KRUK S.A.

Separate financial statements for the financial year ended December 31st 2013

Prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union

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Separate statement of financial position

As at Dec 31 2013
PLN '000

	Note	Dec 31 2013	Dec 31 2012
Assets			
Non-current assets			
Property, plant and equipment	*13*	13,330	13,899
Intangible assets	*14*	8,554	6,879
Investments in subsidiaries	*15*	660,520	618,954
Deferred tax assets	*17*	2,280	1,197
Total non-current assets		684 684	640,929
Current assets			
Inventories	*18*	272	654
Investments	*16*	57,664	55,007
Trade receivables from related entities	*19*	23,879	27,815
Trade receivables from other entities	*19*	3,224	5,441
Income tax asset		-	767
Other receivables	*19*	65,432	5,039
Prepayments and accrued income		1,917	1,894
Cash and cash equivalents	*20*	5,634	10,556
Total current assets		158,022	107,173
Total assets		842,706	748,102,
Equity and liabilities			
Equity			
Share capital	*21*	16,959	16,900
Share premium		47,381	45,107
Cash flow hedging reserve		(634)	-
Other capital reserves		48,289	45,711
Retained earnings		27,513	9,762
Total equity		139,508	117,480
Non-current liabilities			
Non-current liabilities under borrowings and other debt instruments	*23*	501,667	408,950
Hedge derivatives		634	-
Total non-current liabilities		502,301	408,950
Current liabilities			
Current liabilities under borrowings and other debt instruments	*23*	156,330	187,007
Trade and other payables	*26*	28,338	21,549
Current tax liability		68	-
Employee benefit obligations	*24*	16,161	13,116
Total current liabilities		200,897	221,672
Total liabilities		703,198	630,622
Total equity and liabilities		842,706	748,102

Separate statement of profit or loss

For the year ended December 31st 2013
PLN '000

	Note	Jan 1 2013 – Dec 31 2013	Jan 1 2012 – Dec 31 2012
Revenue	*7*	102,837	95,175
Other income	*8*	2,664	3,045
Cost of merchandise and materials sold		(133)	(1,324)
Employee benefit expense	*10*	(69,232)	(58,156)
Depreciation and amortisation expense	*13,14*	(7,263)	(5,943)
Services		(31,306)	(29,717)
Other expenses	*9*	(27,193)	(23,078)
		(135,127)	(118,218)
Operating loss		(29,626)	(19,998)
Finance income	*11*	138,539	102,470
Finance costs	*11*	(91,152)	(71,839)
Net finance income		47,387	30,631
Profit before tax		17,761	10,633
Income tax	*12*	(10)	(3,477)
Net profit for the period		17,751	7,156
Earnings per share			
Basic (PLN)	*22*	1.05	0.42
Diluted (PLN)	*22*	1.03	0.42

Separate statement of comprehensive income

For the year ended December 31st 2013
PLN '000

	Jan 1 2013 – Dec 31 2013	Jan 1 2012 – Dec 31 2012
Net profit for the period	**17,751**	**7,156**
Other comprehensive income		
Items that may be reclassified to profit or loss		
Cash flow hedges	(634)	-
Other comprehensive income, net, for the period	(634)	-
Total comprehensive income for the period	17,117	7,156

Separate statement of changes in equity

For the year ended December 31st 2013
PLN '000

	Note	Share capital	Share premium	Cash flow hedging reserve	Other capital reserves	Retained earnings	**Total equity**
Equity as at Jan 1 2012		16,900	45,107	-	43,365	2,606	107,978
Comprehensive income for the period							
Net profit for the period		-	-	-	-	7,156	7,156
Total comprehensive income for the period		-	-	-	-	7,156	7,156
Contributions from and distributions to owners							
- Share-based payments		-	-	-	2,346	-	2,346
Total contributions from and distributions to owners		-	-	-	2,346	-	2,346
Total equity as at Dec 31 2012		16,900	45,107	-	45,711	9,762	117,480
Equity as at Jan 1 2013		16,900	45,107	-	45,711	9,762	117,480
Comprehensive income for the period							
Net profit for the period		-	-	-	-	17,751	17,751
Other comprehensive income							
- Valuation of hedging instruments		-	-	(634)	-	-	(634)
Total other comprehensive income				(634)			(634)
Total comprehensive income for the period		-	-	(634)	-	17,751	17,117
Contributions from and distributions to owners							
- Share-based payments	*21*	-	-	-	2,578	-	2,578
- Issue of shares	*21*	59	2,274	-	-	-	2,333
Total contributions from and distributions to owners		59	2,274	-	2,578	-	4,911
Total equity as at Dec 31 2013		16,959	47,381	(634)	48,289	27,513	139,508

Separate statement of cash flows

For the year ended December 31st 2013
PLN '000

	Note	Jan 1 2013 – Dec 31 2013	Jan 1 2012 – Dec 31 2012
Cash flows from operating activities			
Net profit for the period		17,751	7,156
Adjustments			
Depreciation of property, plant and equipment	*13*	4,549	3,783
Amortisation of intangible assets	*14*	2,714	2,160
Net finance income		(48,172)	(32,412)
Gain on sale of property, plant and equipment		(29)	(206)
Gain on sale of an organised part of business		-	(1,435)
Equity-settled share-based payments		2,578	2,346
Income tax		10	3,477
Change in other investments		(8,651)	(1,654)
Change in debt portfolios purchased	*16*	(6,900)	49,883
Change in inventories		382	(261)
Change in receivables		3,453	(14,290)
Change in accruals and deferrals		(23)	(434)
Change in trade and other payables		6,789	(4,346)
Change in employee benefit obligations		3,045	(790)
Income tax paid		(1,025)	(4,431)
Net cash from operating activities		(23,529)	8,546
Cash flows from investing activities			
Interest received		253	340
Loans advanced		(25,949)	(14,020)
Sale of intangible assets and property, plant and equipment		548	256
Dividend received		119,666	80,486
Disposal of financial assets		47,050	2,726
Other capital expenditure on related entities		-	(223)
Purchase of intangible assets and property, plant and equipment		(5,661)	(4,593)
Acquisition of financial assets		(132,481)	(142,096)
Repayment of loans advanced		2,090	1,934
Net cash from investing activities		5,516	(75,190)
Cash flows from financing activities:			
Net proceeds from issue of shares		2,333	-
Proceeds from issue of debt securities		250,000	190,000
Increase in borrowings		321,943	369,600
Repayment of borrowings		(408,762)	(320,232)
Redemption of debt securities		(101,500)	(120,660)
Payments under finance lease agreements		(2,223)	(1,965)
Interest paid		(48,700)	(49,566)
Net cash from financing activities		13,091	67,177
Total net cash flows		(4,922)	533
Cash and cash equivalents at beginning of the period		10,556	10,023
Cash and cash equivalents at end of the period	*20*	5,634	10,556

Due to the limited amount of information on revenue from debt collection services and spending on purchase of debt portfolios, this separate statement of cash flows should be read together with the information contained in Note 16 to these financial statements.

Notes to the separate financial statements

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Notes to the separate financial statements

1. Company details

Name
KRUK Spółka Akcyjna ("KRUK S.A." or "the Company")

Registered office
ul. Legnicka 56
54-204 Wrocław, Poland

Registration in the National Court Register
District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, ul. Poznańska 16-17, 53-230 Wrocław, Poland
Date of entry: September 7th 2005
Entry number: KRS 0000240829

Business profile
The Company's core business consists in debt collection, including fee-based debt collection for clients (credit management services) and collection of debt purchased for its own account (purchase of debt portfolios).

On May 15th 2013, Novum Finance Sp. z o.o., a subsidiary of KRUK S.A. active on the lending market, executed a cooperation agreement with the KRUK S.A. to act as the Company's agent in executing cash loan agreements on its behalf, perform administration services with respect to such agreements, and coordinate the sales process. Under the agreement and since its effective date, cash loans have been advanced by Kruk S.A.

The Company is the parent of the KRUK Group ("the Group") and in addition to these separate financial statements it prepares consolidated financial statements containing the data of the Company and its subsidiaries, approved on the same day as these separate financial statements.

As at December 31st 2013 and as at the date of approval of these financial statements, the composition of the Company's Management Board was as follows:

Piotr Krupa	President of the Management Board
Agnieszka Kułton	Member of the Management Board
Urszula Okarma	Member of the Management Board
Iwona Słomska	Member of the Management Board
Michał Zasępa	Member of the Management Board

On May 9th 2013, Mr Rafał Janiak resigned from his position as Management Board Member with effect from August 31st 2013, tendering his resignation to the Chairman of the Company's Supervisory Board. Mr Janiak decided to resign for important personal and family reasons, related in particular to his residence outside of Poland. By way of a resolution of May 9th 2013, the Supervisory Board resolved to assign the function performed by Mr Rafał Janiak to Management Board Member Mr Michał Zasępa as of September 1st 2013, appointing the latter to the position of Management Board Member for Finance with effect from September 1st 2013 and removing him from the position of Management Board Member for Investments and Development with effect from August 31st 2013. Furthermore, the Supervisory Board adopted a resolution changing the number of Management Board members from six to five.

Notes to the separate financial statements

As at January 1st 2013, the Supervisory Board consisted of:

Dariusz Prończuk – Chairman of the Supervisory Board,

Wojciech Małek - Member of the Supervisory Board,

Piotr Stępniak – Member of the Supervisory Board,

Józef Wancer – Member of the Supervisory Board,

Krzysztof Kawalec – Member of the Supervisory Board.

On March 27th 2013, resignations were received from all of the above members of the KRUK Supervisory Board, effective as of that date.

On March 27th 2013, representations were received from KRUK shareholders, i.e. Polish Enterprise Fund IV, L.P. and Mr Piotr Krupa, concerning exercise of their respective rights to appoint members of the KRUK Supervisory Board, in accordance with KRUK's Articles of Association. The representations were submitted further to the inclusion on the agenda of the Extraordinary General Meeting of KRUK S.A., called for March 27th 2013, of items concerning the proposed change in the number of members of the Supervisory Board, removal and appointment of members of the Supervisory Board of the new term, and setting their remuneration. The Fund represented that in exercise of some of its rights provided for in Art. 11.4 of the Company's Articles of Association it appointed one member of the Supervisory Board of the new term, namely Mr Dariusz Prończuk, with effect as of March 27th 2013. The Fund also represented that it waived its other rights under Art. 11.4 of the Articles of Association. Mr Piotr Krupa represented that in exercise of his rights provided for in Art. 11.5 of the Company's Articles of Association should the Extraordinary General Meeting resolve to change the number of members of the Supervisory Board from five to seven, Mr Krupa appointed to the Supervisory Board Mr Robert Koński as of March 27th 2013 and Ms Katarzyna Beuch as of April 1st 2013.

Additionally, on March 27th 2013 the Extraordinary General Meeting of KRUK S.A. appointed, with effect as of the same date, the following persons to serve on the Supervisory Board: Józef Wancer, Piotr Stępniak, Krzysztof Kawalec and Arkadiusz Jastrzębski (see Current Report No. 19/2013 of March 27th 2013).

On May 31st 2013, the Company received a resignation letter from Mr Dariusz Prończuk, whereby he resigned from membership in the Supervisory Board of Kruk S.A. with effect from July 31st 2013.

On June 27th 2013, the Annual General Meeting of KRUK S.A. appointed Tomasz Bieske to the Company's Supervisory Board, with effect from August 1st 2013.

On July 31st 2013, the Supervisory Board appointed Mr Piotr Stępniak as Chairman of the Supervisory Board.

Therefore, as at December 31st 2013 and as at the approval date of these financial statements, the composition of the Supervisory Board of KRUK S.A. was as follows:

Piotr Stępniak	Chairman of the Supervisory Board
Katarzyna Beuch	Member of the Supervisory Board
Tomasz Bieske	Member of the Supervisory Board
Arkadiusz Orlin Jastrzębski	Member of the Supervisory Board
Krzysztof Kawalec	Member of the Supervisory Board
Robert Koński	Member of the Supervisory Board
Józef Wancer	Member of the Supervisory Board

2. Preparation of separate financial statements

a) Statement of compliance

These financial statements (the "financial statements") have been prepared in accordance with the International Financial Reporting Standards, as endorsed by the European Union (the "EU-IFRS").

These financial statements were approved by the Company's Management Board (the "Management Board") on March 3rd 2014.

b) Basis of preparation

These financial statements have been prepared for the reporting period from January 1st to December 31st 2013. The comparative data have been presented as at December 31st 2012 and for the period from January 1st to December 31st 2012.

