THE BUDIMEX GROUP

CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2013

Prepared in accordance with
the International Financial Reporting Standards

Index to the consolidated financial statements

(All amounts are expressed in PLN thousand)

Consolidated statement of financial position

ASSETS	Note	31 December 2013	31 December 2012
Non-current assets			
Property, plant and equipment	12	83 755	111 192
Investment properties	13	24 529	3 256
Intangible assets	14	4 106	2 992
Goodwill of subsidiaries	15	73 237	73 237
Investments in equity accounted companies	17	3 518	16 966
Available-for-sale financial assets	18	8 381	17 135
Retentions for construction contracts	36	24 804	19 202
Trade and other receivables	23	20 703	-
Concession agreement receivables	21	22 376	-
Derivative financial instruments	20	692	-
Non-current prepayments and deferred costs		4 793	4 176
Deferred tax assets	31	351 336	311 651
Total non-current (long-term) assets		**622 230**	**559 807**
Current (short-term) assets			
Inventories	24	697 046	876 206
Loans granted and other financial assets	22	3 164	-
Trade and other receivables	23	525 675	401 836
Retentions for construction contracts	36	18 217	49 419
Amounts due and receivable from customers under construction contracts	34	146 630	227 490
Current tax assets		331	935
Derivative financial instruments	20	131	5 724
Cash and cash equivalents	25	1 658 783	1 317 733
Current prepayments and deferred costs		14 546	9 061
		3 064 523	**2 888 404**
Non-current assets (disposal groups) classified as held for sale		-	-
Total current (short-term) assets		**3 064 523**	**2 888 404**
TOTAL ASSETS		**3 686 753**	**3 448 211**

Warsaw, 7 March 2014

(All amounts are expressed in PLN thousand)

Consolidated statement of financial position (cont.)

EQUITY AND LIABILITIES	Note	31 December 2013	31 December 2012
Equity			
Shareholders' equity attributable to the shareholders of the Parent Company			
Share capital	26	145 848	145 848
Share premium	26	87 163	234 799
Other reserves	32, 49	4 584	2 705
Foreign exchange differences on translation of foreign operations		5 101	2 190
Retained earnings (losses)		383 627	47 588
Total shareholders' equity attributable to the shareholders of the Parent Company		**626 323**	**433 130**
Equity attributable to non-controlling interests	27	18 852	-
Total equity		**645 175**	**433 130**
Liabilities			
Non-current liabilities			
Loans, borrowings and other external sources of finance	28	34 355	75 967
Retentions for construction contracts	36	161 347	161 143
Provisions for non-current liabilities and other charges	33	147 676	141 521
Retirement benefits and similar obligations	32	4 381	3 747
Derivative financial instruments	20	226	-
Total non-current liabilities		**347 985**	**382 378**
Current liabilities			
Loans, borrowings and other external sources of finance	28	19 729	17 718
Trade and other liabilities	29	1 217 984	1 287 594
Retentions for construction contracts	36	189 466	222 146
Amounts due and payable to customers (investors) under construction contracts	34	689 915	534 870
Advance payments received	35	276 325	274 050
Provisions for current liabilities and other charges	33	120 126	116 060
Current tax liability		16 147	6 225
Retirement benefits and similar obligations	32	1 117	1 036
Derivative financial instruments	20	499	257
Short-term accruals	30	156 931	161 608
Short-term deferred income		5 354	11 139
		2 693 593	**2 632 703**
Liabilities relating directly to non-current assets (disposable groups) classified as held for sale		-	-
Total current liabilities		**2 693 593**	**2 632 703**
Total liabilities		**3 041 578**	**3 015 081**
TOTAL EQUITY AND LIABILITIES		**3 686 753**	**3 448 211**

Warsaw, 7 March 2014

(All amounts are expressed in PLN thousand)

Consolidated profit and loss account

	Note	Year ended 31 December 2013	Year ended 31 December 2012
Continuing operations			
Net revenue from sales of finished goods, services, goods for resale and raw materials	37	4 749 459	6 077 660
Cost of finished goods, services, goods for resale and raw materials sold	38	(4 354 043)	(5 617 789)
Gross profit on sales		**395 416**	**459 871**
Selling expenses	38	(28 364)	(24 371)
Administrative expenses	38	(162 917)	(193 362)
Other operating income	40	44 181	65 780
Other operating expenses	40	(107 991)	(139 172)
Gains/ (losses) on derivative financial instruments	41	(1 131)	13 663
Profit on disposal of a subsidiary	9	194 112	-
Operating profit		**333 306**	**182 409**
Finance income	42	30 498	67 063
Finance costs	42	(28 256)	(40 723)
Gains on derivative financial instruments	41	407	-
Share in net (losses) of equity accounted subordinates	43	(4 684)	(6 121)
Gross profit		**331 271**	**202 628**
Income tax	44	(29 971)	(16 646)
Net profit from continuing operations		**301 300**	**185 982**
Net profit for the period		**301 300**	**185 982**
of which:			
Attributable to the shareholders of the Parent Company		**300 480**	**185 982**
Attributable to non-controlling interests	27	820	-
Basic and diluted earnings per share attributable to the shareholders of the Parent Company (in PLN)	45	11.77	7.28

Warsaw, 7 March 2014

(All amounts are expressed in PLN thousand)

Consolidated statement of comprehensive income

		Year ended 31 December	
		2013	**2012**
Net profit for the period		**301 300**	**185 982**
Other comprehensive income/(loss) for the period which:			
Shall be reclassified to profit or loss upon satisfaction of certain conditions:			
Foreign exchange differences on translation of foreign operations	47	(261)	(39)
Deferred tax related to components of other comprehensive income		-	-
Shall not be reclassified to profit or loss:			
Actuarial gains/ (losses)	32	(971)	-
Deferred tax related to components of other comprehensive income	31	185	-
Reclassification of foreign exchange differences to profit or loss	9	3 172	-
Other comprehensive income, net		**2 125**	**(39)**
Total comprehensive income for the period		**303 425**	**185 943**
of which:			
Attributable to the shareholders of the Parent Company		**302 605**	**185 943**
Attributable to non-controlling interests	27	**820**	**-**

Warsaw, 7 March 2014

(All amounts are expressed in PLN thousand)

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the Parent Company							Non-controlling interests	Total equity
			Other reserves						
	Share capital	Share premium	Share-based payments	Actuarial gains/ (losses)	Foreign exchange differences on translation of foreign operations	Retained earnings	Total		
Balance as at 1 January 2013	**145 848**	**234 799**	**2 705**	**-**	**2 190**	**47 588**	**433 130**	**-**	**433 130**
Profit for the period	-	-	-	-	-	300 480	300 480	820	**301 300**
Other comprehensive income	-	-	-	(786)	2 911	-	2 125	-	**2 125**
Total comprehensive income for the period	-	-	-	**(786)**	**2 911**	**300 480**	**302 605**	**820**	**303 425**
Dividends (46)	-	-	-	-	-	(112 077)	(112 077)	-	**(112 077)**
Loss coverage (note 26)	-	(147 636)	-	-	-	147 636	-	-	**-**
Share-based payments (note 49)	-	-	2 665	-	-	-	2 665	-	**2 665**
Change in the composition of the Group (note 8)	-	-	-	-	-	-	-	18 032	**18 032**
Balance as at 31 December 2013	**145 848**	**87 163**	**5 370**	**(786)**	**5 101**	**383 627**	**626 323**	**18 852**	**645 175**

Warsaw, 7 March 2014

(All amounts are expressed in PLN thousand)

Consolidated statement of changes in equity (cont.)

	Equity attributable to the shareholders of the Parent Company						Non-controlling interests	Total equity
	Share capital	**Share premium**	**Other reserves– share-based payments**	**Foreign exchange differences on translation of foreign operations**	**Retained earnings**	**Total**		
Balance as at 1 January 2012	**145 848**	**234 799**	**1 283**	**2 229**	**141 671**	**525 830**	**-**	**525 830**
Profit for the period	-	-	-	-	185 982	185 982	**-**	**185 982**
Other comprehensive income	-	-	-	(39)	-	(39)	**-**	**(39)**
Total comprehensive income for the period	-	-	-	**(39)**	**185 982**	**185 943**	**-**	**185 943**
Dividends	-	-	-	-	(280 065)	(280 065)	-	**(280 065)**
Share-based payments (note 49)	-	-	1 422	-	-	1 422	**-**	**1 422**
Balance as at 31 December 2012	**145 848**	**234 799**	**2 705**	**2 190**	**47 588**	**433 130**	**-**	**433 130**

Warsaw, 7 March 2014

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Consolidated statement of cash flow

	Note	Year ended 31 December 2013	2012
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit before tax		**331 271**	**202 628**
Adjustments for:			
Depreciation/ amortization	38	28 893	50 683
Shares in net profits (losses) of equity accounted companies	43	4 684	6 121
Goodwill impairment		-	45 000
Foreign exchange (gains)/ losses		182	(1 458)
Interest and shares in profits (dividends)		1 498	4 482
(Profit)/ loss on disposal of investments		(198 406)	3 179
Change in valuation of derivative financial instruments	41	5 369	(17 656)
Operating profit/ (loss) before changes in working capital		**173 491**	**292 979**
Change in receivables and retentions for construction contracts		(140 652)	(21 380)
Change in inventories		135 161	205 998
Change in provisions and liabilities arising from retirement benefits and similar obligations		24 612	36 676
Change in retentions for construction contracts and in liabilities, except for loans and borrowings		(91 708)	(137 601)
Change in accruals and deferred income		(17 100)	11 274
Change in amounts due and receivable under construction contracts		239 256	(388 315)
Change in advance payments received		65 544	(49 025)
Change in cash and cash equivalents of restricted use	25	(18 506)	10 155
Other adjustments	47	3 693	82
Cash from operating activities		**373 791**	**(39 157)**
Income tax paid		(59 130)	(4 990)
NET CASH FROM OPERATING ACTIVITIES		**314 661**	**(44 147)**

Warsaw, 7 March 2014

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Consolidated statement of cash flow (cont.)

	Note	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOW FROM INVESTING ACTIVITIES			
Sale of intangible and property, plant and equipment		3 421	3 208
Purchase of intangible assets and property, plant and equipment		(13 571)	(24 118)
Sale of available-for-sale financial assets		160	4 676
Sale of subsidiaries	9	177 279	-
Purchase of shares in subsidiaries and associates		(5 821)	(82 510)
Loans granted	22	(3 111)	-
Dividends received		5	21
Interest received		93	30
NET CASH GENERATED ON/ USED IN INVESTING ACTIVITIES		**158 455**	**(98 693)**
CASH FLOW FROM FINANCING ACTIVITIES			
Loans and borrowings received		22 106	59 127
Repayment of loans and borrowings		(52 968)	(51 342)
Dividends paid	46	(112 077)	(280 065)
Payments of liabilities under finance lease		(9 623)	(14 409)
Interest paid		(1 538)	(4 296)
NET CASH USED IN FINANCING ACTIVITIES		**(154 100)**	**(290 985)**
TOTAL NET CASH FLOW		**319 016**	**(433 825)**
Foreign exchange differences, net		(68)	83
CASH AND CASH EQUIVALENTS - OPENING BALANCE	**25**	**1 306 746**	**1 740 488**
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**25**	**1 625 694**	**1 306 746**
Cash and cash equivalents of disposable groups		-	-
TOTAL CASH AND CASH EQUIVALENTS OF THE GROUP		**1 625 694**	**1 306 746**

Warsaw, 7 March 2014

Notes to the consolidated financial statements

1. General information

The parent company of the Budimex Group (hereinafter the "Group") is Budimex SA (the "Parent Company") with its registered office in Warsaw, ul. Stawki 40, entered in the Register of Entrepreneurs kept by the District Court for the capital city of Warsaw, 12th Commercial Department of the National Court Register, File No. WA.XII NS-REJ.KRS/21130/13/159, under KRS number 1764.

The main area of the business activities of the Parent Company are construction and assembly services and rendering of management and advisory services to Budimex Group companies. The industry branch in which the Parent Company operates was classified by the Warsaw Stock Exchange as general construction and civil engineering business.

The main area of the business activities of the Group are broadly interpreted construction and assembly services under the system of general contracting at home and abroad, property development activities, property management, and limited scope trading, production, transport and other business. Aside from the construction business, Budimex SA serves in the Group as an advisory, management and financial centre. These three functions are aimed to:

- ensure quick flow of information across the Group,
- strengthen the efficiency of cash and financial management of individual Group companies,
- strengthen the market position of the Group as a whole.

The Parent Company and other Group companies have been established in perpetuity.

The Budimex Group operates as part of the Ferrovial Group with Ferrovial SA with its registered office in Madrid, Spain, as its parent company.

These consolidated financial statements were approved by the Management Board of the Parent Company on 7 March 2014.

1.1 Going concern assumption

The consolidated financial statements of the Group for the year 2013 were prepared on the assumption that the Group companies will be going concerns in the foreseeable future. As at the date of signing the consolidated financial statements, the Management Board of the Parent Company is not aware of any facts or circumstances that would indicate any threat to the main Group companies' continued activities after the balance sheet date, due to an intended or compulsory withdrawal from or a significant limitation in their activities.

2. Key accounting policies

The main accounting policies applied during the course of the preparation of these consolidated financial statements are presented below. These accounting policies were applied consistently in all the periods presented, unless stated otherwise.

2.1 Basis of preparation financial statements

These financial statements for the year ended 31 December 2013 were prepared in accordance with the International Financial Reporting Standards („IFRS") approved by the European Union and prevailing as at the balance sheet date.

Standards and Interpretations applied for the first time in 2013

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 13 "Fair Value Measurement", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 1 "First-time Adoption of IFRS" - Government Loans, adopted by the EU on 4 March 2013 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 1 "Presentation of financial statements" - Presentation of Items of Other Comprehensive Income, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 July 2012),

- Amendments to IAS 12 "Income Taxes" - Deferred Tax: Recovery of Underlying Assets, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to IAS 19 "Employee Benefits" - Improvements to the Accounting for Post-employment Benefits, adopted by the EU on 5 June 2012 (effective for annual periods beginning on or after 1 January 2013),
- Amendments to various standards "Improvements to IFRSs (2009-2011)" resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (effective for annual periods beginning on or after 1 January 2013).
- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2013).

The adoption of these standards, amendments to the existing standards and interpretations has not led to any changes in the Entity's accounting policies, aside from those described in Note 3.

Standards and Interpretations already published but not yet effective

At the date of authorisation of these financial statements the Group did not apply the following standards and amendments to the standards which were published and adopted by the EU, but not yet effective:

- IFRS 10 "Consolidated Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 11 "Joint Arrangements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IFRS 12 "Disclosures of Interests in Other Entities", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 27 (revised in 2011) "Separate Financial Statements", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures", adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities" - Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements" - Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 32 "Financial instruments: presentation" - Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 36 "Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets", adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting", adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The Group has elected not to take advantage of early adoption of the above standards and amendments to the standards. The Group anticipates that the adoption of these standards and amendments to the standards will have no material impact on the financial statements of the Group in the period of initial application.

Standards and Interpretations issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 7 March 2014:

- IFRS 9 "Financial Instruments" with further amendments (effective date not determined yet),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 July 2016),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee contributions (effective for annual periods beginning on or after 1 July 2014),
- Amendments to various standards "Improvements to IFRSs (2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 July 2014),

- Amendments to various standards "Improvements to IFRSs (2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 27 March 2013 (effective for annual periods beginning on or after 1 July 2014),
- IFRIC 21 "Levies" (effective for annual periods beginning on or after 1 January 2014).

The Group anticipates that the adoption of these standards, amendments to the existing standards and interpretations at the reporting date would have no material impact on the financial statements of the Group.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated. According to the Group's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the consolidated financial statements, if applied as at the balance sheet date.

These consolidated financial statements were prepared under the historical cost convention, except for hyperinflation adjustments described in Note 26 and certain financial instruments measured at fair value at the end of each reporting period in compliance with the accounting policies described below.

As a rule, the historical cost is defined based on fair value of the payment for goods or services.

Fair value is the price that would be received while selling an asset or paid to transfer a liability in an orderly transactions on the principal (or the most advantageous) market at the measurement date and under current market conditions, irrespective of whether the price is directly observable or estimated using another valuation technique. To measure the an asset or a liability at fair value, the Group takes into consideration the features of the given asset or liability provided that the market participants consider such features during valuation assets or liabilities as at the measurement date. For the purposes of measurement and/or disclosure in the consolidated financial statements of the Group, fair value is defined on the above-mentioned basis, except for share-based payments which are covered by IFRS 2, lease transactions covered by IAS 17, as well as valuations that are similar to fair value but which are not fair value such as the net selling price as per IAS 2 or the value in use as per IAS 36.

The Group classifies fair value measurements using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, to which the Group has access on valuation date,
- Level 2: input data other than quotations included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices),
- Level 3: source data for the asset or liability that are not based on observable market data (i.e. unobservable source data).

2.2 The principles of consolidation

Subsidiary companies

The consolidated financial statements comprise the financial statements of the Parent Company and the financial statements of the entities controlled by the Parent Company (or subsidiaries of the Parent Company) prepared as at the balance sheet date. The control of an entity is ascertained if the Parent Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiary companies are subject to full consolidation from the date the Group assumes control over them until the control ends.

The financial statements of subsidiary companies are prepared for the same reporting period as the financial statements of the Parent Company using similar accounting policies consistently.

Acquisitions of subsidiary companies by the Group, except for acquisition of entities under common control, are accounted for using the purchase method.

Acquisition of jointly controlled entities

Business combinations arising from transfers of interests in entities that are directly or indirectly under the control of the shareholder that controls the Budimex Group are accounted for using the pooling of interests method, i.e. as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, on the date that joint control was established. The assets and liabilities acquired are recognized at their carrying amounts after the harmonization of accounting policies and appropriate consolidation adjustments. The amount of equity of the acquired entity and all differences between the carrying amount and purchase price is recognized directly in the consolidated equity as retained earnings. Inter-company receivables and liabilities, income and expenses realised between the companies, profits and losses realized before acquisition that are included in the value of consolidated assets and liabilities are excluded on consolidation. Expenses related to the acquisition of jointly controlled entities are charged to other operating activities of the period in which they were incurred.

Consolidation procedures

The following policies were observed while performing full consolidation:

- all appropriate items of assets and liabilities of subsidiary entities and the Parent Company were aggregated in full amounts irrespective of the share of the Parent Company in those assets and liabilities,
- all appropriate items of revenues and expenses of subsidiaries and the Parent Company were aggregated in full irrespective of the ownership share of the Parent Company of the given subsidiary,
- consolidation adjustments and exclusions were made after aggregating the data.

The following were excluded from the consolidated financial statements:

- equity of subsidiary companies that arose prior to taking control over those entities,
- value of shares held by the Parent Company or other entities included in consolidation,
- mutual receivables and liabilities and other similar settlements with entities included in consolidation,
- revenues and costs arising from business operations between entities included in consolidation,
- unrealized, from the point of view of the Group, gains from operations between entities included in consolidation, and included in the value of consolidated assets and liabilities, as well as unrealized losses, unless the transaction proves the impairment of the asset acquired,
- dividends accrued or paid by subsidiary companies to the Parent Company or other entities subject to consolidation.

The consolidated net result is allocated to the shareholders of the Parent Company and to non-controlling interests.

Transactions with non-controlling interests without control change effect

Transactions with non-controlling interests without control change effect are recorded in correspondence with equity.

Associates

An associate is an entity on which the Parent Company has significant influence but over which it does not exercise control by way of participating in governing the financial and operating policies and which is not a subsidiary of the investor or a joint venture of the investor.

Shares in associates are valued using the equity method, except where the investment is classified as held for trading. Investments in associates are stated at acquisition cost after considering changes in the share in net assets of the company that occurred until the balance sheet date, less impairment of individual investments. Losses of associates in excess of the Group's share in the investment in the associate are not recognized, unless the Parent Company undertook to absorb losses or to make payment on behalf of the given associate.

Any excess of acquisition cost above the share in the fair value of identifiable net assets (inclusive of contingent liabilities) of an associate at acquisition date is recognized as goodwill, thus increasing the value of the investment in an associate. Where the acquisition cost is lower than the Group's share in the identifiable net assets (inclusive of contingent liabilities) of an associate at acquisition date, the difference is recognized as gain at the time of establishing the investor's share in profit or loss of an associated company for the period in which the acquisition took place.

Joint ventures

The Group's/ Company's share in a joint venture is recognized in the following manner:

- for shares in jointly controlled business (contracts realized by consortia without setting up separate entities) – assets, liabilities, revenues and costs relating to a joint venture are recognized directly in the books of account of joint venture participants,
- for shares in jointly controlled entities (registered partnerships, other special purpose companies) – these entities are consolidated using the proportionate method, under which the proportionate share of the Group in assets, equity and liabilities, revenues and costs of a joint venture is recognized on a line by line basis together with similar items in the consolidated financial statements.

2.3 Foreign currency transactions and valuation of foreign currency items

Functional and reporting currency

Items recognized in the financial statements of individual Group entities are valued using the currency of the main economic environment in which the company conducts its business ("functional currency"). The consolidated financial statements of the Group are presented in the Polish zloty, which is the functional and reporting currency of the Parent Company. Figures are rounded to PLN thousands, unless otherwise stated in specific cases.

Transactions and balances

Foreign currency transactions are initially stated in the functional currencies; for translation of balances into the Polish zloty a spot exchange rate prevailing on the transaction date is used.

At each balance sheet date:

- monetary items are translated using the closing rate,
- non-monetary items stated at historical purchase price or cost of production expressed in foreign currencies are translated using the exchange rate prevailing on the transaction date,
- non-monetary items stated at fair value expressed in foreign currencies are translated using the exchange rates prevailing on the date on which the fair value was determined.

Foreign exchange differences relating to foreign currency assets and liabilities that arose on the date of assets and liabilities valuation and on settlement of foreign currency receivables and payables as well as on sale of currencies are included under finance income or finance costs, as appropriate.

Foreign operations and shares in subsidiaries using other functional currencies

The financial result, assets, equity and liabilities of foreign operations of the Group as well as those of the Group subsidiaries with a functional currency different from that of the Parent Company (with the provision that the functional currency of those entities is not the currency of a hyperinflationary economy) are translated into the Polish zloty as follows:

- assets and liabilities of branches and of each of the statement of financial position presented (i.e. including comparative data) are translated using the closing rate prevailing at the balance sheet date,
- revenues and costs in each profit and loss account (i.e. including comparative data) are translated using the average exchange rate (unless application of the average exchange rate would materially differ from the values obtained using the exchange rate prevailing on the transaction date),
- all resultant exchange differences are recognized as a separate item of equity under “Foreign exchange differences on translation of foreign operations”.

In the event of disposal of a foreign operation, the accumulated amount of deferred foreign exchange differences recognized as separate item of equity is recognized in the financial result upon recognition of profit or loss on disposal of this entity.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost or cost of production less accumulated depreciation and accumulated impairment losses. Land is stated at cost less accumulated impairment losses.

Property, plant and equipment, except for land, are depreciated in a way reflecting the patterns of consumption of economic benefits of the specific items in order to spread their initial cost reduced by the residual value, over the period of their estimated useful lives. Depreciation starts when a given item of property, plant and equipment is available for use. The useful lives of the Group tangible assets are as follows:

- perpetual usufruct 40 – 78 years
- buildings and constructions 10 – 50 years
- plant and machinery 2 – 25 years
- motor vehicles 3 – 10 years
- other 2 – 10 years

Any subsequent expenditure is included in the carrying amount of a given fixed asset or as a separate item provided that it is probable that an inflow of economic benefits will flow to the Group and the cost of the item may be reliably measured. Other costs incurred since the initial recognition such as costs of repair, maintenance or operating fees affect the financial result for the reporting period in which they were incurred, except for the significant costs of overhauls which are recognized in the carrying amount of the appropriate item of property, plant and equipment.

Verification of the recoverable value and useful lives of property, plant and equipment is performed at least once a year and, if necessary, their values are adjusted.

Where the carrying amount of a given item of property, plant and equipment exceeds its estimated recoverable value, the carrying amount is immediately reduced to asset recoverable value.

Gains and losses on disposal of an item of property, plant and equipment are determined by way of comparing sale proceeds with assets carrying amounts and are recognized in the profit and loss account.

Construction-in-progress

Construction-in-progress is stated at the amount of aggregate costs directly attributable to the acquisition or production of such assets, including finance costs, less any impairment losses. Construction-in-progress is not depreciated until completed and brought into use.

2.5 Investment properties

Investments in property (investment property) are initially valued at acquisition or production cost, after including transaction costs. After initial recognition, investment property, except for land and properties meeting the criteria of classification as held for sale, is depreciated in a way reflecting the pattern of consumption of economic benefits and adjusted for accumulated impairment losses.

The useful lives of the Group's investment properties are as follows:

- perpetual usufruct 40 – 78 years
- buildings and constructions 10 – 50 years
- other investment properties 2 – 10 years

2.6 Intangible assets

Intangible assets are recognized if it is probable that the future economic benefits that are directly attributable to the assets will flow to the Company and that the acquisition cost or cost of development of an intangible asset can be reliably measured.

