities		**14 177**	**-2 363**
Net increase in cash and cash equivalents		**-29 948**	**21 958**
Change in cash and cash equivalents:		**-29 756**	**21 754**
net FX differences		192	-204
*Cash at the beginning of the period**		*34 919*	*13 165*
*Cash at the end of the period**		*5 163*	*34 919*

*including restricted cash:

as at 31 December 2014: EUR 0.7m

as at 31 December 2013: EUR 1.6m

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit / (loss carried forward) from: prior years	current period	Total equity
As at 1 January 2014	**1 142**	**212 128**	**19 163**	**32 004**	**0**	**264 437**
Net profit (loss) for the financial year	0	0	0	0	-21 448	-21 448
Total comprehensive income	**0**	**0**	**0**	**0**	**-21 448**	**-21 448**
Cover of loss from supplementary capital	0	25 611	0	-25 611	0	0
Payment of dividend	0	0	0	-6 393	0	-6 393
As at 31 December 2014	**1 142**	**237 739**	**19 163**	**0**	**-21 448**	**236 596**

FOR THE YEAR ENDED 31 DECEMBER 2013

Figures in PLN thousand	Registered capital	Supplementary capital	Other reserves	Retained profit / (loss carried forward) from: prior years	current period	Total equity
As at 1 January 2013	**1 142**	**265 928**	**19 163**	**-45 123**	**0**	**241 110**
Net profit (loss) for the financial year	0	0	0	0	32 004	32 004
Total comprehensive income	**0**	**0**	**0**	**0**	**32 004**	**32 004**
Cover of loss from supplementary capital	0	-45 123	0	45 123	0	0
Payment of dividend	0	-8 677	0	0	0	-8 677
As at 31 December 2013	**1 142**	**212 128**	**19 163**	**0**	**32 004**	**264 437**

ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

1. Information on the Company

1.1. Company's activity

Selena FM S.A. was established and registered in 1993 as a limited liability company under the name Przedsiębiorstwo Budownictwa Mieszkaniowego. In 2006, the Extraordinary General Meeting of Shareholders approved the name change to Selena FM. In 2007, the Company was transformed into a joint stock company. On 18 April 2008, Selena FM S.A. debuted on the Warsaw Stock Exchange.

The Company's duration is indefinite.

The Company's head office is located in Wrocław at ul. Strzegomska 2-4, 53-611 Wrocław, Poland. The Company operates in Poland.

The Company is entered in the business register of the National Court Register kept by the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register, after transformation, under KRS no. 0000292032 (previous KRS no. 0000129819). The Company was assigned the statistical number REGON 890226440.

The Company's core business includes.

- distribution of the Group's products to foreign markets
- providing subsidiaries with advice on strategic management, finance management, sales strategy as well as maintenance of accounting books for customers.

Selena FM S.A. and Selena FM Group are controlled by Krzysztof Domarecki.

1.2. The Management Board of the Company

As at 31 December 2014, the Management Board was composed of:

- Jarosław Michniuk – Management Board President
- Krzysztof Kluza – Vice-President of the Management Board
- Robert Konaszewski – Vice-President of the Management Board
- Andrzej Feruga – Management Board Member
- Marcin Macewicz – Management Board Member.

Changes in the Management Board in 2014:

- On 10 March 2014, the Supervisory Board accepted resignation of Ms Beata Pawłowska as Vice-President of the Management Board.
- On 5 September 2014, the Supervisory Board of the Company appointed Robert Konaszewski as Vice-President of the Management Board responsible for sales and marketing.
- On 24 September 2014, Kazimierz Przełomski resigned as Vice-President of the Management Board. The Supervisory Board dismissed him from office effective from 30 September 2014.
- On 1 October, the Supervisory Board appointed Andrzej Feruga and Marcin Macewicz as Management Board members.
- On 13 October 2014, the Supervisory Board appointed Krzysztof Kluza as Vice-President of the Management Board responsible for finance. Krzysztof Kluza resigned as Supervisory Board member of Selena FM S.A. effective from 24 September 2014.

As at the date of publication of this financial report, Management Board membership remained unchanged.

2. Information on the financial report

2.1. Data covered by the financial statements

2.1.1. Identification of the consolidated financial statements

These financial statements are unconsolidated accounts of the Company. For a full understanding of the financial position and trading performance of the Company as a parent of Selena FM Group these financial statements should be read together with the consolidated financial statements of the Group for the year ended 31 December 2014, published on 23 March 2015.

2.1.2. Reporting period

These financial statements cover the period of 12 months ended on 31 December 2014 and the data presented as at that date.

2.1.3. Comparable data

The profit and loss account, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity cover the data for 12 months ended 31 December 2014 as well as comparative data for the period of 12 months ended 31 December 2013.

The balance sheet covers the data presented as at 31 December 2014 and the comparative data as at 31 December 2013.

2.1.4. Notes

The accounting policy and notes are an integral part of these financial statements.

2.2. Approval of the financial statements

These financial statements were approved for publication by the Management Board on 23 April 2015.

2.3. Basis of preparation

These financial statements have been prepared under the historical cost convention, except for those financial instruments that are measured at fair value.

2.4. Going concern

These financial statements have been prepared on the assumption that the Company will continue in operation in the foreseeable future. At the date of approval of these financial statements, no circumstances occurred that would point to a risk to continuity of operations by the Company.

2.5. Statement of conformity

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") approved by the EU. Taking into account the ongoing IFRS implementation process in the EU, as regards the Company's operations there is no difference between the already implemented IFRS and the IFRS approved by the EU for the financial year ended 31 December 2014.

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

2.6. Measurement and reporting currency

The currency used for measurement and presentation of financials in this report in Polish zloty, and all figures have been presented in PLN thousand, unless specified otherwise.

The currency rates used for measurement of the balance sheet items expressed in foreign currency are presented in the table below.

Currency	31 December 2014	31 December 2013
1 USD	3,5072	3,0120
1 EUR	4,2623	4,1472
100 HUF	1,3538	1,3969
1 UAH	0,2246	0,3706
1 CZK	0,1537	0,1513
1 RUB	0,0602	0,0914
1 BRL	1,3197	1,2753

3. Accounting policy

3.1. Changes in the accounting policies

The accounting policies that were used in preparation of the financial statements are consistent with the policies used in preparation of the consolidated financial statements of the Group for the year ended on 31 December 2013, except for the changes resulting from implementation of new standards.

3.2. New standards and interpretations

Presented below is a list of new standards and interpretations published by the International Accounting Standards Board (IASB) and approved for application in the UE for the annual periods starting on 1 January 2014.

IFRS 10 Consolidated Financial Statements – applicable to the annual periods commencing on 1 January 2014 or thereafter.

IFRS 11 – Joint Arrangements - applicable to the annual periods commencing on 1 January 2014 or thereafter.

IFRS 12 Disclosure of Interests in Other Entities, approved in the EU on 11 December 2012 (applicable to the annual periods commencing on or after 1 January 2014).

IAS 27 (revised in 2011) – Separate Financial Statements, approved in the EU on 11 December 2012 – applicable to the annual periods commencing on or after 1 January 2012.

IAS 28 (revised in 2011) – Investments in Associates and Joint Ventures, applicable to the annual periods commencing on or after 1 January 2014.

Amendments to IFRS 10 – Consolidated Financial Statements; IFRS 11 Joint Arrangements and IFRS 12 - Disclosure of Interests in Other Entities – explanations on the transitional provisions - applicable to the annual periods commencing on or after 1 January 2014.

Amendments to IFRS 10 – Consolidated Financial Statements; IFRS 12 - Disclosure of Interests in Other Entities and IAS 27 - Separate Financial Statements - Investment Undertakings - applicable to the annual periods commencing on or after 1 January 2014.

Amendments to IAS 32 Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities – applicable to the annual periods commencing on or after 1 January 2014.

Amendments to IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets - applicable to the annual periods commencing on or after 1 January 2014.

Amendments to IAS 39 Financial Instruments: Disclosure and Measurement – Novation of Derivatives and Continuation of Hedge Accounting - applicable to the annual periods commending on or after 1 January 2014.

The foregoing changes have no material impact on the data presented in these financial statements.

3.3. Standards and interpretations that have already been published and approved by the EU, but have not become effective yet

When approving these consolidated financial statements, the Group did not apply the following standards, amendments and interpretations that have been published by IASB and approved for adoption in the EU, but have not become effective yet:

Changes to different standards: Improvements to IFRS (2010-2012 cycle) - made as part of the procedure of making annual amendments to IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), designed mainly to address inconsistencies and clarify the terminology, approved in the EU on 17 December 2014 (applicable to the annual periods starting on or after 1 February 2015).

Changes to different standards: Improvements to IFRS (2011-2013 cycle) - made as part of the procedure of making annual amendments to IFRS (IFRS 1, IFRS 3, IFRS 13, IAS 40) designed mainly to address inconsistencies and clarify the terminology, approved in the EU on 18 December 2014 (applicable to the annual periods starting on or after 1 January 2015).

Amendments to IAS 19 "Employee Benefits – Defined Benefit Plans: Employee Contributions – approved in the EU on 17 December 2014 (applicable to the annual periods commencing on or after 1 February 2015).

IFRIC Interpretation 21 Levies (applicable to the annual periods commencing on or after 17 June 2014.

3.4. Standards and interpretations adopted by IASB, but not yet approved for application in the EU

The IFRS as approved by the EU are not materially different than the regulations adopted by the International Accounting Standards Board (IASB), except the following standards, amendments and interpretations, which as at 23 August 2015 were not yet adopted for application in the EU:

IFRS 9 Financial Instruments – applicable to the annual periods commencing on or after 1 January 2018.

IFRS 14 Regulatory Deferral Accounts – applicable to the annual periods commencing on or after 1 January 2016.

IFRS 15 Revenue from Contracts with Customers, applicable to the annual periods commencing on or after 1 January 2017.

Amendments to IFRS 10 – Consolidated Financial Statements; IAS 28 - Investments in Associates and Joint Ventures: Contribution of Assets between an Investor and its Associate or Joint Venture (applicable to the annual periods commencing on or after 1 January 2016).

Amendments to IFRS 10 – Consolidated Financial Statements; IFRS 12 - Disclosure of Interests in Other Entities and IAS 28 - Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception (applicable to the annual periods commencing on or after 1 January 2016).

Amendments to IFRS 11 – Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations, applicable to the annual periods commencing on or after 1 January 2016.

Amendments to IAS 1 Presentation of Financial Statements - Disclosure Initiative (applicable to the annual periods commencing on or after 1 January 2016).

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – explanation on the acceptable amortisation methods applicable to annual periods commencing on or after 1 January 2016.

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture: Bearer Plants, applicable to the annual periods commencing on 1 January 2016 or thereafter.

Amendments to IAS 27 "Separate Financial Statements – Equity Method in Separate Financial Statement", applicable to the annual periods commencing on or after 1 January 2016.

Changes to different standards: Improvements to IFRS (2012-2014 cycle) - made as part of the procedure of making annual amendments to IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34), designed mainly to address inconsistencies and clarify the terminology, applicable to the annual periods starting on or after 1 January 2016.

According to the estimates of Selena FM S.A., the foregoing standards, interpretations and amendments to standards, except IFRS 9 and IFRS 15, would not any material impact on the financial statements if they had been applied by Selena FM S.A. as at the balance sheet date.

The Management Board of the Company expects that adoption of IFRS 9 may have a material future impact on the amounts presented under financial assets and financial liabilities of the Group. However, presentation of reliable estimates regarding the impact of IFRS 9 will not be possible until the Group conducts a thorough analysis.

The Management Board of the Company expects that adoption of IFRS 15 may have a material future impact on the amounts and disclosures presented in the consolidated financial statements of the Group. However, presentation of reliable estimates regarding the impact of IFRS 15 will not be possible until the Group conducts a thorough analysis in this regard.

3.5. Significant accounting policies

3.5.1. Restatement of foreign currency positions

Transactions expressed in foreign currencies are translated into PLN using the exchange rate current at the transaction date.

At the balance sheet date, the cash assets and liabilities expressed in foreign currency are translated into PLN using the mean rate applicable at the end of the reporting period that has been set by for the particular currency by the National Bank of Poland. The FX differences arising are recognised in finance revenue or expenses as the case may be, or where required by the accounting policy, are capitalised in assets. Non-cash assets and liabilities are carried at historical cost expressed in the foreign currency, stated at the historical rate current at the transaction date. Non-cash assets and liabilities carried at fair value expressed in foreign currency are converted at the rate applicable at the fair measurement date.

3.5.2. Property, plant and equipment

Property, plant and equipment are carried at cost reduced by depreciation and impairment charges. The initial value of fixed assets includes the price of acquisition increased by all the costs directly relating to the purchase and adaptation of the asset for use. The expenditures incurred after the asset has been brought into use, including the maintenance and repair costs, are charged to the profit and loss when incurred.

Depreciation begins when the asset is ready for use and continues until the asset is liquidated or slated for sale. Depreciable value is written off systematically over the useful economic life of the asset.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as per the table below.

Fixed asset categories	Depreciation period (years)
Buildings and structures	from 10 to 40
Technical plant and equipment	from 3 to 10

Office equipment	from 3 to 5
Vehicles	from 3 to 7
Other	from 3 to 7

This method of depreciation reflects consumption of the economic benefits of the asset.

Depreciation charges for fixed assets are recognised in profit and loss in the relevant category for the asset.

If in the preparation of the financial statements any circumstances occurred indicating that the carrying amount of the asset may not be recoverable, the asset is tested for impairment. If any indications of impairment have been identified, and the carrying amount exceeds the estimated recoverable amount, then the value of such assets or cash generating units that the assets belong to is reduced to the recoverable amount. The recoverable amount is the higher of the two values: fair value decreased by the cost of sale or value-in-use. When estimating the value-in-use, the estimated future cash flows are discounted to the current value using the discount rate, and before taxation, reflecting the current market estimate for the time value of money and the risks pertaining to the asset. Where an asset does not generate cash flows sufficiently independently, the recoverable amount is determined for the cash generating unit that the asset belongs to. Impairment charges are recognised in the profit and loss account under other operating costs.

