



PSJ, a.s.

**Auditor's report
and consolidated financial statements in
accordance with IFRS as adopted by the
European Union**

31 December 2013



KPMG Česká republika Audit, s.r.o.
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Independent Auditor's Report to the Shareholder of PSJ, a.s.

We have audited the accompanying consolidated financial statements of PSJ, a.s., which comprise the consolidated statement of financial position as of 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about PSJ, a.s. is set out in Note 1 to these consolidated financial statements.

Statutory Body's Responsibility for the Consolidated Financial Statements

The statutory body of PSJ, a.s. is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

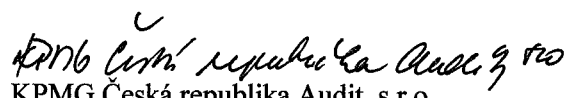
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.




Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of PSJ, a.s. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Prague
19 June 2014


KPMG Česká republika Audit, s.r.o.
Licence number 71


Blanka Dvořáková
Partner
Licence number 2031

PSJ, a.s.

Consolidated statement of comprehensive income

For the year ended 31 December 2013

In thousands of EUR, unless stated otherwise

	Note	2013	2012
Revenues from construction contracts	4.2.1	199,735	297,702
Service income	4.2.3	1,607	1,166
Gross rental income	4.2.4	1,667	1,575
Cost related to service income and construction contracts	4.2.5	(186,091)	(282,557)
Property operating expenses	4.3	(297)	(397)
Net revenues		16,621	17,489
Valuation gains on investment property	4.4	319	1,292
Valuation losses on investment property	4.4	(969)	–
Net valuation gain / (loss) on investment property		(650)	1,292
Proceeds from the sale of investment property		100	–
Carrying value of investment property sold		(99)	–
Gain on the disposal of investment property		1	–
Proceeds from the sale of trading property and raw material	4.6	10,566	478
Carrying value of trading property sold and raw material sold	4.6	(9,459)	(483)
Gain / (loss) on the disposal of trading property and raw material		1,107	(5)
Administrative expenses	4.7	(9,752)	(11,196)
Other income	4.8	4,139	3,654
Other expenses	4.9	(1,864)	(3,569)
Net other income		2,275	85
Net operating profit from operating activities		9,602	7,665
Finance income	4.10	5,423	1,517
Finance costs	4.10	(3,900)	(4,070)
Net finance income / (costs)		1,523	(2,553)
Proceeds from the sale of financial investment in subsidiaries and associates	4.5	3,949	–
Carrying value of financial investment in subsidiaries and associates sold	4.5	(2,246)	–
Gain on the disposal of fin. investments		1,703	–
Share of profit of associate	4.15	1,491	–
Profit before tax		14,319	5,111
Current tax expense	4.11.1	(1,727)	(2,188)
Deferred tax expense	4.11.1	(200)	(172)
Income tax expense		(1,927)	(2,360)
Profit for the period		12,392	2,752

The notes on pages 8 to 59 are an integral part of these consolidated financial statements.

PSJ, a.s.

Consolidated statement of comprehensive income

For the year ended 31 December 2013

In thousands of EUR

	Note	2013	2012
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences attributable to the equity holders		(3,184)	1,191
Foreign operations – foreign currency translation differences attributable to non-controlling interest		(382)	146
Other comprehensive income for the period, net of income tax		(3,566)	1,337
Total comprehensive income for the period		8,826	4,089
Profit attributable to:			
Equity holders of the parent company		11,929	2,742
Non-controlling interest		463	10
Profit for the period		12,392	2,752
Total comprehensive income attributable to:			
Equity holders of the parent company		8,745	3,933
Non-controlling interest		81	156
Total comprehensive income for the period		8,826	4,089

The notes on pages 8 to 59 are an integral part of these consolidated financial statements.

Note: No tax effect is related to Other comprehensive income.

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PSJ, a.s.