These financial statements have been prepared based on the historical cost approach, except with respect to the following significant items of the statement of financial position:

- financial instruments at fair value through profit or loss,
- derivative instruments.

The methods of measuring fair value are presented in Note 4.

c) Functional currency and presentation currency

The data contained in these financial statements are presented in the Polish złoty (PLN), rounded to the nearest thousand. The Polish złoty is the functional currency of the Company.

d) Accounting estimates and judgements

In order to prepare financial statements in accordance with the EU-IFRS, the Management Board is required to rely on judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, income and costs, whose actual values may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Any changes in accounting estimates are introduced prospectively, starting from the reporting period in which an estimate is changed.

For information on judgements concerning the application of accounting policies which most significantly affect the amounts presented in the financial statements, see the following notes:

- Note 3b)(i) Financial instruments other than derivative instruments
- Note 3b)(ii) Derivative instruments and hedge accounting

For information on any judgements and estimates which involve a material risk and may require significant corrections in the financial statements for the following year, see the following notes:

- Note 16 Investments
- Note 27 Financial instruments

3. Significant accounting policies

The accounting policies presented below have been applied with respect to all the reporting periods presented in the financial statements.

a) Foreign currencies

(i) Foreign currency transactions

Transactions denominated in foreign currencies are recognised as at the transaction date in the functional currency, at buy or sell rates quoted as at the transaction date by the bank whose services the Company uses.

Cash items of assets and liabilities denominated in a foreign currency are translated as at the end of the reporting period at the relevant mid exchange rate quoted by the National Bank of Poland for that date. Exchange differences on valuation of assets and financial liabilities as at the end of the reporting period are the differences between the value at amortised cost in the functional currency as at the beginning of the reporting period, adjusted for the interest accrued and payments made during the reporting period, and the value at amortised cost in the foreign currency, translated at the relevant mid exchange rate quoted by the National Bank of Poland for the end of the reporting period.

Non-monetary items of foreign currency assets and liabilities valued at historical cost are translated at the relevant mid exchange rate quoted by the National Bank of Poland for the transaction date.

Non-monetary items of foreign currency assets and liabilities valued at fair value are translated at the relevant mid exchange rate quoted by the National Bank of Poland for the date of fair value measurement.

Currency-translation differences are recognised in profit or loss for the given period.

b) Financial instruments

(i) Financial instruments other than derivative instruments

Loans, receivables and bank deposits are recognised at the date of origination. All other financial assets (including assets measured at fair value through profit or loss) are recognised at the transaction date, on which the Company becomes a party to a mutual liability pertaining to a given financial instrument.

The Company ceases to disclose a financial asset upon the expiry of its contractual rights to cash flows from that asset or upon the transfer of those rights in a transaction transferring substantially all material risks and benefits relating to the ownership of the asset. Each interest in the transferred financial asset which is created or remains to be owned by the Company is disclosed as a separate asset or liability.

Financial assets and liabilities are set off against each other and disclosed at net amounts in the statement of financial position only if the Company holds a legally valid title to set off specified financial assets and liabilities or if it intends to settle a given transaction for the net value of the financial assets and liabilities being set off or if it intends to simultaneously realise set-off financial assets and settle set-off financial liabilities.

The Company holds the following financial instruments other than derivative financial assets: financial assets at fair value through profit or loss, loans and receivables, and financial liabilities.

Financial assets at fair value through profit or loss

Financial assets are classified as an investment measured at fair value through profit or loss if they are held for sale or were designated as measured at fair value through profit or loss at their initial recognition. Financial assets are designated as assets at fair value through profit or loss if the Company actively manages such investments and makes decisions concerning their purchase or sale based on their fair value. At initial recognition, the transaction cost relating to an investment is recognised as profit or loss of the period at the time it is incurred. All profits or losses relating to such investments are recognised as profit or loss of the period.

Purchased debt portfolios

Purchased debt portfolios comprise mass large-volume consumer debt (such as debt under consumer loans, unpaid utility bills, etc.) purchased by the Company under claim assignment agreements. Prices paid by the Company for such debt portfolios are significantly lower than their nominal value. The Company recognises purchased debt portfolios as financial assets designated as measured at fair value through profit or loss, because it manages such portfolios and the results of these operations are assessed based on their fair value.

Purchased debt portfolios are initially recognised at acquisition price, which is equal to their fair value as at the date of acquisition. Costs and expenses relating to debt purchase transactions are recognised in profit or loss of the period.

The Company measures purchased debt portfolios at least four times in a given annual reporting period, not later than as at the end of each calendar quarter. The value of a purchased debt portfolio is determined, as at the measurement date, on the basis of reliably estimated fair value, calculated using an estimation model relying on discounted cash flows. A debt portfolio contains a large number of items with varying parameters (type, nominal value, delinquency period). Each purchased debt portfolio is divided into sub-portfolios with similar parameters, and separate cash flows are estimated for each sub-portfolio.

Discount rates applied to expected cash flows reflect the credit risk relating to a given portfolio. At initial recognition, the discount rate is the expected internal rate of return reflecting the purchase price and the estimated inflows, determined as at the portfolio purchase date. As at each measurement date, the Company verifies the adopted discount rates to ensure that they reflect the then current risk-free rate and risk premium relating to credit risk of a given portfolio.

Estimated inflows from debt portfolios are divided into principal recoveries and interest determined at the discount rate. Recovered principal is recognised as a reduction of carrying amount of the debt portfolios, while the interest received is recognised as revenue earned in a given period. Moreover, changes in fair value resulting from changes in estimated future cash flows for a given debt portfolio and changes in the adopted discount rate are disclosed as revenue earned in a given period. These amounts are disclosed as operating income, because the collection of purchased debt portfolios is conducted with resources whose use is disclosed under operating expenses.

Revaluation of purchased debt portfolios is defined as a change in their fair value caused by interest rate fluctuations and/or change of estimates concerning future cash flows. Any differences between the actual and forecast recoveries are recognised under interest income adjusted for actual recoveries.

The Company presents purchased debt portfolios under current assets as they are realised in the Company's regular operating cycle and include almost exclusively overdue debts.

Loans and receivables

Loans and receivables are financial assets with determined or determinable payments, but not listed on any active market. Such assets are initially recognised at fair value plus directly attributable transaction cost. Subsequently, loans and receivables are measured at amortised cost with the use of the effective interest rate method, less impairment losses, if any.

The Company also discloses cash and cash equivalents, loans advanced, as well as trade receivables under loans and receivables.

Cash and cash equivalents comprise cash in hand and cash at banks on demand deposit accounts with initial maturities of up to three months. Balance of cash and cash equivalents disclosed in the statement of cash flows comprises the above-specified cash and cash equivalents, less unpaid overdraft facilities, which form an integral component of the Company's cash management system.

Financial liabilities other than derivative instruments

Financial liabilities are recognised as at the date of the transaction in which the Company becomes a party to an agreement obliging it deliver a financial instrument.

The Company derecognises a financial liability when the liability has been repaid, written off or is time barred.

Financial assets and liabilities are set off against each other and disclosed at net amounts in the statement of financial position only if the Company holds a legally valid title to set off specified financial assets and liabilities or if it intends to settle a given transaction for the net value of the financial assets and liabilities being set off or if it intends to simultaneously realise set-off financial assets and settle set-off financial liabilities.

The Company classifies financial liabilities other than derivative instruments as other financial liabilities. Such liabilities are initially recognised at fair value plus directly attributable transaction cost. Following initial recognition, such liabilities are measured at amortised cost with the use of the effective interest rate.

The Company holds the following financial liabilities: borrowings, liabilities under debt securities, and trade and other payables.

(ii) Derivative instruments and hedge accounting

The Company buys derivative instruments in order to hedge its cash flows against interest rate risk.

Derivative instruments are initially recognised at fair value. Total costs and expenses relating to transactions are recognised in profit or loss of the period.

Hedging of future cash flows

In the case of hedging future cash flows, the effective portion of a change in fair value of a hedging instrument is recognised under other comprehensive income as cash flow hedging reserve. The ineffective portion of a change in fair value is recognised in profit or loss of the period.

The cumulative change in cash flow hedging reserve is reclassified to profit or loss of the period at the time when the hedged item affects profit or loss.

Where an instrument ceases to meet the conditions for hedge accounting, the effect of its measurement at fair value is charged directly to profit or loss.

(iii) Equity

Ordinary shares

Ordinary shares are recognised under equity. Costs directly attributable to the issue of ordinary shares and stock options, adjusted by the effect of taxes, reduce equity.

c) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are recognised at cost, less depreciation charges and impairment losses.

Acquisition cost comprises the price for which a given asset was purchased and costs directly related to the purchase and adaptation of the asset for use, including the cost of transport, loading, unloading and storage, as well as direct remuneration (in the event of an item of property, plant and equipment produced internally). Rebates, discounts and other similar concessions and returns reduce the asset acquisition cost. Production cost of property, plant and equipment or tangible assets under construction comprises all the expenses incurred by a company to construct, install, adapt or improve such asset until the day on which the asset was placed in service (or, where the asset has not been placed in service, until the reporting date). Production cost also comprises preliminary estimation of the cost of dismantling and removing items of property, plant and equipment, as well as of restoring them to their initial condition, if such estimation is required. Purchased software, necessary for the proper operation of related equipment, is capitalised as a part of this equipment.

Borrowing costs related to the acquisition or production of certain assets increase their acquisition or production cost.

If a specific item of property, plant and equipment consists of separate and material components with different economic useful lives, such components are treated as separate assets.

Gain or loss on disposal of an item of property, plant and equipment is estimated as a difference between the disposal proceeds, and is recognised in current period's profit or loss under other income and expenses.

(ii) Subsequent expenditure

The Company capitalises future expenditure on replacement of an item of property, plant and equipment if such expenditure may be reliably estimated and if the Company is likely to derive economic benefits from such replacement. Present value of the removed items of property, plant and equipment is derecognised. Expenditure related to the maintenance of items of property, plant and equipment is recognised as current period's profit or loss at the time it is incurred.

(iii) Depreciation

The level of depreciation charges is determined based on acquisition or production cost of a certain asset, less its residual value.

Depreciation cost is recognised in the current period's profit or loss using the straight-line method with respect of the estimated useful economic lives of items of property, plant and equipment. This method reflects the manner of achieving future economic benefits related to the use of a certain asset in the best possible way. Assets used under lease or other similar agreements are depreciated over the shorter of their estimated useful life or the lease term, unless the Company is certain that it will obtain ownership before the end of the lease. Land is not depreciated.

The Company has adopted the following useful lives for particular categories of property, plant and equipment:

Buildings (investments in third-party facilities)	6-15	years
Plant and equipment	3–10	years
Vehicles	5	years

The reliability of applied useful economic lives, depreciation methods and residual values of property, plant and equipment is reviewed at the end of each reporting period and adjusted in justified cases.

d) Intangible assets

(i) Recognition and measurement

Acquired intangible assets with finite useful economic lives are recognised at acquisition cost less amortisation charges and impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure on existing intangible assets is capitalised only when it increases future economic benefits to be generated by the asset. Other expenditure, including internally generated trademarks, goodwill and brand is recognised in the current period's profit or loss at the moment in which it is incurred.

(iii) Amortisation

The level of amortisation charges is determined based on acquisition or production cost of a certain asset, less residual value.

Amortisation cost is recognised in the current period's profit or loss on the straight-line basis with respect of the estimated useful life of a given intangible asset, other than goodwill, from the moment it is placed in service. This method reflects the manner of achieving future economic benefits related to the use of a given asset in the best possible way.

The Company has adopted the following useful lives for particular categories of intangible assets:

Software	5 years
Research and development work	2–5 years

The reliability of applied useful economic lives, amortisation methods and residual values of intangible assets is reviewed at the end of each reporting period and adjusted in justified cases.

e) Property, plant and equipment used under lease agreements

Lease agreements under which the Company assumes substantially all the risks and benefits resulting from the ownership of the property, plant and equipment are classified as finance lease agreements. Assets acquired under finance lease agreements are initially recognised at the lower of their fair value or present value of the minimum lease payments, less any depreciation charges and impairment losses.

Lease agreements which are not finance lease agreements are treated as operating leases and not recognised in the statement of financial position.

f) Inventories

Inventories are measured at acquisition cost not higher than net realisable price. The value of inventories is determined using the FIFO ("first in, first out") method. The acquisition cost comprises the purchase price increased by costs directly related to the purchase.