A tangible asset may be derecognised after its disposal or if the entity expects no economic benefits from its continued use. Any profits or losses arising from derecognition of the asset (calculated as a difference between the possible net inflows from sale and the carrying amount of the asset) are recognised in the profit and loss in the period when the derecognition took place.

Fixed assets under construction include all the fixed assets that are during construction or assembly and are recognised at cost reduced by impairment charges, if any. Fixed assets under construction are not depreciated until the construction is finished and the asset is brought into use.

The end value, useful life and the depreciation method of the assets are reviewed each year, and if necessary corrections are made, effective from the beginning of the current reporting period.

3.5.3. Borrowing costs

Borrowing costs are capitalised as a part of the cost of generation of a fixed asset. Borrowing costs include interest calculated using the effective interest rate method, financial charges under a finance lease, and FX differences arising from external finance, up to the value of the interest expense correction.

3.5.4. Leases

<u>Finance lease agreements</u> which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased assets, are recognised in the statement of financial position at the date of commencement of the lease, at the lower of the two values: fair value of the leased fixed asset or the current value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The finance charge is recognised in profit or loss, unless the capitalisation conditions are met.

Under finance leases, fixed assets are depreciated for the estimated useful life of the fixed asset.

<u>Operating lease</u>

The leases under which the lessor retains substantially all the risks and benefits of ownership are recognised as operating leases. The operating lease fees and the subsequent lease payments are expensed in the profit and loss on a straight-line basis throughout the lease term.

The leases under which the entity retains substantially all the risks and benefits of ownership are recognised as operating leases. The initial direct costs incurred during negotiation of the operating lease agreement are added to the book value of the leased asset and are recognised throughout the lease term on the same rules as the revenues from lease. Any conditional lease fees are recognised as an income in the period when they become due.

3.5.5. Intangible fixed assets

If an intangible asset is acquired separately, it is measured at cost. If an intangible asset is acquired in a business combination, the cost of that intangible asset is based on its fair value at the date of acquisition. After initial recognition, intangible assets are carried at cost less amortisation and impairment. The expenditure on internally generated intangible assets, except the expenditure on development work, is not capitalised and is recognised in the cost of the period when it was incurred.

The enterprise determines if the useful life of an intangible asset is limited or indefinite. Intangible assets with a limited life are amortised throughout the period of their use, and are tested for impairment each time when indications of impairment are identified. The period and method of amortisation of such assets are reviewed at least at the end of each accounting year.

The estimated economic useful life of software licences is 2-5 years, and 10-40 years for trademarks.

Changes in the expected life or consumption of economic benefits flowing from the asset are recognised by changing the amortisation period or method, as appropriate, and are treated as changes in estimates. The amortisation write-offs for intangible assets with a limited life are recognised in profit and loss in the item that corresponds to the function of amortised asset.

Useful lives are reviewed each year and if needed are corrected effective from the beginning of the current reporting period.

Any profits or losses arising from derecognition of an intangible asset from the statement of financial position are measured as a difference between the net inflows from sale and the carrying amount of the asset, and are recognised in the profit and loss in the period at the time of the derecognition.

3.5.6. Shares in subsidiaries, associates and joint ventures

Shares in subsidiaries, associates and joint ventures are carried at historical cost less impairment, if any.

If in the preparation of the financial statements any circumstances occurred indicating that the carrying amount of the shares may not be recoverable, the shares are tested for impairment. If the carrying amount of the shares exceeds the estimated recoverable value, then the value of the shares is reduced to their recoverable value. When estimating the recoverable value, the estimated future cash flows are discounted to the current value using the gross discount rate, reflecting the current market estimate for the time value of money and the risks pertaining to the asset. Impairment charges, if any, are recognised in the profit and loss account under financial expenses.

3.5.7. Financial instruments

Financial instruments are divided into the following categories:
- financial assets held to maturity
- financial assets measured at fair value through profit and loss
- loans granted and receivables
- financial assets available for sale
- liabilities measured at fair value through profit and loss
- other liabilities measured at amortised cost.

Financial assets held to maturity are assets, other than derivatives, with determined or determinable payments and a stated maturity, which the entity intends and is able to retain until maturity, other than:
- assets designated on initial recognition as assets measured at fair value through profit and loss
- assets designated as available for sale
- assets that meet the definition of loans and receivables.

Financial assets held to maturity are measured at amortised cost using the effective interest rate. Financial assets held to maturity are classified as long-term assets if their maturity is longer than 12 months after the balance sheet date.

Financial assets measured at fair value through profit and loss are the financial instruments acquired to generate profits on short-term price fluctuations. A financial instrument is classified to this category if its meets one of the following conditions:

a) is classified as held for trading, i.e.
   - acquired with an intention of sell-off in a short-term, or
   - is a part of the portfolio of jointly managed financial instruments, which are likely to generate profits in the short-term, or
   - is a derivative, except derivatives covered by hedge accounting, and financial guarantees agreements
b) was classified to this category under IAS 39 at the time of initial recognition.

Financial assets measured at fair value through profit and loss are measured at fair value taking account of their market value at the balance sheet date, excluding the sale transaction costs. Changes in the value of such instruments are reflected in the profit and loss account as financial revenues or expenses.

If a contract contains one or more embedded derivatives, the whole contract may be classified to the category of financial assets measured at fair value through profit and loss. This does not apply in the cases where the embedded derivative does not have any major influence on the cash flows from the contract or it is expressly prohibited to separate the embedded derivatives.

Loans and receivables are financial assets other than derivatives, with determined or determinable payments, not quoted on active market. They are included in current assets unless their maturity date is longer than 12 months from the balance sheet date. Loans grated and receivables with a maturity longer than 12 months after the balance sheet date are included in fixed assets. Loans granted and receivables are measured at amortised cost.

Financial assets available for sale are the financial assets that are not derivatives, which:

- have been classified as available for sale, or
- do not belong to any of the previously specified three asset categories.

Financial assets available for sale are recognised at fair value increased by transaction costs that may be directly allocated to the purchase or issue of the financial asset. Where no stock quotations exist in the active market, and their fair value may not be reliably estimated using alternative methods, financial assets available for sale are measured at cost less impairment. The difference between the fair value and the cost of acquisition of the assets available for sale (if a market price exists, determined in an active regulated market or the fair value may be determined in another reliable manner), after reduction by deferred tax, is recognised in other comprehensive income. A decrease in the value of assets available fore sale cause by impairment is reflected in the profit and loss account as a financial expense.

Purchase and sale of financial assets are recognised at the transaction date.
At the time of initial recognition, a financial asset is measured at fair value, increased – in the case of an asset that is not classified as measured at fair value through profit and loss – by the transaction costs that may be directly allocated to the acquisition.

A financial instrument is derecognised if the entity loses control over the contractual rights that make up the financial instrument; usually this happens when the instrument is sold or when all the cash flows attributed to the instrument are transferred to an independent third party.

A financial guarantee agreement is an agreement whereby the issuer is require to make payments to the holder to compensate the loss that the holder will incur if the debtor does not make a contractual payment on the terms defined for the particular debt instrument. At the time of initial recognition, the financial obligation on account of the guarantee agreement is measured at fair value. After the initial recognition, the value is measured at the higher of:

- initial value decreased by the amounts recognised in the profit and loss are a result of settlement of the initially recognised amount during the period of the guarantee's validity, or
- estimated likely payment.

Financial liabilities measured at fair value through profit and loss are measured at fair value taking account of their market value at the balance sheet date, excluding the sale transaction costs. Changes in the fair value of such instruments are reflected in the profit and loss account as financial revenues or expenses.

Financial liabilities measured at amortised cost are the liabilities that are not financial instruments measured at fair value through profit and loss. They are measured at amortised cost using the effective interest rate method.

3.5.8. Impairment of financial assets

At each balance sheet date, the entity assesses if there are any objective indications of impairment of an asset or a group of financial assets.

Interest carried at amortised cost

If there are objective indications of impairment, the impairment charge is calculated as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows (excluding future losses on account of uncollected receivables), discounted using the original effective interest rate (i.e. the rate determined on initial recognition). The carrying amount of the asset is reduced by the impairment charge. Losses are reflected in the profit and loss account.

The Group first determines if there are any objective indications of impairment of individually significant financial assets, and the indications of impairment of assets that are not individually significant. If such analysis shows that there are no objective indications of impairment of an individually assessed financial asset, significant or not, the entity includes such asset to the group of financial assets with a similar credit risk profile and tests the assets for impairment collectively. The assets that are individually tested for impairment and for which an impairment charge was recognised or a decision was made that the existing charge would not change, are excluded from collective impairment test.

If in the subsequent period the impairment charge is reduced, and the reduction may be objectively linked to an event occurring after recognition of the charge, the previously recognised charge is reversed. Subsequent reversal of the impairment charge is recognised in the profit and loss account to the degree that at the date of the reversal the book value of the asset was not higher that its amortised cost.

Financial assets measured at cost

If there are objective indications of impairment of a not listed equity instrument that is not carried at fair value because its fair value may not be reliably estimated, or a connected derivative that must be settled by the provider of such not listed equity instrument, then the amount of the impairment loss is calculated as a difference between the book value of the financial asset and the current value of the estimated future cash flows discounted using the current market rate of return for similar financial assets.

Financial assets available for sale

If there are objective indications of impairment of a financial asset available for sale, then the amount being a difference between the purchase price of the asset (less any capital and interest payments and its present fair value less any impairment charges previously recognised in the profit and loss account, is derecognised from equity and transferred to the profit and loss. Reversals of impairment charges for the value of equity instruments classified as available for sales are not recognised in the profit and loss account. If in the subsequent period the fair value of the debt instrument available for sale increases, and the increase may be objectively linked to an event occurring after recognition of the impairment charge in the profit and loss account, then the amount of the reversed charge is included in the profit and loss account.

3.5.9. Inventories

Inventory is measured at the lower of: cost or net realisable amount. The cost of generation of finished good and work-in-progress consists of the cost of direct materials and labour and the relevant indirect products costs determined on the assumption of a normal use of production capacity.

The net realisable amount is estimated as the price of a sale effected in the ordinary course of business, less finishing costs and costs needed to finalise the sale.

The closing balance of inventory is measured by determining its value using the FIFO method.

3.5.10. Trade and other receivables

Trade and other receivables are recognised at the originally invoiced amounts or amounts specified in the contract, taking into account the allowance for doubtful accounts (impairment charges). Such allowances are recognised if recovery of the full amount of the receivable is not longer likely.

Where the time value of money plays a role, the value of the receivables is determined by discounting the future cash flows to the present value using the discount rate that reflects the current market estimates of the time value of money. If such discounting method is used, the increase in the value of receivables over time is recognised as a financial revenue.

Receivables from the state are presented as other receivables, except the CIT receivable, which is a separate item on the balance sheet.

Advance payments are presented in accordance with the nature of the assets they pertain to – as fixed or current assets. Advance payments are not discounted as they are non-cash assets.

3.5.11. Cash and cash equivalents,

Cash and short-term deposits include cash in bank and cash on hand, and short-term deposits with an original maturity not longer than 3 months.

The balance of cash and cash equivalents presented in the statement of cash flows consists of the items specified above. Overdrafts are presented in the balance sheet under loans and advances in short-term liabilities.

3.5.12. Interest-bearing bank debt, loans and debt securities

At initial recognition, bank debt, loans and debt securities are measured at fair value less the cost of the debt.

After the initial recognition, interest-bearing loans and debt securities are then measured at amortised cost on an effective interest rate basis.

When determining the amortised cost, one takes into account the cost of obtaining a loan, and the discounts or premiums obtained in connection with the liability.

Revenues and expenses are presented in the profit and loss account upon derecognition of the liability from the balance sheet, and as a result of a settlement effected using the effective interest rate.

3.5.13. Trade and other liabilities

Trade liabilities are measured at the value of the payment due.

Financial liabilities are measured at amortised cost using the effective interest rate, except the liabilities classfied at measured at fair value through profit and loss.

An expired financial liability is derecognised from the balance sheet (i.e. if the contractual obligation has been discharged, cancelled or expired). An exchange of a debt instrument with an instrument with substantially different terms effected between the same entities, is recognised as expiry of the original financial liability and recognition of a new financial liability. Similarly, modification of the terms of an agreement relating to an existing financial liability is recognised as expiry of the original liability and recognition of a new liability. The difference between the respective book values of the exchanged instruments is recognised in the profit and loss account.

The other non-financial liabilities include in particular liabilities to the tax office on account of VAT and liabilities on account of advance payments received that will be settled through a supply of goods, services or fixed assets. Other non-financial liabilities are recognised at the amount due.

3.5.14. Provisions

Provisions are raised where the entity has an obligation (legal or constructive) are a result of a past event, and it is likely that fulfilment of such obligation will cause an outflow of economic benefits, and the value of such obligation may be reliably estimated. If the entity expects that the costs covered by the provision will be returned, e.g. by the insurer, then the return is recognised as a separate asset, but only when it is practically certain that such a return will be realised. The provision costs are recognised in the profit and loss account less any returns received.

Where the time value of money plays a role, the value of the provision is determined by discounting the future cash flows to the present value using the discount rate that reflects the current market estimates of the time value of money, and the potential risk associated with such obligation. If a discounting method is used, the increase in the value of the provision over time is recognised as a financial expense.

Provisions are presented as separate items of long-term or short-term liabilities, depending on the nature of the provision.

3.5.15. Retirement benefits

Employees of the companies registered in Poland are given rights to retirement benefits under the Polish Labour Code. A retirement benefit is paid once-off when the employee retires. The value of the benefit depends on the years of service and the average remuneration of the employee.

Where the local law or internal regulations of the company impose on obligation of payment of a retirement benefit, the company makes a provision for future obligations on account of such payments to assign the related costs to their corresponding periods. According to IAS 19, retirement benefits are defined programmes of post-employment benefits. The present value of such obligations is calculated at each balance sheet date. The obligation is equal to the discounted payments that will be made in the future, taking into account the employment turnover, and relating to the period until the balance sheet date. Demographic information and information of staff turnover are based on historical figures.