Initially, intangible assets are valued at acquisition cost or cost of production. Following initial recognition, intangible assets are valued at acquisition cost or cost of production less accumulated amortization and total value of impairment losses.

Intangible assets are amortized in a way reflecting the pattern of consumption of economic benefits over their estimated useful lives. The expected useful lives of the Group's intangible assets are as follows:

- Patents and licenses 5 – 15 years
- Software 2 – 5 years

2.7 Non-current assets (disposal groups) classified as held for sale

Included in this group are non-current assets (or disposal groups) provided their carrying amount will be recovered in a disposal transaction rather than through further use of the asset.

Non-current assets (or disposal groups) are valued at the lower of carrying amount and fair value less costs to sell. The fair value of non-current assets classified as held for sale is the value determined in the preliminary agreement less costs to sell.

2.8 Goodwill

Goodwill is the excess of the aggregate of:

- the consideration transferred, measured at acquisition-date fair value;
- contingent consideration, measured at acquisition-date fair value;
- the amount of any non-controlling interest in the acquiree measured either at its fair value or at its proportionate interest in the net identifiable assets;
- in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree;

over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, measured at fair value, apart from limited exceptions provided in IFRS 3.

Goodwill represents a payment made in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised.

Goodwill is recognized under assets and is not subject to amortization; it is, however, subject to impairment testing at least once a year. Any impairment loss is recognized directly in the profit and loss account and is not subject to reversal in subsequent reporting periods.

If the activities belonging to a cash generating unit to which the goodwill was allocated are to be sold, then the goodwill allocated to the activities sold will be accounted for during the course of determining gains or losses on sale.

Goodwill that arose prior to transitioning to the IFRS was recognized in accordance with the value determined using the earlier recognized accounting policies and was subject to impairment testing as at the date of transition to the IFRS. In addition, goodwill is tested annually for impairment and is recognized in the statement of financial position at cost less accumulated impairment losses. In order to conduct an impairment test, goodwill is allocated to cash generating units.

A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets.

2.9 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset.

Other borrowing costs are recognized as an expense in the period in which they are incurred.

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

In the Budimex Group, the qualifying assets are mainly inventories in developer companies as well as property, plant and equipment, investment properties and intangible assets.

2.10 Lease

The Group companies are parties to lease agreements under which they use third-party fixed assets over an agreed period of time in return for payments.

In the case of a finance lease agreement, which transfers substantially all of the risks and rewards of ownership of an asset, the leased asset is recorded under fixed assets or investments at fair value or at the present value of the minimum lease payments at the inception of the lease term, if the present value is lower than asset fair value. Lease payments are apportioned between finance costs and reduction of the outstanding lease liability so as to produce a constant rate of interest on the outstanding lease liability.

Leased assets are depreciated over the shorter of the two periods: the asset's expected period of use or the lease term, if it is not certain that the lessee obtains ownership right to the asset prior to the end of the lease term.

Lease payments made under lease agreements which do not meet the criteria of finance leases are recognized as an expense in the profit and loss account over the lease term.

Finance costs are recognized directly in the profit and loss account in accordance with the policies described in Note 2.9.

2.11 Impairment of non-financial assets

An assessment is made by the Group companies at each balance sheet date to determine whether there is any objective evidence that an asset or a group of assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined and an impairment loss is recognized for the difference between the recoverable amount and the carrying amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of impairment analysis, assets are grouped on the lowest possible level, on which identifiable cash flows occur (cash generating units). A cash generating unit is the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment losses are recognized in the profit and loss account.

2.12 Advance payments for non-financial assets

Advance payments for property, plant and equipment, investment properties, intangible assets or inventories ("Prepayments made") are recognized under short-term receivables.

2.13 Inventories

Inventories comprise raw materials, goods for resale, work in progress and finished goods. In classifying inventory items to individual categories, the following policies are applied by the Group:

- Raw materials – represent items kept in warehouses or other places of storage that are to be used in production processes, especially to be consumed in construction activities.

- Work in progress – represents costs of uncompleted developer projects as well as general purpose and low processed inventory items which are stored on construction sites and which may be used, in a simple way and without incurring significant costs, for the realization of other contracts, or sold (if considered unnecessary for the realization of the given contract).
- Goods for resale – inventory items purchased with a view to re-selling, including land used in carrying out developer projects.
- Finished goods – internally developed goods for which the process of development was completed as well as flats, usable floor space and completed constructions ready for sale.

Excluded from inventories are items stored on construction sites which are to be used for a given construction project or processed either internally or externally by a subcontractor, which are not certain to be simply used for other contracts or sold. Such items are taken directly to the costs of the contract and thus are included in the contract percentage valuation method.

Inventories are valued at the lower of acquisition cost or cost of production and net realizable value.

Net realizable value is the selling price achievable at the balance sheet date, net of VAT and excise taxes, less any rebates, discounts and other similar items, less the estimated costs to complete and costs to sell.

Raw materials are valued based on weighted average basis, goods for resale are valued on a "first in – first out" basis, while the work in progress and finished goods – at the cost of direct materials and labour and an appropriate proportion of manufacturing overheads based on normal operating capacity.

2.14 Cash and cash equivalents

Cash in hand and at bank is carried at nominal value.

The "Cash and cash equivalents" item of the Statement of Cash Flow comprise cash on hand and bank deposits which have a maturity period of 3 months or less and were not included under investing activities.

Included in cash of restricted use are mainly cash items representing:

- security for bank guarantees,
- amounts gathered on escrow accounts and blocked accounts of development companies,

provided their maturity does not exceed 3 months.

The Group recognizes cash of restricted use in the statement of financial position under cash and cash equivalents, while for the purpose of cash flow statement – the balance of cash at the beginning and at the end of the financial year is reduced by cash of restricted use, and the balance sheet change is recognized under cash flow from operating activities.

2.15 Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position of the Group when the Group becomes a party to a binding agreement. The financial instruments held are recognized in the Group's statement of financial position and classified into the following categories:

- Financial assets: financial assets available for sale, investments held to maturity, loans and receivables and financial assets at fair value through profit or loss (inclusive of derivative financial instruments);
- Financial liabilities and equity instruments: financial liabilities and equity instruments, bank loans and borrowings, trade payables, liabilities at fair value through profit or loss (inclusive of derivative financial instruments).

The above classification is based on the criterion of the purpose of the investment acquired or the liability incurred. The Management Board determines the classification of a given item upon initial recognition, and subsequently verifies this initial classification at each balance sheet date. During the period covered by these financial statements, the Group did not hold any financial instruments classified as held to maturity.

Financial assets and liabilities at fair value through profit or loss

This category covers the following two sub-categories:

- Financial assets or liabilities held for trading and
- Financial assets or liabilities classified upon initial recognition at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if it is:

- acquired or incurred with a view to selling or repurchasing in a near term,
- a derivative (except for a derivative that is designated as an effective hedging instrument).

Transactions of investment purchase or sale or taking up or repayment of a liability are recognized as at the transaction date i.e. the date on which the Group becomes party to the relative contract. Investments are initially recognized at fair value increased by transaction costs.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Trade receivables relating to executed construction contracts or the advance payments made (but not classified as financial instruments) are recognized as current receivables, since it is expected that these will be settled during the course of a normal operating cycle of the entity.

Receivables from retentions for construction contracts and loans with a maturity date falling below 12 months are recognized as current receivables. Non-current receivables arising from retentions for construction contracts are discounted to the present value using the effective interest rate.

Trade loans and receivables are initially stated at fair value and subsequently are valued at amortized cost less impairment losses. Impairment losses are recognized if objective evidence exists that the Group will not be able to recover all amounts due under original receivables' terms and conditions.

Investments held to maturity

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

Investment purchase or sale transactions are recognized as at the transaction date i.e. the date on which the Group commits to purchase or sell a given asset item. Investments held to maturity are initially recorded at fair value increased by transaction costs, while in the subsequent periods – at adjusted purchase price (amortized cost).

Available-for-sale financial assets

Financial assets available for sale are financial instruments not classified in any of the remaining categories of financial instruments. These are recorded under non-current assets provided the Management Board does not intend to dispose of these investments within 12 months of the balance sheet date. If it is intended to dispose of the investments within 12 months of the balance sheet date, such assets are reclassified to current assets.

Asset purchase or sale transactions are recognized as at the transaction date i.e. the date on which the Group commits to purchase or sell a given asset. Assets are initially recognized at fair value increased by transaction costs. This policy relates to all assets not classified as at fair value through profit or loss. The assets are derecognized when the rights to the cash flow from the asset expired or were transferred and the Group transferred substantially all of the risks and rewards attached to asset ownership.

Following initial recognition, financial assets available for sale are recorded at fair value. If determining the fair value of available-for-sale financial assets with a specified maturity date is not possible, they are recorded at amortized cost; if, however, the maturity date was not specified – at acquisition cost.

Gains or losses arising from changes in asset fair value are recognized in the period in which they arose. Gains and losses arising from the difference between the fair value of available-for-sale assets (if there is a market price determined on the active market or whose fair value can be determined in another reliable manner) and their purchase price, less deferred tax, is recognised in other comprehensive income. Gains and losses arising from changes in the fair value of available-for-sale financial assets being monetary items that result from foreign exchange differences are recognized in the profit and loss account in the period in which they arose. Where the fair value is not determinable, financial assets available for sale representing non-monetary items are valued at acquisition cost less impairment losses, if any. In the case of disposal of available for sale financial assets classified as "available for sale" or in the case of their loss of value, total adjustments consisting in re-measurement to fair value recognized in equity are taken to the profit and loss account as gains/ losses on financial assets.

An assessment is made at each balance sheet date to determine whether there is any objective evidence that an item of financial assets or a group of financial assets may be impaired. In case of equity securities classified as "available for sale", in the process of determining impairment losses a significant or extended loss of fair value below equity cost is taken into account. If such evidence exists for financial assets available for sale, total losses incurred to date calculated as the difference between acquisition cost and current fair value less probable impairment losses recognized previously in the profit and loss account are excluded from equity and recognized in the profit and loss account.

Trade liabilities and retentions for construction contracts

Initially, trade liabilities are recorded at the present value of the payment to be made, while in the subsequent reporting periods – at amortized cost.

Trade liabilities arising from the construction contracts in progress and from the prepayments received are classified as current liabilities as it is expected that they will be settled during the course of the normal operating cycle of the entity.

Liabilities arising from retentions for construction contracts with the settlement deadline of less than 12 months are recognized as current liabilities. Non-current liabilities arising from retentions for construction contracts are discounted to the present value using the effective interest rate. Short-term retentions for construction contracts are initially recorded at the present value of the anticipated payment and recognized in subsequent periods at amortized cost.

Loans and borrowings and other external sources of finance

Loans and borrowings and other external sources of finance are initially stated at fair value increased by transaction costs which may be directly attributed to acquisition or issue of the financial liabilities item. As at the balance sheet date, financial liabilities are recognized at amortized cost using the effective interest rate.

Derivative financial instruments

The Group companies enter into derivative transactions to hedge against foreign currency risk and interest rate risk. Policies relating to the use of derivative financial instruments have been described in the risk management policy of the Group approved by the Management Board as described in detail in Note 4 “Financial risk management”.

Derivative financial instruments are valued at the reporting date at a reliably determined fair value. Fair value of derivative financial instruments is assessed using the model, which is based, among others, on the average NBP rates prevailing at the balance sheet date or on differences in the levels of interest rates of the quotations and base currencies.

The effects of periodic valuation of FX forward contracts as well as gains and losses determined at the date of their settlement are reported in the profit and loss account under “Gains/ (losses) on derivative financial instruments” as part of operating business.

The effects of periodic valuation of interest rate swap contracts as well as gains and losses determined at the date of their settlement are reported in the profit and loss account under “Gains/ (losses) on derivative financial instruments” as part of financing business.

The companies of the Group do not apply hedge accounting.

As regards transactions on the money, equity or derivative financial instruments markets, the Group companies cooperate with banks of good financial standing and thus do not contribute to significant credit risk concentration.

2.16 Equity

Equity

Share capital covers ordinary shares and is recorded in the nominal value (as presented in the Articles of Association of the Parent Company and recorded in the National Court Register) adjusted by the effects of hyperinflation for the period in which Polish economy was hyperinflationary.

Share premium represents a difference between the price for which the shares of the Parent Company were taken up and their nominal value. This was adjusted by the effects of hyperinflation for the period in which Polish economy was hyperinflationary.

Other reserves cover the costs of introduction by Ferrovial SA of the share-based payment plan (note 2.18) as well as actuarial gains/(losses) on retirement benefits and similar obligations.

Foreign exchange differences on translation of foreign operations comprise the effect of translation of the financial statements of foreign branches and foreign operations of the Group from foreign currencies to PLN.

Equity attributable to non-controlling interests

Equity attributable to non-controlling interest is the part of equity of subsidiary companies consolidated using the full method, which belongs to the shareholders other than those of the entities belonging to the Group.

Net profit (loss) of subsidiary companies in the part belonging to the shareholders other than those of the entities belonging to the Group represents non-controlling interests gain/ (loss).

2.17 Employee benefits

Group entities operate retirement benefits / pension plan programs and thus create provisions for their underlying liabilities. Payments under these programs are expensed to the profit and loss account so as to ensure the spread of the costs of those benefits over employees' entire working lives at the companies. The value of the provision is determined by an independent actuary using the projected unit credit method.

Starting from 1 January 2013, all actuarial gains and losses are recognized in other comprehensive income. Changes to the accounting policies are described in details in Note 3.

The Group does not establish a separate fund for future benefits and allowances.

2.18 Share-based payments

Ferrovial SA operates its own equity-settled, share-based compensation plan under which employees of the Group render services to the Company and its subsidiaries as consideration for equity instruments of Ferrovial SA. In compliance with IFRS 2, the fair value of the employee services received in exchange for the grant of the equity instruments of Ferrovial SA is recognised in the financial statements as an expense with a corresponding increase in equity, over the period in which the service conditions are fulfilled (vesting period). The fair value of the employee services received is measured by reference to the fair value of the equity instruments at the grant date. Vesting conditions, other than market conditions, were taken into account by adjusting the number of equity instruments included in the measurement of the transaction so that, ultimately, the expense recognised for services received is based on the number of equity instruments that are expected to vest.

2.19 Provisions

Group entities create provisions for future liabilities the maturity or amount of which are not certain. Provisions are established when:

- the company has a present obligation (legal or constructive) as a result of a past event,
- it is certain or highly probable that settlement of this obligation will result in an outflow of resources embodying economic benefits, and
- a reliable estimate can be made of the amount of obligation.

The Group entities create provisions for costs of future warranty repairs as in the case of construction services they are required to provide warranty for their services. Warranty provision is connected with particular construction segments and amounts from 0.15% to 1.4% of total revenue from a given contract. This value is subject to individual analysis and in justified cases may be increased or reduced, as appropriate. Costs of future warranty repairs are accrued in proportion to the direct costs of contracts (cost of the finished goods sold).

2.20 Recognition of revenues and expenses

Sales revenue is stated at the fair value of payments received or receivable and represents receivables for finished goods, goods for resale and services provided as part of the regular business activities, less rebates, VAT and other sale-related taxes.

Revenue from sale of goods for resale is recognized when goods have been delivered and the significant risks and rewards of ownership have passed to the buyer.

Payments received for goods not delivered or services not completed are recognized in the statement of financial position under advance payments received.

Revenue from performance of construction contracts is recognized in accordance with the accounting policies of the Group presented below.

Interest income is recorded with respect to the principal amount due, using the effective interest rate method.

Dividend income is recognized upon determining the right of the shareholders to receive the payment.

In accordance with the accruals principle, the Group recognizes in the profit and loss account all costs relating to a given reporting period, irrespective of the period in which they were actually settled. Incurred costs that do not relate to a given reporting period are recognized under assets as prepayments, while the costs not incurred and relating to a given period – under accruals.

2.21 Construction contracts

The Group companies recognize revenues from construction contracts using the percentage of completion method measured as the share of the costs incurred from the date of contract signing to the date of determining contract revenue in total service costs.

Where it is probable that total costs of contract realization exceed total revenues, expected loss (excess of cost over revenues) is taken to operating expenses.

If the result of the completion of construction contract cannot be determined in a reliable manner, revenues are recognized only to the amount of the incurred costs, the recovery of which is probable.

Included in assets are the amounts due and receivable from customers (investors) under all construction work in progress, for which the costs incurred increased by recognized profits (reduced by recognized losses) exceed the partial billings issued for the contract work performed. Outstanding invoiced amounts due and receivable for the contract work performed are recognized under “Trade and other receivables”, while the amounts retained by contractors - under “Retentions for construction contracts”.

Included in liabilities are the amounts due and payable to investors under all construction work in progress, for which the amounts invoiced for the work performed as part of the contract exceed incurred costs increased by recognized gains (reduced by recognized losses). Outstanding amounts due and payable to suppliers, in respect of which the Group received invoices are recognized under “Trade and other payables”, while the amounts retained by suppliers - under “Retentions for construction contracts”.

2.22 Developer contracts

Revenue from developer activities is recognised at the moment when control and all significant risks and rewards arising from the possession of the property are transferred to the buyer. The Group considers that transfer of risks, control and rewards takes place when the notarial deed transferring the ownership right to the acquired property is signed.

Developer companies keep records that allow to determine the amount of costs relating to individual project elements which may be sold separately. Upon recognition of sales revenue, the Company recognizes the cost of construction of a given area by reducing finished goods by the share of the premises sold in the total area of a given type of premises.

2.23 Concession agreement revenue and expenses

The Group companies are party to concession agreements pertaining to construction, maintenance and management of public utility buildings for a determined period of time and receive remuneration for the term of the agreement. Such agreements are executed with the public sector entities which control or regulate the services to be provided by the concessionaire using the respective infrastructure. They also control the price of the services, for whom they are provided, as well as significant residual values of infrastructure at the end of the term of the agreement. The financial impact of such agreements is recognized by the Group under “Service concession arrangements” as per IFRIC 12.

The concessionaire recognizes and measures revenues and costs of construction services provided in compliance with IAS 11, while revenues and costs of management/maintenance services are recognized as per IAS 18, i.e. at the time of transfer of all significant risks and rewards.

Remuneration for construction services may be disclosed in the statement of financial position as a financial asset (option 1), as an intangible asset (option 2) or a mixed model (option 3).

Option 1: The value of the guaranteed remuneration for the entire term of the agreement in present values is higher than the fair value of revenues generated on the construction service - in which case financial assets equal to the fair value of revenues generated on the construction service are recognized.

Option 2: The concessionaire does not receive a remuneration guarantee, but the right (licence) to impose payments on users of a given public utility service of a total value depending on the degree of the public use of such service – in such case intangible assets equal to the fair value of revenues generated on the construction service are recognized, assuming that it is expected to cover the difference with proceeds from sale of tickets.

Option 3: The value of the guaranteed remuneration for the entire term of the agreement in present values is lower than the fair value of revenues generated on the construction service - in which case financial assets of value up to to the amount of the present value of the guaranteed remuneration are recognized as well as intangible assets of value corresponding to the difference between the fair value of revenues generated on the construction service and the financial assets recognized, assuming that it is expected to cover the difference with proceeds from sale of tickets.

In order to define the amount of such remuneration as well as the value to be disclosed in the statement of financial position, a test is performed as at the date of execution of the agreement so as to confirm to what degree the payments guaranteed under the concession agreement covers the remuneration for the construction services expressed at fair value.

A discount rate reflecting the weighted average cost of capital of the concessionaire is applied to calculate the present value of the guaranteed remuneration.

In the financial year ended 31 December 2013, the Group companies were party to only one concession agreement. The relevant test disclosed that the value of the guaranteed remuneration for the term of the agreement is higher than the fair value of revenues generated on the construction service. Thus, the revenues from the construction services were recognized using the option 1, i.e. as financial assets.

The assets are recognized under "Concession agreement receivables" in the statement of financial position, as they are classified as loans and borrowings in compliance with IAS 39. The assets are measured at amortized cost, using the effective interest rate method. The increases in assets resulting from consideration of time value of money are recognized under "Finance income" in the profit and loss account.

In addition, at the end of each settlement period, the assets are reduced by the payments of the guaranteed remuneration allocated to each period proportionally to the share of the remuneration for the construction services in the entire amount of the guaranteed remuneration provided for in the agreement.

Such assets are tested for impairment at each balance sheet date.

Revenues generated on payments imposed on public utility service users, above the value of the guaranteed remuneration, are recognized as revenues on management/maintenance at the time of provision of the respective service.

In the event when the concessionaire is contractually obligated to maintain or restitute the infrastructure (modernization excluded), such obligations are recognized as provisions as per IAS 37.

In compliance with IAS 23, the borrowing costs connected with the concession agreement are recognized an an expense when incurred, unless pursuant to the agreement the concessionaire has the right to obtain intangible assets. In such case, the borrowing costs connected with the concession agreement are capitalized during the construction stage (as per the standard referred to above). In the concession agreement executed, the Group companies recognized financial assets. Thus, the finance costs are disclosed in the profit and loss account under 'finance costs'.

2.24 Gross profit / (loss) on sales

Gross profit/ (loss) on sales is the difference between:

- revenue from sale of ordinary production and other services rendered as part of ordinary business activities of the Group, from the sale of goods for resale and raw materials, and
- the costs of finished goods and services sold and the purchase cost of goods for resale and raw materials sold.

2.25 Operating profit / (loss)

Operating profit/ (loss) covers revenues and costs of operating activities without taking into account finance costs and finance income, which primarily include interest, foreign exchange gains and cost of commission and bank guarantees.

2.26 Taxation (including deferred tax)

Income tax on revenues earned in Poland is calculated in accordance with Polish tax regulations, while revenues of foreign operations are subject to local tax regulations, after considering the appropriate treaty on avoiding double taxation.

Due to the temporary differences between the carrying amount of assets and liabilities recognized in the books of account and their tax bases and due to the tax loss available for utilization in future years, Group companies recognize deferred tax liability and determine deferred tax assets in their financial statements.

Deferred tax liabilities are recognized in the amount of income tax to be paid in the future in respect of all taxable temporary differences i.e. differences that will cause an increase in taxable base in the future.

Deferred tax assets are determined in the amount that is anticipated to be deducted from the income tax in connection with deductible temporary differences, which in the future will cause a decrease in taxable base, and in the amount of carry-forward of unused tax losses.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and deferred tax liabilities are measured using the tax rates that are expected to apply in the period when the asset is realised and or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are netted off on a Group company level.

2.27 Operating segments reporting

Group management and organization is based on segments.

The Budimex Group operates in the area of two main operating segments:

- construction business,
- development activities and property management.

Other business areas that do not meet the requirements to be classified as reporting segments relate to companies conducting, among others, production, service or trading activities.

The division of business into individual segments has been made based on the main statutory business activities or the importance of their business to the given segment. Such division reflects the spread of main business risks and returns on the expenditure made.

The Group applies uniform accounting policies for all segments. Transactions between individual segments are made at arm's length.

Shares in equity accounted entities have been classified to the appropriate segment based on the type of business of the entity.

3. Changes in principles of preparation of financial statements

Starting from 1 January 2013, the Group recognizes actuarial gains and loss in the statement of comprehensive income in accordance with the amendments to IAS 19 "Employee Benefits". Beforehand, as stated in the consolidated financial statements of the Group for the year 2012, actuarial gains and loss were disclosed in the profit and loss account. In view of a low significance of accumulated actuarial gains/losses recognized in the "retained earnings" item in the statement of changes of equity, the value of this item was not adjusted retrospectively. The above has no significant impact on the basic and diluted earnings per share attributable to the shareholder of the Parent Company.

4. Financial risk management

The main financial instruments used by the Budimex Group are:

- bank loans and borrowings, finance lease, bonds, the objective of which is to obtain resources to finance Group activities,
- trade receivables and trade liabilities as well as other receivables and liabilities, and cash and short-term deposits that arise during the course of normal business activities of the Group,
- derivative financial instruments such as foreign currency forward contracts (currency forwards), the purpose of which is to manage currency risk arising from construction contracts in foreign currency, as well as interest rate swaps entered into in order to swap the floating and the fixed interest rates.

In the course of its activities, Budimex Group is exposed to various financial risks, such as currency risk, interest rate risk, price risk, credit risk or loss of liquidity risk. The Management Board verifies and determines risk management policies for each of the risk types identified.

Foreign currency risk

As part of its core business activities, Group companies enter into construction contracts and agreements with subcontractors and vendors denominated in foreign currencies. The foreign currency risk management policy adopted by the Management Board consists in hedging future cash flows on these contracts in order to limit the effect of volatility of currency exchange rates on the results of the Group. In accordance with this policy, Group companies hedge against foreign currency risk attached to each construction contract, on which net currency exposure is material. Hedging against foreign currency risk is made mainly using the derivative financial instruments, mainly currency contracts (fx forwards) and, if possible, using natural hedge mechanism, which consists in concluding agreements with subcontractors in the currency of the underlying contract.