Net realisable price is the selling price estimate made in the course of business, less estimated cost to complete and estimated cost necessary to close the sale.

g) Impairment losses on assets

(i) Financial assets other than derivative instruments

At the end of each reporting period, financial assets other than measured at fair value through profit and loss are tested for impairment based on objective criteria. A particular financial asset is deemed to be impaired if, after its initial recognition, any objective criteria indicating the occurrence of an event causing impairment, which might have a reliably estimated negative impact on projected cash flows related to that asset, have been met.

Such objective criteria of impairment of financial assets include default or delay in payment by a debtor; debt restructuring approved by the Company for economic or legal reasons resulting from the debtor's poor financial condition, which the Company would not otherwise have approved of; circumstances indicating that the debtor or issuer is likely to go bankrupt; disappearance of an active market for a particular financial asset.

The Company tests for impairment each individual asset of receivables or financial instruments held to maturity.

In impairment testing, the Company uses historical trends to assess the probability of default, payment dates and losses, adjusted by the Management Board's estimates indicating whether current economic and credit conditions signal any future significant differences between actual losses and losses projected based on the review of historical trends.

Impairment of a financial asset measured at amortised cost is estimated as the difference between its carrying amount and the present value of projected cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss for the period and reduce the present value of financial assets. The Company continues to charge interest on impaired assets. If any subsequent circumstances indicate that the criteria for impairment losses have ceased to be met, reversal of impairment losses is recognised in profit or loss for the current period.

(ii) Non-financial assets

Carrying amount of non-financial assets other than inventories and deferred tax assets is tested for impairment as at the end of each reporting period. If any criteria of impairment are met, the Company estimates the recoverable amount of particular assets. The recoverable amount of goodwill, intangible assets with infinite lives and intangible assets which are not yet fit for use is estimated at the same time each year.

The recoverable amount of assets or cash-generating units is the higher of an asset's fair value less costs to sell and its value in use. In assessing value in use, projected cash flows are discounted at a pre-tax rate which reflects current market assessments of the time value of money and the risks specific to the asset. For impairment testing, assets are grouped up to the smallest distinguishable units which generate cash largely independently from other assets or units of assets ("cash-generating units").

An impairment loss is recognised when the carrying amount of an asset or cash-generating unit is higher than its recoverable amount. Impairment losses are recognised in profit or loss for the period. Impairment of a cash-generating unit is first recognised as impairment on goodwill allocated to that unit (group of units), and subsequently as impairment of carrying amount of other assets of that unit (group of units) on pro-rata basis.

Goodwill impairment losses are irreversible. Impairment losses on other assets, recognised in previous periods, are reviewed for reduction or reversal at the end of each reporting period. Impairment losses are reversible if the estimates applied to the assessment of the recoverable amount have changed. An impairment loss is reversible only up to the initial value of an asset, less depreciation charges that would have been made if the impairment loss had not been recognised.

h) Employee benefits

(i) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to make further payments. Contributions payable to a defined contribution plan are recognised as cost of employee benefits and charged to profit or loss in the period when the employee rendered the related service. A prepayment is recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund. Contributions to a defined contribution plan that fall due within more than twelve months after the period in which the employee rendered the related service are discounted to their present value.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

The Company recognises a liability for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay such amounts as a result of past service provided by the employee, and the obligation can be estimated reliably.

(iii) Share-based payments (management stock option plan)

The fair value of rights granted to employees to acquire Company shares at a specific price (options) is recognised as an expense with a corresponding increase in equity. The fair value of the plan is initially measured as at the grant date. Fair value of the options is recognised in the Company's profit or loss over the period during which employees become unconditionally entitled to acquire the shares. The value of the plan is reviewed as at the end of each reporting period and as at the option vesting date, by changing the number of options that are expected by the Company to be unconditionally vested. Any changes in the fair value of the plan are disclosed as an adjustment to values previously posted in the current period. The fair value of individual rights remains unchanged, unless material modifications are made to the terms and conditions of the share-based scheme, for instance, with respect to the exercise price, the number of rights granted and the vesting conditions. In such a case, the fair value of an individual right may only increase.

i) Provisions

Provisions are recognised when the Company has a present legal or constructive liability resulting from past events, which can be reliably estimated and which is likely to cause an outflow of economic benefits when discharged. The amount of provision is determined by discounting the projected future cash flows at an interest rate before tax that reflects current market estimates of the time value of money and the risks associated with the liability. The unwinding of the discount is recognised as a finance cost.

j) Shares in subsidiaries

Shares in subsidiaries not classified as held for sale are recognised at acquisition cost less any impairment losses.

k) Revenue

(i) Revenue from debt collection services

Revenue from debt collection services includes revenue from debt collection services (fee-based credit management) and revenue from purchase debt portfolios.

Revenue from fee-based credit management services

Revenue from fee-based credit management services comprises commission fees due for the collection of debts. Such revenue is recognised on an accrual basis, in the period in which the service was provided, based on the collected amounts.

Revenue from debt purchase

Estimated inflows from debt portfolios are divided into principal recoveries and interest determined at the discount rate. Recovered principal is recognised as reduction of the present value of the debt portfolios, while the interest received is recognised as revenue earned in a given period. Moreover, changes in fair value resulting from changes in estimated future cash flows for a given debt portfolio and changes in the adopted discount rate are disclosed as revenue earned in a given period. For a detailed description of the accounting policies relating to purchased debt portfolios, see Note 3(b)(i).

Revaluation of purchased debt portfolios is defined as a change in their fair value caused by interest rate fluctuations and/or change of estimates concerning future cash flows.

(ii) Sales of merchandise and materials

Revenue from sales of merchandise and materials is disclosed in the amount equal to the fair value of the payment received, net of refunds, discounts and rebates.

(iii) Sales of other services

Revenue from sales of other services is disclosed in the amount equal to the fair value of the payment received, net of refunds, discounts and rebates.

Revenue from sales of other services comprises revenue from loans advanced, calculated using the effective interest rate method, net of impairment.

l) Lease payments

Payments made under operating leases are recognised in profit or loss of the period, on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss of the period as an integral part of the total lease expense over the lease term.

Minimum lease payments under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the outstanding balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease, when the lease adjustment is confirmed.

m) Finance income and costs

Finance income includes interest income on funds invested by the Company (net of income on purchased debt, see (k)(i)), dividend receivable and reversal of impairment losses on financial assets. Interest income is presented in profit or loss of the period on the accrual basis using the effective interest rate method. Dividend is accounted for in profit or loss of the period as at the date when the Company becomes entitled to receive the dividend.

Finance costs include interest on debt financing, unwinding of the discount on provisions, and impairment losses on financial assets. Borrowing costs that are not directly attributable to acquisition, construction or production of particular assets are recognised in profit or loss of the period using the effective interest rate method. Foreign exchange gains and losses are posted in net amounts.

n) Income tax

Income tax comprises current and deferred tax. Current and deferred tax is charged to profit or loss of the period except to the extent that it relates to a business combination or items recognised directly in equity or in other comprehensive income.

Current tax is the expected income tax payable or receivable in respect of taxable income for the year, determined using tax rates enacted or substantially enacted at the reporting date, and any adjustment to income tax payable in respect of previous years' income.

Deferred tax is recognised in respect of temporary differences between the amounts of assets and liabilities as disclosed in the statement of financial position and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither profit or loss of the period, nor taxable income,
- differences relating to investments in subsidiaries and jointly controlled entities to the extent that they will probably not be disposed of in the foreseeable future,
- initial recognition of goodwill.

Deferred tax is measured at tax rates that are expected to be applied when temporary differences reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to offset current tax liabilities and assets, and if they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend either to settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously.

A deferred tax asset is recognised in respect of carry-forward tax losses, tax credits and deductible temporary differences in the amount of the probable taxable income which would enable these differences and losses to be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

o) Earnings per share

The Company presents basic and diluted earnings per share for ordinary shares. Basic earnings per share are calculated by dividing the profit or loss attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period, adjusted for the number of treasury shares held by the Company. Diluted earnings per share are calculated by dividing the adjusted profit or loss attributable to holders of ordinary shares by the weighted average number of ordinary shares adjusted for the number of treasury shares and the dilutive effect of any potential shares.

p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses relating to transactions with other components of the Company. Operating results of each segment are reviewed regularly by the Company's chief operating decision maker that makes decisions about resources to be allocated to the segment and assesses its performance. Furthermore, discrete financial information is available for each segment.

Operating results of each segment which are reported to the Company's operating decision maker include items which may be assigned directly to the segment and items which may be assigned indirectly, based on reasonable grounds. Unassigned items relate mainly to common (corporate) assets (assets relating primarily to the management board of the entity), costs of the entity's head office and corporate income tax assets and liabilities.

q) New standards and interpretations not applied in these financial statements

A number of new Standards, amendments to Standards and Interpretations were not yet effective for the annual periods ended December 31st 2013 and, consequently, they have not been applied in preparing these separate financial statements. From among the new Standards, amendments to Standards and Interpretations, the ones discussed below may have an effect on the Company's financial statements. The Company intends to apply them to the periods for which they are effective for the first time.

Standards and Interpretations endorsed by the EU which are not yet effective for annual periods ending on December 31st 2013

- IFRS 10 *Consolidated Financial Statements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*
- *Amendments to IFRS 10, IFRS 11 and IFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities*
- IAS 28 (2011) *Investments in Associates and Joint Ventures*
- Amendments to IAS 32 *Financial Instruments: Presentation* – Offsetting Financial Assets and Financial Liabilities
- Recoverable Amounts Disclosures for Non-Financial Assets (Amendments to IAS 36 *Impairment of Assets*)
- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 *Financial Instruments: Recognition and Measurement)*

Standards and Interpretations not yet endorsed by the EU as at December 31st 2013

- IFRS 9 *Financial Instruments (2009)*
- Amendments to IFRS 9 Financial Instruments (2010)
- IFRIC 21 *Levies*
- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Amendments to International Financial Reporting Standards 2010-2012
- Amendments to International Financial Reporting Standards 2011-2013

4. Fair value measurement

(i) Trade and other receivables

Fair value of trade and other receivables is estimated as the present value of future cash flows discounted using a market interest rate as at the reporting date. Receivables with short maturities are not discounted because their carrying amount is approximately equal to their fair value. Fair value is estimated only for the purpose of disclosure.

(ii) Financial instruments at fair value through profit or loss

Fair value of debt portfolios purchased is calculated based on the expected future cash flows related to the debt portfolios, discounted with a rate reflecting the credit risk associated with each portfolio. The rate used for discounting is calculated as an internal rate of return on an investment as at the date of acquisition of a portfolio and is verified so that it includes the present risk free rate and the present risk premium associated with the credit risk for each portfolio.

A debt portfolio contains a large number of items with varying parameters (type, nominal value, delinquency period). Each purchased debt portfolio is divided into sub-portfolios with similar parameters, and separate cash flows are estimated for each sub-portfolio.

The estimated cash flows are primarily based on:
- expected recovery rates from the collection tools used,
- extent to which the collection tools are used with respect to individual portfolios (existing and planned),
- repayment history.

When determining the cash flow timing, the Company takes into account the expected time when the cash flows resulting from the use of individual collection tools arise. The expected period in which proceeds from collection of debts in a given portfolio will be obtained is based on relevant historical data.

Credit risk is assessed with respect to an entire portfolio, rather than individual debtors.

(iii) Financial liabilities other than derivative instruments

Fair value estimated for the purpose of disclosure is calculated based on the present value of future cash flows from repayment of principal and payment of interest, discounted using the market interest rate effective as at the end of the reporting period. For finance lease liabilities, the market interest rate is determined with reference to similar lease agreements. Liabilities with short maturities and liabilities for which interest rates are adjusted for changes in base rates on an on-going basis are not discounted because their carrying amount is approximately equal to their fair value.

(iv) Share-based payments (management stock option plan)

Valuation of the plan has been performed using the Black-Scholes model. This model has been chosen due to the fact that it is widely used for valuation of options and relatively simple. The stock option plan does not contain any elements which would call for application of any more sophisticated models. The selected model takes into account all the main factors affecting the cost recognised by the Company, including:

- the expected exchange rate applicable on exercise of an option (based on historical exchange rates and their changes),
- the option vesting period,
- the time and conditions of exercise of an option,
- the risk-free rate.

For the purpose of valuation of the plan, it has been assumed that all the conditions for granting options will be met and that all the eligible persons will accept the options they have been granted and then will exercise them, that is purchase the shares corresponding to such options on the first day following the vesting period.

5. Financial risk management

Introduction

The Company is exposed to the following risks related to the use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information on the Company's exposure to each type of the above risks, the Company's objectives, policies and procedures for measuring and managing the risks, and the Company's management of capital. Note 27 to these financial statements presents respective quantitative disclosures.