Consolidated statement of financial position

As at 31 December 2013

In thousands of EUR

	Note	31.12.2013	31.12.2012 restated *
Investment property	4.12	26,635	29,360
Property plant and equipment	4.13	8,316	9,793
Intangible fixed assets	4.14	231	1,343
Goodwill	4.14	1,000	1,095
Finance lease receivables		210	243
Investments in associate	4.15	1,412	–
Other investments	4.16	1,798	1,699
Loans receivable	4.17	556	2,359
Long-term receivables	4.18	2,382	3,221
Restricted cash	4.19	5,039	4,812
Deferred tax assets	4.11.4	919	1,081
Total non-current assets		48,498	55,006
Trading property and inventory	4.20	20,542	27,137
Income tax receivable	4.11.3	434	1,165
Loans receivable	4.17	1,829	–
Trade and other receivables	4.21	85,255	97,846
Cash and cash equivalents	4.22	19,044	24,559
Total current assets		127,104	150,707
TOTAL ASSETS		175,602	205,713

	Note	31.12.2013	31.12.2012
EQUITY			
Issued capital	4.23.1	7,444	7,444
Reserves	4.23.3	7,030	6,703
Retained earnings		18,265	12,896
Translation reserve	4.23.2	2,020	5,204
Total equity attributable to equity holders of the Company		34,759	32,247
Non-controlling interest	4.24	3,460	4,100
Total equity		38,219	36,347
LIABILITIES			
Interest-bearing loans and borrowings	4.25	34,785	42,461
Other long-term payables	4.26	8,957	9,751
Provisions	4.27	–	–
Deferred tax liabilities	4.11.4	1,421	1,296
Total non-current liabilities		45,163	53,508
Trade and other payables	4.28	75,467	78,762
Bank overdraft	4.25	245	13
Interest-bearing loans and borrowings	4.25	9,597	30,148
Provisions	4.27	6,911	6,935
Total current liabilities		92,220	115,858
Total liabilities		137,383	169,366
TOTAL EQUITY AND LIABILITIES		175,602	205,713

*) refer to Note 3 for restatement disclosure

PSJ, a.s.
Consolidated statement of changes in equity
For the year ended 31 December 2013

In thousands of EUR

	Share capital	Translation reserve	Reserves	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
Balance at 1 January 2013	7,444	5,204	6,703	12,896	32,247	4,100	36,347
Total comprehensive income for the period							
Profit	–	–	–	11,929	11,929	463	12,392
Other comprehensive income							
Foreign currency translation differences	–	(3,184)	–	–	(3,184)	(382)	(3,566)
<i>Total other comprehensive income</i>	–	–	–	–	–	–	–
Total comprehensive income for the period	–	(3,184)	–	11,929	8,745	81	8,826
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders and director's fee	–	–	–	(6,233)	(6,233)	(721)	(6,954)
<i>Total contribution by and distributions to owners</i>	–	–	–	(6,233)	(6,233)	(721)	(6,954)
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Changes in non-controlling interest without change in control	–	–	–	–	–	–	–
<i>Total changes in ownership interests in subsidiaries</i>	–	–	–	–	–	–	–
Total transactions with owners	–	–	–	(6,233)	(6,233)	(721)	(6,954)
Other movements							
Allocation to reserves	–	–	327	(327)	–	–	–
Total other movements	–	–	327	(327)	–	–	–
Balance at 31 December 2013	7,444	2,020	7,030	18,265	34,759	3,460	38,219

On 6 March 2013 the sole shareholder decided about distribution of retained earnings of TEUR 4,200. The whole amount was fully paid.
On 3 June 2014 the sole shareholder decided about dividend distribution of TCZK 50,967 from profit 2013.