In accordance with the Group policy, foreign currency exposure is systematically measured both for individual construction contracts (analysis of foreign currency inflows and outflows for the purposes of contracts concluded in foreign currency with investors and foreign currency outflows for the purposes of contracts concluded in domestic currency) and for all contracts in aggregate (global currency exposure). It is the Management Board's policy to hedge against net foreign currency exposure on individual contracts. As at 31 December 2013, the Group had approx. 92% of its foreign currency exposure resulting from contracts concluded in foreign currency with investors and approx. 86% of its foreign currency exposure resulting from foreign currency outflows realised within contracts concluded in domestic currency hedges.

The companies of the Group do not apply hedge accounting.

Foreign currency risk – sensitivity analysis

In order to conduct analysis of sensitivity to fluctuations in exchange rates, on the basis of historical changes in values and the Group's knowledge of and experience in the financial markets, „feasible and possible" fluctuations in exchange rates were assessed at -10% / +10% as at 31 December 2013 and as at 31 December 2012.

The table below shows sensitivity of the net financial result to reasonably possible changes in foreign currency rates with other factors remaining unchanged (the impact on net assets is identical).

	Carrying value	**Sensitivity to fluctuations as at 31 December 2013**	
		Depreciation	**Appreciation**
		of the Polish zloty against other currencies	
	(in thousands)	**+10%**	**-10%**
Forward contracts:			
– EUR	7 967	281	(281)
– USD	817	216	(216)
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	7 226	2 997	(2 997)
– USD	(9)	(3)	3
Effect on gross result for the period and net assets		**3 491**	**(3 491)**
Deferred tax		(663)	663
Total		**2 828**	**(2 828)**

	Carrying value	**Sensitivity to fluctuations as at 31 December 2012**	
		Depreciation	**Appreciation**
		of the Polish zloty against other currencies	
	(in thousands)	**+10%**	**-10%**
Forward contracts:			
– EUR	40 485	(12 274)	12 274
Financial instruments denominated in foreign currencies – net currency exposure:			
– EUR	6 305	2 578	(2 578)
– USD	(6)	(2)	2
– GBP	69	35	(35)
Effect on gross result for the period and net assets		**(9 663)**	**9 663**
Deferred tax		1 836	(1 836)
Total		**(7 827)**	**7 827**

Interest rate risk

Interest rate risk occurs mainly due to use by Group companies of bank loans, borrowings and finance lease. The above financial instruments are based on variable interest rates and expose the Group to fluctuations in cash flows.

The risk related to the current debt balances was assessed as immaterial from the point of view of the effect on the results of the Group. At present, the interest risk management covers both ongoing monitoring of the market situation and debt levels, as well as hedging against the risk of fluctuations of market interest rates by entering into interest rate swap transactions (floating rates to fixed rates).

Interest rate risk – sensitivity to changes

In order to conduct an analysis of sensitivity to fluctuations in interest rates, on the basis of historical changes in values and the Group's knowledge of and experience in the financial markets, „feasible and possible" fluctuations in interest rates were assessed at -1.0% / +1.0% for PLN and at -0.25% / +0.25% for EUR and USD as at 31 December 2013 while as at 31 December 2012 at -1.0% / +1.0% for PLN and at -0.5% / +0.5% for EUR and USD. At the same time, a parallel shift of interest rate curve for the purpose of calculation of sensitivity of discount to fluctuations in interest rates was assumed. Differences in possible changes in the range of fluctuations in interest rates in the sensitivity analysis as at 31 December 2013 compared to the ranges used in the sensitivity analysis as at 31 December 2012 are due to lower volatility of interest rates for EUR and USD as compared to the prior year.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Presented below is the effect on the net result and net assets as at 31 December 2013 and 31 December 2012.

	Carrying value	**Sensitivity to fluctuations as at 31 December 2013**	
		+100 bp (PLN) +25 bp (EUR, USD, other)	**-100 bp (PLN) -25 bp (EUR, USD, other)**
Long-term retentions for construction contracts (discount):		4 399	(4 419)
– recognized in assets (present value)	24 804		
– recognized in liabilities (present value)	(161 347)		
Non-current receivables (discount)	20 703	(970)	1 028
Concession agreement receivables (weighted average cost of capital)	22 376	71	(71)
Loans granted (nominal value / interest rate)	3 111	31	(31)
Cash at bank (nominal value / interest rate)	1 654 379	16 266	(16 266)
Derivative financial instruments – interest rate swap			
– recognized in assets (fair value)	692	1 183	(692)
– recognized in liabilities (fair value)	(285)	276	(931)
Bank loans and borrowings (nominal value / interest rate)	(26 883)	(206)	206
Finance lease liabilities (nominal value / interest rate)	(27 192)	(272)	272
Effect on gross result for the period and net assets		**20 778**	**(20 904)**
Deferred tax		(3 948)	3 972
Total		**16 830**	**(16 932)**

	Carrying value	**Sensitivity to fluctuations as at 31 December 2012**	
		+100 bp (PLN) +50 bp (EUR, USD, other)	**-100 bp (PLN) -50 bp (EUR, USD, other)**
Long-term retentions for construction contracts (discount):		4 340	(4 442)
– recognized in assets (present value)	19 202		
– recognized in liabilities (present value)	(161 143)		
Cash at bank (nominal value / interest rate)	1 309 279	12 874	(12 874)
Bank loans and borrowings (nominal value / interest rate)	(56 262)	(522)	522
Finance lease liabilities (nominal value / interest rate)	(37 414)	(374)	374
Effect on gross result for the period and net assets		**16 318**	**(16 420)**
Deferred tax		(3 100)	3 120
Total		**13 218**	**(13 300)**

In the calculation of sensitivity to interest rates, cash on hand and other cash equivalents were omitted.

Valuation of forward contracts and options does not show sensitivity to parallel fluctuations in interest rates with the exchange rates remaining unchanged.

Price risk

The Group is exposed to price risk relating to increases in prices of the most popular construction materials such as steel, concrete or crude oil derivatives such as petrol, diesel oil, asphalts or fuel. The price risk regarding materials purchased on the domestic market is estimated as moderate, while the price risk related to crude oil derivatives and steel is assessed as high. Increases in prices of construction materials and labour costs may, in turn, result in higher prices of services rendered by subcontractors. Prices set forth in contracts with investors remain fixed over the entire period of contract realization i.e. most often for the period of 6 – 36 months, while contracts with subcontractors are made at a later date, as work on individual contract progresses. The highest risk of raw material price volatility (increases) exists in the case of public procurements due to the lengthy process of selecting a general contractor. This pertains to the period from placing a bid until the time the Group makes its selection and signs the contract, when further obligations cannot always be made and prices cannot always be secured.

In order to limit the price risk, prices of the most popular construction materials are monitored on an ongoing basis, while the construction contracts signed have the parameters relating, among others, to contract duration and value, appropriately matched with market situation. The Central Purchase Bureau operating within the structures of the Budimex Group negotiates framework agreements with suppliers of basic construction materials based on the construction works planned.

Credit risk

The Group companies cooperate with financial institutions of high financial standing both in the cash and capital transactions without incurring material risk of credit concentration. At the same time, the Group applies the policy of limiting credit exposure to individual financial institutions and issuers of debt securities, which are acquired as investments for periodic cash surpluses.

The financial assets of the Group exposed to increased credit risk are trade receivables. The Company has in place the policy of credit risk assessment and review in respect of all contracts, both at contract pre-tender stage and during contract realization.

Prior to contract signing, each business partner is assessed for the capacity to discharge his financial liabilities. Signing contract with a party whose payment abilities were assessed negatively depends on establishing adequate financial and property collaterals and securities. In addition, clauses are included in investor contracts that provide for the right to stop any work if payments for the services already performed are delayed.

No significant credit risk concentration has been identified in the Group taking into consideration the fact that its main customer is a government agency.

The Group is not exposed to significant credit risk to one business partner or a group of business partners with similar features. Credit risk relating to liquid assets and derivative financial instruments is limited as the Group business partners are banks with high credit ratings awarded by reputable international rating agencies.

Except for the data presented in Note 57, the carrying amount of financial assets recognized in the financial statements without accounting for losses reflects the maximum credit exposure of the Group to the credit risk without the value of collateral/ securities established.

Loss of liquidity risk

In order to limit the risk of loss of liquidity, Group companies hold appropriate amounts of cash and marketable securities, and enter into credit facilities contracts which serve as an additional safeguard against loss of liquidity. To finance its investment purchases, the Group uses own funds or long-term finance lease contracts that ensure appropriate stability of financing structure for this type of assets.

Liquidity management is supported by the obligatory system of reporting liquidity forecasts by Group companies.

The maturity structure of liabilities under loans, borrowings and other external sources of finance is presented in Note 28. The maturity structure of other financial liabilities is presented in the respective Notes.

The current favourable financial situation of the Budimex Group as regards its liquidity and availability of external sources of finance does not create any threats to further financing of Group's activities.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

5. Capital management

The main objective of capital management in the Group is to keep good credit rating and safe financial ratios that would support operating business of the Group and increase its value for the shareholders.

The Group manages its capital structure and modifies it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may return the equity to the shareholders, issue new shares or pay out dividend. In 2013 and 2012, no changes were made to process objectives and policies binding in this area.

The Group monitors the level of equity using the gearing ratio which is calculated as the ratio of net debt to total shareholders' equity increased by net debt. Net debt includes interest-bearing loans and borrowings and other external sources of finance, trade and other liabilities, retentions for construction contracts, amounts due and payable to customers (investors) under construction contracts, advance prepayments received and current tax liabilities decreased by cash and cash equivalents.

	31 December 2013	31 December 2012
Interest-bearing loans and borrowings and other external sources of finance	54 084	93 685
Trade and other liabilities	2 551 184	2 486 028
Less cash and cash equivalents	(1 658 783)	(1 317 733)
Net debt	946 485	1 261 980
Equity	645 175	433 130
Equity and net debt	1 591 660	1 695 110
Gearing ratio	59.47%	74.45%

6. Key estimates and assumptions

Estimates and assumptions are verified on a regular basis. These result from previous experience and other factors, including forecast of future events, which are reasonable in the given circumstances.

6.1 Key accounting estimates

The Group makes estimates and assumptions regarding future what is reflected in these consolidated financial statements. The actual results may differ from these estimates. The Group's estimates relate, among others, to provisions established, valuation of construction contracts, impairment write-downs against assets, accruals and deferred income or adopted depreciation rates. Material assumptions, not described in this point, and adopted in the estimate of above values have been described in Note 2 "Key accounting policies".

Provisions for warranty repairs

The Budimex Group companies are required to issue a warranty for their construction services rendered. Warranty provision is connected with particular construction segments and amounts from 0.15% to 1.4% of total revenue from a given contract. This ratio is, however, analysed on an individual basis and in justified cases may be increased or reduced, as appropriate. The amounts of warranty provision have been presented in Note 33.

Companies not engaged in construction business at the balance sheet date assess their risk of warranty for their products or services based on historical data and current estimates.

Uninvoiced subcontractor services

The majority of construction contracts are realized by the Group companies as general contractors with extensive support from various subcontractors. Performed construction works are approved by the investor in the process of technical approval and acceptance on the basis of technical acceptance protocol and invoice. At each balance sheet date, a material part of completed, yet not accepted and uninvoiced by subcontractors, construction projects is recorded. In accordance with the accruals principle, these are recognized by Group companies as costs of contracts. The amount of subcontractor costs in respect of completed and uninvoiced projects is determined by technical surveyors on the basis of quantity survey and may be different from that determined in the formal process of technical acceptance of construction works.

Tax settlements

Polish law contains numerous regulations concerning VAT, excise tax, corporate income tax and social security contributions. Regulations regarding these taxes are subject to frequent changes which make these regulations unclear and inconsistent. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies. Tax and other settlements (e.g. customs or foreign currency settlements) may become subject to inspection by tax authorities for a period of five years. Tax control bodies are authorised to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. There is a risk that tax or other administrative bodies take view on certain matters different to that adopted by Group companies as regards interpretations of binding regulations. This, in turn, could have a significant impact on tax liabilities of the Group.

Provision for legal proceedings

The Group companies are parties to legal proceedings. Legal departments and management boards of the Group companies prepare detailed analyses of potential risks relating to the legal cases pending and, based on these, take decisions concerning the necessity to account for the effects of such proceedings in the Group entities' books and the amount of the provision.

6.2 Professional judgement in applying accounting policies

Recognition of sales revenue on construction contracts

Revenue from construction contracts during the period from the contract date to the balance sheet date, after deducting revenues that affected the financial result in the previous reporting periods, are determined in proportion to the percentage of construction contract completion, which is measured as the share of the costs incurred from the contract date to the date of determining contract revenue in total contract costs (contract budget). Budgets of individual contracts are subject to regular updates (revisions), based on the current information, twice a year and are approved by the Management Board. Where budget events are identified that materially affect contract result, total contract revenues or costs may be updated earlier i.e. prior to the regular scheduled contract update.

Where at the balance sheet date the percentage of construction contract completion cannot be determined in a reliable manner, contract revenue is determined at the amount of the costs incurred in the given period, not higher, however, than the amount of costs that can be covered by the investor in the future.

7. Discontinued operations

In 2013 and 2012, no operations were discontinued within the meaning of IFRS 5.

8. Purchase of a subsidiary

On 4 January 2013 the conditions of obtaining the legally required permit of the President of the Office for Competition and Consumer Protection for the concentration were met. Consequently, a payment of PLN 6 559 thousand was made for 19.88 per cent of the shares in the company under the name of Elektromontaż Poznań SA (ELPOZ). Upon crediting the bank account of Bank Handlowy w Warszawie SA and upon the bank's statement of transferring shares to Budimex SA on 4 January 2013, Budimex SA became the owner of 50.66 per cent shares of ELPOZ and obtained control over the company and companies forming part of the Elektromontaż Poznań SA Group. As at 31 December 2012, Budimex SA held 30.78 per cent of the shares in ELPOZ, which was its associate at that time.

Budimex SA acquired the majority stake in ELPOZ in order to take control over and improve efficiency of the company operations.

At the time of acquisition of the control over ELPOZ, the fair value of the acquired property, plant and equipment, investment properties and assets and liabilities related to the valuation of long-term contracts was established provisionally in accordance with IFRS 3, par 45. The fair value of the above mentioned assets and liabilities was finally established as at 31 December 2013. There were no changes to the fair value accounted for provisionally.

Fair values as at acquisition date and gain from a bargain purchase are presented in the table below:

	(PLN '000)
Purchase consideration	
- cash paid at acquisition date	6 559
- fair value of shares held before	10 154
Total purchase consideration	**16 713**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Net assets identified in the acquiree	
Cash and cash equivalents	5 219
Property, plant and equipment	12 095
Investment properties	20 232
Intangible assets	1 752
Inventories	3 934
Receivables and other assets	34 232
Deferred tax liabilities	(337)
Trade payables and other liabilities	(40 580)
Total net assets at fair values	**36 547**
Non-controlling interest recognized at acquisition date	18 032
Gain from a bargain purchase	1 802
Purchase consideration in cash	(6 559)
Cash and cash equivalents in acquired entity at acquisition date	5 219
Cash and cash equivalents of restricted use at acquisition date	(3 596)
Cash outflow connected with acquisition	**(4 936)**
Sales revenue for the period from acquisition date to 31 December 2013	133 374
Net profit for the period from acquisition date to 31 December 2013	1 661

There is no need to disclose revenues and profit of ELPOZ calculated as if the acquisition date occurred at the beginning of the reporting period, as the acquisition actually took place early in 2013, and full 12 months of operations of ELPOZ in 2013 were included in consolidated data.

Gross value of receivables as at the acquisition date amounted to PLN 26 274 thousand, while the value of unrecoverable debts written down was PLN 390 thousand.

Gain from a bargain purchase in the amount of PLN 1 802 thousand was recognized under “other operating income” of the consolidated profit and loss account. Such gain from a bargain purchase was generated as a result of a low price of one share as the seller intended to restructure its investment portfolio.

Gain on revaluation to fair value of the capital share held prior to taking over control amounts to PLN 1 390 thousand and was recognized under “other operating income” of the consolidated profit and loss account.

The value of the non-controlling interest was measured proportionally to the share in the fair value of net assets. Initially, the amount of the non-controlling interest was measured at fair value. However, upon a thorough analysis, it was decided that the measurement proportionally to the share in the fair value of net assets would be more appropriate with regard to the transaction.

No costs were incurred with regard to the acquisition of the controlling stake in ELPOZ.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

9. Disposal of a subsidiary

On 2 December 2013, Budimex B Sp. z o.o., a subsidiary of Budimex SA, executed with Barwick Investments Sp. z o.o. an agreement on transfer of ownership of 20 779 shares in Budimex Danwood Sp. z o.o. of a total nominal value of PLN 20 779 thousand, representing 100 per cent of the share capital and 100 per cent of votes at the general shareholders' meeting. The price paid by the buyer amounted to PLN 238 600 thousand. The payment was executed in cash and cash equivalents. In compliance with the Agreement on Sale the price shall be subject to adjustment being the difference between the estimated and actual values of cash and working capital of Budimex Danwood as at 30 November 2013.

Analysis of assets and liabilities control over which has been lost

	2013
Non-current assets	
Property, plant and equipment	17 866
Intangible assets	1 312
Deferred tax assets and other non-current assets	2 645
Current assets	
Inventories	47 933
Trade and other receivables	28 474
Cash and cash equivalents	61 321
Current prepayments and deferred costs	551
Non-current liabilities	
Provisions for non-current liabilities and other charges	(8 899)
Current liabilities	
Provisions for current liabilities and other charges	(6 172)
Trade and other liabilities	(109 214)
Current tax liability	(80)
Net assets sold	**35 737**

Profit on sale of a subsidiary	**2013**
Consideration received	238 600
Net assets	(35 737)
Foreign exchange differences on translation of foreign operations reclassified from equity	(3 172)
Costs to sell	(5 579)
Profit on sale of a subsidiary	**194 112**

Net inflows on disposal	**2013**
Consideration received in cash and cash equivalents.	238 600
Balance of cash and cash equivalents in Budimex Danwood as at the date of sale	(61 321)
Net inflows on disposal	**177 279**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

10. The Budimex Group Entities

Presented below is the list of subsidiaries and jointly controlled entities of the Budimex Group:

Company name	Registered office	Share in the share capital and the number of votes (%)		Consolidation method	
		31 December 2013	31 December 2012	31 December 2013	31 December 2012
Consolidated					
Mostostal Kraków SA	Kraków / Poland	100.00%	100.00%	full	full
Budimex Danwood Sp. z o.o. [1]	Bielsk Podlaski / Poland	-	100.00%	full	full
Budimex Bau GmbH	Cologne / Germany	100.00%	100.00%	full	full
Budimex Nieruchomości Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Budownictwo Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
SPV-BN 1 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
SPV-BN 2 Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	full
Budimex Kolejnictwo SA	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex Parking Wrocław Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Budimex B Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	full	non-consolidated
Elektromontaż Poznań SA[2]	Poznań / Poland	50.66%	30.78 %	full	equity method
Elektromontaż Import Sp. z o.o. [2]	Warsaw / Poland	50.66%	30.78 %	full	non-consolidated
Instal Polska Sp. z o.o. [2]	Poznań / Poland	50.66%	30.78 %	full	non-consolidated
Elektromontaż Warszawa SA[2]	Warsaw / Poland	50.66%	30.78 %	full	non-consolidated
Budimex SA – Budimex Budownictwo Sp. z o.o. s.c. [3]	Warsaw / Poland	100.00%	-	full	-
Budimex SA Ferrovial Agroman SA s.c.	Warsaw / Poland	99.98%	99.98%	proportionate	proportionate
Budimex SA Sygnity SA Sp. j.	Warsaw / Poland	67.00%	67.00%	proportionate	proportionate
Budimex SA Ferrovial Agroman SA Sp. j.	Warsaw / Poland	50.00%	50.00%	proportionate	proportionate
Budimex SA – Cadagua SA s.c. [4]	Warsaw / Poland	50.00%	-	proportionate	-
Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.	Warsaw / Poland	30.00%	30.00%	proportionate	proportionate
Non-consolidated					
Budimex Autostrada SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex Most Wschodni SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex Autostrada A-1 SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements [5]	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex A Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex C Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex D Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex E Sp. z o.o.	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Budimex PPP SA	Warsaw / Poland	100.00%	100.00%	non-consolidated	non-consolidated
MK Logistic Sp. z o.o. (in liquidation)	Zabrze / Poland	100.00%	100.00%	non-consolidated	non-consolidated
Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o. [6]	Warsaw / Poland	100.00%	-	non-consolidated	-
Dromex Oil Sp. z o.o. (in liquidation)	Warsaw / Poland	97.93%	97.93%	non-consolidated	non-consolidated
PKZ Budimex GmbH	Cologne / Germany	50.00%	50.00%	non-consolidated	non-consolidated

[1)] the Company was sold on 2 December 2013.

[2]) The controlling interest in the company Elektromontaż - Poznań SA was acquired on 4 January 2013, when Budimex SA took over control over Elektromontaż Poznań SA and its subsidiaries: Elektromontaż Warszawa SA, Elektromontaż Import Sp. z o.o. and Instal Polska Sp. z o.o.

[3]) The Company was established on 1 March 2013.

[4]) The Company was established on 30 October 2013.

[5]) The company was acquired on 16 November 2011. On 13 September 2012 the court declared bankruptcy of the company with an arrangement option. The Budimex Group lost control over the company on 30 November 2012 as a result of removing the company's own management board and appointing a court administrator.

[6]) The company was entered in the National Court Register on 6 December 2013.

11. Operating segment information

Operating segments

For the management purposes the Group has been divided into segments based on the products and services offered. The Group operates in the following two operating segments:

- construction business
- development activities and property management.

Construction business covers rendering of widely understood construction and assembly services at home and abroad and is realised by the following Group companies:

- Budimex SA
- Mostostal Kraków SA
- Budimex Bau GmbH
- Budimex Budownictwo Sp. z o.o.
- Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.
- Budimex Kolejnictwo SA
- Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements (company purchased by Budimex SA on 16 November 2011). As a result of removing the company's own management on 30 November 2012, the Budimex Group lost control over the company and the company was excluded from consolidation as of that date).

Development and property management services comprise preparation of land for investment, execution of investment projects in the field of residential building, sale of apartments and rental and management of property on own account. Included in this operating segment are the following Group companies:

- Budimex Nieruchomości Sp. z o.o.
- SPV-BN 1 Sp. z o.o.
- SPV-BN 2 Sp. z o.o.
- Budimex SA in the part relating to the development business, as a result of a merger with Budimex Inwestycje Sp. z o.o. on 13 August 2009.

Segment performance is evaluated based on sales revenue, gross profit (loss) on sales, operating profit (loss) and net profit (loss) for the period.