Key policies of risk management

The Management Board is responsible for establishing risk management procedures and for overseeing their application.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to the limits. The risk management policies and systems are reviewed on a regular basis, to reflect changes in market conditions and the Company's activities. Using such tools as training, management standards and procedures, the Company seeks to build a stimulating and constructive control environment, in which all employees understand their respective roles and responsibilities.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is chiefly associated with receivables for the services provided by the Company and from purchased debt portfolios.

Trade and other receivables

The Management Board has established a credit policy whereby each client is evaluated for its creditworthiness before any payment dates and other contractual terms and conditions are offered to the client. The evaluation includes external ratings of the client, when available, and in some cases bank references. Each client is assigned a transaction limit which represents the maximum transaction amount for which no approval from the Management Board is required.

The Company regularly monitors whether payments are made when due, and if any delays are identified, the following actions are taken:
- notices are sent to clients
- e-mails are sent to clients
- telephone calls are made to clients.

Over 80% of clients have conducted business with the Company for at least three years. Only in few cases losses were incurred by the Company as a result of non-payment. Trade and other receivables mainly represent fees receivable in respect of debt collected for clients.

The Company's exposure to credit risk results mainly from individual characteristics of each client. The Company's largest client (excluding the subsidiaries) accounts for 8% of the Company's revenue (2012: 7.23%), and the respective percentages for the Company's related entities are 22.00% and 44.28%. Receivables from the Company's largest client among its non-related entities accounted for 0.58% of total gross trade receivables as at December 31st 2013 (December 31st 2012: 6.83%), and in the case of related entities the percentages were 21.27% and 16.98%, respectively. For this reason there is no significant risk concentration with respect to non-related entities.

The Company recognises impairment losses which represent its estimates of losses incurred on trade and other receivables. Impairment losses comprise specific losses related to individually significant exposures.

Purchased debt portfolios

Purchased debt portfolios include overdue debts which prior to the purchase by the Company were often subject to collection by the seller of the portfolio or by a third party acting on the seller's behalf. Therefore, credit risk related to the purchased debt portfolios is relatively high, although the Company has the experience and advanced analytical tools necessary to estimate such risk.

As at the date of purchase of a debt portfolio, the Company evaluates the portfolio's credit risk, which is subsequently reflected in the price offered for the portfolio.

As the purchased debt portfolios are measured at fair value, the credit risk is reflected in the portfolios' valuations as at the end of each reporting period.

As at each valuation date, the Company estimates the credit risk based on past inflows from a given portfolio as well as other portfolios with similar characteristics. The following parameters are taken into account in the credit risk assessment:

- Debt
  - outstanding amount
  - principal
  - principal to debt ratio
  - amount of credit granted / total amount of received invoices
  - type of product
  - debt past due (DPD)
  - contract's term
  - time elapsed from contract execution
  - collateral (existence, type, amount).

- Debtor:
  - credit amount repaid so far / amount of invoices repaid so far
  - time elapsed from the last payment made by the debtor
  - region
  - debtor's legal form
  - debtor's death or bankruptcy
  - debtor's employment.

- Debt processing by the previous creditor:
  - availability of the debtor's correct contact data
  - in-house collection – by the previous creditor's own resources
  - outsourced collection – debt management by third parties
  - issuance of a bank enforced collection order
  - court collection
  - bailiff collection.

Changes of the credit risk assessment have an effect on the expected amount of future cash flows which are used as a basis of valuation of the purchased debt portfolios.

The Company minimises the risk by performing a thorough valuation of each portfolio before it is purchased, taking into account the likelihood of recovery of invested capital and the estimated costs of the collection process. Debt portfolios are purchased at official auctions and prices offered by the Company in most of such auctions do not differ significantly from prices offered by the Company's competitors. A similar valuation of a debt portfolio by several specialist companies at the same time reduces the risk of an incorrect valuation.

The market value of a portfolio and its maximum purchase price are determined based on a complex statistical and economic analysis. Initially, portfolios are divided into sub-portfolios based on debt amount and type of security. This is done to select debts which can be valued using statistical methods. Remaining sub-portfolios are valued on a case-by-case basis in a due diligence process.

Proceeds are estimated based on a statistical model developed on the basis of available and precisely selected reference data matching the valuation data. The reference data are derived from a database containing information on portfolios previously purchased and collected by the Company.

Once the evaluation of effectiveness and debt collection tools is completed, all parameters and comparative data for the reference portfolio, collection process, efficiency curve and risk are gathered. Also at this stage additional parameter reviews are considered, based on expert opinions. A single document (business plan) is then drafted, containing a summary of adopted assumptions and the resultant projection of expected cash flows from a portfolio, and a financial model is structured. The business plan serves to define the maximum purchase price that can be offered. The maximum price is set based on the expected investment yield (mainly the internal rate of return, payback period, and nominal return). The expected return on investment largely depends on the risk inherent in a given project, which in turn depends on quality of the data provided by the client for valuation, reference data matching, number and quality of both macro- and microeconomic expert indicators used to prepare the cash flow forecast.

Moreover, the Company diversifies the risk by purchasing various types of debt, with varying degrees of collection difficulty and delinquency periods.

The Company uses the following collection measures:
- notices
- phone calls
- text messages
- partial debt cancellation
- intermediation in securing an alternative source of financing,
- doorstep collection (at home or workplace)
- detective activities

- amicable settlements
- court collection
- enforcement against collateral.

Guarantees

As a rule, the Company issues financial guarantees only to its wholly-owned subsidiaries. During the reporting period, the Company did not issue any guarantees to third parties.

Liquidity risk

Liquidity risk is the risk of potential difficulties that the Company may have with meeting its financial liabilities settled through delivery of cash or other financial assets. The Company's liquidity risk management policy is designed to ensure that the Company's liquidity is at all times sufficient to meet liabilities in a timely manner, both in a regular and crisis situation, without exposing the Company to a risk of excessive loss or damage to its reputation.

The Company mitigates the liquidity risk through a continuous debt collection process, which ensures an uninterrupted inflow of cash. It also monitors and takes actions to ensure proper performance of its credit facility agreements. Debt portfolio purchases involve making large one-off payments. To secure the necessary funding, the Company relies on external financing in the form of bank borrowings or notes.

Market risk

Market risk is related to changes in such market factors as exchange rates, interest rates or stock prices, which affect the Company's performance or the value of financial instruments it holds. The objective of the market risk management policy implemented at the Company is to control and maintain the Company's exposure to market risk within the assumed values of parameters, while simultaneously optimising the rate of return.

In the Management Board's opinion, in the Company's case the market risk relates primarily to exposure to the risk of changes in the PLN/RON exchange rate given considerable investments in debt portfolios denominated in RON. Other market risks follow mainly from changes in interest rates on financial liabilities and cash and equivalents, as well as from changes in the risk-free rate adopted to estimate the fair value of purchased debt portfolios. As at December 31st 2013, assets denominated in foreign currencies accounted for 5.7% of total assets, while liabilities denominated in foreign currencies represented 1.73% of total liabilities (December 31st 2012: 7.6% and 1.1% respectively).

The Company uses financial instruments to hedge its interest rate risk (see Note 3b (ii)).
The Company does not use financial instruments to hedge its exchange rate risk, because cash recoveries in foreign currencies are reinvested to purchase debt portfolios in the same currency.

Capital management

The Management Board's capital management policy is designed to secure a solid capital base necessary to maintain the trust of investors, lenders and other market participants, and to ensure future business growth. The Management Board monitors the return on equity, defined by the Company as the ratio of operating profit/(loss) to equity, excluding non-controlling interests.

The Management Board seeks to strike a balance at the Group level between a higher rate of return achievable with higher debt levels and the benefits and security offered by a solid capital base. The Company aims to achieve a high return on equity (ratio of the Group's operating result to the Group's equity); in the reporting period from January 1st 2013 to December 31st 2013 the rate was 30.7% (2012: 34.3%). The return on equity is calculated for the entire Group as the Company finances purchases for all subsidiaries. To compare, the weighted average rate of interest expense on interest-bearing debt (excluding liabilities with an assumed interest rate) was 6.91% (2012: 9.06%).

The Company's debt ratio, i.e. the ratio of total liabilities under borrowings, other debt instruments and finance lease liabilities to total equity, was 4.7 as at December 31st 2013 (December 31st 2012: 5.1).

In the reporting period from January 1st 2013 to December 31st 2013, there were no changes in the Company's approach to capital management.
As required by the Commercial Companies Code, the share capital of the Company must be at least PLN 100 thousand. The Company is required to allocate at least 8% of profit to reserve funds serving to cover potential future losses. Contributions to the reserve funds are made until the funds reach at least one third of the share capital value.

6. Reporting and geographical segments

Reporting segments

Below, the Company presents its principal reporting segments. The President of the Management Board reviews internal management reports relating to each business segment at least quarterly. The Company's reporting segments conduct the following activities:

- Debt purchase: collection of purchased debt;
- Credit management: fee-based collection of debt on client's behalf;
- Other.

The performance of each reporting segment is discussed below. The key performance metric for each reporting segment is gross profit, which is disclosed in the internal management reports reviewed by the President of the Management Board. A segment's gross profit is used to measure its performance, as the management believes the gross profit to be the most appropriate metric for the assessment of the segment's results against other entities operating in the industry.

The Group's operating activities concentrate in a few geographical segments: Poland, Romania, the Czech Republic and Slovakia.

The Group's operations are also divided into three main geographical segments:

- Poland
- Romania
- Other foreign markets

Notes to the separate financial statements

Reporting segments

PLN '000	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Revenue	**102,837**	**95,175**
Purchased debt portfolios	49,805	42,680
Credit management	48,650	47,322
Other	4,382	5,173
Direct and indirect costs	**(78,542)**	**(64,146)**
Purchased debt portfolios	(9,812)	(11,571)
Credit management	(65,731)	(50,425)
Other	(2,999)	(2,150)
Gross profit	**24,295**	**31,029**
Purchased debt portfolios	39,993	31,109
Credit management	(17,081)	(3,103)
Other	1,383	3,023
Administrative expenses	(42,596)	(39,658)
Depreciation and amortisation expense	(7,263)	(5,943)
Other income	2,664	3,045
Other expenses (unallocated)	(6,726)	(8,471)
Finance income/costs	47,387	30,631
Profit before tax	17,761	10,633
Income tax	(10)	(3,477)
Net profit	17,751	7,156

Notes to the separate financial statements

Geographical segments

In the presentation of data by geographical segments, segments' revenue is recognised based on the location of debt collection offices.

Revenue by geographical segments:

PLN '000	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Revenue	**102,837**	**95,175**
Poland	65,774	61,681
Romania	34,611	30,451
Other foreign markets	2,452	3,043

Non-current assets

A major part of the Group's non-current assets are located in Poland.

Notes to the separate financial statements

7. Revenue

PLN '000	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Revenue from debt purchase	49,805	42,680
Revenue from credit management	48,650	47,322
Revenue from other services	4,025	3,872
Revenue from sale of merchandise and materials	357	1,301
	102,837	95,175

Revenue from debt purchase includes:

PLN '000	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Interest income adjusted for actual recoveries	30,625	40,806
Revaluation of debt portfolios	19,180	1,874
	49,805	42,680

Revaluation of debt portfolios

PLN '000	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Revision of recovery forecast	18,898	1,804
Change due to change in discount rate	282	70
	19,180	1,874

Re-measurement of purchased debt portfolios represents changes in fair value of financial assets measured at fair value through profit or loss which have been designated as such at the time of their initial recognition.

Revenue forecast update is primarily based on the analysis of:
- debtors' behaviour patterns and effectiveness of the collection tools used;
- changes in currency exchange rates against PLN (for debt portfolios purchased abroad).

Pursuant to the accounting policies applied by the Company, income and gains on financial instruments at fair value through profit or loss are presented as revenue from purchased debt portfolios under operating income.

Revenue from fee-based credit management includes commission fees ranging from 2% to 4% of collected debts. Commission fee rates depend on delinquency periods, amounts outstanding, and on whether there have been any prior collection attempts. The Company's main client among non-related entities accounts for 16.92% of revenue from credit management services, and among related entities – for 22% (2012: 7.23% and 44.24%, respectively).