PSJ, a.s.
Consolidated statement of changes in equity
For the year ended 31 December 2012

In thousands of EUR

	Share capital	Translation reserve	Reserves	Retained earnings	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
Balance at 1 January 2012	7,444	4,013	6,180	22,624	40,261	5,363	45,624
Total comprehensive income for the period							
Profit or loss	–	–	–	2,742	2,742	10	2,752
Other comprehensive income							
Foreign currency translation differences	–	1,191	–	–	1,191	146	1,337
<i>Total other comprehensive income</i>	<i>–</i>	<i>1,191</i>	<i>–</i>	<i>–</i>	<i>1,191</i>	<i>146</i>	<i>1,337</i>
Total comprehensive income for the period	–	1,191	–	2,742	3,933	156	4,089
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Dividends to equity holders and director's fee	–	–	–	(11,947)	(11,947)	(1,419)	(13,366)
<i>Total contribution by and distributions to owners</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>(11,947)</i>	<i>(11,947)</i>	<i>(1,419)</i>	<i>(13,366)</i>
Changes in ownership interests in subsidiaries that do not result in a loss of control							
Changes in non-controlling interest without change in control	–	–	–	–	–	–	–
<i>Total changes in ownership interests in subsidiaries</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>	<i>–</i>
Total transactions with owners		–	–	(11,947)	(11,947)	(1,419)	(13,366)
Other movements							
Allocation to reserves	–	–	523	(523)	–	–	–
Total other movements	–	–	523	(523)	–	–	–
Balance at 31 December 2012	7,444	5,204	6,703	12,896	32,247	4,100	36,347

The notes on pages 8 to 59 are an integral part of these consolidated financial statements.

PSJ, a.s.
Consolidated statement of cash flows
For the year ended 31 December 2013

In thousands of EUR

	2013	2012 Restated
<i>Cash flows from operating activities</i>		
Profit for the period after tax	12,392	2,752
<i>Adjustments for:</i>		
Depreciation	1,504	1,549
Amortisation	1,120	1,782
Bank loan write off	(3,800)	–
(Reversal of) Impairment losses	(1,098)	1,850
Change in the value of investment property	650	(1,292)
Receivables written-off	915	–
Foreign exchange (gains)/losses	298	94
Share of profit of associates	(1,491)	–
Net interest expense	1,766	641
Gain from the sale of investment and trading property	1,108	–
Gain / loss from the sale of subsidiary	(1,703)	–
Gain on bargain purchase	(67)	(1)
Increase in tax	1,927	2,360
Other	1,003	838
<i>Operating profit before changes in working capital and provisions</i>	14,524	10,573
Change in trade and other receivables	5,967	(23,086)
Change in trading property – inventory	(6,724)	(5,259)
Change in trade and other payables	(6,431)	(1,927)
Change in provisions and employee benefits	(580)	310
Change in restricted cash	(227)	–
<i>Cash generated from operations</i>	6,529	(19,389)
Interest paid	(1,187)	(1,418)
Interest received	768	1,172
Income taxes paid	(1,094)	(3,487)
<i>Net cash from operating activities</i>	5,016	(23,122)
<i>Cash flows from investing activities</i>		
Proceeds from the sale of plant and equipment	(145)	(36)
Proceeds from the sale of investments/trading property –inventory	10,666	–
Proceeds from disposal of subsidiary, net of cash disposed	3,949	–
Acquisition of subsidiary (newly consolidated entities), net of cash acquired	(84)	–
Acquisition of property, plant and equipment	(274)	(1,029)
Acquisition of investment property	(98)	(678)
Acquisition/Disposal of other investments	1,562	3,934
<i>Net cash from investing activities</i>	15,576	2,191
<i>Cash flows from financing activities</i>		
Dividends paid	(6,954)	(13,366)
Drawing/repayment of borrowings	(18,271)	27,049
<i>Net cash from (used in) financing activities</i>	(25,225)	13,683
Net effect of currency translation of cash and cash equivalents	-882	–
<i>Net decrease in cash and cash equivalents</i>	(5,515)	(7,248)
Cash and cash equivalents at 1 January	24,559	31,807
<i>Cash and cash equivalents at 31 December</i>	19,044	24,559

The notes on pages 8 to 59 are an integral part of these consolidated financial statements.