3.5.16. Revenues

Revenues are recognised at the amount of probable economic benefits flowing from the particular transaction, and where the value of the revenue may be reliably estimated. Revenues are recognised at fair value of the payment received or due, reduced by indirect taxes not due to the seller, and discounts. Recognition of revenues is subject to the criteria outlined below.

Sale of finished goods, merchandise and materials

Revenues are recognised if the material risks and benefits arising from the ownership of the goods and products have been transferred to the buyer, and when the revenues may be reliably estimated.

Provision of services

Revenues from provision of services are recognised when the service is performed, at the net value stated in the agreement or on the invoice.

Interest

Interest income is recognised gradually as the interest is earned (using the effective interest rate method, which discounts the future cash flows over the estimated life of the financial instruments) relative to the net carrying amount of the financial instrument.

Dividends

Dividends are recognised at the time of determination of the shareholders' rights to dividend.

Rental (operating lease) income

Income from the lease of office space is recognised on a straight-line basis over the lease term.

3.5.17. Taxes

Current tax

Liabilities and receivables arising from the tax for the current period and the previous periods are measured at the amount of the expected payment to the revenue authorities (refundable by the revenue authorities) using the tax rates and tax legislation that legally or actually applied at the balance sheet date.

Deferred income tax

Deferred tax is calculated using the balance sheet obligations method for all the temporary differences existing at the balance sheet date between the tax value of assets and liabilities, and their carrying amount shown in the financial statements.
A deferred tax liability is recognised for all the positive temporary differences.

- except when the deferred tax liability arises as a result of initial recognition of a goodwill or an initial recognition of an asset or liability in a transaction other than business combination, and at the time of the transaction it did not have any impact on the PBT or taxable income or tax loss, and
- in the case of positive temporary differences arising from investments in subsidiaries or associates, and shares in joint ventures – except when the dates of reversal of the temporary differences are controlled by the investor and it is likely that in the foreseeable future the temporary differences will not be reversed.

Deferred tax assets are recognised for all the negative temporary differences, also for unutilised tax reliefs and unutilised tax losses carried to subsequent years, in the amount of the likely taxable income that will be generated to use the differences, assets and losses;

- except when the deferred tax assets relating to negative temporary differences are a result of initial recognition of a goodwill or an initial recognition of an asset or liability in a transaction other than business combination, and at the time of the transaction it did not have any impact on the PBT or taxable income or tax loss, and
- in the case of negative temporary differences from investments in subsidiaries or associates, or shares in joint ventures, the deferred tax asset is recognised in the balance sheet at the amount of the likely income arising in the foreseeable future from reversal of the temporary differences, allowing for the negative temporary differences to be covered.

The book value of the deferred tax asset is reviewed at each balance sheet date and is appropriately reduced to reflect the lower likelihood of receipt of a taxable income that would allow to cover, partly or in full the realisation of the deferred tax asset. The unrecognised deferred tax asset is revisited at each balance sheet date and is recognised up to the value that reflects the likelihood of future taxable income that will allow the asset to be recovered.

Deferred tax assets and liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised or the liability is reversed. The measurement is based on the tax rates (and legislation) applicable at the balance sheet date or such rates/legislation which, at the balance sheet date, are certain to apply in the future.

A taxable income for the items recognised outside of a profit or loss, is recognised outside of a profit or loss: in other comprehensive income for the items presented in other comprehensive income, or directly in equity for the items recognised directly in equity.

Deferred tax assets are set off against the deferred tax liabilities only where there is a legal title for the set-off between the current tax receivable and payable, and the deferred tax relates to the same taxpayer and the same tax authority.

VAT

Revenues, expenses, assets and liabilities are recognised net of VAT, except where:

- the VAT paid at the acquisition of assets or services cannot be recovered from the tax authorities; then such VAT is recognised as a part of the price of the assets or as a part of the cost item, and;
- the receivables and liabilities that are recognised together with the VAT.

The net amount of the VAT that can be recovered or that is due to the tax authorities is recognised in the balance sheet as a part of receivables or liabilities.

3.5.18. Net profit per share

Net profit per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares in the particular reporting period.

The diluted profit per share is calculated by dividing the net profit for the period attributable to the shareholders of the parent by the weighted average number of outstanding ordinary shares during the period, increased by the weighted average number of ordinary shares that would have been issued if the potential ordinary shares were converted into shares.

3.5.19. Transactions settled through equity instruments

The cost of transactions settled with staff in equity instruments is recognised by reference to the fair value at the date when the respective rights were awarded. Fair value is determined by an independent valuer. Measurement of the equity-settled payments takes account of the market conditions of the rights allocation (associated with the price of the parent's shares) and other conditions than those relating to the rights allocation.
The cost of equity-settled transactions is recognised together with the corresponding increase in the value of equity in the period when the conditions relating to the financial results and / or performance of service were fulfilled, ending on the date when the particular employees receive full entitlement to the benefits ("vesting date"). The aggregate cost in respect of equity–settled transactions recognised at each balance sheet date until the vesting date reflects the passage of the vesting period and the number of awards to which – according to the parent's management at that date, based on the possibly most accurate estimates of the number of equity instruments - rights will be finally acquired.

No costs will be recognised in respect of the awards to which rights will not be finally acquired, except for the awards for which vesting depends on market conditions or other conditions than those relating to the vesting, which are treated as acquired, regardless of whether or not the market conditions or the other conditions than those relating to the vesting are fulfilled, provided that all the other conditions relating to effectiveness/performance and / or provision of service are fulfilled. If the conditions for allocation of equity-settled awards are modified, to meet the minimum requirement costs are recognised as if the conditions have not been modified. Furthermore, costs are recognised in respect of each increase in the value of the transaction as a result of the modification, measured at the date of the modification.

Where an equity-settled award is cancelled, it is treated as if the rights to the award have not been acquired at the cancellation date, and any not yet recognised costs in respect of the award are recognised immediately. This also relates to the awards for which the conditions other than those relating to the vesting, controlled by the parent or the employee, have not been met. However, where the cancelled award is replaced by a new award – determined as a supplementary award on the date of its allocation, the cancelled award and the new award are treated as a modification of the original award, i.e. in the manner outlined above.

4. Significant values based on professional judgement and estimates

4.1. Professional judgement

In addition to the accounting estimates, professional judgement of the management was of key importance in the process of application of the accounting policies to the areas outlined below.

Classification of leases

The Group classifies leases as operating or finance leased based on the estimated distribution of risks and rewards from the leased asset between the lessor and the lessee. Such evaluation is based on the economic substance of the individual transactions.

4.2. Uncertainty of estimates

Below is a presentation of the key assumptions relating to the future and other key sources of uncertainty existing at the balance sheet date, giving rise to a material risk of a significant correction to the carrying amounts of assets and liabilities in the next financial year.

Impairment of long-term investments

The Company tests its long-term investments for impairment. This exercise requires that the value in use of the cash-generating units (CGU) be estimated. The value in use is estimated by determining the future cash flows generated by the CGU based on the financial plans, and by determining the discount rate for calculation of the present value of such cash flows. Information on the adopted assumptions and results of impairment tests are presented in Note 17.

Impairment of loans and receivables

Impairment charges for loans and receivables are recognised in the event of objective indications of impairment. Impairment charges are estimated based on the realisable future cash flows. Both the amount and time distribution of such cash flows are determined based on the professional judgement of the Group's Management.

Deferred tax assets

Deferred tax assets are recognised if the projected tax results confirm that such tax may be used. However, a deterioration in the tax results in the future might undermine such assumption.

5. Operating segments

The Management Board treats the Company's activity as a single operating segment.

See Note 1.1 of this report for description of the Company’s operations. Selena FM S.A. acts as a “global distributor” – as part of the Group, it is an intermediary between the production plants and foreign trade organisations; it also manages the Group's operations. Financial results on all businesses are analysed jointly as an effect of operation of the Group’s head office and are not a basis for taking decisions on resource allocation within the Company or within the Group's operating segments.

The Company’s trading performance is assessed based on the management data prepared in accordance with IAS/IFRS.

Related parties account for more than 91% of the Company’s revenues (more than 92% in 2013).

Sales are generated in Poland (PLN 19m) and abroad, mainly in the countries where the Group’s units are based. The Company’s tangible assets are located in Poland.

The Company is not dependant on any buyer. Due to the nature of operations of the Company as a parent of the Group, sales are generated depending on its subsidiaries' demand for goods and services, so they are not a major contributor to the assessment of the Company’s operating efficiency.

6. Operating costs

6.1. Costs by type

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Consumption of materials and energy	422	518
Cost of employee benefits	15 498	16 009
Depreciation	2 223	2 116
External services, including:	19 594	19 504
advice	7 165	6 430
lease	2 042	2 949

other	10 387	10 125
Taxes and duties	270	267
Other costs by type, including:	6 700	3 526
Entertainment and advertising costs	4 418	658
Cost of business travel	2 130	2 678
Cost of merchandise and materials sold	330 290	343 743
Cost of services sold	21 664	23 009
Total operating costs	**396 661**	**408 692**
including:		
Cost of sales	359 793	374 067
Selling and marketing costs	20 926	17 880
General and administrative expenses	15 942	16 745

6.2. Cost of employee benefits

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Remuneration	13 032	13 611
Social security costs	2 019	2 015
Other employee benefit costs	447	383
Total cost of employee benefits	**15 498**	**16 009**
including:		
Cost of sales	1 975	2 155
Selling and marketing costs	6 984	6 423
General and administrative expenses	6 539	7 431

7. Other operating income / costs

7.1. Other operating income

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Profit from disposal of non-financial fixed assets	51	
Subsidies	11	
Reversal of impairment charge for receivables	1 700	167
Damages	43	15
Other	73	121
Total other operating income	**1 878**	**303**

In the year ended 31 December 2014, impairment charges totalling PLN 1,700k were reversed, including:

- impairment charge for the amounts due from non-connected entities: PLN 1,242k (Selena USA Inc. – PLN 1,003k Selena Labs Sp. z o.o. - PLN 239k)
- impairment charge for the receivables from non-connected companies: PLN 458k (FinSelena Oy: PLN 360k, other entities – PLN 98k).

7.2. Other operating costs

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Loss on disposal of non-financial fixed assets		1
Impairment charge for receivables	14 397	12 803
Donations	61	40
Uncollectible receivables written off	3 095	0

Damages, penalties, fines	452	1 555
Liquidation of inventories	35	110
Other	86	416
Total other operating costs	**18 126**	**14 925**

In the year ended 31 December 2014, impairment charges totalling PLN 14,397k were created, including:

- impairment charge for the receivables from connected companies: PLN 14,123k (Selena Romania SRL: PLN 5,476k, Selena Sulamericana Ltda: PLN 3,101k, Selena Iberia slu: PLN 2.490k, Selena Italia srl – PLN 1,182k, Selena Slovakia s.r.o. - PLN 825k, Selena Nantong Building Materials Co. Ltd – PLN 447k, Selena Malzemeleri Yapi Sanayi Tic. Ltd. – PLN 419k, other subsidiaries – PLN 183k)
- impairment charge for the amounts due from non-connected entities: PLN 274k.

In the year ended 31 December 2014, receivables totalling PLN 3,095k were written off,, including PLN 3,020k on the basis of an agreement on cancellation of the amounts due from Selena Ukraine Ltd. The decision was dictated by the economic situation in Ukraine.

8. Financial revenues and expenses

8.1. Financial revenues

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Dividends and shares in profits	0	111 607
Interest, including:	3 505	3 457
on bonds and loans granted	*3 072*	*2 891*
interest on deposits and bank accounts	*2*	*30*
on discount of financial obligations	*431*	*536*
FX differences	5 769	683
Other financial revenues	3	0
Total financial revenues	**9 277**	**115 747**

8.2. Financial expenses

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Interest, including:	1 573	1 812
on loans and advances received	*1 547*	*1 769*
on finance lease liabilities	*25*	*38*
on other obligations	*1*	*5*
Impairment charge for shares	0	48 964
Impairment charge for loans	19 447	25 795
Other financial costs	687	347
Total finance expenses	**21 707**	**76 918**

In the year ended 31 December 2014, impairment charges for loans were created, totalling PLN 19,447k (see Note 18.4 for details).

See Note 17 for details on the impairment tests.

9. Income tax

9.1. Tax charges

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Income tax for the current period	57	988
Change in deferred tax	1 403	180
Adjustments to the current tax for previous period	-4	-17
Tax charge presented in the profit or loss:	**1 456**	**1 151**

9.2. Effective tax rate

The table below shows reconciliation of the tax on the pre-tax profit at the statutory rate with the income tax calculated at the effective tax rate of the Company.