8. Other income

PLN '000	*Note*	Jan 1 2013 – Dec 31 2013	Jan 1 2012 – Dec 31 2012
Unidentified time-barred payments written off		-	655
Reversal of impairment losses on receivables	*27*	134	24
Return of compensation for damage caused by motor vehicles		654	363
Gain on sale of property, plant and equipment		29	206
Gain on sale of an organised part of business		-	1,435
Re-billed costs of services and court fees		-	-
Liabilities written off		1,794	-
Other		53	362
		2,664	3,045

9. Other expenses

PLN '000	*Note*	Jan 1 2013 – Dec 31 2013	Jan 1 2012 – Dec 31 2012
Court fees		(590)	(1,384)
Advertising		(4,341)	(3,450)
Raw materials and energy used		(4,842)	(4,003)
Taxes and charges		(7,441)	(4,014)
Re-billed costs of services		(26)	(220)
Impairment losses on receivables	*27*	(1,951)	(71)
Staff training		(983)	(801)
Business trips		(1,407)	(854)
Entertainment expenses		(718)	(135)
Motor insurance		(646)	(522)
Losses from damage caused by motor vehicles		(665)	(397)
Property insurance		(205)	(78)
Grants		(114)	(90)
Accumulated amortisation of receivables		(1,994)	(6,590)
Other		(1,270)	(469)
		(27,193)	(23,078)

10. Employee benefit expense

	Jan 1 2013 – Dec 31 2013	Jan 1 2012 – Dec 31 2012
Salaries and wages	(55,596)	(46,676)
Other social security contributions	(2,591)	(2,132)
Old-age and disability pension contributions (defined contribution plans)	(7 650)	(6,279)
Equity-settled cost of stock option plan	(2,578)	(2,346)
Contribution to the State Fund for the Disabled	(817)	(723)
	(69,232)	(58,156)

11. Finance income and expenses

Recognised as profit or loss of current period

PLN '000	***Note***	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Dividend income		120,387	101,005
Interest income on loans advanced and receivables		1,893	1,125
Interest income on bank deposits		170	340
Net gain/(loss) on disposal of shares	*15*	16,089	-
		138,539	102,470
Interest expense on financial liabilities measured at amortised cost		(47,831)	(48,802)
Remeasurement of investments		(39,555)	(20,832)
Net foreign exchange gains/(losses)		(3,766)	(2,205)
		(91,152)	(71,839)
Net finance income recognised in profit or loss		47,387	30,631

The finance income and costs shown above include interest income and expenses relating to financial assets (liabilities) other than those at fair value through profit or loss:

PLN '000	Jan 1 2013 – Dec 31 2013	Jan 1 2012 – Dec 31 2012
Total interest income on financial assets	2,063	1,465
Total interest expense on financial liabilities	(47,831)	(48,802)

12. Income tax

Income tax recognised in profit or loss of the period

PLN '000	***Note***	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Income tax (current expense)			
Income tax for the period		(1,093)	(3,003)
Income tax (deferred expense)			
Origination/reversal of temporary differences	*17*	1,083	(474)
		(10)	(3,477)

Reconciliation of effective tax rate

PLN '000	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Net profit for the period	17,751	7,156
Income tax recognised in the income statement	(10)	(3,477)
Pre-tax profit for the period (assuming 19% tax rate)	17,761	10,633
Tax calculated at the tax rate applicable in Poland (19%)	(3,375)	(2,020)
Effect of non-deductible expenses	(19,519)	(19,339)
Effect of tax-exempt income	22,884	17,738
Change in temporary differences not recognised in deferred tax expense	-	144
	(10)	(3,477)

13. Property, plant and equipment

PLN '000

	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Tangible assets under construction	Total
Gross value of property, plant and equipment						
Gross value as at Jan 1 2012	1,481	8,801	8,817	578	624	20,301
Purchase	34	1,658	3,814	60	2	5,568
Sale/ liquidation	-	(287)	(700)	(2)	-	(989)
Settlement of tangible assets under construction	-	624		-	(624)	-
Gross value as at Dec 31 2012	1,515	10,796	11,931	636	2	24,880

	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Tangible assets under construction	Total
Gross value as at Jan 1 2013	1,515	10,796	11,931	636	2	24,880
Purchase	17	738	3,678	24	28	4,485
Sale/ liquidation	-	(261)	(1,224)	(2)	(2)	(1,489)
Transfer from tangible assets under construction	-	-	-	-	-	-
Gross value as at Dec 31 2013	1,532	11,273	14,385	658	28	27,876

PLN '000

Depreciation and impairment losses	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Tangible assets under construction	Total
Accumulated depreciation and impairment losses as at Jan 1 2012	(115)	(4,412)	(3,302)	(328)	-	(8,157)
Amortisation expense	(473)	(1,518)	(1,719)	(73)	-	(3,783)
Decrease resulting from sale/ liquidation	-	286	671	2	-	959
Accumulated depreciation and impairment losses as at Dec 31 2012	(588)	(5,644)	(4,350)	(399)	-	(10,981)

PLN ’000	**Buildings and structures**	**Plant and equipment**	**Vehicles**	**Other property, plant and equipment**	**Tangible assets under construction**	**Total**
Accumulated depreciation and impairment losses as at Jan 1 2013	(588)	(5,644)	(4,350)	(399)	-	(10,981)
Amortisation expense	(401)	(1,752)	(2,335)	(61)	-	(4,549)
Decrease resulting from sale/ liquidation	-	166	816	2	-	984
Accumulated depreciation and impairment losses as at Dec 31 2013	(989)	(7,230)	(5,869)	(458)	-	(14,546)

PLN ’000	**Buildings and structures**	**Plant and equipment**	**Vehicles**	**Other property, plant and equipment**	**Tangible assets under construction**	**Total**
Net value						
As at Jan 1 2012	1,366	4,389	5,515	250	624	12,144
As at Dec 31 2012	927	5,152	7,581	237	2	13,899
As at Jan 1 2013	927	5,152	7,581	237	2	13,899
As at Dec 31 2013	543	4,043	8,516	200	28	13,330

Property, plant and equipment under leases

Under finance lease agreements, the Company uses passenger cars and trucks whose carrying amount as at December 31st 2013 and December 31st 2012 was PLN 7,240 thousand and PLN 7,266 thousand, respectively. These items of property, plant and equipment also serve as security for liabilities under lease agreements (see Note 23).

Tangible assets under construction

In 2013, the Company incurred costs related to the purchase of equipment not placed in service as at December 31st 2013. As at December 31st 2013 and December 31st 2012, the value of tangible assets under construction was PLN 28 thousand and PLN 2 thousand, respectively.

14. Intangible assets

PLN '000	**Computer software, licences, permits**	**Other**	**Total**
Gross value of intangible assets			
Gross value as at Jan 1 2012	11,059	369	11,428
Produced internally	2,120	-	2,120
Other increase	705	-	705
Decrease	(244)	-	(244)
Gross value as at Dec 31 2012	13,640	369	14,009
Gross value as at Jan 1 2013	13,640	369	14,009
Produced internally	4,011	-	4,011
Other increase	392	-	392
Decrease	(165)	-	(165)
Gross value as at Dec 31 2013	17,878	369	18,247

PLN '000	**Computer software, licences, permits**	**Other**	**Total**
Accumulated amortisation and impairment losses			
Accumulated amortisation and impairment losses as at Jan 1 2012	(4,768)	(275)	(5,043)
Amortisation expense	(2,113)	(47)	(2,160)
Decrease	73	-	73
Amortisation and impairment losses as at Dec 31 2012	(6,808)	(322)	(7,130)
Accumulated amortisation and impairment losses as at Jan 1 2013	(6,808)	(322)	(7,130)
Amortisation expense	(2,667)	(47)	(2,714)
Decrease	151	-	151
Accumulated amortisation and impairment losses as at Dec 31 2013	(9,324)	(369)	(9,693)

PLN '000	**Computer software, licences, permits**	**Other**	**Total**

Net value			
As at Jan 1 2012	6,291	94	6,385
As at Dec 31 2012	6,832	47	6,879
As at Jan 1 2013	6,832	47	6,879
As at Dec 31 2013	8,554	-	8,554

15. Investments in subsidiaries

PLN '000	**Dec 31 2013**	**Dec 31 2012**
Other non-current investments		
Gross value of shares in subsidiaries	697,052	638,112
Impairment loss on shares	(36,532)	(19,158)
Net value of shares in subsidiaries	660,520	618,954

PLN '000	**Country**	**Share capital held (%)** **Dec 31 2013**	**Dec 31 2012**
Secapital S.a.r.l. **	Luxembourg	93.8%	100%
ERIF Business Solutions Sp. z o.o.	Poland	100%	100%
Secapital Polska Sp. z o.o.	Poland	100%	100%
Rejestr Dłużników ERIF Biuro Informacji Gospodarczej S.A.	Poland	100%	100%
Novum Finance Sp. z o.o.	Poland	100%	100%
KRUK Romania S.r.l.	Romania	100%	100%
Kancelaria Prawna RAVEN Krupa & Stańko Spółka komandytowa	Poland	98%	98%
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	Poland	100%	100%
KRUK Česká a Slovenská republika s.r.o.	Czech Republic	100%	100%
Prokura NS FIZ*	Poland	100%	100%
Prokulus NS FIZ*	Poland	100%	100%
KRUK International Z.r.t. (in liquidation)	Hungary	100%	100%
InvestCapital Malta Ltd **	Malta	99.5%	-

* subsidiaries of Secapital Sarl

** subsidiaries in which the Company indirectly holds 100% of the share capital

All the subsidiaries listed above were consolidated in the consolidated financial statements of the KRUK Group prepared as at December 31st 2013 and for the period from January 1st to December 31st 2013.

In 2013, the Company received PLN 4,250 thousand as repayment of additional contributions to equity from its subsidiary Novum Finance Sp. z o.o.

In 2013, the Company increased the share capital of its subsidiary Secapital S.a.r.l. by PLN 89,660 thousand.

Notes to the separate financial statements

On September 5th 2013, a resolution was adopted by the Management Board of KRUK S.A. to discontinue operations on the Hungarian market and relinquish the licence to purchase debts in Hungary that was granted to KRUK International Z.r.t. by the Hungarian Financial Supervision Authority (PSZÁF).

On October 8th 2013, the Company was notified of PSZÁF's decision of September 27th 2013 to commence liquidation proceedings with respect to KRUK International Z.r.t. The decision had been made upon KRUK International Zrt.'s request of September 11th 2013. Hitelintézeti Felszámoló Nonprofit Kft, with registered office at Damjanich u. 11-15 1071, Budapest, was appointed liquidator of KRUK International Zrt.

In 2013, the Company recognised an impairment loss on shares in KRUK International Z.r.t. of PLN 634 thousand.

On December 3rd 2013, KRUK S.A. established InvestCapital Malta Ltd. The Company holds 99.5% of the share capital of InvestCapital Malta Ltd, while Secapital Polska Sp. z o.o. (the Company's subsidiary) holds the remaining 0.5%.

On December 11th 2013, KRUK S.A. and InvestCapital Malta Ltd concluded an agreement for partial sale of shares in Secapital S.a.r.l., the Company's subsidiary. The agreement provided for the sale of 27,000 Category A shares with a par value of PLN 1,000 per share, representing 4.4% of the Secapital S.a.r.l. share capital as at the transaction date, for PLN 40,500 thousand. The carrying amount of the shares in KRUK S.A.'s accounting books is PLN 1,100 per share, i.e. a total of PLN 29.700 thousand.

On December 30th 2013, KRUK S.A. and InvestCapital Malta Ltd concluded an agreement for partial sale of shares in Secapital S.a.r.l., the Company's subsidiary. The agreement provided for the sale of 12,250 Category A shares and 50 Category F shares with a par value of PLN 1,000 per share, representing 2.4% of Secapital S.a.r.l.'s share capital as at the transaction date, for PLN 18,819 thousand. The carrying amount of the shares in KRUK S.A.'s accounting books is PLN 1,100 per share, i.e. a total of PLN 13.530 thousand.

In 2013, the Company cancelled loans granted during the year to its subsidiary Kruk Romania S.r.l (PLN 16,739 thousand plus interest). The amount was recognised as an increase in the equity interest held in the subsidiary.

In 2013, the Company recognised an impairment loss on shares in KRUK Romania S.r.l. of PLN 16,739 thousand.

16. Investments

PLN '000	Dec 31 2013	Dec 31 2012
Investments		
Financial assets at fair value through profit or loss	47,894	40,995
Loans advanced to related entities	1,118	14,012
Loans advanced to other entities	8,652	-
	57,664	55,007

In 2010, the Company commenced advancing loans to individuals not engaged in any business activity. Loans are granted for up to PLN 2.5 thousand and their maturities range from 3 to 15 months. The loans bear interest at fixed rates. Their average nominal interest rate is 16%. Additional revenue comprises commission fees, arrangement fees and insurance.

The Company grants its related entities one-year loans with an interest rate equal to 3M WIBOR + 2% margin. The loans are not secured.