Other business conducted does not meet the requirements of reportable segments. Included in other business are entities that mainly conduct production, service or trading activities.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

The results of segments for **the year ended 31 December 2013** are presented in the table below:

	Construction business	**Property management and development activities**	**Other business**	**Exclusions**	**Consolidated value**
External sales	4 005 617	224 632	519 210	-	**4 749 459**
Inter-segment sales	135 126	593	17 387	(153 106)	**-**
Total sales revenue	**4 140 743**	**225 225**	**536 597**	**(153 106)**	**4 749 459**
Cost of finished goods, goods for resale and raw materials sold externally	(3 722 724)	(164 355)	(466 964)	-	**(4 354 043)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(113 799)	(15 721)	(17 387)	146 907	**-**
Cost of finished goods, goods for resale and raw materials sold	**(3 836 523)**	**(180 076)**	**(484 351)**	**146 907**	**(4 354 043)**
Gross profit on sales	**304 220**	**45 149**	**52 246**	**(6 199)**	**395 416**
Selling expenses	(10 798)	(9 437)	(8 173)	44	**(28 364)**
Administrative expenses	(147 572)	(12 060)	(17 519)	14 234	**(162 917)**
Other operating income/ (expenses), net	(8 686)	(57 228)	2 106	(2)	**(63 810)**
(Loss) on derivative financial instruments	(905)	-	(226)	-	**(1 131)**
Profit on disposal of a subsidiary	-	-	194 112	-	**194 112**
Operating profit/ (loss)	**136 259**	**(33 576)**	**222 546**	**8 077**	**333 306**
Finance income / (costs), net, of which:	(3 679)	4 803	1 118	-	**2 242**
- interest income	*21 547*	*5 908*	*2 330*	*(60)*	***29 725***
- interest expense	*(4 066)*	*(1 148)*	*(359)*	*60*	***(5 513)***
Profits on derivative financial instruments	-	-	407	-	**407**
Shares in losses of equity accounted entities	-	-	(4 684)	-	**(4 684)**
Income tax	(29 575)	5 387	(4 248)	(1 535)	**(29 971)**
Net profit / (loss) for the period	**103 005**	**(23 386)**	**215 139**	**6 542**	**301 300**

In 2013, net sales revenue from one customer amounted to PLN 1 210 873 thousand and related entirely to the construction segment.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

The results of segments for **the year ended 31 December 2012** are presented in the table below:

	Construction business	Property management and development activities	Other business	Exclusions	Consolidated value
External sales	5 441 153	321 958	314 549	-	**6 077 660**
Inter-segment sales	164 840	462	-	(165 302)	**-**
Total sales revenue	**5 605 993**	**322 420**	**314 549**	**(165 302)**	**6 077 660**
Cost of finished goods, goods for resale and raw materials sold externally	(5 120 034)	(214 181)	(283 574)	-	**(5 617 789)**
Cost of finished goods, goods for resale and raw materials sold to other segments	(126 253)	(34 634)	-	160 887	**-**
Cost of finished goods, goods for resale and raw materials sold	**(5 246 287)**	**(248 815)**	**(283 574)**	**160 887**	**(5 617 789)**
Gross profit on sales	**359 706**	**73 605**	**30 975**	**(4 415)**	**459 871**
Selling expenses	(11 329)	(8 711)	(4 400)	69	**(24 371)**
Administrative expenses	(182 118)	(13 635)	(11 306)	13 697	**(193 362)**
Other net operating expenses	(58 627)	(14 583)	(182)	-	**(73 392)**
Profits on derivative financial instruments	3 624	-	10 039	-	**13 663**
Operating profit	**111 256**	**36 676**	**25 126**	**9 351**	**182 409**
Finance income / (costs), net, of which:	15 510	6 194	4 636	-	**26 340**
- interest income	*55 747*	*7 015*	*2 014*	*(882)*	***63 894***
- interest expense	*(6 840)*	*(790)*	*(114)*	*882*	***(6 862)***
Shares in losses of equity accounted entities	-	-	(6 121)	-	**(6 121)**
Income tax	1 781	(8 248)	(8 404)	(1 775)	**(16 646)**
Net profit for the period	**128 547**	**34 622**	**15 237**	**7 576**	**185 982**

In 2012, sales revenue from one customer amounted to PLN 2 482 969 thousand and related entirely to the construction segment.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Other segment-related items recognized in the profit and loss account **for the year ended 31 December 2013** are as follows:

	Construction business	**Property management and development activities**	**Other business**	**Consolidated value**
Depreciation	(24 681)	(507)	(3 705)	**(28 893)**
(Recognition) / reversal of impairment write-downs against receivables	(9 709)	(10)	(1 856)	**(11 575)**
(Recognition) / reversal of impairment write-downs against inventories	-	(58 229)	(70)	**(58 299)**
Other non-monetary income / (costs)***	(5 170)	(676)	(2 972)	**(8 818)**

Other segment-related items recognized in the profit and loss account **for the year ended 31 December 2012** are as follows:

	Construction business	**Property management and development activities**	**Other business**	**Consolidated value**
Depreciation	(48 034)	(264)	(2 385)	**(50 683)**
(Recognition) / reversal of impairment write-downs against receivables*	(46 549)	34	(80)	**(46 595)**
(Recognition) / reversal of impairment write-downs against inventories	123	(13 197)	(49)	**(13 123)**
(Recognition) / reversal of other impairment write-downs against financial assets**	(67 916)	-	-	**(67 916)**
Goodwill impairment write-down (recognition)	(45 000)	-	-	**(45 000)**
Other non-monetary income / (costs)***	97 365	(878)	(1 746)	**94 741**

*) (Recognition) / reversal of impairment write-downs against receivables also includes PLN (47 085) thousand presented in Note 40 as “derecognition of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements”

**) (Recognition) / reversal of impairment write-downs against financial assets also includes PLN (63 000) thousand presented in note 40 as “deconsolidation of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements”

***) Other non-monetary income / (costs) cover reversal / (establishment) of provisions for contract losses and warranty repairs.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Segment assets and liabilities and capital (investment) expenditure **as at 31 December 2013** are presented in the table below:

	Construction business	**Property management and development activities**	**Other business**	**Exclusions**	**Consolidated value**
Segment assets	2 085 404	897 470	358 507	(12 977)	3 328 404
Investments in equity accounted companies	-	-	3 518	-	3 518
Unallocated segment assets					354 831
Total consolidated assets					**3 686 753**
Segment liabilities	2 664 873	290 115	67 212	(50 853)	2 971 347
Unallocated segment liabilities					70 231
Total consolidated liabilities					**3 041 578**
Capital expenditure	12 826*	476	4 422	-	**17 724**

*of which PLN 6 559 thousand expensed to acquire the controlling interest in Elektromontaż Poznań SA (note 8)

Segment assets comprise mainly property, plant and equipment, intangible assets, inventories, derivative financial instruments, receivables and cash from operating activities. They do not, however, comprise loans granted, deferred tax assets or current tax assets (receivables).

Segment liabilities comprise operating liabilities (including derivatives), and do not cover tax liabilities or liabilities arising from external sources of finance.

Capital expenditure covers increases in property, plant and equipment, investment properties, intangible assets and financial non-current assets.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Segment assets and liabilities and capital (investment) expenditure **as at 31 December 2012** are presented in the table below:

	Construction business	Property management and development activities	Other business	Exclusions	Consolidated value
Segment assets	2 009 866	963 445	151 103	(5 755)	3 118 659
Investments in equity accounted companies	-	-	16 966	-	16 966
Unallocated segment assets					312 586
Total consolidated assets					**3 448 211**
Segment liabilities	2 620 307	229 495	115 195	(49 826)	2 915 171
Unallocated segment liabilities					99 910
Total consolidated liabilities					**3 015 081**
Capital expenditure	106 011	484	2 435	(26)	**108 904**

Segment assets comprise mainly property, plant and equipment, intangible assets, inventories, derivative financial instruments, receivables and cash from operating activities. They do not, however, comprise loans granted, deferred tax assets or current tax assets (receivables).

Segment liabilities comprise operating liabilities (including derivatives), and do not cover tax liabilities or liabilities arising from external sources of finance and deferred tax liability.

Capital expenditure covers increases in property, plant and equipment, investment properties, intangible assets and financial non-current assets.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Geographical information

The Budimex Group conducts business in Poland and abroad.

Other markets include Ukraine, Lithuania, Estonia, Russia, the United Kingdom, Austria and Denmark.

Revenue from sale of finished goods, goods for resale and raw materials

	2013	2012
Domestic market	4 198 885	5 591 887
German market	507 479	440 027
Other markets	43 095	45 746
Total	**4 749 459**	**6 077 660**

Non-current assets

	31 December 2013	31 December 2012
Domestic market	190 009	192 762
German market	411	2 090
Other markets	-	1
Total	**190 420**	**194 853**

Capital expenditure

	2013	2012
Domestic market	17 474	108 325
German market	243	579
Other markets	7	-
Total	**17 724**	**108 904**

The geographical split of sales revenue matches customer distribution and is consistent with the internal organizational structure of the Group.

Non-current assets include property, plant and equipment, investment property, intangible assets, goodwill and long-term prepaid expenses.

The split of total non-current assets and capital expenditure matches localization of branches and foreign operations included in the Budimex Group.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

12. Property, plant and equipment

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Tangible assets under construction	Total
Gross value as at 1 January 2013	**6 185**	**27 386**	**212 939**	**21 021**	**20 087**	**976**	**288 594**
Increases:	**4**	**14 052**	**9 358**	**1 378**	**2 823**	**3 625**	**31 240**
– purchase (including acceptance for use under lease contracts)	-	384	3 202	441	1 588	-	**5 615**
– change in the composition of the Group	-	13 615	5 828	880	1 221	115	**21 659**
– transfer from construction in progress	-	53	314	45	-	(412)	**-**
– increase of construction in progress	-	-	-	-	-	3 922	**3 922**
– foreign exchange differences	-	-	13	12	14	-	**39**
– other increases	4	-	1	-	-	-	**5**
Decreases:	**(3 145)**	**(13 825)**	**(18 772)**	**(2 608)**	**(1 844)**	**(3 070)**	**(43 264)**
– sale	(14)	(1 001)	(5 023)	(82)	(434)	-	**(6 554)**
– liquidation, scrapping	-	-	(2 480)	-	(678)	-	**(3 158)**
– change in the composition of the Group	(3 131)	(10 842)	(11 269)	(2 526)	(732)	(2 971)	**(31 471)**
– transfer to investment properties	-	(1 982)	-	-	-	(99)	**(2 081)**
Gross value as at 31 December 2013	**3 044**	**27 613**	**203 525**	**19 791**	**21 066**	**1 531**	**276 570**
Depreciation as at 1 January 2013	**-**	**(9 158)**	**(138 229)**	**(13 993)**	**(14 155)**	**-**	**(175 535)**
Movements for the period:	**(43)**	**(299)**	**(11 612)**	**(1 390)**	**(2 257)**	**-**	**(15 601)**
– current depreciation (note 38)	(44)	(1 564)	(20 149)	(2 157)	(2 532)	-	**(26 446)**
– sale	1	372	2 328	15	347	-	**3 063**
– liquidation, scrapping	-	-	2 456	-	593	-	**3 049**
– change in the composition of the Group	-	(6)	3 761	757	(659)	-	**3 853**
– foreign exchange differences	-	-	(8)	(5)	(6)	-	**(19)**
– transfer to investment properties	-	899	-	-	-	-	**899**
Depreciation as at 31 December 2013	**(43)**	**(9 457)**	**(149 841)**	**(15 383)**	**(16 412)**	**-**	**(191 136)**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Tangible assets under construction	Total
Impairment write-downs as at 1 January 2013	**-**	**(1 565)**	**-**	**-**	**(302)**	**-**	**(1 867)**
– increases/(decreases)	-	-	-	-	-	-	**-**
– change in the composition of the Group	-	188	-	-	-	-	**188**
Impairment write-downs as at 31 December 2013	**-**	**(1 377)**	**-**	**-**	**(302)**	**-**	**(1 679)**
Net value as at 1 January 2013	**6 185**	**16 663**	**74 710**	**7 028**	**5 630**	**976**	**111 192**
Net value as at 31 December 2013	**3 001**	**16 779**	**53 684**	**4 408**	**4 352**	**1 531**	**83 755**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Tangible assets under construction	Total
Gross book value as at 1 January 2012	**29 811**	**92 134**	**284 394**	**79 644**	**22 407**	**2 057**	**510 447**
Increases:	**-**	**1 929**	**17 769**	**4 847**	**1 553**	**120**	**26 218**
– purchase (including acceptance for use under lease contracts)	-	680	16 186	4 512	1 553	1 492	**24 423**
– transfer from construction in progress	-	1 164	1 399	125	-	(2 688)	**-**
– increase of construction in progress	-	-	-	-	-	1 316	**1 316**
– other increases	-	85	184	210	-	-	**479**
Decreases:	**(23 626)**	**(66 677)**	**(89 224)**	**(63 470)**	**(3 873)**	**(1 201)**	**(248 071)**
– sale	-	-	(3 300)	(2 796)	(310)	-	**(6 406)**
– liquidation, scrapping	-	(5)	(6 409)	(2 097)	(467)	-	**(8 978)**
– change in the composition of the Group	(23 582)	(66 250)	(79 330)	(58 525)	(3 021)	(1 168)	**(231 876)**
– foreign exchange differences	-	-	(62)	(48)	(75)	-	**(185)**
– other decreases	(44)	(422)	(123)	(4)	-	(33)	**(626)**
Gross book value as at 31 December 2012	**6 185**	**27 386**	**212 939**	**21 021**	**20 087**	**976**	**288 594**
Depreciation as at 1 January 2012	**-**	**(17 733)**	**(167 044)**	**(35 569)**	**(14 233)**	**-**	**(234 579)**
Movements for the period:	**-**	**8 575**	**28 815**	**21 576**	**78**	**-**	**59 044**
– current depreciation (note 38)	(548)	(3 142)	(30 350)	(8 585)	(2 700)	-	**(45 325)**
– sale	-	-	3 382	2 506	203	-	**6 091**
– liquidation, scrapping	-	5	6 409	1 797	456	-	**8 667**
– change in the composition of the Group	540	11 400	49 006	25 613	2 072	-	**88 631**
– foreign exchange differences	-	-	49	37	47	-	**133**
– other	8	312	319	208	-	-	**847**
Depreciation as at 31 December 2012	**-**	**(9 158)**	**(138 229)**	**(13 993)**	**(14 155)**	**-**	**(175 535)**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Land & perpetual usufruct	Buildings and constructions	Plant and machinery	Motor vehicles	Other [tangible] fixed assets	Tangible assets under construction	Total
Impairment write-downs as at 1 January 2012	**-**	**(1 565)**	**-**	**-**	**(302)**	**-**	**(1 867)**
– increases/(decreases)	-	-	-	-	-	-	**-**
Impairment write-downs as at 31 December 2012	**-**	**(1 565)**	**-**	**-**	**(302)**	**-**	**(1 867)**
Net book value as at 1 January 2012	**29 811**	**72 836**	**117 350**	**44 075**	**7 872**	**2 057**	**274 001**
Net book value as at 31 December 2012	**6 185**	**16 663**	**74 710**	**7 028**	**5 630**	**976**	**111 192**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Depreciation of property, plant and equipment was recognized under the following items of the profit and loss account:

	2013	2012
Cost of finished goods and services sold	24 684	43 426
Administrative expenses	1 516	1 712
Other costs	246	187
Total	**26 446**	**45 325**

The Group as lessee uses the following fixed assets under finance lease contracts:

	31 December 2013		31 December 2012	
	Initial cost - capitalised finance lease	**Carrying amount net**	**Initial cost - capitalised finance lease**	**Carrying amount net**
Plant and machinery	47 324	29 100	48 722	35 865
Motor vehicles	1 990	905	1 158	849
Other fixed assets	249	129	214	151
Total	**49 563**	**30 134**	**50 094**	**36 865**

As at 31 December 2013, the value of collateral established on the property, plant and equipment of the Group entities amounted to PLN 58 860 thousand (collateral established jointly on property, plant and equipment and investment properties), while as at 31 December 2012 there was no collateral established. The carrying amount of property, plant and equipment being object of collateral as at 31 December 2013 amounted to PLN 7 139 thousand.

The total value of received or receivable compensations in respect of the fixed assets that were impaired or lost in 2013 was PLN 13 thousand (in 2012: PLN 4 390 thousand).

13. Investment properties

	31 December 2013	31 December 2012
Buildings and constructions	24 403	3 209
Other	126	47
Total investment properties	**24 529**	**3 256**
Fair value of investment properties	*35 930*	*14 311*

Movements in the balance of investment properties during 2013 and 2012 were as follows:

	2013	2012
Opening balance		
Gross value	6 365	5 816
Depreciation (incl. accumulated impairment losses)	(3 109)	(2 538)
Net value - opening balance	**3 256**	**3 278**
Movements throughout the year		
Purchase	111	-
Disposal	(90)	-
Transfer of items of property, plant and equipment	1 182	125
Change in the composition of the Group	20 225	-
Depreciation (note 38)	(155)	(266)
Other movements	-	119
Closing balance		
Gross value	29 254	6 365
Depreciation (incl. accumulated impairment losses)	(4 725)	(3 109)
Net value	**24 529**	**3 256**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

As at 31 December 2013, the value of collateral established on investment properties of the Group entities amounted to PLN 52 860 thousand (collateral established jointly on property, plant and equipment and investment properties). The carrying amount of investment properties being object of collateral as at 31 December 2013 amounted to PLN 19 233 thousand.

As at 31 December 2012, the Group entities did not report any significant legal or obligatory charges established on their investment properties.

Depreciation of investment properties for the year ended 31 December 2013 and 31 December 2012 was recognized in the profit and loss account under cost of finished goods and services sold.

Appraisals of certain parts of investment properties for the amount of PLN 21 808 thousand were performed as at 31 December 2013. The appraisals confirmed that investment properties held by the Group were not impaired. The fair value measurement of investment properties was classified as level 2 according to IFRS 13. In 2013 there were no movements between the fair value levels. The properties were valued with the income method, using observable rental rates on the local markets for properties similar to those appraised. The idea of performing valuations of other investment properties was abandoned due to negligible price fluctuations on the market and thus minimum likelihood of impairment in the value of the investment properties held by the Group.

As at 31 December 2012, the idea of commissioning valuation of investment properties to independent experts was abandoned due to negligible price fluctuations on the market and thus minimum likelihood of impairment in the value of the investment properties held by the Group.

The Group companies recognized in their profit and loss accounts the following balances of income from and costs of investment property management:

	2013	2012
Rental charge income	7 054	3 055
Direct operating expenses (incl. costs of repair and maintenance) relating to investment properties that resulted in rental charge income	3 571	3 035
Direct operating expenses (incl. costs of repair and maintenance) relating to investment properties that did not result in rental charge income	-	-

14. Intangible assets

	Computer software	Licenses and patents acquired	Other	Total
Gross value as at 1 January 2013	**21 908**	**4 732**	**3 379**	**30 019**
Increases:	**5 928**	**462**	**4 078**	**10 468**
– change in the composition of the Group	3 032	307	4 077	**7 416**
– purchase	590	42	-	**632**
– settlement of advance payments received	2 299	-	-	**2 299**
– foreign exchange differences	7	113	1	**121**
Decreases:	**(3 157)**	**(4 263)**	**(4 157)**	**(11 577)**
– change in the composition of the Group	(2 765)	(4 263)	(3 240)	**(10 268)**
– liquidation	(392)	-	(917)	**(1 309)**
Gross value as at 31 December 2013	**24 679**	**931**	**3 300**	**28 910**
Depreciation as at 1 January 2013	**(20 311)**	**(3 337)**	**(3 379)**	**(27 027)**
Movements for the period:	(1 448)	2 689	982	**2 223**
– current depreciation (note 38)	(1 386)	(374)	(532)	**(2 292)**
– change in the composition of the Group	(448)	3 143	598	**3 293**
– liquidation	390	-	917	**1 307**
– foreign exchange differences	(4)	(80)	(1)	**(85)**
Depreciation as at 31 December 2013	**(21 759)**	**(648)**	**(2 397)**	**(24 804)**
Net value as at 1 January 2013	**1 597**	**1 395**	**-**	**2 992**
Net value as at 31 December 2013	**2 920**	**283**	**903**	**4 106**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Computer software	Licenses and patents acquired	Other	Total
Gross book value as at 1 January 2012	**22 579**	**5 075**	**3 380**	**31 034**
Increases:	**1 018**	**1**	**-**	**1 019**
– purchase	654	1	-	**655**
– settlement of advance payments received	364	-	-	**364**
Decreases:	**(1 689)**	**(344)**	**(1)**	**(2 034)**
– change in the composition of the Group	(1 421)	-	-	**(1 421)**
– liquidation	(245)	(10)	-	**(255)**
– foreign exchange differences	(23)	(334)	(1)	**(358)**
Gross book value as at 31 December 2012	**21 908**	**4 732**	**3 379**	**30 019**
Depreciation as at 1 January 2012	**(20 160)**	**(3 231)**	**(154)**	**(23 545)**
Movements for the period:	(151)	(106)	(3 225)	**(3 482)**
– current depreciation (note 38)	(1 529)	(337)	(3 226)	**(5 092)**
– change in the composition of the Group	1 120	-	-	**1 120**
– liquidation	245	10	-	**255**
– foreign exchange differences	13	221	1	**235**
Depreciation as at 31 December 2012	**(20 311)**	**(3 337)**	**(3 379)**	**(27 027)**
Net book value as at 1 January 2012	**2 419**	**1 844**	**3 226**	**7 489**
Net book value as at 31 December 2012	**1 597**	**1 395**	**-**	**2 992**

Amortization of intangible assets was recognized under the following items of the profit and loss account:

	2013	2012
Cost of finished goods and services sold	1 301	4 020
Administrative expenses	966	1 051
Other costs	25	21
Total	**2 292**	**5 092**

The Group did not report any material intangible assets developed internally.

As at 31 December 2013 and 31 December 2012, the Group companies did not report any material public or obligatory charges established on their intangible assets.

No impairment write-downs against intangible assets were made in the year 2013 and 2012.

15. Goodwill of subordinates

Goodwill recognised in the statement of financial position as at 31 December 2013 and as at 31 December 2012 in the amount of PLN 73 237 thousand comprises goodwill entirely related to Budimex Dromex SA, which was merged with Budimex SA on 16 November 2009.

Goodwill impairment test

Goodwill is allocated to cash generating units in the Group. It is assumed that the cash generating unit for the goodwill that arose on acquisition of Budimex Dromex SA by Budimex SA is the part of the construction segment referring to domestic general construction and infrastructure.

The recoverable amount of the cash generating unit is determined on the basis of calculations of value in use. The calculations make use of the projections of five-year cash flows. Cash flows beyond the five-year period were assessed at fixed level. The rate of growth adopted does not exceed the average growth rate for the construction industry in which the cash generating unit operates. The calculations assumed the gross margin ranging from 7.2% to 7.8% and the discount rate of 10% (after rounding and grossing up). The Management Board determined budgeted gross margin on the basis of historical data and its projections for market development. Average weighted rates of growth are consistent with forecasts presented in industry reports. The applied discount rate is the rate before taxation that accounts for the specific threats of individual segments.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Based on the goodwill impairment test conducted as at 31 December 2013, the Management Board concluded that there was no need to recognize any impairment write-down.

16. Joint ventures

Jointly controlled entities

The Budimex Group has a 30 per cent share in Tecpresa – Techniki Sprężania i Usługi Dodatkowe Sp. z o.o.

The Budimex Group jointly controls Budimex SA Sygnity SA Sp. j., in which it holds a 67 per cent share. This is a SPE (special purpose entity) established to carry out the contract “Construction of the registered office of a Transmission System Operator together with external infrastructure in Bielawa near Warsaw”.

In addition, the Budimex Group has a 50 per cent share in Budimex SA Ferrovial Agroman SA Sp. j. The company was established to carry out the contract for designing and constructing the section of the A1 highway between Stryków and Pyrzowice.

In 2010, Budimex SA Ferrovial Agroman SA s.c. was established, in which the Budimex Group has a 99.98 per cent share. The company was incorporated to carry out the contract for the reconstruction/modernisation of runway DS-1, taxi routes, patrolling routes and fire route in the Warsaw Frederic Chopin Airport.

On 30 October 2013, Budimex SA Cadagua SA s.c. was established, in which the Budimex Group has a 50 per cent share. The company was established to perform the contract: "Modernisation of the sewage treatment plant and canalisation of a part of the city of Tomaszów Mazowiecki".

The following amounts represent the share of the Group in assets, liabilities, sales revenue, costs and the financial result of the jointly controlled companies.

	31 December 2013	31 December 2012
Non-current assets	-	-
Current assets	11 448	10 246
Total assets	**11 448**	**10 246**
Non-current liabilities	13 091	13 212
Current liabilities	12 263	12 345
Total liabilities	**25 354**	**25 557**
Net assets	**(13 906)**	**(15 311)**

	2013	2012
Total revenues	1 846	589
Total costs	(1 762)	(292)
Corporate income tax	-	-
Net profit/ (loss)	**84**	**297**

	31 December 2013	31 December 2012
Proportionate share in future liabilities of a joint venture	-	-
Proportionate share in contingent liabilities of a joint venture	-	-

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Jointly controlled business

As at 31 December 2013 and 31 December 2012, Group companies were parties to consortium agreements for the realization of construction contracts. Revenues and expenses, assets and liabilities relating to the performance of these contracts in the part allocated to Group companies were appropriately accounted for in the books of account of these companies. As at 31 December 2013 and 31 December 2012, the contingent liabilities underlying these projects include performance bonds, guarantees to return contract prepayments received and were included in the total balance of contingent liabilities recognized in the consolidated financial statements. No future investment commitments relating to these contracts were recorded.

The table below shows the Group's share in jointly realized contracts:

	The Budimex Group's share in the consortium	
Contract name	**31 December 2013**	**31 December 2012**
Consortia with the Ferrovial Group companies:		
Construction of sewage treatment plant in Szczecinek	51%	51%
Modernization of sewage treatment plant in Klimzowiec	50%	50%
Sewage treatment plant in Wrocław	50%	50%
Biogas management and thermal drying of sediment in the Central Sewage Treatment Plant in Poznań	40%	40%
Development and modernization (together with full technical infrastructure) of the Warsaw Frederic Chopin Airport – Terminal II	37%	37%
Technology modernisation in the Central Pipeline Facility, stage II	50%	-
Enlargement and modernization of sewage treatment plant in Gorzów Wielkopolski	50%	-
Consortia with other entities:		
Modernization of hospital in Koszalin	-	96%
Construction of a helipad - hospital in Bydgoszcz	-	80%
Construction of the Province Children Hospital in Bydgoszcz	51%	51%
Construction of the second passenger terminal for Gdańsk Airport	51%	51%
Construction of a border crossing station in Dołhobyczów	32%	32%
VIP lounge design - Terminal T-2 at the Gdańsk Airport	-	37%
Construction of a Municipal Waste Processing Plant in Białystok	50%	50%

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Presented below are selected financial data recognized in the books of account of the Budimex Group companies relating to contracts realized by the consortia listed above.