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PSJ, a.s.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

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PSJ, a.s.
Notes to the Consolidated Financial Statements
For the year ended 31 December 2013

1. GENERAL INFORMATION

Company name:
PSJ, a.s. (hereinafter the "Company")

Registered office:
Jiráskova 3960/32
586 01 Jihlava
Czech Republic

Registration number:
253 37 220

The Company was incorporated on 6 May 1997 for an unlimited period.

The consolidated financial statements of the Company as at and for the year ended 31 December 2013 comprise the Company and its subsidiaries (together referred to as "the Group") and the Group's interest in associates and jointly controlled entities.

The financial statements were authorised for issue by the directors on 19 June 2014.

Principal Activities

The Group's basic objective is to conduct business by carrying out construction projects and alterations to structures, maintenance of structures as well as their removal, project design relating to structures, intermediary services, purchase of goods for resale, sale of goods, accommodation services, engineering, organisational and economic advisory services, and services in the area of geodetics. The Group focuses on both residential and administrative premises as well as technology parks. The Group provides also road construction services.

The shareholders and employees of the Group are aware of their responsibility to the public and make every reasonable effort to adopt measures that respect the environment and to apply the principles of sustainable development.

Respect for local communities' interests and an assessment of the impact of every project on the surrounding area and environment are among the Group's priorities. Communication with public administration authorities and the general public throughout the project implementation life-cycle is carefully considered.

Shareholder

According to the Share Purchase agreement concluded between PSJ Subholding B.V. and PSJ Holding B.V. (ultimate parent of the Group) signed on 15 July 2013, the sole shareholder of the Company became PSJ Holding B.V.

The owner of the Company is as follows:

Year 2013

<i>Shareholder</i>	<i>Share in registered capital</i>	<i>Share in voting rights</i>
PSJ Holding B.V.	100.00%	100.00%
Total	100.00%	100.00%

Year 2012

<i>Shareholder</i>	<i>Share in registered capital</i>	<i>Share in voting rights</i>
PSJ Subholding B.V.	100.00%	100.00%
Total	100.00%	100.00%

Description of the Ownership Structure

The Company controls, directly or indirectly, other companies in the Czech Republic, Slovakia, Ukraine and Russia.

Board of Directors as of 31 December 2013

František Vaculík, Chairman of the Board of Directors
 Miroslav Horňák, Member of the Board of Directors
 Jiří Pech, Member of the Board of Directors
 Jaroslav Jirkovský, Member of the Board of Directors
 Ivo Štric, Member of the Board of Directors

Supervisory Board as of 31 December 2013

Vladimír Dlouhý, Chairman of the Supervisory Board
 Josef Noha, Member of the Supervisory Board
 Petr Kováč, Member of the Supervisory Board

Employees

	2013	2012
Czech Republic, Slovakia and Russia	706	802

All of the above employees were engaged in the core business activities of the Group in construction development, leasing and administration, or were in charge of related activities for the Group, or its subsidiaries – keeping accounts, selling, supporting activities and services.

Business Risk

The Group does not enter into speculative transactions of any kind. The Group selects target market segments with the aim of utilising market opportunities for construction projects, management supervision and focusing on delivering quality products in response to market needs. As at today's date, the activities of the Group are performed in the Czech Republic, Slovakia, Tunis (started in 2007), Russia (started in 2010), Belarus and Georgia (both started in 2012) and other projects in Russia and Vietnam are currently being planned.

The relations between the Group and their suppliers (purchased external services, architects, control authorities, builders) are regulated by standard contracts. Formal selection procedures/tenders are always carried out. On principle, the Group companies do not provide their suppliers with exclusivity. The construction or development team organises activities systematically and in accordance with given rules and implied corporate culture. This further eliminates the natural market risk given by the existing competition among the leading construction companies and developers.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

(b) Basis of Preparation

The financial statements are presented in euro (EUR), rounded to the nearest thousand. They are prepared on the historical cost basis, except for the revaluation of investment property and financial instruments, which are stated at fair value.