In 2013, the Company recognised an impairment loss on loans advanced to KRUK Romania S.r.l. of PLN 3,538 thousand.

In 2013, the Company recognised an impairment loss on loans advanced to KRUK Česká a Slovenská republika s.r.o. of PLN 18,643 thousand.

Notes to the separate financial statements

Financial assets at fair value through profit or loss (designated as such at the time of initial recognition) include purchased debt portfolios. Had the Company not decided to classify purchased debt portfolios as financial assets at fair value through profit or loss, they would be classified as loans and receivables. For the rules governing valuation of purchased debt portfolios, see Note 3(b)(i). Purchased debt portfolios are divided into the following main categories:

PLN '000	**Dec 31 2013**	**Dec 31 2012**
Purchased debt portfolios		
Bank loans, including:	44,803	38,942
- *consumer loans*	*43,562*	*37,818*
- *car loans*	*161*	*871*
- *mortgage loans*	*1,080*	*253*
Telecommunication bills	2,306	1,613
Cash loans (non-bank)	313	346
Other	472	94
	47,894	40,995

The following assumptions were made in the valuation of debt portfolios:

	Dec 31 2013	**Dec 31 2012**
Discount rate		
- risk-free	3.24%	4.47%
- risk premium*	11.51%-166.12%	15.23%-356.26%
Period for which cash flows have been estimated:	Jan 2014 - Dec 2023	Jan 2013 - Dec 2020
Nominal value of expected future cash flows	98,025	84,808

** applicable to 99% of debt portfolios*

Projected schedule of inflows from debt portfolios (nominal value):

PLN '000 **Period**	**Dec 31 2013**	**Dec 31 2012**
Less than 6 months	19,513	19,206
From 6 to 12 months	16,554	14,919
From 1 to 2 years	24,553	20,145
From 2 to 5 years	33,179	24,761
Over 5 years	4,226	5,777
	98,025	84,808

A portion of debt portfolios is secured with mortgages (mortgage loan portfolios) or registered pledges (car loan portfolios). The value of security held by the Company is difficult to assess and varies on a case-by-case basis.

If necessary, as at the end of each quarter the Company updates the following parameters which are used to estimate future cash flows:
- risk-free rate - an increase in the risk-free rate means a drop in fair value;
- risk premium;

- period for which cash flows are estimated - extension of the period means a drop in fair value of debt portfolios;
- value of expected future cash flows estimated using the current data and debt collection tools - a growth in the value of expected future cash flows means an increase in fair value.

For information on the Company's exposure to credit, currency and interest rate risks associated with its investments, and on impairment losses on loans advanced and investments held to maturity, see Note 27.

Below are presented changes of net carrying amount of the purchased debt portfolios:

PLN '000	
Purchased debt portfolios as at Jan 1 2012	90,878
Purchase of debt portfolios	590
Sale of debt portfolios	(23,516)
Cash recoveries	(69,723)
Liabilities to debtors due to overpayments	86
Revenue from debt purchase (interest and revaluation)	42,680
Purchased debt portfolios as at Dec 31 2012	40,995
Purchased debt portfolios as at Jan 1 2013	40,995
Purchase of debt portfolios	5,462
Sale of debt portfolios	-
Cash recoveries	(47,901)
Liabilities to debtors due to overpayments	(467)
Revenue from debt purchase (interest and revaluation)	49,805
Purchased debt portfolios as at Dec 31 2013	47,894

17. Deferred tax

Deferred tax assets and liabilities

Deferred tax assets and liabilities have been recognised in respect of the following items of assets and liabilities:

PLN '000	**Assets**		**Liabilities**		**Net value**	
	Dec 31 2013	**Dec 31 2012**	**Dec 31 2013**	**Dec 31 2012**	**Dec 31 2013**	**Dec 31 2012**
Property, plant and equipment	1,628	-	(1,492)	(1,353)	136	(1,353)
Intangible assets	-	-	(1,309)	(1,096)	(1,309)	(1,096)
Loans advanced to other entities	634	-	-	-	634	0
Trade and other receivables	-	-	(380)	(311)	(380)	(311)
Liabilities under borrowings and other debt instruments	-	-	-	-	-	-
Employee benefit obligations	2,282	1,880	-	-	2,282	1,880
Provisions and liabilities	414	1,912	-	-	414	1,912
Other	503	165	-	-	503	165
Deferred tax assets/liabilities	5,461	3,957	(3,181)	(2,760)	2,280	1,197
Deferred tax assets offset against liabilities	(3,181)	(2,760)	3,181	2,760	-	-
Deferred tax assets/liabilities in the statement of financial position	2,280	1,197	-	-	2,280	1,197

Change in temporary differences in a period

PLN '000	**As at Jan 1 2012**	**Change in temporary differences recognised as profit or loss of the current period**	**As at Dec 31 2012**	**As at Jan 1 2013**	**Change in temporary differences recognised as profit or loss of the current period**	**As at Dec 31 2013**
Property, plant and equipment	(1,113)	(240)	(1,353)	(1,353)	1,489	136
Intangible assets	(907)	(189)	(1,096)	(1,096)	(213)	(1,309)
Financial assets at fair value through profit or loss	(144)	144	-	-	-	-
Loans advanced to other entities	-	-	-	-	634	634
Trade and other receivables	(94)	(217)	(311)	(311)	(69)	(380)
Employee benefit obligations	2,103	(223)	1,880	1,880	402	2,282
Provisions and liabilities	1,248	664	1,912	1,912	(1,498)	414
Other	47	118	165	165	338	503
Tax loss carry forwards	531	(531)	-	-	-	-
	1,671	(474)	1,197	1,197	1,083	2,280

18. Inventories

PLN '000	**Dec 31 2013**	**Dec 31 2012**
Materials	204	370
Prepaid deliveries	68	284
	272	654

In the reporting period ended December 31st 2013, the Company did not recognise any impairment losses on inventories.

19. Trade and other receivables

PLN '000	**Dec 31 2013**	**Dec 31 2012**
Trade receivables from related entities	23,879	27,815
Other receivables from related entities	64,467	4,517
Trade receivables from non-related entities	3,224	5,441
Other receivables from non-related entities	965	522
	92,535	38,295

Other receivables from related entities relate primarily to sale of shares to a subsidiary (see Note 15).

For information on the Company's exposure to credit and currency risk, as well as impairment losses on receivables, see Note 27.

20. Cash and cash equivalents

PLN '000	**Dec 31 2013**	**Dec 31 2012**
Cash in hand	40	33
Cash in current accounts	5,594	10,523
	5,634	10,556
Restricted cash	15	267

Restricted cash is represented by cash to be transferred to clients in respect of debts collected under fee-based credit management, and the funds of the Company's Social Benefits Fund.

For information on the Company's exposure to interest rate risk and a sensitivity analysis of financial assets and liabilities, see Note 27.

21. Equity

Share capital

'000	Jan 1 2013 – Dec 31 2013	Jan 1 2012 – Dec 31 2012
Number of shares as at Jan 1	16,900	16,900
Issue of shares	59	-
Number of fully-paid shares at end of the period	16,959	16,900

Company's shareholder structure as at December 31st 2013

Shareholder	Number of shares	Par value of shares (PLN '000)	Share capital held (%)
Piotr Krupa	2,213,928	2,214	13.05%
Aviva OFE	1,932,184	1,932	11.39%
ING PTE (*)	1,835,643	1,836	10.82%
Amplico OFE(**)	1,310,000	1,310	7.72%
Generali OFE	1,575,000	1,575	9.29%
Other members of the Management Board	255,570	256	1.51%
Other Shareholders	7,836,770	7,836	46.22%
	16,959,095	16,959	100%

(*) Joint shareholding of ING OFE and ING DFE, managed by ING PTE S.A.

(**)Jointly Amplico OFE and Amplico DFE, managed by Amplico PTE S.A.

As at December 31st 2013, the registered share capital was divided into 16,959 thousand ordinary shares (December 31st 2012: 16,900 thousand). The par value per share was PLN 1 (December 31st 2012: PLN 1).

On July 10th 2013, the Management Board of the Polish National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.), by virtue of resolution No. 534/13 of July 10th 2013, resolved to register 27,896 Series E ordinary bearer shares of KRUK S.A., with a par value of PLN 1.00 per share, issued as part of a conditional share capital increase under Resolution No. 1/2011 of the Extraordinary General Meeting of KRUK S.A. dated March 30th 2011, and to assign to them ISIN code No. PLKRK0000010, provided that the regulated market operator agrees to introduce the shares to trading on the regulated market on which other Company shares are traded under ISIN code No. PLKRK0000010.

On December 13th 2013, the Management Board of the Polish National Depository for Securities (Krajowy Depozyt Papierów Wartościowych S.A.), by virtue of resolution No. 927/13 of December 13th 2013, resolved to register 30,859 Series E ordinary bearer shares of KRUK S.A., with a par value of PLN 1.00 per share, issued as part of a conditional share capital increase under Resolution No. 1/2011 of the Extraordinary General Meeting of KRUK S.A. dated March 30th 2011, and to assign to them ISIN code No. PLKRK0000010, provided that the regulated market operator agrees to introduce the shares to trading on the regulated market on which other Company shares are traded under ISIN code No. PLKRK0000010.

The holders of ordinary shares are entitled to receive approved dividends and to exercise one vote at the Company's General Meeting per each share held.

Other capital reserves

Other capital reserves are created by virtue of relevant resolutions of the Company's General Meeting, which has the power to decide on allocation of such reserves. In addition, capital reserves are also created when benefits are granted to employees under share-based payments and when cash flow hedging derivative instruments are measured.

Share-based payments

In 2011, KRUK S.A. launched a share-based payment plan, which provides for the grant of rights to purchase shares at an agreed price (the Option Plan). The total cost of the Option Plan recognised in the income statement for 2011, 2012 and 2013 was PLN 890 thousand, PLN 2,346 thousand and PLN 2,578 thousand, respectively. The amount increased the Company's other capital reserves.

The incentive scheme operated by the Company is addressed to the Management Board Members (except for the President of the Management Board) and key management personnel of the Company and Group companies.

The terms of the Option Plan for 2011-2014 were approved by virtue of resolutions of KRUK S.A.'s Extraordinary General Meeting. Under the plan, eligible persons will be granted the right to purchase Company shares on preferential terms defined in the resolution and in the Rules of the Option Plan. The rights will be vested on condition that an eligible person is employed by the Company or its subsidiary or remains in other legal relationship under which they provide services to the Company or its subsidiary for a period of at least twelve months in the calendar year preceding the year in which the offer to acquire/subscribe for subscription warrants is made.

For the purposes of the Option Plan, the General Meeting approved a conditional share capital increase of up to PLN 845,016.00, through an issue of up to 845,016 Series E ordinary bearer shares. The objective of the conditional share capital increase is to grant the right to subscribe for Series E shares to holders of subscription warrants that will be issued under the Option Plan. In order to implement the Option Plan, the Company may also reacquire previously issued shares (without carrying out a new issue) and offer them to holders of subscription warrants on the same terms as in the case of the Series E shares. The holders of subscription warrants will be entitled to exercise the rights to subscribe for Series E shares attached to the subscription warrants, at the issue price being equivalent to the issue price of the Company shares in the IPO (PLN 39.70 per share), not earlier than six months after the acquisition of the subscription warrants and not later than on June 30th 2016.

Subscription warrants will be issued in four tranches, one for each year of the reference period, i.e. for the financial years 2011–2014.

The Supervisory Board is authorised to offer subscription warrants to eligible persons for a given financial year, provided that two financial ratios for the Group, EPS and EBITDA or ROE, reach the levels specified below:

- In the financial year preceding the year in which the subscription warrants are to be offered in a given tranche, EPS increases by at least 17.5%;
- In the financial year preceding the year in which the subscription warrants are to be offered in a given tranche, EBITDA increases by at least 17.5%;
- In the financial year preceding the year in which the subscription warrants are to be offered in a given tranche, ROE equals at least 20%.

If the warrants are not offered in a given year due to failure to satisfy the above criteria, the warrants for the financial year may be allotted in a tranche for another financial year.

By virtue of a resolution of October 10th 2011, the Extraordinary General Meeting set aside PLN 40,000 thousand from retained earnings and allocated it to capital reserves. Capital reserves have been created in order to repurchase Company shares for the purposes of the Option Plan.