Balance sheet data	**31 December 2013**	**31 December 2012**
Non-current assets	573	125
Current assets	147 971	321 988
Non-current liabilities	5 623	26 874
Current liabilities	141 764	202 452
Contingent liabilities	60 456	53 716
Profit and Loss Account	**2013**	**2012**
Total revenues	33 900	176 183
Total costs	(32 845)	(166 865)

Budimex SA has a 37 per cent share in the consortium set up with Ferrovial Agroman SA and Estudio Lamela S.L. (the "Consortium") to perform a contract for developing and modernizing (together with full technical infrastructure) Warsaw Frederic Chopin Airport – Terminal II *(Międzynarodowy Port Lotniczy Warszawa Okęcie*) of an original value of USD 198 850 thousand and a completion date of 14 November 2005. In the first quarter of 2005, the investor extended the work completion deadline to 15 April 2006 due to a 5-month delay in the Consortium obtaining planning permission (for reasons independent of the Consortium). On 15 September 2006, the Consortium signed an Annex to the above contract with the airport managing company, Przedsiębiorstwo Państwowe Porty Lotnicze. Due to the scope of work being extended and taking into account compensation for the additional general costs incurred by the Consortium in the extended period, the total value of the contract increased to USD 247 687 thousand. The Parties agreed that the new work completion deadline would be 30 November 2007. The investor, Przedsiębiorstwo Państwowe Porty Lotnicze, also imposed on the Consortium liquidated damages (as provided for in the original contract) of USD 6 378 thousand for the delay in contract performance past the deadline of 15 April 2006.

On 12 October 2007, the Budimex SA received a statement from Przedsiębiorstwo Państwowe Porty Lotnicze ("PPL") to the effect that it was rescinding the contract for the development of Warsaw Frederic Chopin Airport. On 29 October 2007, the Management Board of Budimex SA was informed by the company's banks that Przedsiębiorstwo Państwowe Porty Lotnicze had demanded payment from the bank guarantee of USD 8 665 thousand towards Budimex SA's share, as a member of the Consortium carrying out the development project at Warsaw Frederic Chopin Airport. In the period 2-9 November 2007, payments were made to PPL under the bank guarantee in proportion to Budimex SA's share in the Consortium of a total amount of PLN 21 612 thousand. According to the Consortium, the demands for payments from the bank guarantees were made in breach of the Contract and the Civil Code, which became the subject of litigation proceedings, further described in note 55.

Revenues and expenses, assets and liabilities relating to the performance of this contract in the part allocated to Budimex SA were appropriately accounted for in the books of account of the Company. As at 31 December 2013, there were no investment obligations regarding the contract. Contingent liabilities resulting from counter-claim statements are described in Note 55.

According to the Management Board's best estimates, as at the date of these financial statements, total loss incurred by Budimex on this contract (proportionate to Budimex's share in the Consortium), taking into account other operating costs/revenue and other finance costs/income (including the result on forward contracts entered into to minimize exchange rate risk) was PLN 99 211 thousand as at 31 December 2013 (as at 31 December 2012: PLN 99 870 thousand). Budimex SA's loss on the entire contract, without taking into account the result of other operating and financial activities, was PLN 141 436 thousand as at 31 December 2013 (as at 31 December 2012: PLN 142 095 thousand). Due to the legal proceedings pending and the fact that the Consortium has not completed its financial settlements with PPL and its subcontractors, the final result of the contract performance may change.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

17. Investments in equity accounted entities

	2013	2012
Opening balance	**16 966**	**13 503**
– of which goodwill	-	-
Acquisition of shares	-	9 605
An associated company included in consolidation	(8 764)	-
Share in profits / (losses)* (note 43)	(4 684)	(6 121)
Dividend paid by associates	-	(21)
Closing balance	**3 518**	**16 966**
– of which goodwill	**-**	**-**

*) Shares in profits for the period also cover part of the prior year's result, which was not consolidated in the year to which it related. The consolidated financial statements of the Budimex Group was based on the preliminary financial data of companies for a given financial year, while the financial statements of equity accounted entities changed after publication of the consolidated financial statements of the Group. The share in the results of equity accounted companies for the year 2013 was adjusted by PLN (140) thousand and for the year 2012 by PLN (816) thousand.

The list of associates as at 31 December 2013 and 31 December 2012 is as follows:

Company name	Registered office	Share in the share capital and the number of votes (%)	
		31 December 2013	31 December 2012
Elektromontaż Poznań SA	Poznań / Poland	50.66%*	30.78 %
PPHU Promos Sp. z o.o.	Kraków / Poland	25.53%	25.53%
FBSerwis SA	Warsaw / Poland	49,00%	49,00%

*on 4 January 2013, the Budimex Group took control over the company Elektromontaż Poznań SA and its subsidiaries, and included their results in full consolidation. Elektromontaż Poznań SA ceased to be an associate and is a subsidiary company now.

Selected financial data of equity accounted entities are as follows:

Company name	Assets	Liabilities and provisions	Revenue total	Net profit/ (loss)
31 December 2013				
PPHU Promos Sp. z o.o.	9 282	2 082	9 990	45
FBSerwis SA	29 036	25 680	26 749	(9 296)
	38 318	**27 762**	**36 739**	**(9 251)**

Company name	Assets	Liabilities and provisions	Revenue total	Net profit/ (loss)
31 December 2012				
Elektromontaż Poznań SA	80 848	44 258	110 386	(6 916)
PPHU Promos Sp. z o.o.	9 670	2 592	9 834	215
FBSerwis SA	22 042	9 036	3 759	(6 594)
	112 560	**55 886**	**123 979**	**(13 295)**

As at 31 December 2013, the Budimex Group had no share in the contingent liabilities of associates, while as at 31 December 2012 such share amounted to PLN 2 372 thousand. The share of the Budimex Group in the contingent receivables amounted to PLN 3 566 thousand as at 31 December 2013, while as at 31 December 2012 such share amounted to PLN 803 thousand.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

18. Available-for-sale financial assets

	2013	2012
Opening balance	**17 135**	**12 146**
Increases:	**885**	**9 905**
– acquisition	885	9 905
Decreases	**(9 639)**	**(4 916)**
– impairment write-downs (note 42)*	-	(4 916)
– sale	(60)	-
– including in consolidation	(9 578)	-
– change in the composition of the Group	(1)	
Closing balance	**8 381**	**17 135**
of which:		
– non-current	**8 381**	**17 135**
– short-term	-	-

*) refers to Inversora de Autopistas del Levante S.L.

Starting from 1 January 2013, the companies Budimex Kolejnictwo SA and Budimex Parking Wrocław Sp. z o.o. are subject to consolidation. Although both companies were registered in 2011, their financial data was insignificant. The company Budimex B Sp. z o.o. is subject to consolidation starting from 1 September 2013. The company was registered in 2012, but its financial data was insignificant.

Available-for sale financial assets comprise solely shares in companies.

The fair value of short- and long-term financial assets available-for-sale as at 31 December 2013 and 31 December 2012 equated their acquisition cost. The fair value of these assets cannot be established as there is no active market for them.

During the period of the next 12 months, the Group does not intend to dispose any available-for-sale financial assets.

As at 31 December 2012, a registered pledge was established on shares in the company Budimex Parking Wrocław Sp. z o.o. As the company has been fully consolidated since 1 January 2013, the value if its shares was excluded from the financial assets available for sale.

19. Financial assets at fair value through profit or loss

	31 December 2013	31 December 2012
Derivative financial instruments – long-term portion (Note 20)	692	-
Derivative financial instruments – short-term portion (note 20)	131	5 724
Total	**823**	**5 724**

20. Derivative financial instruments

Policies concerning use of derivative financial instruments are defined in the Group Risk Management Policy adopted by the Management Board.

Derivative financial instruments are valued at the reporting date at a reliably determined fair value. Fair value of forward transactions is estimated using the model based on currency exchange rates (average NBP rates) prevailing on the balance sheet date and on differences in interest rates of the quotations and base currencies. Fair value of interest rate swaps is estimated based on discounted future cash flows connected with interest swaps. An IRS interest rate curve as at the balance sheet date is applied for the discount purposes.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

The effects of periodic valuation and settlement of FX forward contracts are reported in the profit and loss account as part of operating business.

The effects of periodic valuation and settlement of interest rate swaps are recognized in the profit and loss account as part of financing business.

The fair value of transactions concluded by the Group companies and open as at 31 December 2013 and 31 December 2012 is presented in the table below:

	Financial assets on valuation of derivative financial instruments		**Financial liabilities on valuation of derivative financial instruments**	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
FX forward contracts	131	5 724	440	257
Interest rate swap	692	-	285	-

The total nominal value of FX forward contracts as at 31 December 2013 was EUR 7 967 thousand and USD 817 thousand, while as at 31 December 2012 it was EUR 40 485 thousand. As at 31 December 2013 and 31 December 2012 the Group did not hold any currency options.

Forward selling/ buying rate for transactions open as at 31 December 2013 ranged EUR/ PLN 4 1878-4 2890 and USD/PLN 3 0460-3 2555 (as at 31 December 2012 – EUR/PLN 4 1070-4 5940). Forward transactions in EUR open as at 31 December 2013 are to be settled within 30-324 days (as at 31 December 2012, transaction settlement date was 24-353 days), and forward transactions in USD within 30-212 days (no forward transactions in USD were open as at 31 December 2012).

As at 31 December 2013, the Group had IRS transactions open. In connection with such transactions, the Group will pay the fixed interest rate and will receive the floating 3M WIBOR rate. The nominal value of individual IRS transactions did not exceed PLN 10 000 thousand. The transactions were executed for 5 and 10 years.

Financial assets at fair value through profit or loss

	31 December 2013	**31 December 2012**
Maturity analysis		
– less than 1 year	131	5 724
– 1-2 years	-	-
– 2-5 years	189	-
– above 5 years	503	-
Total	**823**	**5 724**

Financial liabilities at fair value through profit or loss

	31 December 2013	**31 December 2012**
Maturity analysis		
– less than 1 year	499	257
– 1-2 years	181	-
– 2-5 years	45	-
– above 5 years	-	-
Total	**725**	**257**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

21. Concession agreement receivables

A company of the Group executed with a public sector entity an agreement on drafting design documentation and construction of an underground car park in Wrocław. As remuneration, the company will be entitled to exclusive, paid-for use of the car park and to collect payments for parking tickets from the users. The concession agreement was executed for a period of 30 years and 4 months. In compliance with the agreement, the concessionaire is obligated to maintain the unchanged service level throughout the term of the agreement. The agreement defines also the guaranteed level of revenue to be received by the concessionaire, should the level of income under parking fees differ from the base income established in the agreement for the given year. The price of the parking tickets is determined in the agreement. The concessionaire is entitled to modify the price, at least annually and at least by the value of indexation.

A test was performed as at the agreement execution date which confirmed that the payments guaranteed under the concession agreement cover the remuneration for the construction services expressed at fair value. Thus, the revenues under the construction services were recognized as financial assets.

Fair value of concession agreement receivables corresponds approximately to the carrying value.

Movements in concession agreement receivables

	2013	2012
Opening balance	**-**	**-**
Increases:	**22 376**	**-**
– change in the composition of the Group	1 473	-
– revenue on construction services	20 379	-
– financial asset measurement at amortized cost (Note 42)	524	-
Decreases	**-**	**-**
– impairment write-downs	-	-
– repayments	-	-
Closing balance	**22 376**	**-**
of which:		
– non-current	**22 376**	**-**
– short-term	-	-

Revenue and profit/(loss) on concession agreement

	2013	2012
Revenue on construction services	20 379	-
Profit/(loss) on construction services	1 011	-

22. Loans granted

	2013	2012
Opening balance	**-**	**-**
– loan granted	3 111	3 000
– accrued interest	53	30
– repayments	-	(3 030)
Closing balance	**3 164**	**-**
of which:		
– non-current	-	-
- short-term	3 164	-

In 2013, the Group provided a loan to its associate, the company FBSerwis SA. The effective interest rate was 6.43% in 2013. The remaining terms of the loan do not differ from the market conditions.

The fair value of the loan is approximately the same as the carrying amount.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

23. Trade and other receivables

	31 December 2013	31 December 2012
Long-term trade receivables and other receivables		
Other receivables	20 703	-
Long-term trade receivables and other receivables, net	**20 703**	**-**
Impairment write-down against non-current receivables	100	98
Long-term trade receivables and other receivables, gross	**20 803**	**98**
Short-term trade receivables and other receivables		
Trade receivables	493 929	335 926
Advance payments made	21 724	27 183
Taxation, subsidy, customs duty, social security, health insurance and other	2 473	7 777
Other receivables	7 549	30 950
Short-term trade receivables and other receivables, net	**525 675**	**401 836**
Impairment write-down against receivables	139 852	131 248
Short-term trade receivables and other receivables, gross	**665 527**	**533 084**
Total trade and other receivables, net	**546 378**	**401 836**

There is no credit risk concentration in respect of trade receivables taking into consideration the fact that the main customer of the Group is a government agency.

The fair value of trade and other receivables approximates their carrying amount.

As at 31 December 2013 and 31 December 2012 no securities or collateral were established on these assets.

Impairment write-downs against non-current and current trade receivables and other receivables

	2013	2012
Impairment write-downs against receivables - opening balance	**131 346**	**98 935**
Charged to other operating expenses (Note 40)	15 721	60 279*
Reversed to other operating income (note 40)	(4 146)	(13 541)
Reversed to other finance income (note 42)	-	(143)
Utilised	(1 326)	(10 040)
Foreign exchange differences	199	(841)
Change in the composition of the Group	(1 842)	(3 101)
Other	-	(202)
Impairment write-downs against receivables - closing balance	**139 952**	**131 346**

* of which PLN 47 085 thousand in Note 40 was recognised in item “Deconsolidation of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements”

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Maturity analysis of past-due trade receivables

The table below shows the maturity analysis of trade and other receivables, which are overdue but not impaired at the reporting date. As at 31 December 2013 and 31 December 2012 there were no overdue debts not impaired.

	31 December 2013	31 December 2012
Past due trade receivables, outstanding for:		
– up to 1 month	22 186	26 532
– 1-3 months	10 116	5 750
– 3-6 months	3 740	6 312
– 6 months to 1 year	2 679	38 160
– above 1 year	40 252	5 245
Total past due trade receivables	**78 973**	**81 999**

24. Inventories

	31 December 2013	31 December 2012
Raw materials	86 942	121 494
Semi-finished goods and work in progress	120 886	160 567
Finished goods	131 209	156 683
Goods for resale	358 009	437 462
Net value of inventories - closing balance	**697 046**	**876 206**
Impairment write-downs against inventories	80 567	23 543
Gross value of inventories - closing balance	**777 613**	**899 749**

Impairment write-downs against inventories

	2013	2012
Inventory impairment write-downs - opening balance	**23 543**	**12 489**
Charged to other operating expenses (note 40)	61 881	13 246
Reversed to other operating income (note 40)	(3 582)	(123)
Change in the Group	684	(269)
Utilised	(1 959)	(1 800)
Inventory impairment write-downs - closing balance	**80 567**	**23 543**

Reasons for reversing inventory impairment write-downs are presented in the table below:

	2013	2012
Increase of the recoverable value	3 582	-
Inventory scrapping	-	123
Total	**3 582**	**123**

As at 31 December 2013, collateral was established on inventories of the Group companies of value of PLN 213 837 thousand, while as at 31 December 2012 - of PLN 72 515 thousand. The carrying amount of inventories being object of collateral as at 31 December 2013 amounted to 95 701 thousand and as at 31 December 2012 to PLN 117 318 thousand.

Total value of interest capitalised to the Group companies' inventories (developer companies) was PLN 36 thousand as at 31 December 2013 and PLN 2 046 thousand as at 31 December 2012. In 2013, the companies capitalised to inventories interest with a value of PLN 1 774 thousand, while in 2012, the companies capitalised to inventories interest with a value of PLN 2 397 thousand. The effective interest rate of loans taken out to finance inventories in 2013 was 4.94% (in 2012: 6.47%).

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

The value of inventories to be utilised or sold in the period of more than 12 months as at 31 December 2013 is PLN 474 945 thousand and as at 31 December 2012 – PLN 517 122 thousand.

Inventories worth PLN 608 172 thousand relate to investment expenditures incurred in respect of realized residential projects in order to sell the apartments subsequently. Due to the general situation on the residential market the Group is subject to risk of fluctuations of prices of apartments and service premises. The risk of price fluctuations was limited in respect of apartments that had been sold based on preliminary sales agreements. Regarding investment projects for which the construction phase did not start, the Group did not conclude the binding agreements for construction services.

In order to verify the market value of the assets held, the Management Board Board commissioned an external surveyor, Ernst & Young Real Estate Sp. z o.o., to perform an appraisal of a portion of inventories. The carrying amount of inventories as at 31 December 2013 on the basis of the valuation made by the surveyor and on the basis of in-house valuations exceeded their fair value, and therefore it was necessary to perform additional impairment write-downs for the amount of PLN 61 811 thousand, which were recognized as operating expenses (Note 40). In addition, taking into consideration the instability of the real estate market, it cannot be excluded that future sale prices can be significantly different from prices used by the Group and the independent surveyor for the impairment test purposes, and further write-downs or reversal of such write-downs may be necessary.

Up to the date of preparation the consolidated financial statements there were no events that should be reflected in the form of adjustment or disclosure in the consolidated financial statements.

25. Cash and cash equivalents

	31 December 2013	31 December 2012
Cash on hand	22	25
Cash at bank	1 654 379	1 309 279
- current accounts	57 005	40 713
- overnight (one-day) deposits	119 410	118 954
- other deposits	1 466 404	1 147 755
– deposits in developer entities on escrow accounts	11 560	1 857
Other cash	4 382	8 429
Total cash and cash equivalents	**1 658 783**	**1 317 733**
Cash and cash equivalents of restricted use	(33 089)*	(10 987)
Cash recognized in the cash flow statement	**1 625 694**	**1 306 746**

*the amount of PLN 3 596 thousand was excluded from the balance change in cash and cash equivalents in connection with the changes to the composition of the Group (note 8)

The balance of cash and cash equivalents covers cash of consortia in the part attributable to the consortium members in the amount of PLN 36 096 thousand as at 31 December 2013 and PLN 34 098 thousand as at 31 December 2012.

Short-term bank deposits and investments with high liquidity included in cash and cash equivalents are mainly “overnight” deposits and short-term deposits with a maturity date of 2-181 days with an average effective interest rate as at 31 December 2013 of 2.58% per annum for deposits in PLN (as at 31 December 2012: 4.27% p.a. for deposits in PLN). The average maturity period for these deposits is 24 days (31 December 2012: 17 days).

Included in cash and cash equivalents of restricted use are the following:

	31 December 2013	31 December 2012
Escrow accounts of development companies	11 560	1 857
Blocked development project bank accounts	16 426	8 981
Cash and cash equivalents serving as bank guarantees	4 839	-
Other	264	149
Total cash and cash equivalents of restricted use	**33 089**	**10 987**

In 2013, the Group obtained cash in the amount of PLN 4 959 thousand as a result of guarantee realization (in 2012: PLN 6 707 thousand).

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

26. Equity

At the date of transition to IFRS, the Group adjusted shareholders' equity and share premium for the period in which Polish economy was hyperinflationary. The effects of translation and reconciliation of balances shown in the books of account and corporate records of the Parent Company as at 31 December 2013 and 31 December 2012 with balances recognized in the financial statements were presented in the table below.

	31 December 2013		31 December 2012	
	Ordinary shares	**Share premium**	**Ordinary shares**	**Share premium**
Registered capital	**127 650**	**232 719**	**127 650**	**232 719**
Translation of capital due to hyperinflation	18 198	2 080	18 198	2 080
Loss coverage	-	(147 636)	-	-
Value disclosed in the financial statements	**145 848**	**87 163**	**145 848**	**234 799**

The value by which the share capital and share premium were adjusted in connection with hyperinflation was recognized in equity under "Accumulated profits/ (losses) from previous years".

Pursuant to a resolution of the Ordinary General Meeting of Budimex SA held on 24 April 2013, the prior years' net loss in the amount of PLN 147 636 thousand reported in the individual statement of the Parent Company was covered in full with the share premium.

Share capital of the Parent Company consists of 25 530 098 shares of a total value of PLN 127 650 thousand. The structure of the share capital of the Parent Company as at 31 December 2013 is as follows:

Share series/ issue	Type of shares	Type of preference	Type of limitations of rights to shares	Number of shares	Value of series/ issue at nominal value	Type of capital coverage	Registration date	Right to dividend (as of)
A	ordinary/ registered	None	None	2 350	12	1)	1994-08-05	1994-01-01
A	ordinary/bearer	None	None	2 997 650	14 988	1)	1994-08-05	1994-01-01
B	ordinary/bearer	None	None	2 000 000	10 000	cash	1994-11-13	1995-01-01
C	ordinary/bearer	None	None	1 900 285	9 501	cash	1995-03-07	1995-01-01
D	ordinary/bearer	None	None	1 725 072	8 625	cash	1996-04-25	1996-01-01
E	ordinary/bearer	None	None	2 000 000	10 001	2)	1997-08-05	1997-01-01
F	ordinary/bearer	None	None	5 312 678	26 563	cash	1998-05-05	1998-01-01
G	ordinary/bearer	None	None	2 217 549	11 088	3)	1999-11-02	1999-01-01
H	ordinary/bearer	None	None	1 448 554	7 243	3)	1999-11-02	1999-01-01
I	ordinary/bearer	None	None	186 250	931	3)	1999-11-02	1999-01-01
K	ordinary/bearer	None	None	1 484 693	7 423	4)	2000-07-13	2000-01-01
L	ordinary/bearer	None	None	4 255 017	21 275	cash	2000-12-18	2000-01-01
Total				**25 530 098**	**127 650**			

1) assets of the transformed company, Budimex Engineering and Construction Sp. z o.o.
2) assets of the acquired company, Budimex Trading SA
3) assets of the acquired companies, Budimex Poznań SA, Unibud SA and Budimex Warszawa SA
4) assets of the acquired company, Mostostal Kraków SA

On 19 July 2013, 120 ordinary registered shares of series A were converted to 120 ordinary bearer shares.

The number of shares making up the approved share capital equates the number of the shares issued. The nominal value of one share in PLN 5.

The Parent Company does not hold treasury shares. Subsidiary and associated companies do not hold any shares in the Parent Company. No shares were reserved in connection with share issue for the realization of share options and sales agreements.
The amount of profit set aside for appropriation results from the financial statements of the Parent Company.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

27. Equity attributable to non-controlling interests

	2013	2012
Opening balance	**-**	**-**
– share in profit/(loss) throughout the year	820	-
– non-controlling interests arose as a result of taking over control of Elektromontaż Poznań SA (note 8)	18 032	-
Closing balance	**18 852**	**-**

Non-controlling interests represent 49.34 per cent in the share capital, and in the number of votes at the General Meeting of the company Elektromontaż Poznań SA.

28. Loans, borrowings and other external sources of finance

	31 December 2013	31 December 2012
	Carrying amount	Carrying amount
Non-current		
Bank loans and borrowings	17 126	48 164
Finance lease liabilities	17 229	27 803
	34 355	**75 967**
Short-term		
Bank loans and borrowings	9 757	8 098
Finance lease liabilities	9 963	9 611
Interest accrued on short-term loans and borrowings	9	9
	19 729	**17 718**
Total	**54 084**	**93 685**

Maturity analysis of loans and borrowings based on undiscounted contractual cash flows is as follows:

	31 December 2013		31 December 2012	
	Carrying amount	Undiscounted contractual cash flows*	Carrying amount	Undiscounted contractual cash flows*
- up to 1 year	9 766	9 892	8 107	11 310
– 1-3 years	5 000	7 034	48 164	51 128
– 3-5 years	2 008	2 866	-	-
– above 5 years	10 118	11 584	-	-
	26 892	**31 376**	**56 271**	**62 438**

*) includes both nominal and interest payments; as at 31 December 2013 and 31 December 2012 amounts in foreign currency were translated at the NBP period-end exchange rates and the interest payments were calculated using the latest interest rates fixed before 31 December 2013 and 31 December 2012.

The Group companies are allowed to repay their loans and borrowing before the maturity date. No penalty clause for earlier loan repayment has been included in the loan agreements signed by Group companies.

In the period covered by the financial statements there were no problems with fulfilling the obligation of repayment of capital, interest, terms and conditions of escrow accounts and terms of redemption the liabilities arising from borrowings.

The Group companies did not breach or renegotiate the terms of bank loans and borrowings before the approval of the consolidated financial statements.

The carrying amount of long-term loans and borrowings approximates their fair value as interest rate terms and conditions set in the agreements are based on a variable interest rate.