The accounting policies have been consistently applied to the results, other gains and losses, assets and liabilities and cash flows of the entities included in the consolidated financial statements and are consistent with those used in the previous year with exceptions arising from adoption of new, revised or amended standards (refer to note (t) Impact of Changes in Accounting Policies Arising from the Adoption of New IFRSs and Amendments to IASs effective 1 January 2013).

(c) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company (its subsidiaries) and entities under influence of the Company (its associates) prepared as at 31 December each year.

At the date of acquisition, assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess in the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency in the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The non-controlling interest of minority shareholders is stated at the non-controlling proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling interest are allocated against the interests of the parent company.

A change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction cost, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within the equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

The interest of non-controlling shareholders at the date of the business combination is recorded at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by Group.

(ii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity unless it can be clearly demonstrated that this is not the case. Associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint

control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(i) Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(ii) Other Financial Investments

The non-consolidated entities are entities (subsidiaries and associates) in which ownership interest is not significant or that are immaterial, both alone and in aggregate to the financial position, performance and cash flows of the Group.

(iii) Business Combinations Involving Entities Under Common Control

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

In the absence of more specific guidance under IFRSs, the Group consistently applied the book value method of valuation to all common control transactions.

(d) Use of estimates

The preparation of financial statements in compliance with IFRS as adopted by the European Union requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. These estimates, which specifically relate to the determination of fair values of investment properties, impairment of assets and provisions, are based on the information available at the reporting date. The global economic crisis resulted in market turbulence which increases the risk that the actual results and outcomes may significantly differ from these estimates. Key areas with a potential for significant differences between the actual results and the estimates principally include fair values of investment property. The actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

(e) Property, Plant and Equipment

(i) Owned Assets

Items of property, plant and equipment are measured at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (k)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate, where relevant, of the costs of dismantling and removing building items and restoring the building site at which they are located, an appropriate proportion of production overheads and capitalised borrowing costs.

When parts of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on re-measurement is recognised in profit or loss to the extent the gain reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised in other comprehensive income and presented in the revaluation reserve in equity to the extent that an amount had previously been included in the revaluation reserve relating to the specific property, with any remaining loss recognised immediately in profit or loss.

(ii) Leased Assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy (k)). Lease payments are accounted for as described in accounting policy (p).

Other leases are operating leases and, except for investment property, the leased assets are not recognised on the Group's statement of financial position. Property held under operating leases that meets the definition of investment property is classified as investment property on a property-by-property basis. Investment property held under an operating lease is recognised on the Group's statement of financial position at its fair value.

(iii) Subsequent Costs

The Group recognises in the carrying amount the cost of replacing part of an item of property, plant and equipment at the time that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. At the time of recognition of replacing the part, the Group derecognises the carrying amount of the part being replaced. All other costs are recognised in the profit or loss as expenses at the time they are incurred.

(iv) Depreciation

Depreciation is recognised to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Land is not depreciated.

The costs of improving fixed assets increase their acquisition cost. Repairs and maintenance costs are charged directly to the profit or loss.

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The estimated useful lives are as follows:

Assets	2013
Buildings	20 - 40 years
Machinery and equipment	3 - 20 years
Motor vehicles	4 - 12 years
Other assets (construction site facilities, fixtures etc.)	according to their useful life

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(f) Intangible Assets

(i) Goodwill

Business combinations, excluding those commenced between parties under common control, are accounted for by applying the acquisition method. Goodwill represents amounts arising upon the acquisition of subsidiaries, associates and joint ventures. Goodwill that arises upon the acquisition of subsidiaries and joint-ventures is separately presented as goodwill.