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Gross profit (loss) on continued operations	-19 992	33 155
Tax rate	19%	19%
Tax at the statutory rate	-3 798	6 299
Tax on non-taxable revenues (fixed differences)	-1 294	-21 250
- in respect of dividends received	0	-21 205
- in respect of reversal of impairment charge for receivables	-973	0
- other	-321	-45
Tax on costs that are not tax-deductible (fixed differences)	6 552	16 119
- in respect of impairment charge on shares and loans	3 695	14 204
- in respect of impairment charge for receivables	2 534	1 915
- other	323	0
Adjustments to the current tax for previous period	-4	-17
Tax charge presented in the profit or loss:	**1 456**	**1 151**
Effective tax rate	**-7,28%**	**3,47%**

9.3. Deferred income tax

Deferred tax asset

Figures in PLN thousand	31 December 2014	Charge/credit to the financial result	31 December 2013	Charge/credit to the financial result
Deferred tax asset on temporary differences in assets	*325*	*159*	*166*	*-48*
Trade receivables	*228*	*201*	*27*	*-122*
Impairment charges for receivables	*228*	*201*	*27*	*-122*
Loans granted and contributions to capital	65	0	65	0
Valuation of loans granted	*65*	*0*	*65*	*0*
Other assets	*32*	*-42*	*74*	*74*

Unrealised sales on Incoterms	*32*	*-42*	*74*	*74*
Deferred tax asset on negative temporary differences in liabilities	*503*	*-185*	*688*	*-152*
Liabilities	*113*	*-233*	*346*	*6*
Liability in respect of unpaid remuneration	*113*	*-233*	*346*	*6*
Accruals	*168*	*41*	*127*	*40*
Provision for the cost of audit	*8*	*-2*	*10*	*2*
Provision for the cost of unutilised leaves	*125*	*21*	*104*	*25*
Other accruals	*35*	*22*	*13*	*13*
Liabilities in respect of loans and advances	*32*	*27*	*5*	*-2*
Interest payable	*32*	*27*	*5*	*-2*
Other liabilities	*190*	*-20*	*210*	*-196*
Lease liabilities	*122*	*63*	*59*	*-97*
Guarantees granted	*68*	*-83*	*151*	*-99*
Deferred tax asset on unrealised FX differences	*754*	*68*	*686*	*79*
Deferred tax asset on tax losses	*0*	*0*	*0*	*0*
Deferred tax asset on total temporary differences	**1 582**	**42**	**1 540**	**-121**
Deferred tax asset less liability	0		775	

Deferred tax liability

Figures in PLN thousand	**31 December 2014**	**Charge/credit to the financial result**	**31 December 2013**	**Charge/credit to the financial result**
Deferred tax liability on positive temporary differences in assets	*635*	*40*	*595*	*21*
Tangible fixed assets	229	60	169	-64
Net value of fixed assets under a lease	*229*	*60*	*169*	*-64*
Loans granted and contributions to capital	*399*	*-3*	*402*	*109*
Interest on loans granted, accrued and outstanding	*399*	*25*	*374*	*107*
Interest on contributions, accrued and outstanding	*0*	*-28*	*28*	*2*
Bonds	*7*	*-17*	*24*	*-24*
Interest on bonds, accrued and outstanding	*7*	*-17*	*24*	*-24*
Deferred tax liability on positive FX differences	*1 575*	*1 405*	*170*	*38*
Deferred tax liability	**2 210**	**1 445**	**765**	**59**
Deferred tax liability less asset	628		0	
Change in deferred tax reflected in profit and loss		**1 403**		**180**

10. Profit per share

The basic profit per share is calculated by dividing the net profit for the period attributable to the ordinary shareholders by the weighted average number of outstanding ordinary shares during the period.

The number of ordinary shares in 2014 did not change.

		Year ended 31 December 2014	**Year ended 31 December 2013**
Profit (loss) after tax	PLN	-21 447 749	32 003 895
Weighted average number of ordinary shares	share	22 834 000	22 834 000
Profit/(loss) per ordinary share	**PLN/share**	**-0,94**	**1,40**

Number of shares, including possible dilution	share	22 834 000	22 834 000
Diluted profit per share	**PLN/share**	**-0,94**	**1,40**

As at 31 December 2014, Selena FM S.A. has no potentially diluting ordinary shares.

11. Dividend paid and proposed

On 9 June 2014, the AGM of Selena FM S.A. adopted a resolution on distribution of the profit earned in 2013, allocating a portion of the profit to dividend. The proposed dividend payout was PLN 6,393,520, i.e. PLN 0.28 per share. The record date, when the list of shareholders eligible for dividend is determined, was set to 30 June 2014. The shares of all series carry the same dividend rights. The dividend was paid on 16 July 2014.

12. Discontinued operations

In the period of ended 31 December 2014 or in the period ended 31 December 2013, the Company did not discontinue nor it plans to discontinue any type of business in the next year.

13. Social assets and Social Fund obligations

The Social Fund Act of 4 March 1994, as amended, stipulates that the Social Fund shall be created by the employees with at least 20 staff members (FTEs), as at the beginning of a given year. By virtue of its work regulations, the Company decided not to establish such Social Fund.

14. Property, plant and equipment

The tables below show the gross value, depreciation and net value of tangible assets as at the balance sheet date.

Figures in PLN thousand	Buildings and premises	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construc.	Total
Gross value as at 1 January 2014	**88**	**1 827**	**2 271**	**285**	**19**	**4 490**
Increases, including:	0	340	806	67	846	2 059
Direct purchase	*0*	*303*	*27*	*67*	*18*	*415*
Leasing	*0*	*0*	*779*	*0*	*865*	*1 644*
Settlement of fixed assets under construction	*0*	*37*	*0*	*0*	*-37*	*0*
Decreases, including:	0	114	384	11	0	509
Liquidation, sale	*0*	*114*	*384*	*11*	*0*	*509*
Gross value as at 31 December 2014	**88**	**2 053**	**2 693**	**341**	**865**	**6 040**
Write-off as at 1 January 2014	**56**	**798**	**1 085**	**154**	**0**	**2 093**
Increases, including:	5	419	483	50	0	957
Amortisation for the period	*5*	*419*	*483*	*50*	*0*	*957*
Decreases, including:	0	108	224	9	0	341
Liquidation, sale	*0*	*108*	*224*	*9*	*0*	*341*
Write-off as at 31 December 2014	**61**	**1 109**	**1 344**	**195**	**0**	**2 709**
Net value as at 1 January 2014	**32**	**1 029**	**1 186**	**131**	**19**	**2 397**
Value as at 31 December 2014	**27**	**944**	**1 349**	**146**	**865**	**3 331**

Figures in PLN thousand	Buildings and premises	Plant and machinery	Vehicles	Other fixed assets	Fixed assets under construc.	Total
Gross value as at 1 January 2013	**88**	**1 383**	**2 267**	**209**	**0**	**3 947**
Increases, including:	0	531	11	90	19	651
Direct purchase	*0*	*424*	*11*	*90*	*126*	*651*
Leasing	*0*	*0*	*0*	*0*	*0*	*0*
Settlement of fixed assets under construction	0	107	0	0	-107	0
Other	0	0	0	0	0	0
Decreases	0	87	7	14	0	108
Liquidation, sale	*0*	*87*	*7*	*14*	*0*	*108*
Gross value as at 31 December 2013	**88**	**1 827**	**2 271**	**285**	**19**	**4 490**
Write-off as at 1 January 2013	**50**	**544**	**637**	**96**	**0**	**1 327**
Increases, including:	6	338	448	64	0	856
Amortisation for the period	*6*	*338*	*448*	*64*	*0*	*856*
Decreases, including:	0	84	0	6	0	90
Liquidation, sale	*0*	*84*	*0*	*6*	*0*	*90*
Write-off as at 31 December 2013	**56**	**798**	**1 085**	**154**	**0**	**2 093**
Net value as at 1 January 2013	**38**	**839**	**1 630**	**113**	**0**	**2 620**
Value as at 31 December 2013	**32**	**1 029**	**1 186**	**131**	**19**	**2 397**

In 2014 and 2013, financing costs were not capitalised into tangible assets.

15. Intangible fixed assets

The tables below show the gross value, depreciation and net value of intangible assets as at the balance sheet date.

Figures in PLN thousand	Software	Other intangible assets	Intangible assets not brought into use	Total
Gross value as at 1 January 2014	**5 828**	**383**	**72**	**6 283**
Increases, including:	76	3	5 929	6 008
Direct purchase	*71*	*3*	*5 934*	*6 008*
Settlement against fixed assets under construction	*5*	*0*	*-5*	*0*
Decreases, including:	122	240	0	362
Liquidation, sale	*122*	*240*	*0*	*362*
Gross value as at 31 December 2014	**5 782**	**146**	**6 001**	**11 929**
Write-off as at 1 January 2014	**2 475**	**292**	**0**	**2 767**
Increases, including:	1 203	63	0	1 266
Amortisation for the period	*1 203*	*63*	*0*	*1 266*
Decreases, including:	119	236	0	355
Liquidation, sale	*119*	*236*	*0*	*355*
Write-off as at 31 December 2014	**3 559**	**119**	**0**	**3 678**
Net value as at 1 January 2014	**3 353**	**91**	**72**	**3 516**
Net value as at 31 December 2014	**2 223**	**27**	**6 001**	**8 251**

Figures in PLN thousand	Software	Other intangible assets	Intangible assets not brought into use	Total
Gross value as at 1 January 2013	**5 717**	**462**	**0**	**6 179**
Increases, including:	111	27	72	210
Direct purchase	*111*	*27*	*72*	*210*
Settlement against fixed assets under construction	*0*	*0*	*0*	*0*
Decreases, including:	0	106	0	106
Liquidation, sale	0	106	0	106
Other	0	0	0	0
Gross value as at 31 December 2013	**5 828**	**383**	**72**	**6 283**
Write-off as at 1 January 2013	**1 306**	**246**	**0**	**1 552**
Increases, including:	1 169	91	0	1 260
Amortisation for the period	*1 169*	*91*	*0*	*1 260*
Decreases, including:	0	45	0	45
Liquidation, sale	0	45	0	45
Write-off as at 31 December 2013	**2 475**	**292**	**0**	**2 767**
Net value as at 1 January 2013	**4 411**	**216**	**0**	**4 627**
Net value as at 31 December 2013	**3 353**	**91**	**72**	**3 516**

The line item “Intangible assets not put in use” includes expenditure of PLN 6m incurred until 31 December 2014 on implementation of the ERP class system – Microsoft Dynamics AX 2012 in Selena FM S.A. and in selected companies from Selena Group.

16. Shares in subsidiaries

16.1. The Company’s investments

Company	Head Office	Activity	Share in capital 31.12.2014	Share in capital 31.12. 2013	
Selena S.A.	Wrocław	Distributor	100,00%	100,00%	
Carina Sealants Sp. z o.o. S.K.A.	Siechnice	Manufacturer of sealants, distributor	100,00%	100,00%	
Selena Labs Sp. z o.o.	Siechnice	Research and Development	99,65%	99,65%	1
Orion Polyurethanes Sp. z o.o. S.K.A.	Dzierżoniów	Manufacturer of foams, adhesives, distributor	99,95%	99,95%	2
Libra Sp. z o.o.	Dzierżoniów	Manufacturer of sealants and adhesives, distributor	100,00%	100,00%	
Tytan EOS Sp. z o.o.	Wrocław	Manufacturer of loose materials	100,00%	100,00%	
PMI "IZOLACJA - MATIZOL" S.A.	Gorlice	Manufacturer of roof coverings, hydroinsulation systems, distributor	100,00%	100,00%	
Orion Polyurethanes Sp. z o.o.	Dzierżoniów	Legal administration	100,00%	100,00%	
Carina Sealants Sp. z o.o.	Siechnice	Legal administration	100,00%	100,00%	
Selena Deutschland GmbH	Hagen	Distributor	100,00%	100,00%	
Selena Italia srl	Limena	Distributor	100,00%	100,00%	
Selena Iberia slu	Madrid	Manufacturer of sealants and adhesives, distributor	100,00%	100,00%	
Selena USA Inc.	Holland	Distributor	100,00%	100,00%	
Selena Sulamericana Ltda	Ponta Grossa	Manufacturer of foams, distributor	100,00%	100,00%	
Selena USA Specialty Inc	Holland	Property management	100,00%	100,00%	5
Selena Romania SRL	Ilfov	Distributor	100,00%	100,00%	
Selena Bohemia s.r.o	Roudnice	Distributor	100,00%	100,00%	

Selena Hungária Kft.	Pécs	Distributor	100,00%	100,00%	
FinSelena Oy	Lammi	Distributor	-	100,00%	
Selena Bulgaria Ltd.	Sofia	Distributor	100,00%	100,00%	
Selena Slovakia s.r.o.	Nitra	Distributor	100,00%	100,00%	
EURO MGA Product SRL	Ilfov	Manufacturer of loose materials	0,13%	0,13%	3
Selena Ukraine Ltd.	Kiev	Distributor	99,00%	99,00%	4
Selena CA L.L.P.	Ałmaty	Distributor	100,00%	100,00%	
TOO Selena Insulations	Astana	Manufacturer of insulation systems	100,00%	100,00%	
Selena Shanghai Trading Co., Ltd.	Shanghai	Distributor	100,00%	100,00%	
Selena Nantong Building Materials Co., Ltd.	Nantong	Manufacturer of foams, distributor	100,00%	100,00%	
Selena Vostok	Moscow	Distributor	99,00%	99,00%	4
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	Istambuł	Manufacturer of foams and sealants, distributor	100,00%	100,00%	

1 - Other shares are owned by Krzysztof Domarecki (Supervisory Board Chairman of Selena FM S.A.)
2 – Other shares outside of the Group
3 – Other shares owned by the subsidiary Selena Romania SRL
4- Other shares are owned by the subsidiary Selena S.A.
5 - Selena USA Real Estate Corp.renamed on 1 October 2014

16.2. Share value

The table below shows a specification of the shares held by the Company in its subsidiaries.