Non-current liabilities under loans and borrowings as at 31 December 2013

Bank / entity	Registered office	Amount of loan / borrowing as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/security
		PLN '000	Currency ('000)	PLN '000	Currency ('000)			
Caja de Ahorros y Pensiones de Barcelona "la Caixa"	Warsaw	15 000	PLN	-	PLN	WIBOR 1M + margin	31.03.2016	1. capped mortgage of up to 150 per cent of loan value (PLN 90 000 thousand) over the right of perpetual usufruct of the property 2. registered pledge on bank accounts 3. transfer of receivables under insurance contract, sales agreements and general contractor contract
Getin Noble Bank SA	Warsaw	36 760	PLN	2 854	PLN	WIBOR 1M + margin	30.09.2016	1. mortgage of up to 150 per cent of loan value (PLN 55 140 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to bank accounts relating to the project
Getin Noble Bank SA	Warsaw	20 741	PLN	-	PLN	WIBOR 1M + margin	31.12.2016	1. mortgage up to 150 per cent of loan value (PLN 31 112 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorization to bank accounts relating to the project
Getin Noble Bank SA	Warsaw	20 610	PLN	-	PLN	WIBOR 1M + margin	31.12.2016	1. mortgage of up to 150 per cent of loan value (PLN 30 915 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to bank accounts relating to the project
PKO BP SA	Warsaw	23 000	PLN	680	PLN	WIBOR 3M + margin	31.12.2015	1. mortgage of up to 150 per cent of loan value (PLN 34 500 thousand) 2. transfer of rights under an insurance policy and sale agreements 3. authorizations to bank accounts relating to the project
PKO BP SA	Warsaw	23 780	PLN	-	PLN	WIBOR 3M + margin	28.02.2016	1. mortgage of up to 150 per cent of loan value (PLN 35 670 thousand) 2. transfer of rights under an insurance policy and sale agreements 3. authorizations to bank accounts relating to the project

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Bank / entity	Registered office	Amount of loan / borrowing as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/security
		PLN '000	Currency ('000)	PLN '000	Currency ('000)			
PKO BP SA/ Nordea Bank Polska SA	Warsaw/ Gdynia	33 567	PLN	13 592	PLN	WIBOR 3M + margin	31.12.2031	1. Agreement on Financial Support and Agreement on Project Performance Support 2. mortgage 3. registered pledge on shares 4. registered pledge on movables and rights 5. registered pledge on bank accounts, authorisation to bank accounts 6. transfer of receivables under insurance agreements, lease contracts, construction contract, property management contract 7. corporate guarantee by Budimex SA regarding cost overruns (up to 10 per cent of the project budget) 8. corporate guarantee by Budimex SA regarding debt service (up to 5 per cent of the loan granted, for the period until the construction permit is received) 9. declaration on submission to enforcement 10. Subordinated Agreement
				17 126				

Non-current liabilities under loans and borrowings as at 31 December 2012

Bank / entity	Registered office	Amount of loan / borrowing as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/security
		PLN '000	Currency ('000)	PLN '000	Currency ('000)			
Caja de Ahorros y Pensiones de Barcelona "la Caixa"	Warsaw	15 000	PLN	-	PLN	WIBOR 1M + margin	30.04.2016	1. capped mortgage of up to 150 per cent of loan value (PLN 90 000 thousand) over the right of perpetual usufruct of the property 2. registered pledge on bank accounts 3. transfer of receivables under insurance contract, sales agreements and general contractor contract
Getin Noble Bank SA	Warsaw	39 500	PLN	38 493	PLN	WIBOR 1M + margin	31.12.2014	1. mortgage up to 150 per cent of loan value (PLN 59 250 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to bank accounts relating to the project
Getin Noble Bank SA	Warsaw	33 000	PLN	9 671	PLN	WIBOR 1M + margin	30.06.2014	1. mortgage up to 150 per cent of loan value (PLN 49 500 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to bank accounts relating to the project
Getin Noble Bank SA	Warsaw	25 000	PLN	-	PLN	WIBOR 1M + margin	31.12.2014	1. mortgage up to 150 per cent of loan value (PLN 37 500 thousand) 2. transfer of rights under an insurance policy, sale agreements and general contractor contract 3. authorizations to bank accounts relating to the project
				48 164				

Current liabilities under loans and borrowings as at 31 December 2013

Bank / entity	Registered office	Amount of loan / borrowing as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/security
		PLN '000	Currency ('000)	PLN '000	Currency ('000)			
overdrafts								
Bank Handlowy SA	Warsaw	50 000	PLN	-	PLN	1M WIBOR + margin	5.02.2014	none
Societe Generale SA	Warsaw	50 000	PLN	-	PLN	1M WIBOR + margin	9.12.2014	none
ING Bank Śląski SA	Katowice	25 000	PLN	-	PLN	1M WIBOR + margin	18.02.2014	none
Bank Zachodni WBK SA	Wrocław	50 000	PLN	-	PLN	1M WIBOR + margin	3.03.2014	none
Pekao SA	Warsaw	50 000	PLN	-	PLN	1M WIBOR + margin	30.06.2014	none
other loans and borrowings								
Cintra Infraestructuras SA	Madrid	8 324	EUR 2 007	8 333 (includes interest: 9)	EUR 2 009 (includes interest accrued: EUR 2)	EURIBOR 12M + margin	1.12.2014	none
PKO BP SA/ Nordea Bank Polska SA	Warsaw/ Gdynia	33 567	PLN	1 264	PLN	WIBOR 3M + margin	30.04.2014	1. Agreement on Financial Support and Agreement on Project Performance Support 2. mortgage 3. registered pledge on shares 4. registered pledge on movables and rights 5. registered pledge on bank accounts, authorisation to bank accounts 6. transfer of receivables under insurance agreements, lease contracts, construction contract, property management contract 7. corporate guarantee by Budimex SA regarding cost overruns (up to 10 per cent of the project budget) 8. corporate guarantee by Budimex SA regarding debt service (up to 5 per cent of the loan granted, for the period until the construction permit is received) 9. declaration on submission to enforcement 10. Subordinated Agreement

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Bank / entity	Registered office	Amount of loan / borrowing as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/security
		PLN '000	**Currency ('000)**	**PLN '000**	**Currency ('000)**			
PKO BP SA	Warsaw	23 000	PLN	169	PLN	WIBOR 3M + margin	31.12.2014	1. mortgage of up to 150 per cent of loan value (PLN 34 500 thousand) 2. transfer of rights under an insurance policy and sale agreements 3. authorizations to bank accounts relating to the project
				9 766				

Current liabilities under loans and borrowings as at 31 December 2012

Bank / entity	Registered office	Amount of loan / borrowing as per loan agreement		Outstanding amount of loan/ borrowing		Interest rate	Repayment date	Collateral/security
		PLN '000	**Currency ('000)**	**PLN '000**	**Currency ('000)**			
overdrafts								
Bank Handlowy SA	Warsaw	40 000	PLN	-	PLN	1M WIBOR + margin	6.02.2013	none
Societe Generale SA	Warsaw	50 000	PLN	-	PLN	1M WIBOR + margin	27.11.2013	none
other loans and borrowings								
Cintra Infraestructuras SA	Madrid	8 098	EUR 1 981	8 107 (includes interest: 9)	EUR 1 983 (includes interest accrued: EUR 2)	EURIBOR 12M + margin	1.12.2013	none
				8 107				

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Risk of interest rate fluctuations

The effective interest rates as at 31 December 2013 and 31 December 2012 were as follows:

	31 December 2013		31 December 2012	
	PLN	**EUR**	**PLN**	**EUR**
Bank loans and borrowings	4.33%	1.25%	6.11%	1.33%
Finance lease liabilities	4.04%	-	6.04%	-

Finance lease liabilities

The Group companies signed with Millenium Leasing Sp. z o.o., Konica Minolta Business Solutions Sp. z o.o., Raiffeisen-Leasing Polska SA and Prime Car Management SA (the "Lessor") finance lease agreements regarding financing mainly of machines and equipment, but also motor vehicles. As at 31 December 2013, the net value of machines used under finance lease was PLN 29 100 thousand, of motor vehicles - PLN 905 thousand and of other fixed assets – PLN 129 thousand (see note 12). Leased assets were made available for the period of 36 - 60 months. After the completion of the above lease terms and after discharging its liabilities towards the Lessors, Group companies will have the right to acquire some of the leased assets for the price equating their residual value. The contractual liabilities are partly secured with the blank bill of exchange issued by the Lessee together with a written authorization for its drawing. Future minimum lease payments under the above lease agreements and the net present value of minimum lease payments as at 31 December 2013 are as follows:

	Minimum lease payments	**Present value of minimum lease payments**
– less than 1 year	11 252	9 963
– 1-5 years	18 141	17 229
– above 5 years	-	-
Finance lease liabilities, in total	**29 393**	**27 192**
of which: future finance costs under finance lease	(2 201)	-
Present value	**27 192**	**27 192**

The Group companies have the right to early repayment of the remaining amounts of finance lease liabilities. Lease contracts do not provide for a penalty for earlier repayment of lease liabilities.

29. Trade and other liabilities

	31 December 2013	**31 December 2012**
Non-current trade liabilities and other liabilities		
Trade liabilities	-	-
Other non-financial liabilities	-	-
Non-current trade liabilities and other liabilities, in total	**-**	**-**
Current trade liabilities and other liabilities		
Trade liabilities	535 433	579 923
Uninvoiced costs	473 897	517 760
Taxation and social security liabilities	171 181	140 985
Liabilities relating to settlement of consortia	28 653	36 834
Payroll	5 996	8 864
Other liabilities	2 824	3 228
Current trade liabilities and other liabilities, in total	**1 217 984**	**1 287 594**
Total trade and other liabilities	**1 217 984**	**1 287 594**

All trade liabilities and other liabilities as at 31 December 2013 and 31 December 2012 were recognized under current liabilities as they will be settled in the course of the normal operating cycle of the Group.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

30. Short-term accrued expenses

	31 December 2013	31 December 2012
Unused annual leave	**28 778**	**29 004**
Employee bonus	118 815	121 597
Costs of contract completion	8 932	9 893
Other	406	1 114
Total	**156 931**	**161 608**

31. Deferred income tax

	31 December 2013	31 December 2012
Deferred tax assets		
- to be realized after 12 months from the reporting date	240 179	217 051
- to be realized within 12 months of the reporting date	160 995	161 009
Total	**401 174**	**378 060**
Compensation	(49 838)	(66 409)
Deferred tax assets after netting off	**351 336**	**311 651**
Deferred tax liabilities		
– to be settled after 12 months from the reporting date	30 076	41 630
– to be settled within 12 months of the reporting date	19 762	24 779
Total	**49 838**	**66 409**
Compensation	(49 838)	(66 409)
Deferred tax liabilities after netting off	-	-

Movements in net deferred tax are as follows:

	2013	2012
Opening balance	**311 651**	**312 032**
Credited/(charged) to financial result (Note 44)	36 726	(3 138)
Credited/(charged) to other comprehensive income	185	-
Other (incl. due to a change in Group composition)	2 774	2 757
Balance at the end of the year	**351 336**	**311 651**

Deferred tax assets and deferred tax liabilities are recognized in respect of taxable and deductible temporary differences relating to local items of assets and liabilities using the 19 per cent tax rate, while in respect of temporary differences relating to the balance sheet items of foreign operations – using the local tax rates of the country representing the main economic environment in which the given entity conducts operations and pays corporate income tax.

As at 31 December 2013, negative temporary differences and unused tax losses for which no deferred tax asset was recognized in the statement of financial position amounted to PLN 13 138 thousand (as at 31 December 2012: PLN 3 990 thousand) and expire as follows: PLN 1 812 thousand in 2014, PLN 6 077 thousand in 2015, PLN 3 954 thousand in 2016, PLN 112 thousand in 2017 and PLN 1 183 thousand in 2018. The reason for non-recognition of deferred tax asset is the remote probability of earning by certain Group entities of taxable profit against which the deductible temporary differences may be utilized.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Movements in the balance of deferred tax assets, by title (before netting off), are presented in the table below:

	Assets as at 1 January 2012	**Recognition / (utilization) of an asset through profit or loss**	**Recognition / (utilization) of an asset through other comprehensive income**	**Change in the composition of the Group**	**Other movements**	**Assets as at 31 December 2012**	**Recognition / (utilization) of an asset through profit or loss**	**Recognition / (utilization) of an asset through other comprehensive income**	**Change in the composition of the Group**	**Other movements**	**Assets as at 31 December 2013**
Amounts due and payable to customers under construction contracts	206 342	(71 547)	-	(28 575)	-	106 220	28 729	-	467	-	135 416
Contract costs relating to accrued income	34 568	9 562	-	-	-	44 130	(4 569)	-	1	-	39 562
Liabilities – uninvoiced costs	52 937	(59)	-	-	-	52 878	(5 030)	-	(114)	-	47 734
Tax loss	9 096	76 279	-	(27 127)	-	58 248	(30 451)	-	1 776	-	29 573
Provisions for warranty repairs	26 155	3 726	-	(316)	-	29 565	2 438	-	(150)	-	31 853
Other provisions for liabilities	31 951	2 642	-	(5 577)	-	29 016	10 638	-	3	-	39 657
Receivables - impairment write-downs	13 893	2 799	-	(107)	-	16 585	11 614	-	66	-	28 265
Employee bonus settlements	23 753	(1 013)	-	-	-	22 740	(657)	-	27	-	22 110
Liabilities - unused annual leave	5 197	315	-	(201)	-	5 311	(64)	-	(10)	-	5 237
Discount of retentions for construction contracts	836	(404)	-	-	-	432	(16)	-	-	-	416
Forward contract valuation	2 343	(2 294)	-	-	-	49	89	-	-	-	138
Provision for jubilee bonuses and retirement benefits	6 117	(2 965)	-	(2 226)	-	926	(7)	185	(59)	-	1 045
Impairment write-down against non-current financial assets	1 466	934	-	-	-	2 400	31	-	-	-	2 431
Other	13 695	(18 403)	-	11 511	2 757	9 560	3 894	-	(1 353)	5 636	17 737
Impairment write-down	(41 851)	-	-	41 851	-	-	-	-	-	-	-
Total	**386 498**	**(428)**	**-**	**(10 767)**	**2 757**	**378 060**	**16 639**	**185**	**654**	**5 636**	**401 174**
Compensation	(74 466)					(66 409)					(49 838)
After netting off (recognized in the statement of financial position)	**312 032**					**311 651**					**351 336**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Movements in the balance of deferred tax liability, by title (before netting off), are presented in the table below:

	Provisions as at 1 January 2012	**Recognition / (utilization) of a provision through profit or loss**	**Recognition / (utilization) of a provision through other comprehensive income**	**Change in the composition of the Group**	**Provisions as at 31 December 2012**	**Recognition / (utilization) of a provision through profit or loss**	**Recognition / (utilization) of a provision through other comprehensive income**	**Change in the composition of the Group**	**Provisions as at 31 December 2013**
Amounts due and receivable from customers under construction contracts	44 739	7 184	-	(7 194)	44 729	(12 398)	-	1 383	33 714
Forward contract valuation	27	1 061	-	-	1 088	(932)	-	-	156
Discount of retentions for construction contracts	4 342	(747)	-	-	3 595	325	-	41	3 961
Receivables – accrued interest	596	74	-	-	670	348	-	-	1 018
Deferred tax liability - German market	5 841	(662)	-	-	5 179	(4 547)	-	-	632
Lease	13 664	(1 511)	-	(1 991)	10 162	(2 388)	-	48	7 822
Other	5 257	(2 689)	-	(1 582)	986	(495)	-	2 044	2 535
Total	**74 466**	**2 710**	**-**	**(10 767)**	**66 409**	**(20 087)**	**-**	**3 516**	**49 838**
Compensation	(74 466)				(66 409)				(49 838)
After netting off (recognized in the statement of financial position)	-				-				-

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

32. Liabilities arising from retirement benefits and similar obligations

As at 31 December 2013, all employees of the Budimex Group companies enjoy only one type of employee benefits, i.e. retirement and pension benefits. The situation did not change as compared to 31 December 2012

Retirement and pension benefits are one-off payments upon retirement. The amount of the retirement benefit/ pension benefit due and payable is the product of the base of benefit calculation at the date of entitlement and the appropriate cumulative ratio (progressing in proportion to the years of service).

Usually, the obligation to pay the retirement and pension benefits entails the actuarial risk consisting of:

Interest rate risk - the current value of liabilities under the retirement and similar benefits is calculated using the discount rate established by reference to the profitability of T-bonds available on the market, as there are no liquid commercial bonds of low risk levels in Poland. In case of a decrease in interest rates of the bonds, the liabilities under the retirement benefits and similar obligations increase.

Remuneration risk - the current value of liabilities under retirement benefits and similar obligations is calculated by reference to the future level of remunerations of employees of the Budimex Group companies. Thus, growth of remuneration of employees will result in an increase of liabilities under the retirement benefits.

Risk of longevity - the current value of liabilities under retirement benefits and similar obligations is calculated by reference to the best estimates of employee mortality during employment. Lengthening of the expected employee life will result in an increase of liabilities under the retirement benefits.

Risk of changes to retirement age - the current value of liabilities under retirement benefits and similar obligations is calculated on the basis of the retirement age as applicable in Poland. In the event of further postponement of the retirement age, the current value of liabilities under retirement benefits will decrease.

Liabilities under employee benefits recognized in the statement of financial position:

	31 December 2013	31 December 2012
Retirement/ pension benefits, of which:	**5 498**	**4 783**
– present value of the obligation at the balance sheet date	5 498	4 783
– actuarial gains/ (losses) not recognized at the balance sheet date	-	-
– past service costs not recognized at the balance sheet date	-	-
Retirement benefits and similar obligations in total	**5 498**	**4 783**
of which:		
- long-term portion	4 381	3 747
- short-term portion	1 117	1 036

Main actuarial assumptions (the table below shows the ranges of rates adopted by actuary; these assumptions differ between Group companies and years):

	31 December 2013	31 December 2012
Discount rate	2.7% – 4.33%	3.59% – 3.74%
Forecast inflation rate	1.2% – 2.5%	2.7%
Forecast remuneration increase rate	0.0% – 4.7%	1.9% – 3.9%

Assumptions regarding mortality are based on the life length charts for Poland for 2012 as published by the Central Statistical Office (with respect to measurement as at 31 December 2013) and life length charts for Poland for 2010 as published by the Central Statistical Office (with respect to measurement as at 31 December 2012).

The last actuarial valuation of employee benefits was made by an independent actuary as at 31 December 2013.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Retirement and pension benefits

Changes in the balance of obligation under retirement and pension benefits are presented in the table below.

	2013	2012
Present value of the liability - opening balance	**4 783**	**8 221**
Interest costs	148	238
Employment costs	365	555
Benefits paid	(456)	(307)
Actuarial (gains)/losses, of which:	971	(421)
- change in the assumptions	*948*	*(771)*
- experience relative to programme obligations	*23*	*350*
Change in the composition of the Group	(313)	(3 503)
Present value of the liability - closing balance	**5 498**	**4 783**

Costs of future employee benefits charged to the profit and loss account are presented in the table below:

	2013	2012
Employment costs	365	555
Interest costs	148	238
Actuarial (gains)/losses to be recognized in the period	-	(421)
Costs recognized in the Profit and Loss Account (Note 39)	**513**	**372**
Actuarial (gains)/losses to be recognized in the period	971	-
Total costs recognized in other comprehensive income	**971**	**-**
of which costs of employee benefits recognised in profit and loss account for:		
- cost of finished goods, goods for resale and raw materials sold	*404*	*264*
- selling expenses	*5*	*-*
- administrative expenses	*104*	*108*

Jubilee bonuses

Changes in the balance of obligations under jubilee bonuses are as follows:

	2013	2012
Present value of the liability - opening balance	**-**	**7 534**
Interest costs	-	-
Employment costs	-	-
Benefits paid	-	-
Actuarial (gains)/ losses	-	-
Change in the composition of the Group	-	(7 534)
Limitations and settlements of the benefit programmes	-	-
Present value of the liability - closing balance	**-**	**-**

In 2012 and 2013, no future employee benefits in the form of jubilee bonuses were recognized in profit and loss account.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Posthumous benefits

Changes in the balance of obligations under posthumous benefits are as follows:

	2013	2012
Present value of the liability - opening balance	**-**	**674**
Interest costs	-	-
Employment costs	-	-
Benefits paid	-	-
Actuarial (gains)/ losses	-	-
Change in the composition of the Group	-	(674)
Present value of the liability - closing balance	**-**	**-**

In 2012 and 2013, no future employee benefits in the form of posthumous benefits were recognized through profit or loss.

Sensitivity analysis

Significant actuarial assumptions applied to calculate the liabilities under retirement benefits include the discount rate, expected remuneration increase and staff turnover.

Analysis of sensitivity to fluctuations in interest rates

Increase in the assumed discount rate by 1 percentage point would result in a decrease of the liabilities under retirement and similar benefits by PLN 478 thousand, while the decrease in the assumed discount rate by 1 percentage point would bring about an increase of the liability under retirement and similar benefits by PLN 577 thousand.

Analysis of sensitivity to fluctuations in remuneration growth rates

Increase in the assumed remuneration growth rate by 1 percentage point would result in an increase of the liabilities under retirement and similar benefits by PLN 570 thousand, while the decrease in the assumed remuneration growth rate by 1 percentage point would bring about a decrease of the liability under retirement and similar benefits by PLN 476 thousand.

Analysis of sensitivity to staff turnover

Increase in the assumed staff turnover by 1 percentage point would result in a decrease of the liabilities under retirement and similar benefits by PLN 510 thousand, while the decrease in the assumed staff turnover by 1 percentage point would bring about an increase of the liability under retirement and similar benefits by PLN 605 thousand.

The above analysis does not need to be a representative presentation of the actual movements in the level of the retirement benefits and similar obligations. It is not very likely that the changes of certain assumptions occur separately, as some of the assumptions may be correlated.

Methods and assumptions used to perform the sensitivity analysis did not change significantly as compared to the previous year.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

33. Provisions for liabilities and other charges

	Litigation proceedings	Penalties and other sanctions	Warranty repairs	Restructuring	Total
Balance as at 1 January 2012	**34 909**	**44 480**	**150 396**	**409**	**230 194**
Establishment of additional provisions (note 40)	3 782[1]	8 327[2]	44 671	36 096	92 876
Change in classification	-	-	-	-	-
Change in the composition of the Group	(379)	(3 172)	(1 664)	(4 008)	(9 223)
Reversal of unused provisions (note 40)	(2 054)[3]	(3 135)[4]	(9 385)	(158)	(14 732)
Utilization of provisions	(370)	(3 584)	(13 393)	(24 187)	(41 534)
Balance as at 31 December 2012	**35 888**	**42 916**	**170 625**	**8 152**	**257 581**
Balance as at 1 January 2013	**35 888**	**42 916**	**170 625**	**8 152**	**257 581**
Establishment of additional provisions (note 40)	3 688[5]	14 901[6]	47 124	90	65 803
Change in classification	-	-	-	-	-
Change in the composition of the Group	1 166	-	(14 530)	-	(13 364)
Reversal of unused provisions (note 40)	(1 426)	(2 494)[7]	(18 640)	(2 354)	(24 914)
Utilization of provisions	(1 449)	(1 480)	(12 013)	(2 646)	(17 588)
Other movements	-	-	284	-	284
Balance as at 31 December 2013	**37 867**	**53 843**	**172 850**	**3 242**	**267 802**

[1]) of which PLN 124 thousand recognised as finance costs and PLN 370 thousand recognized as costs of finished goods and services sold
[2]) of which PLN 1 091 thousand recognised as finance costs
[3]) of which PLN 462 thousand recognised as a decrease of finance costs
[4]) of which PLN 19 thousand recognised as a decrease of finance costs
[5]) of which PLN 55 thousand recognised as finance costs
[6]) of which PLN 1 084 thousand recognised as finance costs
[7]) of which PLN 42 thousand recognised as finance income

Establishment / (reversal) of provisions for legal proceedings, compensations and of restructuring provisions was recognized under other operating expenses (note 40), while establishment / (reversal) of provisions for warranty repairs – under operating expenses.

The structure of total provisions is as follows:

	31 December 2013	31 December 2012
Non-current	147 676	141 521
Short-term	120 126	116 060
	267 802	**257 581**

34. Long-term construction contracts

The tables below present data relating to construction contracts valued by Group companies in accordance with the percentage of completion method:

Selected consolidated data – statement of financial position

	31 December 2013	31 December 2012
Assets		
Amounts due and receivable from customers (investors) under construction contracts, of which:	146 630	227 490
- contract valuation	*146 630*	*227 490*

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Liabilities		
Amounts due and payable to customers (investors) under construction contracts, of which:	689 915	534 870
- contract valuation	*480 548*	*306 431*
- provision for contract losses	*209 367*	*228 439*
Advance payments received for construction contracts in progress (note 35)	81 505	70 324

The fair value of amounts due and payable to customers under construction contracts approximates their carrying amount.

Selected consolidated data – profit and loss account

	2013	2012
Revenue from construction contracts	3 812 879	5 231 164
Cost of construction contracts	3 553 566	4 907 824
Gross profit	**259 313**	**323 340**

35. Advanced payments received

Advance payments received by the Group includes:

	31 December 2013	31 December 2012
Advance payments for construction contracts in progress (note 34)	81 505	70 324
Advance payments for flats in developer companies	194 820	130 227
Advance payments for houses prefabricated in Budimex Danwood Sp. z o.o.	-	73 499
Total	**276 325**	**274 050**

All advance payments as at 31 December 2013 and 31 December 2012 were recognized under current liabilities as they will be settled in the course of the normal operating cycle of the Group.