In respect of business acquisitions on or after 1 January 2009, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

In respect of business acquisitions from 1 January 2005 and prior to 1 January 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

In respect of acquisitions prior to 1 January 2005, goodwill is included on the basis of the comparison of the cost of initial investment with the Group's interest in the net assets (or net liabilities) under IFRS of the investee at the date of transition. The classification and accounting treatment of business combinations that occurred prior to 1 January 2005 has not been reconsidered in preparing the Group's opening IFRS statement of financial position at 1 January 2005.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units (assets) and is no longer amortised but is tested annually for impairment (see accounting policy (k)).

Gain on bargain purchase arising on acquisition is recognised directly in profit or loss.

(ii) Other Intangible Assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (k)). Amortisation is recognised in the profit or loss - line 'Administrative expenses'.

(iii) Subsequent Expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful life of the Group's intangible assets (except goodwill) is 4 years for software and 30 years for other intangible assets.

The estimated useful life of other intangible asset identified in Purchase price allocation is 4 years.

(g) Trading Property - Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Construction Work in Progress

Construction work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work in progress is presented as part of trade receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If payments received from customers exceed the income recognised, then the difference is presented in trade payables in the statement of financial position.

(i) Investment Property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value with any change therein recognised in profit or loss. In determining the fair value of investment property, management of the Group considered results of external appraisals. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

When the Group begins to develop an existing investment property for future sale, the property is reclassified to trading property – inventory. The fair value of such property is deemed to be the property's cost for subsequent accounting under IAS 2. Development is deemed by the Group to commence at the moment the permission for construction is obtained from the state authorities, or when the agreement on the sale of the shares of the company that owns the property is signed.

In the case of dual use property, i.e. property that is partly held for own use by the Group and partly used as investment property, a portion of dual use property is classified as investment property only if this portion could be sold or leased out under a finance lease or if the portion of the property held for own use is insignificant.

An external independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, valued the portfolio of investment property and investment property under construction. The results of independent valuations were further analysed by the Group and included in the final management estimates of the fair value. Those estimates considered the results of current and prior external valuations, information from similar selling and purchase transactions and current market conditions and intentions of the Group.

(i) Investment property under construction

Property that is being constructed for future use as investment property is accounted for as investment property under construction measured at fair value (including prepayments done for property) until construction or development is complete, at which time it is reclassified as investment property. Any gain or loss arising on the measurement is recognised in profit or loss.

(j) Financial Instruments

(i) Loans receivable

Interest-bearing loans receivable are recorded at the proceeds provided, net of direct issue costs. Finance charges, including premiums receivable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the profit or loss using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The recoverable amount of the Group's loans receivable is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets).

(ii) Trade and Other Receivables

Trade and other receivables do not carry any interest and are stated at their nominal value (the recognition of interest applying the effective interest rate would be immaterial) as reduced by appropriate allowances for estimated irrecoverable amounts (see accounting policy (k)).

Retentions of receivables related to construction work are estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iii) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term cash commitments. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.

(iv) Interest-Bearing Borrowings

Interest-bearing borrowings comprise loans and borrowings, bonds issued, and bank overdrafts.

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit or loss over the period of the borrowings on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the contractual cash flows of the financial liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies as a current portion any part of long-term loans that is due within one year from the reporting date.

As at the reporting date, the nominal value of loans is increased by unpaid interest.

(v) Trade and Other Payables

Trade and other payables are stated at their nominal value (the recognition of interest applying the effective interest rate would be immaterial).

The fair value of the retentions related to construction work is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(k) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Impairment losses of receivables are determined based on an analysis of the credit status of customers and the period for which the receivable has been overdue.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

The carrying amounts of the Group's assets, other than investment property (see accounting policy (i)), investment property under construction (see accounting policy (ii)) and deferred tax assets (see accounting policy (q)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

In respect of goodwill, the recoverable amount is estimated at each reporting date.

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in profit or loss, when detected.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (groups of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(l) Share Capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than upon a business combination, are shown as a deduction from the proceeds, net of tax, in equity. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The warranty provision was determined in accordance with the methodology set for the Group based on the type of the construction work, prices of structures supplied, multiplied by the average percentage of expenses incurred on warranty repairs in the prior period and taking into account the total warranty period.