In 2012, pursuant to Resolution No. 45/2012 of the KRUK Supervisory Board of July 20th 2012, issued on the basis of the 2011–2014 Incentive Scheme for key management personnel of the Company and the Group subsidiaries, as approved by virtue of Resolution No. 1/2011 of the Extraordinary General Meeting of KRUK S.A. of March 30th 2011, the Company issued 189,769 subscription warrants under Tranche 1 and offered them to Eligible Persons specified in Appendix 1 to Resolution No. 45/2012 of the KRUK Supervisory Board.

Subscription warrants were delivered to Eligible Persons in the number specified in the Supervisory Board's resolution on September 3rd 2012.

On July 31st 2013, the KRUK Supervisory Board adopted a resolution on reviewing the fulfilment of conditions set forth in the Management Stock Option Plan with a view to granting Subscription Warrants for performance of the Incentive Scheme provisions in 2012, and determining the list of Eligible Persons under Tranche 2 for 2012. The Resolution stated that the conditions to grant the maximum number of warrants under Tranche 2 for 2012 were met, the list of persons eligible to acquire warrants under Tranche 2 for 2012 was determined, and subscription warrants were granted to the persons included in the list. Under Tranche 2, the Company issued 201,758 subscription warrants offering them to Eligible Persons for acquisition.

Subscription warrants were delivered to Eligible Persons in the number specified in the Supervisory Board's resolution on October 1st 2013.

22. Earnings per share

Basic earnings per share

As at December 31st 2013, basic earnings per share were calculated based on net profit attributable to owners of the Company (holding ordinary shares) of PLN 17,751 thousand (2012: PLN 7,156 thousand) and the weighted average number of shares in the periods covered by the financial statements of 16,914 thousand (2012: 16,900 thousand). The amounts were determined as follows:

Net profit attributable to owners of the Company

PLN '000

	Jan 1 2013 – Dec 31 2013	**Jan 1 2012 – Dec 31 2012**
Net profit for the period	17,751	7,156
Net profit attributable to owners of the Company	17,751	7,156

Weighted average number of ordinary shares

'000	***Note***	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Number of ordinary shares as at Jan 1	*21*	16,900	16,900
Effect of retirement and issue of shares		14	-
Weighted average number of ordinary shares in the period ended Dec 31		16,914	16,900
PLN			
Earnings per share		1.05	0.42

Diluted earnings per share

As at December 31st 2013, diluted earnings per share were calculated based on net profit attributable to owners of the Company (holding ordinary shares) of PLN 17,751 thousand and the weighted average number of shares in the period covered by the financial statements of 17,237 thousand. The amounts were determined as follows:

'000	***Note***	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Weighted average number of ordinary shares in the period ended Dec 31	*21*	16,914	16,900
Effect of share option issue		323	57
Weighted average number of ordinary shares in the period ended Dec 31 (diluted)		17,237	16,957
PLN			
Earnings per share		1.03	0.42

23. Liabilities under borrowings and other debt instruments

The Note contains information on the Company's liabilities under borrowings and other debt instruments measured at amortised cost. Information on the Company's exposure to currency and interest rate risks is presented in Note 27.

Terms and repayment schedule of borrowings and other debt instruments

PLN '000	**Currency**	**Nominal interest rate**	**Maturity**	**Dec 31 2013**	**Dec 31 2012**
Borrowings secured on the Company's assets	PLN	1M WIBOR + margin of 2.5-4.25 pp	2017	74,889	161,203
Liabilities under debt securities (unsecured)	PLN	3M WIBOR + margin 3.5-5.0 pp	2018	574,539	427,430
Finance lease liabilities	EUR	3M WIBOR or 1M EURIBOR + margin 0.68-4.0 pp	2017	8,569	7,324
				657,997	595,957

Repayment schedule for finance lease liabilities

PLN '000

	Future minimum lease payments	**Interest**	**Present value of future minimum lease payments**
As at Dec 31 2012			
up to 1 year	1,942	136	1,806
from 1 to 5 years	5,751	233	5,518
	7,693	369	7,324
As at Dec 31 2013			
up to 1 year	2,703	111	2,592
from 1 to 5 years	6,128	151	5,977
	8,831	262	8,569

Security over assets

PLN '000	**Dec 31 2013**	**Dec 31 2012**
Registered pledge over portfolios and assignment of claims financed with the facility, registered pledge over shares in Secapital S.a.r.l.	158,976	197,616
Property, plant and equipment under finance leases	7,240	7,266
	166,216	204,882

Bank borrowings are secured by a registered pledge over shares in Secapital S.a.r.l. of Luxembourg, for an amount of PLN 183,506 thousand as at December 31st 2013 (December 31st 2012: PLN 184,990).

24. Employee benefit obligations

PLN '000	**Dec 31 2013**	**Dec 31 2012**
Salaries and wages payable	3,333	2,697
Social benefit obligations	3,224	2,611
Personal income tax	831	667
Accrued holidays	2,207	1,619
Accrued salaries and wages (bonuses)	6,544	5,497
Special accounts	23	25
	16,162	13,116

Changes in accrued employee benefits

Change in accrued holidays	
Value as at Jan 1 2012	1,175
Increase	1,867
Use	(1,423)
Value as at Dec 31 2012	1,619
Value as at Jan 1 2013	1,619
Increase	2,869
Use	(2,281)
Value as at Dec 31 2013	2,207

Change in accrued salaries and wages (bonuses)	
Value as at Jan 1 2012	7,645
Increase	11,993
Use	(12,763)
Release	(1,378)
Value as at Dec 31 2012	5,497
Value as at Jan 1 2013	5,497
Increase	16,874
Use	(15,674)
Release	(153)
Value as at Dec 31 2013	6,544

25. Current provisions

Retirement severance payments

The Company does not recognise provisions for retirement severance payments due to the young age of its employees and absence of the employees' rights to severance payments in excess of those guaranteed by the Polish Labour Code. Based on the Management Board's estimates, the amount of a potential provision would be insignificant.

Tax risk

Tax laws relating to value added tax, corporate and personal income tax, and social security contributions are subject to frequent amendments. Therefore, often no reference can be made to established regulations or legal precedents. Furthermore, the applicable tax laws lack clarity, which leads to differences in opinions and diverse interpretation of tax regulations, both between individual public authorities and between public authorities and enterprises. Tax settlements as well as other settlements (including those related to customs duties or foreign currencies) may be inspected by authorities which are competent to impose significant penalties. Any additional liabilities resulting from such inspections need to be paid with interest. As a result, the tax risk in Poland is higher than in countries with more developed tax regimes.

Tax settlements are subject to tax inspection for a period of five years. In effect, the amounts disclosed in the financial statements may be changed at a later date after they are finally determined by tax authorities.

26. Trade and other payables

PLN '000	**Dec 31 2013**	**Dec 31 2012**
Trade payables to related entities	16,195	13,383
Trade payables to other entities	7,612	2,759
Deferred income	387	-
Taxes, customs duties, insurance and other benefits payable	1,432	1,456
Accrued expenses	595	1,062
Other liabilities	2,117	2,889
	28,338	21,549

For information on the exposure to currency risk and liquidity risk associated with liabilities, see Note 27.

27. Financial instruments

Credit risk

Exposure to credit risk

Carrying amount of financial assets reflects the maximum exposure to credit risk. Below is presented the maximum exposure to credit risk as at the end of the reporting periods:

PLN '000	*Note*	Dec 31 2013	Dec 31 2012
Financial instruments at fair value through profit or loss	*16*	47,894	40,995
Loans	*16*	9,770	14,012
Receivables	*19*	92,535	38,295
Cash and cash equivalents	*20*	5,634	10,556
		155,833	103,858

Below is presented the maximum exposure to credit risk by geographical segment as at the end of the reporting periods:

PLN '000	Dec 31 2013	Dec 31 2012
Poland	107,980	50,416
Romania	43,947	37,208
Czech Republic	3,906	16,234
	155,833	103,858

Impairment losses

The maturity structure of trade and other receivables as at the end of the reporting periods is presented below:

PLN '000	Gross value Dec 31 2013	Impairment loss Dec 31 2013	Gross value Dec 31 2012	Impairment loss Dec 31 2012
Not past due	82,914	-	33,364	-
Past due, 1-30 days	820	-	960	-
Past due, 31-90 days	832	-	565	-
Past due, 91-180 days	1,014	-	1,119	-
Past due, 181-365 days	1,640	197	283	71
Past due, over one year	7,459	1,947	3,306	1,231
	94,679	2,144	39,597	1,302

Changes of impairment losses on receivables are presented below:

PLN '000	Jan 1 2013 – Dec 31 2013	Jan 1 2012 – Dec 31 2012
Impairment loss as at Jan 1	1,302	1,867
Impairment loss recognised in the period	1,951	71
Reversal of impairment loss	(134)	(24)
Use of impairment loss	(975)	(612)
Impairment loss as at Dec 31	2,144	1,302

The Company recognises impairment losses on receivables from non-related entities past due by more than 180 days based on historical payment data. In addition, the Company recognises impairment losses on all receivables from companies which are subject to bankruptcy or liquidation proceedings, as well as for receivables in litigation.

The Company does not recognise impairment losses on trade receivables as long as there is a high probability that they will be repaid. When a receivable or an investment is deemed unrecoverable, a relevant amount is charged to expenses.

In 2012-2013, the Company did not recognise any general impairment losses for receivables.

In 2013, the Company cancelled loans granted during the year to its subsidiary Kruk Romania S.r.l (PLN 16,739 thousand plus interest). The amount was recognised as an increase in the equity interest held in the subsidiary.

Below are presented changes in impairment losses on loans advanced to other entities:

PLN '000	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Impairment loss as at Jan 1	-	280
Impairment loss recognised in the period	928	107
Reversal of impairment loss	-	(387)
Impairment loss as at Dec 31	928	-

As at December 31st 2013, the gross value of loans advanced to individuals was PLN 9,580 thousand (December 31st 2012: PLN 0 thousand). The Company recognised an impairment loss on loans advanced of PLN 928 thousand as at December 31st 2013 (2012: PLN 0 thousand). The amount of impairment losses is determined for the entire portfolio based on estimated recoverability of advanced loans, which is established principally on the basis of loan delinquency periods.

Liquidity risk

Below are presented the contractual terms of financial liabilities:

As at Dec 31 2012
PLN '000

	Present value	**Contractual cash flows**	**Less than 6 months**	**6–12 months**	**1–2 years**	**2–5 years**
Financial liabilities other than derivative instruments						
Secured borrowings	161,203	179,127	68,323	21,762	39,828	49,214
Unsecured bonds in issue	427,430	522,866	68,618	81,779	157,454	215,015
Finance lease liabilities	7,324	7,693	963	979	2,191	3,560
Trade and other payables	21,549	21,549	21,549	-	-	-
	617,506	731,235	159,453	104,520	199,473	267,789

As at Dec 31 2013
PLN ’000

	Present value	Contractual cash flows	Less than 6 months	6–12 months	1–2 years	2–5 years
Financial liabilities other than derivative instruments						
Secured borrowings	74,889	81,888	7,373	29,819	22,163	22,533
Unsecured bonds in issue	574,539	687,468	73,338	82,452	48,742	482,936
Finance lease liabilities	8,569	8,831	1,332	1,371	2,849	3,279
Derivative hedging instruments	634	634	383	252		
Trade and other payables	28,338	28,338	28,338	-	-	-
	686,969	807,159	110,764	113,893	73,754	508,748

The cash flows under the agreement were determined based on interest rates effective as at December 31st 2012 and December 31st 2013, respectively.

The Company does not expect the projected cash flows, discussed in the maturity analysis, to occur significantly earlier or in amounts materially different from those presented.

As at December 31st 2013, the undrawn revolving credit facility limit available to the Company was PLN 57,950 thousand (2012: PLN 83,042 thousand). The undrawn limit is available until July 31st 2015.

Currency risk

Exposure to currency risk

Details of the Company’s exposure to currency risk as at the end of the reporting period are presented below:

PLN ’000	Dec 31 2013			Dec 31 2012			
	EUR	RON	CZK	EUR	USD	RON	CZK
Trade receivables	184	2,384	263	295	169	1,905	203
Cash	37	709	214	301	1	4,949	1,013
Financial assets at fair value through profit or loss	1,173	40,854	2,256	1,786	-	30,354	2,727
Loans advanced	-	-	-	3,223	-	577	9,068
Trade payables	(8,663)	(5,785)	(168)	(7,448)	-	(386)	(295)
Exposure to currency risk	(7,269)	38,162	2,565	(1,843)	170	37,399	12,716

The following exchange rates of the key foreign currencies were adopted during the preparation of these financial statements:

PLN	Average exchange rates		End of the period (spot rates)	
	Jan 1 2013 – Dec 31 2013	Jan 1 2012 – Dec 31 2012	Dec 31 2013	Dec 31 2012
EUR 1	4.2110	4.1736	4.1472	4.0882
USD 1	3.1653	3.2312	3.0120	3.0996
RON 1	0.9543	0.9377	0.9262	0.9197
CZK 1	0.1620	0.1661	0.1513	0.1630
HUF 100	1.4134	1.4496	1.3969	1.3977

Sensitivity analysis

As at December 31st 2013, appreciation of the Polish złoty against EUR, RON and CZK would have resulted in an increase (decrease) of equity and pre-tax profit by the amounts shown below. The analysis is based on the assumption that other variables, in particular interest rates, remain unchanged.