36. Retentions for construction contracts

	31 December 2013	31 December 2012
Kept by customers – to be returned after 12 months	24 804	19 202
Kept by customers – to be returned within 12 months	18 217	49 419
Total retentions for construction contracts kept by customers	**43 021**	**68 621**
Kept for suppliers – to be returned after 12 months	161 347	161 143
Kept for suppliers – to be returned within 12 months	189 466	222 146
Total retentions for construction contracts kept for suppliers	**350 813**	**383 289**

Retentions for construction contracts with a payment date of more than one year are discounted and are recognized in the statement of financial position at present value. The table below shows the results of discounting recognized in the balance sheets and profit and loss accounts of Group companies in individual periods. The amounts of discount reduce the nominal value of receivables from and liabilities under retentions for construction contracts. In addition, a deferred tax asset is recognized in the balance sheet on the amounts stated calculated using the tax rate prevailing in Poland, i.e. 19%, and on the effect of change in the value of discount in the profit and loss account.

	31 December 2013	31 December 2012
Discount of long-term retentions for construction contracts kept by customers	2 192	2 272
Discount of long-term retentions for construction contracts kept for suppliers	20 607	18 919

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Amount of discount recognized in the profit and loss account:

	2013	2012
Decrease in sales revenue	(612)	(2 024)
Reduction in the cost of services sold	9 433	15 212
Total adjustment to gross margin	**8 821**	**13 188**
Adjustment to finance income / (costs) (note 42)	(7 053)	(14 991)
Deferred tax on above adjustments	(336)	343
Net effect on the profit and loss account	**1 432**	**(1 460)**

The fair value of retentions kept by the customers and for the suppliers approximates their respective carrying amounts.

Maturity analysis of overdue retentions for construction contracts (nominal value before discounting)

The table below shows the maturity analysis of retentions for construction contracts which are overdue, but not impaired at the reporting date:

	31 December 2013	31 December 2012
Retentions for construction contracts overdue for the period of:		
– up to 1 month	1 057	1 082
– 1-3 months	497	1 345
– 3-6 months	5 904	7 024
– 6 months to 1 year	218	40
– above 1 year	3 740	317
Total overdue retentions for construction contracts	**11 416**	**9 808**

Risk of interest rate fluctuations

The effective interest rates as at 31 December 2013 and 31 December 2012 applied in the process of discounting of retentions for construction contracts are presented in the table below:

	31 December 2013			31 December 2012		
	PLN	**USD**	**EUR**	**PLN**	**USD**	**EUR**
Receivables	3.60%	1.79%	1.23%	3.31%	0.93%	0.80%
Liabilities	3.80%	1.99%	1.43%	3.51%	1.13%	1.00%

37. Sales revenue

	2013	2012
Revenue from sale construction and assembly services	4 077 638	5 393 654
Revenue from sale of prefabricated houses	374 636	311 622
Revenue from sale other services	15 500	25 698
Revenue from sale of finished goods	262 833	326 654
Sales of goods for resale and raw materials	18 852	20 032
	4 749 459	**6 077 660**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

38. Costs by type

	2013	2012
Depreciation/ Amortization, of which:	28 893	50 683
– property, plant and equipment (note 12)	*26 446*	*45 325*
– investment properties (note 13)	*155*	*266*
– intangible assets (note 14)	*2 292*	*5 092*
Costs of employee allowances (note 39)	622 327	713 761
Consumption of materials and energy	1 593 017	2 165 095
External services	2 147 341	2 817 529
Taxes and charges	12 208	15 088
Advertising and representation expenses	12 334	11 555
Life and non-life (property) insurance	12 383	15 208
Change in the balance of the provision for contract losses (note 34)	(19 666)**	(130 027)*
Other costs by type	78 664	95 091
Selling expenses (negative value)	(28 364)	(24 371)
Administrative expenses (negative value)	(162 917)	(193 362)
Change in the balance of finished goods and work in progress	44 538	63 717
Cost of goods produced for the Group's own use (negative value)	(113)	(95)
Cost of finished goods and services sold	**4 340 645**	**5 599 872**
Value of goods for resale and raw materials sold	13 398	17 917
Cost of finished goods, services, goods for resale and raw materials sold	**4 354 043**	**5 617 789**

*) the 2012 balance sheet change includes PLN 137 345 thousand pertaining to the change in the Group composition
**) the 2013 balance sheet change includes PLN 594 thousand pertaining to the change in the Group composition

39. Costs of employee benefits

	2013	2012
Costs of remuneration, of which:	**521 823**	**608 746**
- retirement and pension benefits (note 32)	*513*	*372*
- post-employment benefits	*618*	*266*
- redundancy payments	*4 442*	*4 642*
Costs of social security benefits and other allowances, of which:	**100 504**	**105 015**
- social security	*76 122*	*64 018*
- redundancy payments	*417*	*638*
Total cost of employee benefits recognized in costs by type (Note 38)	**622 327**	**713 761**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

40. Other operating income and expenses

Other operating income

	2013	**2012**
Profit on disposal of non-financial non-current assets	1 854	4 042
Reversal of impairment write-downs, of which against:	7 728	13 664
– receivables (following debtor repayment of the amounts due) (note 23)	*4 146*	*13 541*
– inventories (following inventory scrapping and increase in recoverable value (note 24)	*3 582*	*123*
Reversal of provisions, of which for:	6 232	4 866
– legal proceedings and compensations (Note 33)	*1 426*	*1 592*
– penalties and sanctions (note 33)	*2 452*	*3 116*
– restructuring (note 33)	*2 354*	*158*
Penalties/ compensations received	20 174	39 996
Write-off of statute-barred liabilities	3 113	1 178
Gain from a bargain purchase (Note 8)	1 802	-
Gain on revaluation to fair value of the capital share held prior to taking over control (note 8)	1 390	-
Other	1 888	2 034
Total	**44 181**	**65 780**

Other operating expenses

	2013	**2012**
Recognition of impairment write-downs, of which against	77 602	71 440
– receivables (note 23)	*15 721*	*13 194*
– inventories (note 24)	*61 881*	*13 246*
– goodwill	*-*	*45 000*
Establishment of provisions, of which:	17 540	46 620
– for legal proceedings (note 33)	*3 633*	*3 288*
– for penalties and compensations (note 33)	*13 817*	*7 236*
– for restructuring (note 33)	*90*	*36 096*
Compensations and liquidated damages paid	9 983	3 373
Court charges and executions, costs of legal proceedings	2 043	2 095
Deconsolidation of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements	-	13 493
Other	823	2 151
Total	**107 991**	**139 172**

41. Gains / (losses) on derivative financial instruments

	2013	**2012**
Gains/ (losses) on valuation of FX forward derivative financial instruments	(5 776)	17 656
Gains/ (losses) on realization of FX forward derivative financial instruments	4 645	(3 993)
Total gains / (losses) on derivative financial instruments recognized as part of operating business	**(1 131)**	**13 663**
Gains/ (losses) on the valuation of IRS derivative financial instruments	407	-
Gains/ (losses) on realization of IRS derivative financial instruments	-	-
Total gains / (losses) on derivative financial instruments recognized as part of financing business	**407**	**-**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

42. Finance income and finance costs

Finance income

	2013	2012
Interest earned on financial instruments, of which:	24 171	31 528
– on bank deposits and cash on bank accounts	*24 026*	*31 495*
– on loans granted	*145*	*33*
Other interest income, of which:	5 554	32 366
– interest on discounts received and penalty interest	*5 376*	*31 161*
– other	*178*	*1 205*
Profit on disposal of assets available for sale	100	-
Dividends and shares in profits	5	-
Valuation of concession agreement receivables (note 21)	524	-
Release of the provision for consortium financing costs (note 23)	-	143
Foreign exchange gains	-	3 026
Other	144	-
Total	**30 498**	**67 063**

Finance costs

	2013	2012
Interest expensed in respect of financial instruments, of which:	1 874	4 600
– interest on loans and borrowings and other external sources of finance taken out	*335*	*1 411*
– interest on lease contracts	*1 539*	*3 188*
– other	*-*	*1*
Other interest expense, of which:	3 639	2 262
– penalty interest paid to suppliers and interest on discounts	*2 442*	*1 084*
– other interest	*1 197*	*1 178*
Revaluation of financial assets, of which:	-	4 916
– available-for-sale financial assets (note 18)	*-*	*4 916*
Exchange losses	1 813	-
Discount of retentions for construction contracts (note 36)	7 053	14 991
Cost of bank commissions and guarantees	13 684	13 906
Other	193	48
Total	**28 256**	**40 723**

43. Shares of profits / (losses) of equity accounted entities

	2013	2012
Shares in profits of associates	46	208
Shares in losses of associates	(4 730)	(6 329)
Total (note 17)	**(4 684)**	**(6 121)**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

44. Income tax

	2013	2012
Current tax	65 642	15 229
Deferred tax (note 31)	(36 726)	3 138
Adjustments to prior periods current tax	1 055	(1 721)
Charge on / (credit to) the financial result	**29 971**	**16 646**

The reconciliation of the accounting gross profit of the Group to the theoretical amount that would be recognized if the weighted average rate of tax were applied to the profits of consolidated companies is as follows:

	2013	2012
Gross profit/ (loss)	**331 271**	**202 628**
Shares in (profits)/ losses of equity accounted entities	4 684	6 121
Pre-tax profit/ (loss)	**335 955**	**208 749**
Tax calculated using national tax rates	63 831	39 662
Differences in taxation of revenues of foreign operations	(646)	(181)
Adjustments to prior periods current tax	1 055	(1 721)
Tax effects of permanent differences between gross profit and taxable revenues	(36 878)	1 624
Utilization of tax losses or deductible temporary differences not recognized previously	(1 598)	(37 495)
Negative temporary differences, unsettled tax losses, unused tax relief for which no deferred tax asset was disclosed in the statement of financial position.	1 309	12 166
Charge on / (credit to) the financial result on account of business activity tax and solidarity tax in Germany	2 898	2 591
Income tax charge on / (credit to) the financial result	**29 971**	**16 646**
Effective tax rate	*8,92%*	*7,97%*

45. Earnings (loss) per share

Basic

Basic earnings (loss) per share are calculated as the quotient of profit/ (loss) attributable to the shareholders of the Parent Company and the weighted average number of ordinary shares outstanding during the year (note 26).

	2013	2012
Earnings / (loss) attributable to the shareholders of the Parent Company	300 480	185 982
Weighted average number of ordinary shares	25 530 098	25 530 098
Basic earnings / (loss) per share (in PLN per share)	**11.77**	**7.28**

Diluted

Diluted earnings / (loss) per share equated basic earnings per share for both periods.

46. Dividend per share

On 22 May 2013, Budimex SA paid out a dividend in the amount of PLN 112 077 thousand, for which the separate net profit for the period from 1 January 2012 until 31 December 2012 was allocated, i.e. the gross amount of PLN 4.39 per one share.

Until the date of preparation of these consolidated financial statements for the year ended 31 December 2013, the Management Board of Budimex SA has not made a resolution in respect of profit appropriation for the year 2013.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

47. Statement of cash flow

Other adjustments to the operating activities section of the statement of cash flow cover the following items:

	2013	2012
Foreign exchange differences on translation of foreign operations	(261)	(39)
Share-based payments (note 49)	2 665	1 422
Other	1 289	(1 301)
Total	**3 693**	**82**

Non-monetary transactions

In 2013, non-monetary transactions relating to investing and financing activities not recognized in the statement of cash flow related solely to the acquisition of property, plant and equipment with a value of PLN 571 thousand under finance lease contracts.

In 2012, non-monetary transactions relating to investing and financing activities not recognized in the statement of cash flow related solely to the acquisition of property, plant and equipment with a value of PLN 3 467 thousand under finance lease contracts.

48. Changes in the composition of the Group

In 2013, the following changes occurred in the structure of the Budimex Group:

On 4 January 2013 Budimex SA took over the control concerning Elektromontaż Poznań SA and its subsidiaries: Elektromontaż Warszawa SA, Elektromontaż Import Sp. z o.o. and Instal Polska Sp. z o.o. As at 31 December 2013, Budimex SA holds 50.66 per cent of shares in Elektromontaż Poznań SA.

On 1 March 2013 Budimex SA – Budimex Budownictwo Sp. z o.o. Spółka Cywilna was established. Budimex SA holds 95 per cent of shares in this company and Budimex Budownictwo Sp. z o.o. holds 5% of its shares.

On 17 September 2013 Budimex SA brought a contribution in kind in the form of 100 per cent of shares in Budimex Danwood Sp. z o.o. as a coverage of the capital in Budimex B Sp. z o.o.

Budimex SA Cadagua SA Spółka Cywilna was established **on 30 October 2013.** Budimex SA holds 50 per cent of shares in this company.

On 2 December 2013 Budimex B Sp. z o.o. sold its shares in Budimex Danwood Sp. z o.o.

On 6 December 2013 Przedsiębiorstwo Budownictwa Mieszkaniowego Nadolnik Sp. z o.o. was entered in the National Court Register. SPV-BN 2 Sp. z o.o. holds 99 per cent of shares in this company and Budimex Nieruchomości Sp. z o.o. holds 1 per cent of its shares.

On 21 February 2014 Budimex PPP SA sold its shares in Budimex E Sp. z o.o.

In the period covered by the report, no significant activities were discontinued and are were no formal plans to discontinue any significant activities.

49. Share-based payments

In 2010, Ferrovial SA established a performance share plan, which is classified as a share-based payment transaction settled in equity.

According to the plan, each year the members of the Management Board and senior management of Budimex SA are granted shares in Ferrovial SA. Such shares will be finally settled three years after the grant date, subject to the following conditions:

- beneficiaries must be contractually employed by company for the 3-year period after the vesting date, except for the special situations given,
- achievement of specified cash-flow ratios and relation between gross operating profit and production net assets,
- the level of ratios required for being granted total or proportionate number of shares is set every year.

As at 31 December 2013, the total value of the proceedings relating to the Company’s liabilities was PLN 5 370 thousand.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Detailed information on the shares vested since the launch of the plan is presented in the table below:

	Number of shares granted	Grant date	Fair value of 1 share at grant date	Financial performance conditions	Discount rate	Cost of shares granted*
2013	48 464	15-02-2013	51.84	100%	5%	2 665
2012	55 650	12-02-2012	38.84	100%	5%	1 422
2011	50 900	28-02-2011	33.98	100%	5%	1 027
2010	41 800**	31-03-2010	24.47	100%	5%	256
Total	**196 814**	**-**	**-**	**-**	**-**	**5 370**

*cost for the specific financial years was calculated as follows:

- 2010 - 9/36th of the cost of shares granted in 2010,
- 2011 - 12/36th of the cost of shares granted in 2010 and 10/36th of the cost of shares granted in 2011,
- 2012 - 12/36th of the cost of shares granted in 2010, 12/36th of the cost of shares granted in 2011 and 10/36th of the cost of shares granted in 2012,
- 2013 - 3/36th of the cost of shares granted in 2010, 12/36th of the cost of shares granted in 2011, 12/36th of the cost of shares granted in 2012 and 10/36th of the cost of shares granted in 2013.

**The three-year vesting period for shares granted in 2010 ended in March 2013. As the conditions were satisfied, 59 800 shares in Ferrovial SA were formally handed over to the employees entitled to obtain such shares in this tranche. The number of shares actually granted differs from the originally defined number due to adjustments made at later date.

50. Related party transactions

Transactions with related parties made in 2013 and 2012 and unsettled balances of receivables and liabilities as at 31 December 2013 and 31 December 2012 are presented below.

	Receivables		Liabilities	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
The parent company and related entities of the parent (the Ferrovial Group)	47 259	54 408	99 370	132 397
Jointly-controlled entities	1 133	382	727	1 071
Associates	6 710	721	1 436	4 534
Other related parties*	140	1 760	28 744	18 803
Total settlements with related parties	**55 242**	**57 271**	**130 277**	**156 805**

	Sales revenue finished goods and services and other operating income		Purchase of finished goods and services	
	2013	2012	2013	2012
The parent company and related entities of the parent (the Ferrovial Group)	8 271	38 931	39 349	76 109
Jointly-controlled entities	797	715	1 454	7 889
Associates	358	234	7 190	19 655
Other related parties*	770	3 922	24 540	5 834
Total settlements with related parties	**10 196**	**43 802**	**72 533**	**109 487**

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	Loans granted / (received); debt securities acquired / (issued)		**Finance income / (costs)**	
	31 December 2013	**31 December 2012**	**2013**	**2012**
The parent company and related entities of the parent (the Ferrovial Group)	(8 333)	(8 107)	(168)	(335)
Jointly-controlled entities	-	-	-	-
Associates	3 164	-	53	30
Other related parties*	-	-	92	-
Total settlements with related parties	**(5 169)**	**(8 107)**	**(23)**	**(305)**

*) Other related parties represent controlled non-consolidated, jointly controlled entities or entities on which the key management person of the Parent Company or of the subsidiary of the Budimex Group or his close relative exercises significant influence, or has a significant number of votes at the shareholders' meeting of this company.

In the table above, included under "Parent company and related parties (the Ferrovial Group)" are the financial data relating to transactions with Ferrovial Agroman SA (the sole owner of the Parent Company of Budimex SA, i.e. Valivala Holdings BV), including with Ferrovial Agroman SA Oddział w Polsce [Branch in Poland] and other Ferrovial Group companies: Cintra Infraestructuras SA, Tecpresa SA, Cadagua SA and Cadagua SA Oddział w Polsce [Branch in Poland].

<u>Sales revenue / purchase of finished goods and services</u>

Sales income and selling expenses related mainly to the performance of contracts described in note 16 "Joint ventures".

In 2010, Budimex SA signed two agreements with Ferrovial Agroman SA under which Ferrovial renders to the Company services relating to maintenance and development of IT and staff secondment. The costs of these agreements incurred by Budimex SA in 2013 were PLN 4 055 thousand and PLN 6 270 thousand, respectively, and in 2012: PLN 1 669 thousand and PLN 5 482 thousand, respectively.

On 29 October 2012, Budimex SA concluded with Ferrovial Agroman SA a conditional agreement for operational know-how support, streamlining processes and procedures in key areas of construction, investment and management activity. The remuneration under the contract was established as 0.5 per cent of the value of the annual sales revenue of the Budimex Group, less sales revenue of Budimex Nieruchomości Sp. z o.o., with the stipulation that until the correctness of the transaction price is approved by Polish and Spanish tax authorities, Budimex SA will be remitting to Ferrovial Agroman SA payments reduced by 25 per cent. The contract covers the period from 1 January 2012 to 31 December 2016. Furthermore, on 3 December 2012, Budimex SA renewed for 2011 the existing contract in the above respect, which had expired on 31 December 2010. In connection with the performance of those contracts, in 2013 Budimex SA incurred costs of PLN 22 612 thousand and in 2012 total costs of PLN 32 845 thousand.

<u>Loans</u>

Based on the contract dated 1 December 2004, Budimex SA took out from Ferrovial Infraestructuras SA (currently Cintra Infraestructuras SA) a loan in the amount of EUR 1 500 thousand; the loan was granted for the increase in the share capital of Inversora de Autopistas del Levante S.L. The company Inversora de Autopistas del Levante, S.L. was incorporated on 23 June 2004 as the sole shareholder of Autopista Madrid Levante Concesionaria Española, SA. The main area of business activities of this company is highway building, maintenance and operating the paid for highway Ocaña – La Roda and the free of charge dual carriageway, A–42, section N301, Atalaya del Cañavate. Under the agreement, the loan was granted for the term of 12 months from the date of its conclusion, with an option to extend. If the shares in Inversora de Autopistas del Levante, S.L. are sold, loan will become immediately due and payable. After the maturity date, the loan will be repaid together with interest calculated based on the 1Y EURIBOR+0.75 per cent. On 1 December 2013, the repayment date was extended for one more year and the loan value was increased by the amount of interest incurred as at that date.

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

50.1 Remuneration of key members of management

The Management Board

In 2013, the total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA amounted to PLN 6 519 thousand (of which PLN 1 406 thousand represented performance bonuses for completing the tasks performed in 2012), of which PLN 5 530 thousand was recognised as costs of Budimex SA. The remaining balance was recognised as costs of its subsidiaries.

In 2012, the total value of remuneration, bonuses and awards for the members of the Management Board of Budimex SA amounted to PLN 8 406 thousand (of which PLN 2 311 thousand represented performance bonuses for completing the tasks performed in 2011), of which PLN 6 270 thousand was entered as a cost of Budimex SA. The remaining balance was recognised as costs of its subsidiaries.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

In 2013, remuneration of the members of the Management Board was as follows:

Dariusz Blocher	PLN 1 447 thousand
Ignacio Botella Rodríguez	PLN 1 364 thousand
Henryk Urbański	PLN 989 thousand
Marcin Węgłowski	PLN 892 thousand
Jacek Daniewski	PLN 931 thousand
Andrzej Artur Czynczyk	PLN 896 thousand

Additionally, in 2013 the former member of the Management Board, Joanna Makowiecka received remuneration in connection with the non-competition requirement in the amount of PLN 169 thousand.

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2013, the estimated costs of share-based payments under Ferrovial SA incentives programmes allocated to the Company's Management Board amounted to PLN 1 371 thousand and were as follows:

Dariusz Blocher	PLN 491 thousand
Ignacio Botella Rodríguez	PLN 236 thousand
Henryk Urbański	PLN 238 thousand
Marcin Węgłowski	PLN 155 thousand
Jacek Daniewski	PLN 155 thousand
Andrzej Artur Czynczyk	PLN 96 thousand

The above costs consist of: 3/36th of the cost of shares granted in 2010, 12/36th of the cost of shares granted in 2011, 12/36th of the cost of shares granted in 2012 and 10/36th of the cost of shares granted in 2013.

The three-year vesting period for shares granted in 2010 ended in March 2013. As the conditions were satisfied, the shares in Ferrovial SA were formally handed over. The number of shares actually granted to the members of the Management Board of the Company was as follows:

Dariusz Blocher	14 000 shares
Ignacio Botella Rodríguez	7 000 shares
Henryk Urbański	7 000 shares
Marcin Węgłowski	4 600 shares
Jacek Daniewski	4 400 shares

The market value of Ferrovial SA shares as at the date of actual grant amounted to PLN 52.07.

Proxies

The total value of remuneration paid to proxies of Budimex SA in 2013 was PLN 2 936 thousand, while in 2012 it was PLN 1 898 thousand.

Individual remuneration of proxies in 2013 was as follows:

Jaime Rontome Perez	PLN 1 465 thousand
Jose Emilio Pont Perez	PLN 1 471 thousand

Additionally, apart from the amounts presented above, in the 12-month period ended 31 December 2013, the estimated costs of share-based payments under Ferrovial SA incentives programmes allocated to the Company's Management Board amounted to PLN 232 thousand and were as follows:

Jaime Rontome Perez	PLN 116 thousand
Jose Emilio Pont Perez	PLN 116 thousand

The three-year vesting period for shares granted in 2010 ended in March 2013. As the conditions were satisfied, the shares in Ferrovial SA were formally handed over. The number of shares actually granted to the proxies of the Company was as follows:

Jaime Rontomé Perez	3 500 shares
Jose Emilio Pont Perez	3 500 shares

The market value of Ferrovial SA shares as at the date of actual grant amounted to PLN 52.07.

The Supervisory Board

Total value of remuneration paid to members of Supervisory Board in 2013 amounted to PLN 944 thousand (PLN 921 thousand in 2012).

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Remunerations of members of the Supervisory Board of Budimex SA in 2013 were as follows:

Marek Michałowski	PLN 155 thousand
Igor Chalupec	PLN 91 thousand
Tomasz Sielicki	PLN 101 thousand
Javier Galindo Hernandez	PLN 91 thousand
Jose Carlos Garrido-Lestache Rodríguez	PLN 91 thousand
Marzenna Anna Weresa	PLN 128 thousand
Piotr Kamiński	PLN 91 thousand
Maciej Stańczuk	PLN 91 thousand
Alejandro de la Joya Ruiz de Velasco	PLN 105 thousand

50.2 Advance payments, loans, guarantees and suretyships and other agreements with Members of the Management or Supervisory Boards

As at 31 December 2013 and 31 December 2012, Members of the Management or Supervisory Boards of the Parent Company, their spouses, direct relatives or persons who are connected by a guardianship or wardship relationship and other persons who are related to them in person did not have any unpaid loans or borrowings or guarantees issued by Budimex SA or its subsidiaries, jointly controlled entities or associates.

As at 31 December 2013 and 31 December 2012, Members of the Management or Supervisory Boards of the subsidiary companies did not have any unpaid loans or borrowings or guarantees issued by those companies and were not parties to any agreements obligating them to provide services to Group companies.

51. Capital expenditure incurred and planned

Capital expenditure incurred in 2013 amounted to PLN 17 724 thousand, of which PLN 7 444 thousand was allocated to the financial long-term assets and the remaining part was allocated to non-financial non-current assets. Capital expenditure incurred in 2012 amounted to PLN 108 904 thousand, of which PLN 82 510 thousand was allocated to the financial long-term assets and the remaining part was allocated to non-financial non-current assets.

Capital expenditure planned to be incurred in 2014 for non-financial non-current assets amount to PLN 16 000 thousand.

In 2013 and in 2012, Group companies did not incur any environmental protection expenditure and have no plans to incur any such expenditure in the 12-month period after the balance sheet date.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

52. (Off-balance sheet) investment expenditure

As at 31 December 2013, there were no committed investment expenditures. As at 31 December 2012, committed investment expenditures amounted to PLN 6 559 thousand and related to the purchase of the shares of Elektromontaż Poznań SA. The transaction was finalised on 4 January 2013.