	31 December 2014			31 December 2013			
Figures in PLN thousand	Gross	Write-down	Net	Gross	Write-down	Net	
Selena S.A.	62 781	0	**62 781**	62 781	0	**62 781**	
Carina Sealants Sp. z o.o. S.K.A.	2 069	0	**2 069**	2 069	0	**2 069**	
Selena Labs Sp. z o.o.	1 400	0	**1 400**	1 400	0	**1 400**	
Orion Polyurethanes Sp. z o.o. S.K.A.	8 174	0	**8 174**	8 174	0	**8 174**	
Libra Sp. z o.o.	5 589	0	**5 589**	5 589	0	**5 589**	
Tytan EOS Sp. z o.o.	4 007	0	**4 007**	4 007	0	**4 007**	
PMI "IZOLACJA - MATIZOL" S.A.	18 500	648	**17 852**	18 500	648	**17 852**	
Orion Polyurethanes Sp. z o.o.	8	0	**8**	8	0	**8**	
Carina Sealants Sp. z o.o.	8	0	**8**	8	0	**8**	
Selena Deutschland GmbH	4	0	**4**	4	0	**4**	
Selena Italia srl	1 884	1 884	**0**	1 884	1 884	**0**	
Selena Iberia slu	43 478	22 913	**20 565**	43 478	22 913	**20 565**	
Selena USA Inc.	1 289	1 289	**0**	1 289	1 289	**0**	
Selena Sulamericana Ltda	3 783	0	**3 783**	3 783	0	**3 783**	
Selena USA Specialty Inc **	2 418	1 118	**1 300**	2 418	1 118	**1 300**	
Selena Romania SRL	11 944	11 944	**0**	11 944	11 944	**0**	
Selena Bohemia s.r.o	0	0	**0**	0	0	**0**	
Selena Hungária Kft.	679	679	**0**	679	679	**0**	
FinSelena Oy	-	-	**-**	318	318	**0**	
Selena Bulgaria Ltd.	0	0	**0**	0	0	**0**	*
Selena Slovakia s.r.o.	0	0	**0**	0	0	**0**	*
EURO MGA Product SRL	1	0	**1**	1	0	**1**	
Selena Ukraine Ltd.	0	0	**0**	0	0	**0**	*
Selena CA L.L.P.	9 029	0	**9 029**	0	0	**0**	
Selena Insulations	1 206	0	**1 206**	1 206	0	**1 206**	
Selena Shanghai Trading Co., Ltd.	0	0	**0**	0	0	**0**	*
Selena Nantong Building Materials Co., Ltd.	33 910	33 910	**0**	33 910	33 910	**0**	
Selena Vostok	11 197	0	**11 197**	11 197	0	**11 197**	
Selena Malzemeleri Yapi Sanayi Tic. Ltd.	12 793	12 793	**0**	12 793	12 793	**0**	
Value of shares	**236 151**	**87 178**	**148 973**	**227 440**	**87 496**	**139 944**	

* Value of shares below PLN 400
** Selena USA Real Estate Corp.renamed on 1 October 2014

16.3. FinSelena Oy

On 19 December 2013, FinSelena Oy filed with the court in Finland a request for starting bankruptcy proceedings in accordance with the Finnish law. On 20 December 2013, the Finnish court in Kanta-Häme issued a decision on starting the proceedings and appointment of an administrator for the company. The decision to start the process aimed at dissolution of FinSelena Oy resulted from the change of distribution model in Scandinavia effective from December 2012. On 20 January 2014, the court's decision became final and binding. On that date, Selena FM Group lost control over FinSelena Oy. The company was dissolved on 12 November 2014. .

16.4. Increase in the share capital of Selena CA L.L.P.

On 24 April 2014, the General Meeting of Selena CA L.L.P. adopted a resolution to increase the company's share capital by 540m Kazakh tenge. Selena FM S.A. is the sole shareholders of the entity. The share capital was registered on 20 May 2014.

16.5. Shares in other companies

On 1 October 2014, the subsidiary Selena USA Real Estate Corp. was renamed as Selena USA Specialty Inc. The change results from the re-profiling of the company as a trading unit.

To reinforce the Group's position in Slovakia, a decision was made to change the business model pursued in that market. An agreement was signed with a new distributor for the sale of Selena brand products. Logistic and sales operations in Slovakia and the Czech Republic have been conducted as part of a shared operational centre managed by Selena Bohemia. Selena Slovakia has been going through a restructure, gradually phasing off its business activity.

On 28 September 2015, Selena FM S.A. signed an agreement with Selena S.A. selling it 23,700 shares of Selena Sulamericana Indústria e Comércio de Produtos Químicos Ltda., representing 5% of the company's share capital. .

16.6. Impairment charges on the value of shares

Details about impairment tests for the value of shares in subsidiaries and the posted impairment charges are presented in Note 17 to this report.

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Impairment charge for shares at the beginning of the period	**87 496**	**38 532**
Creation of an impairment charge for shares	0	48 964
Loss of control over a subsidiary (FinSelena Oy)	-318	
Impairment charge for shares at the end of the period	**87 178**	**87 496**

17. Impairment of long-term assets

17.1. Shares and long term loans in Selena Iberia

In view of the fact that Selena Iberia slu was not using its full production capacity, as at 30 June 2014, the Management Board decided to perform an impairment test for the company's fixed assets in accordance with IAS 30 Impairment. Based on the projected future cash flows generated by the company, no need was identified to create an additional impairment charge for the assets. In the year ended 31 December 2013, an impairment charge of PLN 4,346k was posted for the value of shares in the entity. The impairment test was repeated as at 31 December 2014 and did not show any need to create an extra impairment charge.

For the purpose of the test, WACC before tax was taken at 12.1% and the residual growth rate at 2.5%.

These tests did not reveal any need to create an impairment charge for the value of fixed assets in the Group's consolidated report.

17.2. Shares and long term loans in Selena Nantong Building Materials

Due to the performance of Selena Nantong Building Materials Co., Ltd and revision of its business plans, as at 30 June 2014, the Management Board carried out an impairment test for the assets invested in the entity. On the basis of a new strategy developed for the company and its projected future cash flows no need was identified to post an extra impairment charge for the assets. In the period ended 31 March 2014, an impairment charge of PLN 1,947k was posted for the long-term loans granted to the company. In the year ended 31 December 2013, an impairment charge of PLN 33,910k was posted for the value of shares and an impairment charge of PLN 7,387k for the value of long-term loans. The impairment test was repeated as at 31 December 2014 and did not show any need to create an extra impairment charge.

The future projected cash flows take into account the positive impact of the optimisation programmes carried out by the Management Board, designed to utilise the existing production capacity and to improve effectiveness of the sales force. There are also significant projections made regarding the future situation in the local market and in export countries for Selena Nantong. If any material, negative deviations occur from the present macroeconomic forecasts, in the future reporting periods it might be necessary to post an impairment loss on the fixed assets of Selena Nantong.

Given the long-term nature of the investment, the test carried out as at 31 December 2014 was based on a 10-year cash flow forecast. For the purpose of the test, WACC before tax was taken at 15.4% and the residual growth rate at 2.5%.

The test described above did not show any need to post impairment charge on fixed assets presented in the Group's consolidated financial statements.

17.3. Shares and long term loans in Selena Romania SRL

On account of the slower-than-expected increase in production and sale of dry mortars, wet plasters and ceramic adhesives in the Romanian market, as at 30 June 2014, the Management Board performed an impairment test for the assets invested in the entity. Based on projected future cash flows generated by Selena Romania srl and EURO MGA Product srl (subsidiary of Selena Romania srl), an impairment of the assets was identified. Accordingly, on 30 June 2014, an impairment charge of PLN 13,630k was created for the value of the long-term loans granted to the company. In the year ended 31 December 2013, an impairment charge of PLN 8,771k was posted for the value of shares and an impairment charge of PLN 12,218k for the value of long-term loans. The impairment test was repeated as at 31 December 2014 and did not show any need to create an extra impairment charge.

Financial projections take into account the assumptions relating to the future economic situation in the construction and assembly system in Romania, including the assumptions relating to the progress with implementation of heating improvement schemes supported by the Romanian government and the European Union. In the event of material adverse variances versus the current macroeconomic projections, and lower State aid it might be necessary to create an impairment charge for the value of assets invested in Selena Romania srl in future accounting periods.

The test carried out as at 31 December 2014 was based on a 5-year cash flow forecast. For the purpose of the test, WACC before tax was taken at 13.3% and the residual growth rate at 2.5%.

The test described above did not show any need to post impairment charge on fixed assets presented in the Group's consolidated financial statements.

17.4. Assumptions of the impairment models

Assumptions of the cash flow models for the purpose of impairment tests are presented in the table below (it includes the tests where the Management Board estimated could materially affect the value of potential impairment losses).

CGU	Selena Iberia	Selena Nantong	Selena Romania + EURO MGA
WACC before tax	12,1%	15,4%	13,3%
Residual growth rate	2,5%	2,5%	2,5%
Impairment	brak	brak	brak
Model sensitivity – write-off amount with:			
WACC before tax increased by 1 p.p.	*10 860*	*5 352*	*no charge*
residual growth rate reduced by1 p.p.	*11 663*	*4 295*	*no charge*
EBIT margin reduced by 1 p.p.	*16 706*	*12 213*	*no charge*

18. Loans granted and other financial assets

18.1. Loans granted and other financial assets

Selena FM, as a Parent of the Group, finances the operations of its subsidiaries. The financing is based on the bonds issued by the subsidiaries, loans and capital injections.

A summary of changes in the balance of such instruments in 2014 is shown in the table below.

Type of connection	Figures in PLN thousand	31 12 2013	Principal		Interest			Valuation	Write-down	31 12 2014
			Increase	Decrease	Accrued	Paid	Other decreases			
Subsidiaries	Bonds	6 126		-6 000	196	-287				35
	Loans									
	Gross value	73 912	41 400	-5 347	2 865	-1 088	0	4 762		116 504
	Impairment charge	-24 972	-19 447	146				-1 565		-45 838
	Net value	48 940	41 400	-5 347	2 865	-1 088	0	4 762	-20 866	70 666
	Contributions to capital	2 326		178						0
Other connected entities (Universal Energy Sp. z o.o.)	Bonds		1 850	-1 850	1	-1				
Non-connected entities	Shares		318						-318	
TOTAL		**57 392**	**43 568**	**-15 375**	**3 073**	**-1 535**	**0**	**4 762**	**-21 184**	**70 701**
including long-term:		*47 024*								*66 483*

18.2. Maturities of the loans granted and other financial assets

Maturity (in years) 31 December 2014		Below 1 year	1-3 years	Above 3 years	Without maturity	Total
Subidiaries	Bonds	35				**35**
	Loans	4 183	1 000	65 483		**70 666**
TOTAL		**4 218**	**1 000**	**65 483**		**70 701**

Maturity (in years) 31 December 2013		Below 1 year	1-3 years	Above 3 years	Without maturity	Total
Subidiaries	Bonds	6 126				**6 126**
	Loanss	4 242	3 922	40 776		**48 940**
	Contributions to capital				2 326	**2 326**
TOTAL		**10 368**	**3 922**	**40 776**	**2 326**	**57 392**

18.3. Bonds of connected entities – changes during the year

On 15 May 2008, Selena FM S.A. acquired 129 unsecured registered bonds with a total nominal value of PLN 12.9m issued by the subsidiary Libra sp. z o.o. In accordance with the agreement, the bonds will be repurchased at the nominal value. The repurchase date is 31 December 2013. In 2013, the subsidiary Libra Sp. z o.o. redeemed the bonds of PLN 6m previously purchased by Selena FM S.A. (PLN 2m on 27 June; PLN 2m on 2 October and PLN 2m on 18 December). In 2014, Libra Sp. z o.o. redeemed remaining bonds of PLN 6m previously purchased by Selena FM S.A. (PLN 2m on 30 June and PLN 4m on 15 December). The bonds' rate of interest is variable.

18.4. Loans to connected entities – changes during the year

In 2014, Selena FM S.A. granted its subsidiaries loans totalling PLN 27,893k, including to:

- Selena CA L.L.P., EUR 1,500k (23 September). The loans matures on 31 December 2019 and carries a variable interest rate.
- POLYFOAM Yalitim Sanayi ve Tic Ltd.: TRY 75k (11 February). The loan matures on 31 December 2018 and carries a variable interest rate.
- Selena Nantong Building Materials: EUR 150k (tranche disbursed under the agreement of 10 September 2013, CNY 13,500k (10 March), CNY 4,000k (4 May), CNY 1,000k (24 July) – the loans were granted for a period of five years (fixed market-based rate of interest);
- Selena Iberia S.L.U.: EUR 1,500k (1 December). The loans matures on 31 December 2019 and bears a variable interest rate.
- Selena Malzemeleri Yapi Sanayi Tic. Ltd.: TRY 1,200k (3 February), TRY 1,565k (24 March), TRY 350k (5 June). The loans mature on 31 December 2018 and carry a variable interest rate.
- Selena Labs sp. z o.o.: PLN 2,700k (10 May, renewable loan, variable rate of interest, maturity date of 31 December 2016). By 31 December 2013, a tranche of PLN 500k was drawn. Until 31 December 2014, tranches totalling PLN 1,100k were drawn (PLN 300k – 13 May, PLN 100k – 24 June, PLN 200k – 27 June, PLN 400k– 29 December, PLN 100k – 30 December).

In 2014, trade receivables of PLN 13,507k (fair value at the conversion date) were converted into loans, including:

- Selena Romania – EUR 967k (30 June)
- Selena Iberia S.L.U – EUR 557k (30 June), EUR 1,675k (1 December).

In the year ended 31 December 2014, the borrowers repaid loans totalling PLN 1,300k:

- Selena S.A. – PLN 700k
- Selena Labs sp. z o.o. – PLN 600k.

In the year ended 31 December 2014, a set off was effected in relation to the obligations on account of the principal amount of the loans granted to:

- Tytan EOS Sp. z o.o. – PLN 2,277k
- PMI "IZOLACJA - MATIZOL" S.A. – PLN 1,600k
- Selena Malzemeleri Yapi Sanayi Tic. Ltd.: - EUR 15k.

In line with IFRS and the adopted accounting policy:

- long-term loans granted to foreign affiliates – which are not expected or likely to be settled in a short-term - are treated as an element of investments into net assets of these entities, in the meaning of IAS 21 para. 15,
- In the consolidated financial statements, the FX differences arising for the lender and the borrower upon valuation of these loans are be reflected in other comprehensive income from the moment the loans are classified as an element of investments into net assets;
- This classification has no impact on the unconsolidated financial statements of the parties to the loan agreements.

The decision of the Management Board stating that the settlement of these loans is not planned is taken independent of any analysis relating to the recoverability of these amounts.

Impairment charges for loans created in 2014 were PLN 19,447k (by historical value), as indicated in Note 8.2):

- Selena Romania SRL – PLN 14,345k
- Selena Nantong Building Materials Co., Ltd. – PLN 2,084k
- Selena Slovakia s.r.o. – PLN 1,511k
- Selena Malzemeleri Yapi Sanayi Tic. Ltd. – PLN 1,386k
- POLYFOAM Yalitim Sanayi ve Tic Ltd. – PLN 121k.

18.5. Capital contributions

The items includes returnable contributions imposed on Selena FM S.A. as per Article 177 of the Commercial Companies Code. In 2014, the following contributions were returned: PLN 1.2m in Orion Polyurethanes sp. z o.o. SKA and PLN 1.1m in Libra sp. z o.o.