PLN ’000	Equity excluding profit or loss of the current period	Profit or loss of the current period
Dec 31 2013		
EUR (10% appreciation of PLN)	-	727
RON (10% appreciation of PLN)	-	(3,816)
CZK (10% appreciation of PLN)	-	(257)
Dec 31 2012		
EUR (10% appreciation of PLN)	-	184
RON (10% appreciation of PLN)	-	(3,740)
CZK (10% appreciation of PLN)	-	(1,272)

Interest rate risk

The Company partly hedges its cash flows connected with interest rate changes.

The structure of interest-bearing financial instruments as at the balance-sheet date is presented below:

PLN '000	Carrying amount	
	Dec 31 2013	**Dec 31 2012**
Fixed-rate financial instruments		
Financial assets	101,187	38,295
Financial liabilities	(28,338)	(21,549)
	72,849	16,746
Hedging effect	(124,000)	-
	(51,151)	16,746
Floating-rate financial instruments		
Financial assets	1,118	14,012
Financial liabilities	(657,997)	(595,957)
	(656,879)	(581,945)
Hedging effect	124,000	-
	(532,879)	(581,945)

Sensitivity analysis of fair value of fixed-interest-rate financial instruments.

The Company does not hold any fixed-interest financial assets or liabilities measured at fair value through profit or loss, nor does it use derivative transactions (IRSs) as fair value hedges. Therefore, a change of an interest rate would have no effect on current period's profit or loss.

Sensitivity analysis of cash flows from floating-interest-rate financial instruments

The Company purchases derivative instruments in order to hedge interest rate risk.

A change of an interest rate by 100 basis points would increase (decrease) equity and pre-tax profit by the amounts shown below. The following analysis is based on the assumption that other variables, in particular exchange rates, remain unchanged.

w tysi?cach z?otych	**Zysk lub strata bieżącego okresu**		**Kapitał własny bez zysku lub straty bieżącego okresu**	
	wzrost o 100 pb	**spadek o 100 pb**	**wzrost o 100 pb**	**spadek o 100 pb**
31 grudnia 2013 r.				
Instrumenty finansowe o zmiennej stopie procentowej	(5 904)	5 904	2 078	(2 159)
31 grudnia 2012 r.				
Instrumenty finansowe o zmiennej stopie procentowej	(5 819)	5 819	-	-

Fair values

Comparison between fair values and carrying amounts

The table below presents a comparison between fair values of financial assets and liabilities and values presented in the statement of financial position:

PLN '000	Dec 31 2013		Dec 31 2012	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets and liabilities measured at fair value				
Financial instruments at fair value through profit or loss	47,894	47,894	40,995	40,995
Hedge derivatives	(634)	(634)	-	-
	47,260	47,260	40,995	40,995
Financial assets and liabilities not measured at fair value				
Loans and receivables	102,305	102,305	52,307	52,307
Cash and cash equivalents	5,634	5,634	10,556	10,556
Secured bank borrowings	(74,889)	(74,889)	(161,203)	(161,203)
Unsecured bonds in issue	(574,539)	(574,539)	(427,430)	(427,430)
Finance lease liabilities	(8,569)	(8,569)	(7,324)	(7,324)
Trade and other payables	(28,338)	(28,338)	(21,549)	(21,549)
	(578,396)	(578,396)	(554,643)	(554,643)

For information on the rules applied to the measurement of fair value, see Note 4.

Where financial assets and liabilities are not measured at fair value, their carrying amounts are their approximate fair values, given the close due dates and floating interest rates.

Interest rates used for the assessment of fair value

	Dec 31 2013	**Dec 31 2012**
Financial assets at fair value through profit or loss	14.75%-169.36%	19.7%-360.73%
Borrowings	5.11%-6.86%	7.22%-8.47%
Unsecured bonds in issue	6.21%-7.71%	7.43%-9.33%
Finance lease liabilities	0.68%-4.0%	1.06%-4.0%

Hierarchy of financial instruments measured at fair value

The table below presents financial instruments recognised in the statement of financial position at fair value according to the valuation method applied. Depending on the level of valuation, the following inputs were used in the valuation models.

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities,
- Level 2: inputs forgiven assets and liabilities, other than quoted prices from Level 1, observable directly (e.g. as prices) or indirectly (e.g. as provisions derivative),
- Level 3: inputs that are not based on observable market prices (unobservable inputs).

PLN '000	**Level 2**
As at Dec 31 2013	
Hedge derivatives	634
As at Dec 31 2012	
Hedge derivatives	-

PLN '000	**Level 3**
As at Dec 31 2013	
Financial assets at fair value through profit or loss	47,894
As at Dec 31 2012	
Financial assets at fair value through profit or loss	40,995

28. Operating lease

Operating lease agreements with the Company as a lessee

Below are detailed minimum lease payments under irrevocable operating lease agreements:

PLN '000	**Dec 31 2013**	**Dec 31 2012**
up to 1 year	2,637	3,534
from 1 to 5 years	1,779	1,411
	4,416	4,945

Material operating lease agreements include:

- Agreement for the use of property with an area of 2,845 square metres located at ul. Legnicka 56 in Wrocław, Poland, executed with Legnicka Business House Sp. z o.o. on October 13th 2006. The agreement, executed for a term of ten years, is terminable after the initial period of five years. The annual cost of use is approximately EUR 314 thousand.
- Agreement for the use of property with an area of 2,216 square metres located at ul. Szczawieńska 2 in Szczawno-Zdrój, Poland, executed with Dolnośląska Agencja Rozwoju Regionalnego S.A. of Wałbrzych on August 13th 2009. The agreement, executed fora term of ten years, is terminable after the initial period of five years. The annual cost of use is approximately PLN 1,013 thousand.
- Agreement for the use of property with an area of 2,425 square metres, located at ul. Wołowska 4-20, Wrocław, executed with DEVCO Sp. z o.o. on December 10th 2010. The agreement was executed for a term of three years with no early termination option. The annual cost of use is approximately EUR 460 thousand

29. Related-party transactions

Remuneration of the management personnel

Below is presented information on the remuneration payable to the members of the Company's key management personnel:

PLN '000	**Jan 1 2013 – Dec 31 2013**	**Jan 1 2012 – Dec 31 2012**
Base pay/ managerial contract	2,538	3,180
Provisions for employee bonuses for the current year	2,414	1,967
Other - medical services and other	90	69
Share based consideration	2,578	2,346
	7,620	7,562

Other related-party transactions

As at December 31st 2013, the members of the management body and persons closely related to them jointly held 15% of the total vote at the Company's General Meeting (December 31st 2012: 18%).

Transactions with subsidiaries as at and for the period ended December 31st 2013

Balance of liabilities, receivables and loans

PLN '000	**Liabilities**	**Receivables**	**Loans advanced**	**Interest accrued on loans advanced**
Secapital S.a.r.l	12,605	13,847	-	-
ERIF Business Solutions Sp. z o.o.	-	19	860	20
Novum Finance Sp. z o.o.	218	81	-	-
Secapital Polska Sp. z o.o.	-	1	-	-
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	831	5 004	-	-
KRUK Romania S.r.l.	506	3,175	-	-
Rejestr Dłużników ERIF BIG S.A.	-	399	170	68
NSFIZ PROKURA	2,035	5,772	-	-
NSFIZ PROKULUS	-	12	-	-
KRUK Česká a Slovenská republika s.r.o.	-	712	-	-
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	5	-	-
InvestCapital Malta Ltd.	-	59,319	-	-
	16,195	88,346	1,030	88

Revenue from mutual transactions

PLN '000	**Revenue from sale of financial assets**	**Revenue from sale of materials and services**	**Revenue from sale of debt collection services**	**Interest and dividends**
Secapital S.a.r.l	-	-	1,051	114,313
ERIF Business Solutions Sp. z o.o.	-	30	-	20
Novum Finance Sp. z o.o.	-	361	61	51
Secapital Polska Sp. z o.o.	-	19	-	-
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	-	1,235	-	6,321
KRUK Romania S.r.l.	-	631	-	654
Rejestr Dłużników ERIF BIG S.A.	-	484	-	34
NSFIZ PROKURA	-	96	23,193	-
NSFIZ PROKULUS	-	62	66	-
KRUK Česká a Slovenská republika s.r.o.	-	419	-	888
KRUK Towarzystwo Funduszy Inwestycyjnych S.A.	-	51	-	-
InvestCapital Malta Ltd.	59,319	-	-	-
	59,319	3,388	24,371	122,281

Costs of mutual transactions

PLN '000	**Value of financial assets sold**	**Purchase of services**
ERIF Business Solutions Sp. z o.o.	-	1
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	-	2,614
KRUK Romania S.r.l.	-	5,914
Rejestr Dłużników ERIF BIG S.A.	-	1,656
Novum Finance Sp. z o.o.	-	1,477
KRUK Česká a Slovenská republika s.r.o.	-	462
InvestCapital Malta Ltd.	43,230	-
	43,230	12,124

Transactions with subsidiaries as at December 31st 2012

Balance of liabilities, receivables and loans as at the balance-sheet date

PLN '000	**Liabilities**	**Receivables**	**Loans advanced**	**Interest accrued on loans advanced**
Secapital S.a.r.l.	10,805	16,870	-	-
ERIF Business Solutions Sp. z o.o.	-	-	-	-
Novum Finance Sp. z o.o.	-	472	650	1
Secapital Polska Sp. z o.o.	1	-	-	-
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	494	4 124	-	-
Kruk International Srl	383	4,492	-	577
Rejestr Dłużników ERIF BIG S.A.	157	160	420	73
NSFIZ PROKURA	1,192	5,764	-	-
NSFIZ PROKULUS	-	10	-	-
KRUK International S.r.o.	351	431	11,303	988
KRUK TFI	-	9	-	-
	13,383	32,332	12,373	1,639

Revenue from mutual transactions

PLN '000	**Revenue from sale of debt collection services**	**Revenue from sale of materials and services and other revenue**	**Interest and dividends**
Secapital S.a.r.l	1,944	-	93,360
ERIF Business Solutions Sp. z o.o.	-	540	-
Novum Finance Sp. z o.o.	-	374	1
Secapital Polska Sp. z o.o.	-	19	-
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	-	1,711	7,645
Kruk International S.r.l.	-	924	254
Rejestr Dłużników ERIF BIG S.A.	-	540	73
NSFIZ PROKURA	22,015	-	-
NSFIZ PROKULUS	43	-	-
KRUK International S.r.o.		704	776
KRUK TFI		45	
	24,002	4,857	102,109

Costs of mutual transactions

PLN '000	**Purchase of services**
Rejestr Dłużników ERIF BIG S.A.	1,563
Kancelaria Prawna RAVEN Krupa & Stańko Sp. k.	2,819
Kruk International S.r.l.	5,977
KRUK International S.r.o.	948
	11,307

30. Contingent liabilities

On February 18th 2013, the Company executed a surety agreement with Bank BZ WBK S.A. Under the agreement, the Company issued a surety covering PROKURA NS FIZ's liabilities towards BZ WBK S.A. under a credit facility agreement of February 18th 2013, thus becoming a joint and several debtor in respect of the liabilities. Pursuant to the surety agreement, on the basis of Art. 97 of the Banking Law, the Company declared it would comply with any enforcement action up to the credit facility principal amount plus contractual interest, fees, commissions and other costs under the credit facility agreement, up to the total amount of double the limits made available by the Bank, i.e. PLN 140,000 thousand.

31. Events subsequent to the balance-sheet date

On January 24th 2014, the Company was notified that the Series T1 notes, with a total value of PLN 150,000 thousand, had been admitted to trading on the Catalyst market.

Piotr Krupa
President of the Management Board

Agnieszka Kułton
Member of the Management Board

Urszula Okarma
Member of the Management Board

Iwona Słomska
Member of the Management Board

Michał Zasępa
Member of the Management Board

Katarzyna Raczkiewicz
Person responsible for maintaining
the *accounting records*

Wrocław, March 3rd 2014