53. Future liabilities under rental or operating lease agreements

Liabilities under rental or operating lease agreements relate mainly to car or office space rental agreements.

Total minimum lease payments under irrevocable lease agreements amount to the following:

	31 December 2013	31 December 2012
- up to 1 year	19 234	22 718
- 1-5 years	20 926	28 203
– above 5 years	1 622	-
Total	**41 782**	**50 921**

	2013	2012
Lease payments taken to costs	31 978	35 223

In addition, the Group uses land under perpetual usufruct which it received based on an administrative decision. Estimated future payments for the perpetual usufruct were as follows:

	31 December 2013	31 December 2012
- up to 1 year	956	296
- 1-5 years	2 912	1 179
- above 5 years	50 795	17 879
Total	**54 663**	**19 354**

	2013	2012
Fee for perpetual usufruct taken to costs	758	2 112

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

54. Financial instruments

54.1 Carrying amount

The tables below present the carrying amounts of all financial instruments of the Group, divided into classes and categories of assets and liabilities:

Balance as at 31 December 2013

Classes of financial instruments	Available-for-sale financial assets	Financial assets at fair value through profit or loss	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Loans granted	-	-	3 164	-	-	**3 164**
Available-for-sale financial assets	8 381	-	-	-	-	**8 381**
Retentions for construction contracts	-	-	43 021	-	(350 813)	**(307 792)**
Trade and other receivables*	-	-	524 654	-	-	**524 654**
Concession agreement receivables	-	-	22 376	-	-	**22 376**
Amounts due and receivable from customers under construction contracts	-	-	146 630	-	-	**146 630**
Derivative financial instruments	-	823	-	(725)	-	**98**
Cash and cash equivalents	-	1 658 783	-	-	-	**1 658 783**
Loans, borrowings and other external sources of finance	-	-	-	-	(54 084)	**(54 084)**
Amounts due and payable to customers under construction contracts	-	-	-	-	(689 915)	**(689 915)**
Trade and other liabilities	-	-	-	-	(1 217 984)	**(1 217 984)**
Total	**8 381**	**1 659 606**	**739 845**	**(725)**	**(2 312 796)**	**94 311**

*) advance payments receivable excluded

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

Balance as at 31 December 2012

Classes of financial instruments	**Available-for-sale financial assets**	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total**
Available-for-sale financial assets	17 135	-	-	-	-	**17 135**
Retentions for construction contracts	-	-	68 621	-	(383 289)	**(314 668)**
Trade and other receivables*	-	-	374 653	-	-	**374 653**
Amounts due and receivable from customers under construction contracts	-	-	227 490	-	-	**227 490**
Derivative financial instruments	-	5 724	-	(257)	-	**5 467**
Cash and cash equivalents	-	1 317 733	-	-	-	**1 317 733**
Loans, borrowings and other external sources of finance	-	-	-	-	(93 685)	**(93 685)**
Amounts due and payable to customers under construction contracts	-	-	-	-	(534 870)	**(534 870)**
Trade and other liabilities	-	-	-	-	(1 287 594)	**(1 287 594)**
Total	**17 135**	**1 323 457**	**670 764**	**(257)**	**(2 299 438)**	**(288 339)**

*) advance payments receivable excluded

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

54.2 Income, costs, gains and losses recognized in the profit and loss account classified into financial instrument categories

For the period from 1 January 2013 to 31 December 2013

	Available-for-sale financial assets	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total**
Interest income/ (expense)	-	24 026	550	-	655	**25 231**
Foreign exchange gains/ (losses)	-	(104)	(104)	-	(1 605)	**(1 813)**
Reversal / (creation) of impairment write-offs	-	-	(11 575)	-	3 113	**(8 462)**
Dividends received	5	-	-	-	-	**5**
Valuation gains/ (losses)	-	(4 783)	524	(586)	(7 053)	**(11 898)**
Gains /(losses) from disposal /realization of financial instruments	100	4 993	-	(348)	-	**4 745**
Total	**105**	**24 132**	**(10 605)**	**(934)**	**(4 890)**	**7 808**

For the period from 1 January 2012 to 31 December 2012

	Available-for-sale financial assets	**Financial assets at fair value through profit or loss**	**Loans and receivables**	**Financial liabilities at fair value through profit or loss**	**Financial liabilities at amortised cost**	**Total**
Interest income/ (expense)	-	31 528	26 156	-	(679)	**57 005**
Foreign exchange gains/ (losses)	-	(1 769)	(4 045)	-	8 840	**3 026**
Reversal / (creation) of impairment write-offs	(4 916)	-	(46 595)*	-	1 178	**(50 333)**
Valuation gains/ (losses)	-	17 694	-	(38)	(14 991)	**2 665**
Gains /(losses) from disposal /realization of financial instruments	-	(459)	-	(3 534)	-	**(3 993)**
Total	**(4 916)**	**46 994**	**(24 484)**	**(3 572)**	**(5 652)**	**8 370**

* of which PLN 47 085 thousand in Note 40 was recognised in item “Deconsolidation of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o. in bankruptcy open to arrangements”

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

54.3Financial assets and liabilities measured at fair value

The following tables provide an analysis of the Group's financial assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the inputs for determination of the fair value are observable (see note 2.1)

	31 December 2013			
	Fair value measurement			
Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	823	-	**823**
Cash and cash equivalents	-	1 658 783		**1 658 783**
Total	**-**	**1 659 606**	**-**	**1 659 606**

	31 December 2013			
	Fair value measurement			
Financial liabilities at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	725	-	**725**
Total	**-**	**725**	**-**	**725**

During the 12 months ended 31 December 2013, there was no transfer between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurement.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

	31 December 2012			
	Fair value measurement			
Financial assets at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	5 724	-	**5 724**
Cash and cash equivalents	-	1 317 733		**1 317 733**
Total	**-**	**1 323 457**	**-**	**1 323 457**

	31 December 2012			
	Fair value measurement			
Financial liabilities at fair value through profit or loss	Level 1	Level 2	Level 3	**Total**
Derivative financial instruments	-	257	-	**257**
Total	**-**	**257**	**-**	**257**

During the 12 months ended 31 December 2012, there was no transfer between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurement.

55. Legal proceedings pending as at 31 December 2013

The total value of legal proceedings in progress in respect of liabilities of Budimex SA and its subsidiaries as at 31 December 2013 was PLN 297 095 thousand. The proceedings involving Budimex SA and its subsidiaries concern the Group companies' operating activity.

The proceedings in the highest value case are pending before the Court of Arbitration at the Polish Chamber of Commerce in Warsaw, which involve the Ferrovial Agroman SA consortium members: Budimex SA and Estudio Lamela S.L. (FBL Consortium) and Przedsiębiorstwo Państwowe "Porty Lotnicze" (PPL). The litigation is the result of PPL serving a notice rescinding the contract for the development and modernization of Terminal 2 of the Warsaw Frederic Chopin International Airport. Initially, the proceedings related solely to the claim filed on 24 January 2008 by the FBL Consortium, in relation to bank guarantees realised by PPL groundlessly, which were given as a performance warranty for a total amount of PLN 54 382 thousand.

In the course of the case PPL filed a counter-claim of a total amount of PLN 135 719 thousand, covering claims for the redress of damage, including lost benefits, return of unjust enrichment and liquidated damages. On 31 July and 26 October 2009, PPL filed to the Court of Arbitration subsequent statements of claim including extension of the counter-claim, amending the original amount of the counter-claim from PLN 135 719 thousand to PLN 280 894 thousand. As a result of subsequent procedural steps, in August 2012, PPL's claim was raised to PLN 298 892 thousand. According to the value of the shares set forth in the consortium agreement, the risk allocated to Budimex SA does not exceed the total of PLN 119 556 thousand.

In the opinion of Budimex SA, all the claims under the counter-suit are groundless. Consequently, on 21 October 2008, the FBL Consortium filed a response to the counter-claim, which contained a motion to dismiss the action in its entirety, together with the statement on the groundlessness of PPL's claims. To date, there have been a dozen or so trials during which witnesses for the claimant and the counter-claimant have been examined with respect to the circumstances included in PPL's counter-claim.

Regardless of PPL's counter-claim and in accordance with former announcements, on 27 February 2009 the Consortium FBL submitted a statement of claim including an extension of the main claim by the amount of PLN 216 458 thousand, covering: remuneration for the works performed, but not paid by Investor, remuneration for additional works, and reimbursement for the retained amounts and interest on late payments. Under the consortium contract, the share of Budimex SA in the claim amounts to PLN 86 583 thousand.

On 27 May 2010, the Court of Arbitration issued a decision under which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted (except for any amounts sought at that stage). The expert appointed by the Court of Arbitration, Grupa BS Consulting, started to work at the end of 2010. To date, there have been several meetings with proxies of parties and the expert and there was an inspection of the airport objects with the participation of the aforementioned expert in March 2011. Technical opinion prepared by the expert, that was delivered to proxies of both parties on 29 July 2011, represented the result of his work. The parties made comments, remarks and detailed questions to the opinion prepared by the expert. Upon taking these into consideration, the expert prepared his final supplementary opinion at the end of March 2012. The assessment indicated in the opinion was favourable for the FBL Consortium as it, among other things, confirmed that the FBL Consortium was entitled to postpone the work completion deadline.

Due to completion by the expert of work on the assessment of the validity of PPL's claims, the Court ordered both parties to present final calculations of their claims, taking into account the expert's views expressed in the opinion. As a result, PPL extended the claim as stated above to PLN 298 892 thousand, and the value of the FBL Consortium's claim remained unchanged.

Pursuant to a decision of the Arbitration Court dated 28 January 2013 and based on a site inspection performed in July 2013, the expert, i.e. Grupa BS Consulting was to draft an opinion on assessment on value of claims submitted by the FBL Consortium in the extended claim by the end of October 2013. Since the expert did not draft the opinion on time, at the hearing held on 20 December 2013 the Arbitration Court made a decision on appointment of a new expert. At present, the parties are awaiting the Court's decision regarding the appointment of a new expert selected among proposals submitted.
The Management Board is of the opinion that the final judgement of the Arbitration Court will be favourable to the FBL Consortium.

On 23 March 2009, the Court of Arbitration issued a partial verdict covering the decision in respect of bank guarantees (first statement of claim of the FBL Consortium). Based on the verdict, the Court of Arbitration awarded from PPL to the FBL Consortium a total of PLN 54 382 thousand together with statutory interest for the period from 9 November 2007 (as at the date of issuing the verdict, the amount of interest alone was PLN 8 805 thousand). According to the consortium contract the portion due to to Budimex SA is 40 per cent, i.e. PLN 21 753 thousand and PLN 3 522 thousand under interest.

Having received the reason for the partial judgement from the Arbitration Court, the consortium filed, in the common court, a motion on ascertainment of enforceability of the verdict of the Court of Arbitration through giving an enforcement clause. On 8 May 2009 PPL filed a claim to dismiss the partial verdict and simultaneously to defer the verdict's enforceability of the Court of Arbitration. On 31 May 2010, the Regional Court in Warsaw quashed the partial verdict of the Court of Arbitration, claiming that the appealed sentence of the Court of Arbitration violates the public order rules with regard to adjudicating the compensation jointly in favour of three entities. The verdict was issued with regard to Budimex SA, which the Regional Court considered to be the only party subject to the proceedings in the case, at the same time finding that a partial verdict could not be issued against Ferrovial Agroman SA – Branch in Poland and Estudio Lamela SL – Branch in Poland, as the branches of these companies have no legal personality separate from the company. Therefore, in the verdict issued by the Regional Court, the proceedings against these parties were cancelled and the complaint filed in this respect (with regard to those parties) was rejected. All three consortium members filed an appeal with the Court of Appeals against the above ruling of the Regional Court. Ferrovial Agroman and Estudio Lamela filed complaints against the decision regarding the abolition of proceedings against them. The complaints were considered and were in total allowed for by the Court of Appeals. The Court of Appeals reconsidering the complaints quashed the complained sentenced and agreed with the statements of Ferrovial Agroman and Estudio Lamela that as foreign entrepreneurs (and not as their branches in Poland) had legitimacy to act as a party in the trial and that the partial verdict issued by the Arbitration Court was correctly issued in this respect. In connection with the above ruling of the Court of Appeals of 4 January 2012, the Regional Court in Warsaw amended the ruling issued on 31 May 2010, by appealing in its entirety the award of the Court of Arbitration, also with respect to Ferrovial Agroman SA Oddział w Polsce [Branch in Poland] and Estudio Lamela SL. Ferrovial and Lamela filed an appeal against that ruling, which was the same as the appeal filed by Budimex SA.

On 23 August 2012, upon jointly considering the appeals brought by all three consortium members, the Court of Appeals in Warsaw issued a judgement that amended the judgements of the Regional Court of May 2010 and January 2012 by dismissing in its entirety the complaint of PPL seeking repeal of the partial award of the Arbitration Court. This means that the Court of Appeals found that the judgement of the Arbitration Court had been issued validly in accordance with the public policy clause. The ruling was final and even though it was eligible for a cassation appeal with the Supreme Court, the verdict provided the grounds for the FBL Consortium reinstating the proceedings to declare enforceable the verdict of the Court of Arbitration by appending an enforcement clause. The total value of the claim awarded under the verdict and the amount of statutory interest for late payment was PLN 87 920 thousand (the amount attributable to Budimex SA was PLN 35 168 thousand, of which PLN 21 612 thousand as reimbursement of the performance bond). The court enforcement officer transferred that amount to the bank account of Budimex SA on 28 September 2012. On 3 December 2012, PPL filed a cassation appeal to the Supreme Court. On 3 December 2012, PPL filed a cassation appeal to the Supreme Court. On 11 October 2013, the Supreme Court decided that none of the charges in the PPL's cassation appeal were worth any consideration. In consequence, the enforcement proceedings became final and PPL cannot submit any further claims against amounts adjudicated in the partial judgement.

On 16 December 2010, Tomasz Ryskalok and Rafał Ryskalok, conducting business activity as a civil law partnership under the name Cerrys S.C., with its registered office in Wykroty, filed a lawsuit against Budimex SA for payment of a contractual penalty for delay in the removal of defects identified during the warranty period. The lawsuit concerns the construction of a concrete plant in line with agreement concluded on 19 May 2003 with the value of the agreement amounting to PLN 4 189 thousand. The value of the subject matter of the lawsuit is PLN 90 000 thousand including contractual interest calculated from 19 October 2006 until the day of payment. In the opinion of Budimex SA, the claim constituting the subject matter of the argument is absolutely groundless and there is no basis, either formal or factual, for considering it (the deadline for submitting the claims in question expired, the limit concerning contractual penalties - i.e. up to 15 per cent of the value of the agreement - has not been taken into account, and the defect is not material). To date, there have been several hearings during which witnesses for the claimant and defendant were examined. Having heard the parties, on 19 December 2013, the Court issued a decision under which the evidence from the expert's opinion regarding the evaluation of reasonableness of the PPL claims was accepted (except for any amounts sought at that stage). Until the date this report was drafted, the expert's opinion had not been drafted yet.

Another material in value legal proceedings relate to the claim filed on 5 March 2008 by Miejskie Wodociągi i Kanalizacja w Bydgoszczy Sp. z o.o. requesting that the amount of PLN 25 252 thousand be awarded jointly and severally against the consortium to which the Budimex SA and Budimex Dromex SA belonged. The claim relates to the replacement contractor costs incurred by the investor when the consortium rescinded the contract. The share of the companies in the consortium was 90 per cent, therefore the value of the claim for which the Company is presently liable is PLN 22 727 thousand. In 2013, the court ended examination of witnesses of both parties, and then heard the parties. On 6 February 2014, the court accepted evidence from the construction expert opinion with regard, inter alia, to: assessment of quality and value of works completed by the defendant, the scope and completeness of works to be performed as well as value of corrections. The expert's opinion should be ready by the end of April 2014.

As at the date of this report, the final outcome of the remaining proceedings is not known.

Total value of legal proceedings in respect of receivables due to Budimex SA and its subsidiaries as at 31 December 2013 amounted to PLN 207 576 thousand. The proceedings relate mainly to the recovery of overdue receivables from business partners and to additional claims in respect of the construction work performed.

On 10 March 2009, the District Court in Cracow issued a verdict regarding the claim filed by Budimex Dromex SA against the Municipal Commune of Kraków, awarding the payment of PLN 20 708 thousand together with statutory interest calculated for the period from 5 November 2007 and reimbursement of court fees in the amount of PLN 143 thousand. The claim filed by Budimex Dromex related to the refund of the amount drawn by the Municipality of Kraków on 5 November 2007 from the bank guarantee provided by Budimex Dromex SA as the performance bond for the contract for engineering, design and execution of a sports and show hall in Kraków – Czyżyny concluded on 20 December 2005 between the Consortium of Budimex Dromex SA, Ferrovial Agroman SA and Decathlon SA, and the Municipality of Kraków. The commune drew this amount for the stipulated penalty provided by the contract after previous declaration of withdrawal from the contract and associated imposing of a stipulated penalty despite the fact that Budimex Dromex SA put the legitimacy of imposing of this penalty in question. On 15 July 2009, the Court of Appeals in Kraków, acting as the court of second instance in the proceedings described above, handed down a verdict amending the verdict of the Court of first instance, ordering payment by the Municipal Commune of Kraków to Budimex Dromex SA of the amount of PLN 6 903 thousand together with statutory interest calculated starting on 20 November 2007 until the date of payment and reimbursement of court fees in the amount of PLN 20 thousand. The Court of Appeals dismissed the remainder of the appeal of the Municipal Commune of Kraków and ordered the payment by Budimex Dromex SA to the Municipal Commune of the amount of PLN 70 thousand as the cost of the appellate proceedings. Budimex Dromex SA appealed to the Supreme Court for cassation of this verdict. On 20 October 2010, the Supreme Court granted the cassation and remitted the case to the Court of Appeals. In its verdict of 17 February 2011, the Court of Appeals in Kraków, having re-examined the appeal of the Urban Municipality of Kraków against the decision of the Regional Court in Kraków of 10 March 2008, reversed the decision of the Regional Court in Kraków of 10 March 2008 in the part regarding the claim for the amount exceeding PLN 6 903 thousand (i.e. the amount of PLN 13 805 thousand) and referred the case to the Regional Court in Kraków for re-examination and adjudication on legal costs. The case brought by Budimex SA (as a general successor of Budimex Dromex SA) against the Urban Municipality of Kraków for the payment of PLN 20 708 thousand has become final with regard to the amount of PLN 6 903 thousand plus statutory interest calculated from 20 November 2007, having been adjudicated to be paid by the Urban Municipality of Kraków to Budimex SA. The remaining elements of the claim currently are being re-examined by the Regional Court in Kraków. The court accepted as evidence the documents and expert opinion submitted by Budimex SA. After the expert prepared its opinion, it was addressed by the parties in their pleadings. A supplementary expert's opinion was drafted, and later on an additional supplementary opinion. At the hearing held on 14 October 2013, the court asked for a yet another opinion to be drafted by a new expert.

As at the date of this report, the final outcome of the remaining proceedings is not known.

56. Events after the balance sheet date

On 21 February 2014, the company Budimex PPP SA, a wholly owned subsidiary of Budimex SA, sold its shares in the company Budimex E Sp. z o.o. for PLN 175 thousand. The latter company was purchased by FBSerwis SA, an associated entity of Budimex SA.

Until the date of publication of these consolidated financial statements, there were no other significant events that should be disclosed.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

57. Contingent liabilities and contingent assets

	31 December 2013	31 December 2012
Contingent receivables		
From related parties		
– guarantees and suretyships received	-	2 372
- promissory notes received as security	-	-
From related parties, total	**-**	**2 372**
From other entities		
– guarantees and suretyships received	353 159	349 791
- promissory notes received as security	13 074	14 195
From other entities, total	**366 233**	**363 986**
Other contingent receivables	-	3 000
Total contingent receivables	**366 233**	**369 358**
Contingent liabilities		
To related parties, of which:		
– guarantees and suretyships issued	3 566	803
- promissory notes issued as security	-	-
To related parties, in total	**3 566**	**803**
To other entities		
– guarantees and suretyships issued	1 497 507	1 423 993
- promissory notes issued as security	8 733	5 732
To other entities, in total	**1 506 240**	**1 429 725**
Other contingent liabilities	143 180	143 180
Total contingent liabilities	**1 652 986**	**1 573 708**
Total off-balance sheet items	**(1 286 753)**	**(1 204 350)**

Contingent receivables arising from guarantees and sureties represent guarantees issued by banks or other entities in favour of Budimex Group companies serving as security for the Group's claims against business partners in connection with executed construction contracts.

Contingent liabilities arising from guarantees and suretyships represent guarantees issued by banks to business partners of Group companies to secure their claims against Group companies that may arise on the grounds of executed construction contracts. The banks are entitled to recourse claims against Group companies under these guarantees. Guarantees issued to the investors of the Group represent an alternative, to the retentions held, method of securing potential investor claims relating to construction contracts. At the same time, the risk relating to warranty repairs assessed by the Management Board of the Group as probable was appropriately reflected in the warranty repair provision, as described in note 33 to these statements.

The promissory notes issued represent a security for the settlement of liabilities towards strategic suppliers of the Group, while the bills of exchange received and recognized under contingent assets (receivables) represent security for the repayment by the Group investors of the amounts due to the Group.

In addition, the Group has contingent liabilities resulting from collateral established on its assets. Collateral established on tangible assets is described in note 12, collateral established on investment properties in note 13, and collateral on inventories in note 24 hereto.

Other contingent liabilities include among others voluntary acceptance of enforcement constituting a security of payment up to the amount of PLN 135 010 thousand due and payable in the case of improper performance of obligations by Budimex SA under the acquisition agreement concerning shares of Przedsiębiorstwo Napraw Infrastruktury Sp. z o.o.

(all amounts in tables are expressed in PLN thousand, unless stated otherwise)

58. Employment structure

Employee group	Number of employees as at 31 December	
	2013	**2012**
Blue collar employees	2 028	2 685
White collar employees	2 283	2 362
Total	**4 311**	**5 047**

59. Significant events with an impact on the Group financial situation

On 23 January 2010, the Management Board of Budimex SA learned that the condition concerning the construction and operation of the A1 highway between Stryków and Pyrzowice in the concession system in accordance with the agreement signed on 22 January 2009 between Autostrada Południe SA and the State Treasury had not been fulfilled. Due to the above, Phase II (referring to construction work) of the agreement concluded on 19 January 2010 by and between Budimex SA Ferrovial Agroman SA Sp. J. (formerly: Budimex Dromex SA Ferrovial Agroman SA Sp. J.) and Autostrada Południe SA for the design and construction of the section of the A1 highway between Stryków and Pyrzowice did not become effective. Phase I covered design work with a value of PLN 180 000 thousand, which commenced in 2009 pursuant to the preliminary agreement concluded by Autostrada Południe SA, Budimex Dromex SA and Ferrovial Agroman SA on 30 May 2008.

In March 2010, the Management Board of Budimex SA learned that the design works realized by Spółka Jawna on behalf of Autostrada Południe SA had not been accepted by the Ministry of Infrastructure. Due to the above, there is a risk that the full amount of contract costs incurred by that company (in which Budimex SA holds 50% shares) will not be recovered from Autostrada Południe SA unless it is proved that the lack of payments in favour of Autostrada Południe SA from the State Treasury does not result from the defect of the project delivered by Spółka Jawna or the defects are the consequence of the requirements of Autostrada Południe SA, different from the requirements of the State Treasury as an investor.

On 21 December 2011 Autostrada Południe SA filed a claim to court against the State Treasury represented by the Ministry of Transportation, Construction and Naval Economy, calling for payment of PLN 176 855 thousand regarding design works performed by Spółka Jawna. In 2012 and 2013, partial evidence proceedings and witness interrogation took place. The parties presented their comments to the expert opinion and a supplementary opinion is expected in the upcoming months.

Total revenues recognised by Spółka Jawna in prior years in connection with the design works performed (including the anticipated risks) corresponding to the share of Budimex SA amounted to PLN 72 505 thousand. Budimex Spółka Akcyjna Ferrovial Agroman Spółka Akcyjna Spółka Jawna made an impairment write-down against receivables due from Autostrada Południe SA, of which PLN 39 850 thousand was attributable to Budimex SA, and recognized a provision for liability regarding compensations in favour of Autostrada Południe SA, of which PLN 12 655 thousand was attributable to Budimex SA.

The situation of the development and modernization (together with full technical infrastructure) of the Warsaw Frederic Chopin Airport – Terminal II is described in note 16.

Dariusz Blocher	President of the Management Board	....	Henryk Urbański	Member of the Management Board	....
Name and surname	Position	Signature	Name and surname	Position	Signature
Ignacio Botella Rodríguez	Vice-President of the Management Board	....	Marcin Węgłowski	Member of the Management Board	....
Name and surname	Position	Signature	Name and surname	Position	Signature
Jacek Daniewski	Member of the Management Board	....	Grzegorz Fąfara	Chief Accountant	....
Name and surname	Position	Signature	Name and surname	Position	Signature
Andrzej Artur Czynczyk	Member of the Management Board	....			
Name and surname	Position	Signature		Warsaw, 7 March 2014	