18.6. Bonds of other connected entities – changes during the year

On 18 August 2014, Selena FM S.A. acquired A series bonds with a total issuance value of PLN 1,850k issued by Universal Energy Sp. z o.o. under the agreement of 13 August 2013. The bonds carry a variable rate of interest and mature on 27 August 2014. The bonds' rate of interest is variable. On 22 August, Universal Energy Sp. z o.o. redeemed PLN 1,850k worth of bonds with the accrued interest.

18.7. Loans granted and other financial assets – events occurring after the balance sheet date

On 12 February 2015, Selena FM S.A. signed a loan agreement with Selena Malzemeleri Yapi Sanayi Tic. Ltd. for a sum of TRY 2,700k. The loan bears a variable interest rate and matures on 13 February 2018. By the date of publication of these financial statements, TRY 1,450k was drawn.

On 24 February 2015, a loan agreement was signed with Selena Nantong Building Materials Co., Ltd. for a sum of CNY 12,000k. The loan bears a variable interest rate and matures on 23 February 2020. By the date of publication of these financial statements, CNY 5,000k was drawn.

19. Inventories

Figures in PLN thousand	31 December 2014	31 December 2013
Merchandise	3 871	2 573
Other	2	0
Total inventory, gross	**3 873**	**2 573**
Impairment charge for inventory	0	0
Total net inventory	**3 873**	**2 573**

20. Trade receivables

20.1. Age structure of trade receivables

Trade receivables do not carry any interest rate – the standard payment terms are 60 days.

The table below presents the age structure of trade receivables. The table does not include receivables covered by impairment charges.

Figures in PLN thousand		Total	Up-to-date	Overdue, not covered by impairment charges (overdue in days):				
				< 30	30 – 60	60 – 90	90 – 180	>180
31 December 2014	From connected companies	141 048	62 662	35 479	10 574	8 856	23 477	0
	From non-connected companies	8 496	7 313	731	6	6	386	54
31 December 2013	From connected companies	131 999	80 820	21 837	8 817	6 458	13 270	797
	From non-connected companies	7 948	6 363	4	676	119	756	30

20.2. Impairment charges for receivables

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Impairment charge at the beginning of the period	**17 377**	**4 926**
Created	14 397	12 803
connected entities	*14 123*	*10 079*
other entities	*274*	*2 724*
Reversed, including:	-1 700	-167
connected entities	*-1 242*	*-164*
other entities	*-458*	*-3*
Utilised	-2 916	0
Other	-11 320	0
connected entities	*-15 115*	*0*
other entities	*3 795*	*0*
FX differences arising on translation	635	-185
Impairment charge at the end of the period	**16 473**	**17 377**
including:		
Impairment charge for trade receivables	16 473	17 377

Total impairment charges for receivables created in 2014 were PLN 14,397k, as indicated in Note 7.2. An amount of PLN 14,123k of this figure relates to connected entities.
Other major items relate to:

- Trade receivables from subsidiaries that were converted into loans as part of a strategy of financing of the selected entities. The receivables were covered by an impairment charge of PLN 13,034k, which at the time of the conversion was utilised and deducted from the overall impairment charge recognised in the balance sheet, and the converted receivables were adjusted to their fair value.
- Change in presentation of the charges for the amounts due from FinSelena Oy (PLN 3,795k) due to the loss of control over the entity on 20 January 2014 (Note 16.3).

21. Other receivables

Figures in PLN thousand	31 December	31 December

	2014	2013
VAT claimed	18 992	24 866
Prepayments for deliveries	9	126
Settlements with employees	133	0
Other	1 592	1 515
Total other receivables	**20 726**	**26 507**

22. Cash and cash equivalents

Cash in bank carries variable rates of interest. Short-term deposits are opened for different periods (from one day to one month), and carry different interest rates. As at 31 December 2014, the fair value of cash and cash equivalents essentially corresponds to their book value.

The table below shows a structure of the cash balances at the balance sheet date.

Figures in PLN thousand	31 December 2014	31 December 2013
Cash in bank	3 446	34 912
Cash on hand	12	7
Cash in transit	1 705	0
Total Cash	**5 163**	**34 919**

As at 31 December 2014, the Company held unutilised credit lines of PLN 1.2m as part of the credit limits described below (PLN 20.4m as at 31 December 2013).

23. Registered capital, supplementary capital and reserves

23.1. Registered capital

23.1.1. Nominal value per share

The structure of the registered capital is shown in the table below.

Series	Type	Nominal value of shares (PLN)	Number	Value (PLN)
A	Preference	0,05	4 000 000	200 000
B	Ordinary	0,05	13 724 000	686 200
C	Ordinary	0,05	5 000 000	250 000
D	Ordinary	0,05	110 000	5 500
			22 834 000	**1 141 700**

All the shares are fully paid-up. In 2014, the number of shares did not change.

In accordance with the resolution of the Extraordinary General Meeting of 31 January 2012, the Management Board of Selena FM S.A. was authorised to acquire treasury shares in the maximum amount of 2 million shares, for a unit price not higher than PLN 8 per share. The shares could be purchased by 30 June 2014. For the purpose of the EGM resolution, on 31 January 2012 a reserve capital of PLN 8m was set up (from the supplementary capital). The Management Board did not purchase own shares as the programme’s triggering criteria were not met.

23.1.2. Shareholder rights

Series A preference shares carrying two votes. Series B, C and D shares carry one share each. The shares of all series carry the same dividend rights and the same return on capital.

23.1.3. Major shareholders

The table below shows the stake in the share capital and the voting power of the major shareholders.

	31 December 2014		31 December 2013	
Shareholder	**share in capital**	**share in votes**	**share in capital**	**share in votes**
AD Niva Sp. z o.o.*	41,77%	50,45%	41,77%	50,45%
Syrius Investments S.a.r.l (Luxemburg)*	35,25%	30,00%	35,25%	30,00%
	77,02%	**80,45%**	**77,02%**	**80,45%**

*Entity controlled by Krzysztof Domarecki

23.2. Supplementary capital

Figures in PLN thousand	Year recognised	Value
Excess of the shareholding value over the nominal value of the acquired shares in the merger with Domarecki i Wspólnicy spółka jawna	2007	10 042
Share capital increase and acquisition of new shares by Syrius Investment S.a.r.l	2007	13 588
Fair valuation of long-term liabilities as at the date of conversion into share and supplementary capital	2007	-530
Profit allocated to supplementary capital	2008	7 239
Excess of the issuance price over the nominal value of shares after deduction of the issuance costs	2008	161 287
Profit allocated to supplementary capital	2011	44 935
Profit allocated to supplementary capital	2012	37 263
Excess of the price of acquisition of subscription warrants over the nominal value	2012	104
Reserve capital for the purchase of treasury shares	2012	-8 000
Cover of loss for 2012	2013	-45 123
Payment of dividend	2013	-8 677
Profit allocated to supplementary capital	2014	25 611
Supplementary capital		**237 739**

On 9 June 2014, the AGM of Selena FM S.A. adopted a resolution on distribution of profit of PLN 32,003,894.84 for the year ended 31 December 2013. PLN 25,610,374.84 was allocated to the Company's supplementary capital. The remaining portion of PLN 6,393,520.00 was allocated to dividend (Note 11).

23.3. Other reserves

Figures in PLN thousand	Year recognised	Value
Results of the merger Selena FM Sp. z o.o. and Domarecki i Wspólnicy sp. j.	2007	9 530
Fair value of the warrants as part of the incentive programme	2010/2011	1 633
Reserve capital for the purchase of treasury shares	2012	8 000
Other reserves		**19 163**

23.4. Retained earnings and limitations on dividend payout

The Company is required under the Commercial Companies Code to create a supplementary capital for possible losses. The supplementary capital is created from at least 8% profit for the given financial year reported in the Company's financial statements to the point when the capital reaches at least a third of the share capital. The allocation of the reserve capital or the supplementary capital is the decision of the General Meeting, however a portion of the supplementary capital equal to a third of the share capital may be used only to cover the loss shown in the financial statements, and cannot be used for other purposes.

24. Trade liabilities

Figures in PLN thousand	31 December 2014	31 December 2013
Trade liabilities		
amounts due to connected companies	84 231	84 058
amounts due to other companies	4 810	8 537
Total	**89 041**	**92 595**

Trade liabilities do not carry any interest rate – they are usually payable within 60 days.

25. Other liabilities

Figures in PLN thousand	31 December 2014	31 December 2013
Remuneration payable	1 436	2 370
Investment liabilities	1 416	1 130
Taxes and insurance payable	473	448
Prepayments received for deliveries	113	61
Other liabilities	200	9
Total other liabilities	**3 638**	**4 018**

26. Other financial liabilities

Figures in PLN thousand	31 December 2014	31 December 2013
Long-term financial liabilities	1 173	673
Finance lease liabilities	1 020	37
Other financial liabilities	153	636
Short-term financial liabilities	653	429
Finance lease liabilities	435	271
Other financial liabilities	218	158
Total financial liabilities	**1 826**	**1 102**

As at 31 December 2014, other financial liabilities of PLN 371k (PLN 794k as at 31 December 2013) included:

- The obligation in respect of the guarantee granted in 2011 to a bank by Selena Romania as part of the purchase of the receivables of EURO MGA Product sarl (see Note 28.1 of this report) – PLN 55k (PLN 110k as at 31 December 2013).

- Obligation acquired from the subsidiary Selena S.A. in connection with the conditional assets potentially receivables by Selena Iberia in connection with the acquisition of the company in 2009 (transaction described in Note 28.1 of this report) – PLN 47k (PLN 66k as at 31 December 2013).
- Obligation in respect of the guarantee for Selena Iberia as a security for the bank loan granted by BBVA (transaction described in Note 28.1 of this report) – PLN 269k (PLN 460k as at 31 December 2013).
- Obligations in respect of the guarantees acquired from the subsidiary Selena S.A., given to Holding Lowinter XXI in connection with the payment by the subsidiary Selena Iberia of the obligations arising on acquisition of the company in 2009 (transaction described in Note 28.1 of this report) – PLN 158k as at December 2013).

The obligations in respect of finance lease was described in Note 29.1.

27. Loans received

27.1. Balance of bank and other loans

The incurred bank loans are presented in the table below.

			31 December 2014		31 December 2013	
Ref.	**Loan type**	**Maturity**	***Long-term portion***	***Short-term portion***	***Long-term portion***	***Short-term portion***
1	Working capital loan	01/2014				4 023
2	Working capital loan	03/2014				14 997
3	Non-renewable loan	07/2014				9 880
4	Working capital loan	06/2016	11 515			
5	Working capital loan	07/2016	14 793		3 569	
6	Working capital loan	01/2017	24	20 885		
7	Working capital loan	02/2017	9 169		4 352	
8	Non-bank loan	12/2015		6 400		2 089
9	Non-bank loan	12/2018	6 451		6 385	
10	Non-bank loan	12/2019	3 000	130		
11	Non-bank loan	12/2019	3 205	32		
12	Non-bank loan	12/2019	3 197			
Total bank and other loans			**51 354**	**27 448**	**14 306**	**30 989**

27.2. Specification of loans

1) Agreement of 15 October 2013, FX loan up to EUR 970k for Selena FM S.A. to finance working capital requirements. The loan was repaid in accordance with the agreement on 14 January 2014.

2) Agreement of 24 September 2009 for Selena FM and subsidiaries Selena S.A. and Libra sp. z o.o. up to the total limit of PLN 25m, expiring on 31 March 2014. The facility bears a variable interest rate of 1M WIBOR + margin. The debt is secured on the properties, inventories, plant and equipment owned by Libra sp. z o.o. By virtue of the agreement, the credit limit will be temporarily reduced to PLN 15m between 1 December and 31 January in each year of the term of the agreement.

3) An agreement of 12 July 2011 for a non-revolving loan for Selena FM S.A. to fund purchase of shares in Selena Iberia. The loan of EUR 5.3 m matures on 31 July 2014. The loan carries a variable interest rate of 1M EURIBOR + margin. The loan is secured by a corporate guarantee of Selena S.A. and a registered pledge on Selena Iberia's shares.

4) Agreement of 25 June 2009 for Selena FM and subsidiaries Orion Polyurethanes sp. z o.o. SKA, Libra sp. z o.o. and Selena S.A. The annex of 13 May 2011 extends funding to 30 June 2014 and increases the available limit from PLN 20m to PLN 40m. The agreement is secured by a mortgage on the property owned by Orion Polyurethanes sp. z o.o. SKA up to PLN 60m. On 1 October 2013, an annex was signed by Selena FM S.A., Orion

Polyurethanes sp. z o.o. SKA, Libra sp. z o.o., Selena S.A., PMI „IZOLACJA – MATIZOL" S.A., TYTANEOS sp. z o.o. Under the annex, a joint credit limit of EUR 70m was established, including a limit of EUR 19m attributable to Selena FM S.A. The loan matures on 30 June 2016. It bears a variable rate of interest: 1M WIBOR +margin. The debt is secured by a mortgage on a property owned by Orion Polyurethanes sp. z o.o. SKA, assignment of the receivables of Selena S.A. and a power of attorney to the borrowers' current accounts. The limit was sanctioned to refinance a multi-purpose loan agreement maturing on 19 December 2013.

5) Agreement of 22 February 2011 Selena FM and subsidiaries Carina Sealants sp. z o.o. SKA and Orion Polyurethanes sp. z o.o. SKA. The original credit limit was PLN 25m (including PLN 10m for Selena FM S.A) expiring on 21 February 2014. On 15 July 2013, an annex was signed to the loan agreement: the credit limit increased to PLN 35m was sanctioned, maturing on 7 July 2016. The facility is secured by a mortgage up to PLN 27m established on the properties owned by the subsidiaries Selena Labs sp. z o.o. and TYTAN EOS sp. z o.o. and a registered pledge on the movable assets of Carina Sealants sp. z o.o. SKA and Tytan EOS sp. z o.o., with an assignment of property insurance rights. The borrowers also signed statements of submission to forced debt collection. The loan bears a variable interest rate of 1M WIBOR + margin.

6) On 25 January 2013, Selena FM S.A. and Orion Polyurethanes sp. z o.o. SKA signed a multifacility agreement. . Under the agreement, a credit limit of EUR 6.1m was established. The debt is payable on 17 January 2014. In November and December 2013 the limit was reduced by EUR 1.83m and EUR 2.45m, respectively. The loan bears a variable interest rate (WIBOR/EURIBOR/LIBOR, depending on the currency + margin). The agreement is secured by a mortgage on the property and blank bills of exchange issued by the borrowers. On 16 January 2014, an annex was signed to the loan agreement. Under the annex, the sanctioned limit was increased to EUR 7.35m. The credit term was extended to 17 January 2017. In November and December of each year of the credit term, it will be temporarily reduced for Selena FM S.A. to the amount equivalent of EUR 2.45m. The loan bears a variable interest rate (WIBOR/EURIBOR/LIBOR, depending on the currency + margin). The agreement is secured by a mortgage on the property and blank bills of exchange issued by the borrowers.

7) Agreement of 26 November 2013 for Selena FM and subsidiaries Selena S.A., Tytan EOS sp. z o.o. and PMI Izolacja–Matizol S.A. up to the total limit of PLN 20m, maturing on 22 November 2015. The facility bears a variable interest rate of 1M WIBOR + margin. The facility is secured by a transfer of all the material receivables from selected debtors, assignment of insurance and statement of submission to debt enforcement. On 12 March 2014, an annex was signed to the multipurpose credit line of 26 November 2013 for Selena FM S.A. and its subsidiaries Seleny S.A., Tytan EOS. sp. z o.o., PMI IZOLACJA – MATIZOL S.A and Libra sp. z.o.o. The annex extended the credit limit to PLN 45m. The due date was extended to 22 February 2017. The facility bears a variable interest rate of 1M WIBOR + margin. The facility is secured by an assignment of all material receivables from selected debtors, assignment of insurance policy, statement of submission for debt enforcement and a legal mortgage up to PLN 67.5m on a property owned by Libra sp. z o.o.

8) Agreement of 28 June 2013: Selena FM S.A. signed a loan agreement of EUR 1,500k with a subsidiary. The loan matured on 31 December 2014. On 31 December 2014, an annex was signed extending the due date to 31 December 2015. The loan carries a variable market rate + margin.

9) Agreement of 10 December 2013: Selena FM S. A. signed a loan agreement of PLN 4,000k and EUR 575k with a subsidiary. The loan matures on 31 December 2018. The loan carries a variable market rate + margin.

10) Agreement of 30 June 2014: Selena FM S. A. signed a loan agreement of PLN 3,000k with a subsidiary. The loan matures on 31 December 2019. The loan carries a variable market rate + margin.

11) Agreement of 31 December 2014: Selena FM S. A. signed a loan agreement of PLN 1,500k and EUR 400k with a subsidiary. The loan matures on 31 December 2019. The loan carries a variable market rate + margin.

12) Agreement of 31 December 2014: Selena FM S. A. signed a loan agreement of PLN 3,197k with a subsidiary. The loan matures on 31 December 2019. The loan carries a variable market rate + margin.

27.3. Loan agreement terms

As part of the loan agreements signed by the Parent Company separately or jointly with its subsidiaries, Selena FM undertook to maintain certain financial ratios at the levels agreed with banks.

In 2014, the Company maintained consolidated ratios at the levels required by lenders.

28. Contingent liabilities and guarantees granted

28.1. Guarantees given to subsidiaries

Material guarantees that Selena FM S.A. grants to its subsidiaries are presented in the table below.

Comment	Secured obligation	Beneficiary	Amount in currency (m)	Currency	Expires
1	Joint credit limit	Bank	4,58	PLN	02/2017
	Joint credit limit	Bank	21,06	PLN	07/2016
	Joint credit limit	Bank	5,92	PLN	01/2017
	Joint credit limit	Bank	24,50	PLN	06/2016
2	Loan	Bank	5,53	PLN	03/2018
	Financing	Bank	3,50	EUR	12/2017
	Financing	Bank	0,25	EUR	06/2015
	Financing	Bank	0,25	EUR	12/2016
3	Supplies	Supplier	6,67	EUR	
4	Purchase of receivables (EURO MGA)	Bank	0,75	EUR	09/2015
5	Repurchase of a property	Holding Lowinter	1,20	EUR	

1 – Loan agreements signed jointly by the company and its subsidiaries provide for their joint liabilities towards bank. The amounts shown in the table indicate the value of the loans of other parties to the agreement (i.e. except Selena FM S.A.) as at 31 December 2014. In the opinion of the Management Board the risk of the companies' default under the agreements is marginal.

2 – Loan agreements (other forms of finance) taken out independently by subsidiaries.

3 – Guarantee securing the payments by subsidiaries to towards the supplier. The amount in the table indicates the maximum guarantee limit.

4 – To secure the purchase by Selena Romania SRL of the receivables of EURO MGA Product of Romania (the transaction was a part of the take-over of control over EURO MGA Product), Reiffeisen Bank Poland issued a bank guarantee to secure fulfilment by Selena Romania of its obligations under the purchase of receivables. Any possible costs of the bank relating to the payment of the guarantee will be covered by Selena FM S.A. The guarantee amount is EUR 0.75m. It expires on 30 June 2015. The guarantee meets the definition of a financial guarantee in the meaning of IAS 39, and the related obligation is estimated at PLN 174k (PLN 55k as at 31 December 2014). The amount is presented in Note 26, and the value of shares in Selena Romania has been increased by a corresponding amount.

5 – On 12 December 2012, Selena FM S.A., Selena S.A. (formerly: Selena Co. S.A.) and Holding Lowinter XXI, SL (legal successor of Quilosa Holding XXI) entered into an agreement whereby Selena FM S.A. acquired from Selena S.A. the following obligations towards Holding Lowinter XXI, connected with the acquisition of Industrias Quimcas Lowenberg (now: Selena Iberia) in 2009:

- The obligation in respect of the benefits that might flow to Selena Iberia in the future in respect of the conditional tax assets; the maximum nominal value of the obligation as at 31 December 2014 is EUR 1.5m, and may be settled by the end of 2019; in the year ended 31 December 2014, an asset of EUR 93k materialised.
- The obligation whereby Selena FM S.A. (previously Selena S.A and its legal predecessor – Selena Co S.A.) guarantees the payment by Selena Iberia of the obligations in respect of:
  - subrogation of the finance lease for the production hall;
  - the purchase of the land where the production hall is situated.

The total value of both obligations at the agreement date was EUR 4.3m and EUR 1,2m at the balance sheet date. In accordance with the agreement, the debt is repaid in tranches. In 2014, an obligation of EUR 2.5m was repaid. In accordance with the novation agreement, repayment of EUR 1.2m was deferred to 7 January 2016.

The obligations in respect of both guarantees were presented in Note 26.

28.2. Court disputes

As at the balance sheet date and as at the date of preparation of this report Selena FM S.A. is not a party to any material court dispute.

28.3. Tax settlements

Tax payment and other regulated areas of business (including customs or currency-related activities) may be subject to inspection by administrative bodies, which have the right to impose high fines and sanctions. In the absence of well-established legislation, Polish regulations tend to be unclear and inconsistent. There are frequent differences in interpretation of tax regulations both within State administration bodies and between such bodies and corporations, which gives rise to uncertainties and conflicts. As a result, the tax risk in Poland is substantially higher than in the countries with a more mature tax system.

Tax payments may be inspected for five years after the year when the tax was paid.

Currently the Company's tax settlements are not subject to control by any competent authorities.

29. Leases

29.1. Finance lease liabilities – Company as a lessee

The Company uses vehicles under finance leases. The future minimum lease payments under such leases and the present value of the minimum lease payments are presented in the table below.

	31 December 2014		31 December 2013	
Figures in PLN thousand	**Nominal value**	**Current value**	**Nominal value**	**Current value**
Total lease payments	**1 566**	**1 455**	**322**	**308**
Payments up to 1 year	486	435	284	271
Payments from 1 to 5 years	1 080	1 020	38	37
Less financial expenses	111	0	14	0
Current value of total minimum lease payments	**1 455**	**1 455**	**308**	**308**

Terms of the material leases (cars):

- lease term – 3 years
- amortisation period – mainly 5 years
- lease payments vary depending on current interest rate
- at the lease termination, the lessee has the right to purchase the leased asset for a price equal to its residual value.

Due to implementation of the ERP class system – Microsoft Dynamics AX 2012, in the year ended 31 December 2014 the Company entered into an agreement providing for a lease of servers whose total value is PLN 865k. As at 31 December 2014, the servers are reported as fixed assets under construction. The lease term is 59 months. Lease payments vary depending on current interest rate. At the lease termination, the lessee has the right to purchase the leased asset for a price equal to its residual value.

29.2. Operating lease liabilities – Company as a lessee

The future minimum lease payments under the leases are presented in the table below.

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Lease payments recognised as cost for the period	2 691	2 726
Future minimum operating lease payments		
payable up to 1 year	2 530	1 835
payable from 1 to 5 years	7 703	663
Total operating lease liabilities	**11 998**	**2 498**

The Company uses office and storage space under operating leases.

29.3. Operating lease receivables – Company as a lessor

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Lease payments recognised as income for the period	262	238
Future receivables in respect of minimal lease payments:		
payable up to 1 year	20	36
payable from 1 to 5 years	0	44
Operating lease receivables – total	**20**	**80**

30. The reasons for differences between some balance sheet changes in some items and changes presented in the statement of cash flows

The table below shows the reasons for differences between some balance sheet changes in some items and changes presented in the statement of cash flows.

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Change in the balance of receivables	**-3 802**	**-57 813**
Change in investment receivables		-87
Change in income tax receivable		-397
Change receivables in respect of conversion into shares		-3 363
Change receivables in respect of conversion into loans	-13 687	-15 709
Change in receivables in respect of set-off	-88	-98
Change in the balance of receivables in the statement of cash flows	**-17 577**	**-77 467**

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Balance sheet change of liabilities	**30 419**	**738**
Change in the balance of loans and advances	-33 507	-2 692
Change in the balance of liabilities on account of leasing	-1 146	508
Change in the balance of investment liabilities	-1 095	-911
Change in income tax liabilities	508	-536
Change in guarantee obligations	422	521
Change in liabilities in respect of set-offs	6 336	115 913
Changes in the balance of dividend obligations		-1 652
Change in the balance of obligations on account of purchase of shares in subsidiaries	0	-1 275
Change in the balance of liabilities in respect of conversion into loans	10 385	
Change in the balance of deferred tax liability	-628	
Change in the balance of liabilities in the statement of cash flows	**11 694**	**110 614**

31. Related party transactions

The Company provides advisory services to its subsidiaries, and is a distributor of the Group's products to foreign companies. The transactions for the sale and purchase of goods and services to/from the related parties are carried out on an arm's length. The table below shows a summary of the transactions with related parties in 2014 and 2013. Information about the value of impairment charges, including created and reversed charges for receivables and loans, is presented in Notes 7, 8, 16.6 and 18 of these financial statements.

	Figures in PLN thousand	Period	Revenue from sales	Purchase of goods and services	Other income	Other costs
Subsidiaries		2014	367 189	318 365	2 791	814
		2013	383 454	330 219	114 837	569
Associates		2014	1 742			
		2013	2 846			
Owners	AD Niva Sp. z o.o. (Krzysztof Domarecki)	2014	8			
		2013	5			
	AD Niva Sp. z o.o. SKA (Krzysztof Domarecki)	2014	8			
		2013	6			
	Syrius Investment (Krzysztof Domarecki)	2014				
		2013			35	
Supervisory Board Members	Universal Energy Sp. z o.o. (Krzysztof Domarecki)	2014			1	
		2013				
Management Board Members	Beata Pawłowska * (DORADZTWO STRATEGICZNE)	2014				
		2013	1			
	Kazimierz Przełomski ** (KONSULTHOUSE)	2014	1			
		2013				
Total		**2014**	**368 948**	**318 365**	**2 792**	**814**
		2013	**386 312**	**330 219**	**114 872**	**569**

* value of sales and purchases until the MB was removed from office on 10 March 2014

** value of sales and purchases until the VP was removed from office on 30 September 2014

The table below shows the balance of transactions with related parties as at 31 December 2014 and 31 December 2013.

	Figures in PLN thousand	Period	Bonds, loans, equity contributions	Trade receivables	Other receivables	Liabilities
Subsidiaries		2014	70 701	141 046		107 258
		2013	57 392	131 294		93 528
Associates		2014				
		2013		702		
Owners	AD Niva Sp. z o.o. (Krzysztof Domarecki)	2014		1		
		2013		1		
	AD Niva Sp. z o.o. SKA (Krzysztof Domarecki)	2014		1		
		2013		1		
Management Board Members	Beata Pawłowska * (DORADZTWO STRATEGICZNE)	2014				
		2013		1		
Total		**2014**	**70 701**	**141 048**	**0**	**107 258**
		2013	**57 392**	**131 999**	**0**	**93 528**

* 10 March 2014 the person ceased to be MB member of Selena FM

32. Emoluments of directors

The emoluments of the Management Board and the Supervisory Board members of the Parent Company are presented in the table below.

MANAGEMENT BOARD Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Short-term employment benefits, including bonuses (remuneration and deductions)	1 737	1 988
Jarosław Michniuk	934	1 361
Krzysztof Kluza	41	0
Robert Konaszewski	89	0
Andrzej Feruga	170	0
Marcin Macewicz	30	0
Kazimierz Przełomski	330	360
Beata Pawłowska	143	267
Retirement benefits	0	0
Termination benefits	0	0
Total	**1 737**	**1 988**

SUPERVISORY BOARD Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Short-term employment benefits, including bonuses (remuneration and deductions)	200	200
Krzysztof Domarecki	67	67
Czesław Domarecki	12	0
Grzegorz Kostrzyński	31	34
Andrzej Krämer	48	38
Marcin Wower	0	0
Paweł Wyrzykowski	15	25
Krzysztof Kluza	27	36
Retirement benefits	0	0
Termination benefits	0	0
Total	**200**	**200**

Management Board members receive fixed and variable (bonus-based) remuneration. A decision on bonus payment for 2014 will be taken by the Supervisory Board.

AD Niva Sp. z o.o. and Syrius Investment S.a.r.l. as shareholders of Selena FM S.A. received a dividend in 2014 (Note 11), corresponding to the number of their shares (Note 23.1.3).

The Group's consolidated accounts for 2014 (Note 33) shows the transactions with connected entities (including Management Board Members) of all the Group companies.

33. Auditor's fee

The table below shows the fee payable to the auditor of the Company's 2014 and 2013 financial statements. The 2014 and 2013 accounts were audited by Deloitte Polska Sp. z o.o. Sp.k.

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Audit of the annual financial statements	85	111
Review of the interim financial statements	55	60
Total	**140**	**171**

The fee includes the audit and review of the half-yearling financial statements of the Company and the Group's consolidated accounts.

On 23 May 2014, the Supervisory Board of Selena FM S.A. resolved to appoint Deloitte Polska sp. z o.o. as the auditor responsible for review of the interim financial statements and audit of the annual financial statements of the Parent Company, and the Group's consolidated financial statements for 2014 and 2015. The audit agreement was concluded on 18 June 2014.

34. Goals and rules of financial risk management

Selena FM S.A. as a holding entity of the Group primarily focuses on ensuring finance for its subsidiaries' operating and investment needs, and on securing their liquidity. The key tools for this policy include:

- purchase of registered bonds issued by the subsidiaries, and
- granting interest-bearing loans to the subsidiaries.

The Company's cash is put on short-term deposits.

Financial risk management in the Company includes the process of identification, assessment, measurement and management of this risk.

The main risks arising from the utilised financial instruments include the market risk (including the interest rate and currency risk), credit risk and liquidity risk.

34.1. Market risk

34.1.1. Interest rate risk

In accordance with the policy to ensure financing for its subsidiaries, the Company purchases bonds of these companies and grants them loans. See Note 18 of this report for details on these assets.

Selena FM S.A. is exposed to interest rate risk in respect of:

- changes in the fair value of the bonds purchased and bank deposits, for which interest is calculated at the fixed interest rates;

- changes in the cash flows connected with the granted loans for which interest is calculated at variable interest rates.

The purchased bonds are issued for relatively short periods (usually up to 12 months); fixed interest rate is calculated using the market rate at the time of bond issue.

Where the redemption period of the bonds (loan repayment) is extended the interest rate may be updated as needed to reflect the current market interest rates.

The age structure of interest-bearing financial instruments (at nominal value) is presented in the table below.

Instruments with a fixed interest rate	**31 December 2014**				**31 December 2013**			
Figures in PLN thousand	**< 1 year**	**1-3 years**	**>3 years**	**Total**	**< 1 year**	**1-3 years**	**> 3 years**	**Total**
Bonds purchased					6 126			**6 126**
Loans granted			13 032	**13 032**	206	3 867	3 892	**7 965**
Contributions to capital							1 226	**1 226**

Instruments with a variable interest rate	**31 December 2014**				**31 December 2013**			
Figures in PLN thousand	**< 1 year**	**1-3 years**	**>3 years**	**Total**	**< 1 year**	**1-3 years**	**> 3 years**	**Total**
Loans granted	4 183	1 000	52 451	**57 634**	4 036	500	36 439	**40 975**
Finance lease obligations	435	1 020		**1 455**	271	38		**309**
Bank loans	27 448	35 501	15 853	**78 802**	30 989	7 921	6 385	**45 295**

The potential impact of the market interest rates changes during the year on the financial result generated by the financial instruments with a variable yield is presented in the table below.

	31 December 2014		**31 December 2013**	
Figures in PLN thousand	**PLN**	**EUR**	**PLN**	**EUR**
Loans granted	2 617	53 432	3 151	37 819
Loans received	37 701	41 101	-26 918	-18 377
Other financial liabilities	-1 455	0	-309	0
Net exposure	**38 863**	**94 533**	**-24 076**	**19 442**
Impact * of an increase ** in interest rate*** by 1 pp	389	945	-241	194

* excluding possible tax effects
** impact of a decrease is the same
*** respectively: WIBOR / EURIBOR

The Company does not use any IRSs or similar contracts to mitigate its interest rate risk.

34.1.2. FX risk

Selena FM S.A. carries on its business in Poland and the zloty is its functional currency.

The table below shows the open positions denominated in euro, and the estimated impact of changes in PLN/EUR rate on the result on valuation of the open currency positions.

Exposure currency	**31 December 2014**		**31 December 2013**	
Figures in PLN thousand	**EUR**	**Other currencies**	**EUR**	**Other currencies**
Loans granted	53 432	14 617	42 434	6 820

Receivables	113 652	32 277	135 219	2 059
Cash	3 200	1 298	28 195	769
	170 284	**48 192**	**205 848**	**9 648**
Trade and other liabilities	85 202	225	86 252	1 028
Loans received	41 101		18 377	
	126 303	**225**	**104 629**	**1 028**
Net exposure	**43 981**	**-**	**101 219**	**-**
Impact where the rate is 4,2623 PLN/EUR*	-2 227		-2 458	
Impact where the rate is 4,5135 PLN/EUR*	2 592		-284	

* rates at the max. / min. levels from years 2012-2014

Rate at the balance sheet date	4,2623		4,1472	
Min rate	4,0465		4,0465	
Max rate	4,5135		4,5135	

The column "other currencies" shows the total currency exposures other than euro (mainly US dollar, Turkish lira, Romanian leu, Hungarian forint, Czech crown, Bulgarian lev and Chinese yuan). Due to the low risk connected with the exposure to these currencies, the sensitivity is not analysed separately.

The company does not use any FX hedges.

34.2. Credit risk

The main items that carry credit risk include:

- Bonds, loans and other instruments described in Note 18 to this report
- Trade receivables and
- Cash and cash equivalents.

Due to the nature of the Company's business, financial assets (loans, bonds, trade debtors) mainly relate to connected entities. The Management Board regularly monitors and current and projected financial position of these companies and its impact on their ability to meet payments under the financial instruments. If there are any concerns about the ability to pay specific assets, an impairment charge is created. In 2014, impairment charge for the amounts due from connected entities was PLN 14,123k (2013: PLN 10,082k; the charge for the amounts due from non-connected entities was PLN 183k (2012: PLN 2,721k) – Note 7.2.

In the case of cash and cash equivalents, the Management Board believes that the credit risk is low.

Concentration of financial risk in the Company results from the fact that the Company's financial assets mainly relate to its subsidiaries.

34.3. Liquidity risk

In the Management Board's opinion, the risk of liquidity loss understood as the ability to meet obligations as and when they fall due is currently marginal.

Taking into account the Company's balance sheet structure, no major liquidity risk exists at the balance sheet date. The Company's short-term assets (PLN 183.5m) are much higher that the value of its short-term liabilities (PLN 120.8m).

The table below shows a specification of other financial obligations as at 31 December 2014.

Figures in PLN thousand	On demand	Below 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total

Interest bearing borrowings	0		27 448	51 354		78 802
Financial liabilities		184	469	1 173		1 826
Trade liabilities	35 931	53 102	8			89 041
Other liabilities		2 191	1 478			3 669
Total liabilities	**35 931**	**55 477**	**29 403**	**52 527**		**173 338**

The comparative data as at 31 December 2013 are presented in the table below.

Figures in PLN thousand	On demand	Below 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest bearing borrowings		19 804	11 185	14 306		45 295
Financial liabilities		68	361	673		1 102
Trade liabilities	15 931	76 664				92 595
Other liabilities	213	267	3 090			3 570
Total liabilities	**16 144**	**96 803**	**14 636**	**14 979**		**142 562**

Out of the trade debtors shown as payable on demand, PLN 35,651k relates to the obligations towards connected companies.

Furthermore, in Note 28.1 of the financial statements the Company shows contingent liabilities and liabilities in respect of guarantees given that in the future might cause an outflow of cash from the company.

35. Financial instruments

35.1. Fair value of the individual classes of financial instruments

		31 December 2014		31 December 2013	
Instrument class		**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets					
	Trade receivables	149 544	149 544	139 947	139 947
	Other receivables	459	459	375	375
PiN	Loans	70 666	70 666	48 940	48 940
	Bonds	35	35	6 126	6 126
	Capital contributions	0	0	2 326	2 326
WwWGpWF	Cash	5 163	5 163	34 919	34 919
Zobowiązania finansowe					
	Trade liabilities	89 041	89 041	92 595	92 595
PZFwgZK	Loans and advances	78 802	78 802	45 295	45 295
	Other	5 495	5 495	4 672	4 672

WwWGpWF - Financial assets / liabilities measured at fair value through profit and loss
PiN - Loans and receivables
PZFwgZK - Other liabilities measured at amortised cost

A major portion of the information that underlies estimation of fair value of financial instruments is highly subjective and results from the Management's judgement, therefore it may not be accurate. Fair value is estimated at the balance sheet date. For the instruments measured at amortised cost fair value is estimated as the current value of future contractual cash flows discounted by a rate corresponding to the market rate that would be determined for such instrument had it been initially recognised at the balance sheet date. The amounts that will be actually achieved or paid at maturity may be significantly different than the estimates.

The Company presents in its balance sheet short-term financial assets – fixed-rate loans and bonds issued by subsidiaries (as per the table above). Due to the short settlement dates and the interest rates close to market rates, the fair value of these instruments is not significantly different than their book value.

The fair value of cash is determined on the first level of the fair value hierarchy in accordance with IFRS 13. The fair value of other financial instruments is determined on the third level of the fair value hierarchy in accordance with IFRS 13.

35.2. Revenues, expenses, profits and losses disclosed in the income statement by categories of financial instruments

31 December 2014	FINANCIAL ASSETS		FINANCIAL LIABILITIES		
Figures in PLN thousand	PiN	AF WwWGpWF	ZFwgZK	ZFwzzMSR39	TOTAL
Interest income / expense	3 503	2	-1 548	-25	1 932
FX gains / losses	8 961	324	-3 513	0	5 772
Creation of impairment charges	-33 844	0	0	0	-33 844
Reversal of impairment charges	1 700	0	0	0	1 700
TOTAL (net profit / loss)	**-19 680**	**326**	**-5 061**	**-25**	**-24 440**

WwWGpWF - Financial assets / liabilities measured at fair value through profit and loss,
PiN - Loans and receivables
ZFwgZK - Financial liabilities measured at amortised cost
ZFwzzMSR39 - Financial liabilities out of scope of IAS 39

31 December 2013	FINANCIAL ASSETS		FINANCIAL LIABILITIES		
Figures in PLN thousand	PiN	AF WwWGpWF	ZFwgZK	ZFwzzMSR39	TOTAL
Interest income / expense	3 427	30	-1 774	-38	1 645
FX gains / losses	1 334	18	-668	0	684
Creation of impairment charges	-38 598	0	0	0	-38 598
Reversal of impairment charges	167	0	0	0	167
TOTAL (net profit / loss)	**-33 670**	**48**	**-2 442**	**-38**	**-36 102**

WwWGpWF - Financial assets / liabilities measured at fair value through profit and loss
PiN - Loans and receivables
ZFwgZK - Financial liabilities measured at amortised cost
ZFwzzMSR39 - Financial liabilities out of scope of IAS 39

35.3. Hedging

The Company does not use hedge accounting.

36. Capital management

Capital structure is managed at the level of the Group for which the Company is a parent. The Company seeks to maintain good credit rating and safe capital ratios to facilitate the Group's operations and increase its value for shareholders.

The Company manages its capital structure, and modifies it in response to changes in the economic conditions. In order to maintain or adjust its capital structure the Company may paid a dividend to shareholders, return the capital to shareholders or issue new shares. In the year ended 31 December 2014 and in the year ended 31 December 2013 no changes were made to the goals, rules and processes applicable in this area.

36.1. Net debt

For the purpose of the Group's and Parent's capital management, the Company monitors the level of capital using the gearing ratio, which is calculated as net debt to total equity increased by net debt. Net debt includes interest-bearing loans and advances and other financial liabilities, decreased by cash and cash equivalents. Equity includes the equity attributed to the shareholders of the Parent.

The table below shows a calculation of the Company's net debt.

Figures in PLN thousand	Year ended 31 December 2014	Year ended 31 December 2013
Interest bearing borrowings	78 802	45 295
Other financial liabilities	1 826	1 102
Less cash and cash equivalents	-5 163	-34 919
Net debt	**75 465**	**11 478**
Equity	236 596	264 437
Equity and net debt	**312 061**	**275 915**
Gearing (net debt / equity + net debt)	**24%**	**4%**

37. Employment structure

The average employment in the Company is presented in the table below.

	Year ended 31 December 2014	Year ended 31 December 2013
Management Board	3	3
Sales	83	79
Administration	44	41
Other	16	11
TOTAL	**146**	**134**

38. Employee options programme

In accordance with the resolution of the Extraordinary General Meeting of 31 January 2012, the Management Board of Selena FM S.A. was authorised to acquire treasury shares in the maximum amount of 2 million shares, for a unit price not higher than PLN 8 per share. The shares may be purchased by 30 June 2014. For the purpose of the EGM resolution, on 31 January 2012 a reserve capital of PLN 8m was set up (from the supplementary capital). Until 31 December 2014, the Management Board did not purchase treasury shares as the programme's triggering criteria were not met.

39. Events occurring after the balance sheet date

In February 2015, the receivables from Selena Ukraine Ltd of EUR 1m were cancelled under an agreement between the parties. The decision was made in reaction to the news about deteriorating economic situation in Ukraine.

Person responsible for maintenance of accounting books

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Agnieszka Rumczyk

President of the Management Board

....

Jarosław Michniuk

VP of the Management Board Financial Director

....

Krzysztof Kluza

VP of the Management Board Sales and Marketing

....

Robert Konaszewski

Management Board Member

....

Andrzej Feruga

Management Board Member

....

Marcin Macewicz