(ii) Onerous Contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognised any impairment loss on the assets associated with that contract.

(n) Guaranties Provided

In the normal course of business, the Group entities may enter into credit related commitments which are recorded in accounts out off the consolidated statement of financial position. These commitments primarily include guarantees. Provisions are made for estimated losses on these commitments. In estimating the losses, the Group refers to the historical data

regarding risk parameters (credit conversion factors, probability of default and loss-given default).

(o) Revenue

(i) Revenues from Construction Contracts

As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to costs incurred compared to total expected costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on contract is recognised immediately in profit or loss.

(ii) Services Rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(iii) Rental Income

Rental income from investment property leased out under an operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

The term of the lease is the non-cancellable period of the lease. Any further term for which the tenant has the option to continue the lease is not considered.

(iv) Sale of investment property, trading property and investments in subsidiaries and associates

Revenue from the sale of investment property, trading property – inventory and investments in subsidiaries and associates is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

(p) Expenses

(i) Service Costs and Property Operating Expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

(ii) Operating Lease Payments

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

(iii) Finance Lease Payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance charge is allocated to each

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period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

(iv) Finance income and finance costs

Finance income comprises interest income on funds invested (bank interest, interest on loans receivable), dividend income, gains on disposal of available-for-sale financial assets that are recognised in profit or loss.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on loans and borrowings, on finance leases, interest charges related to finance leases, bank charges, losses on disposal of available-for-sale financial assets that are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition or construction of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

(q) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided using the liability method in the statement of financial position, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

(r) Functional and Presentation Currency

Apart from KREMELSKÝ VAL, EKOKLIMA rus LLC, PSJ Hydrotranzit, a.s. and City Gate, s.r.o., all companies in the Group operate in the Czech Republic, which is their primary economic area. Therefore, the Czech crown (CZK) is the functional currency of these entities.

PSJ Hydrotranzit, a.s., City Gate, s.r.o. operate in Slovakia and their functional currency is the euro (EUR). Until 31 December 2008, the functional currency was the Slovak crown (SKK). The change of functional currency was in line with the change of the national currency of Slovakia.

KREMELSKÝ VAL and EKOKLIMA rus LLC operate in Russia and its functional currency is the rouble (RUB).

The Group presentation currency is the euro (EUR). The Group has selected a different presentation currency because the users of its financial statements base their economic decisions on information expressed in EUR.

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation of foreign operations are recognised directly in a separate component of equity – Translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Cash flows of foreign operations are translated into euro at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

The following exchange rates of CZK and RUB to EUR were used during translation:

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for the 12-month period
31 December 2013	27.425	25.974
31 December 2012	25.140	25.143
1 January 2012	25.800	24.586

Date	Closing exchange rate RUB/EUR	Average exchange rate RUB/EUR for the 12-month period
31 December 2013	45,325	42.664
31 December 2012	40.252	39.910
1 January 2012	41.775	40.856

(s) Employee benefits

Social security contributions include pension insurance contributions, sickness benefits insurance contributions and contributions to the state employment programme. Social security contributions are income to the state budget. The assessment base is the total income of an employee calculated by the Group entities in respect of his/her employment, which is subject to health insurance contributions.

In addition, the Group entities contribute fixed amounts to its employees' private pension funds, which are managed by independent legal entities. Contributions in respect of these pension plans are charged to the income statement in the period to which they relate.

(t) Impact of Changes in Accounting Policies Arising from the Adoption of New IFRSs and Amendments to IASs effective 1 January 2013

Overview of New IFRSs and Amendments to IASs

For the preparation of these consolidated financial statements, the following new or amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2013 (the list does not include new or amended standards and interpretations that affect first-time adopters of IFRS or not-for-profit and public sector entities since they are not relevant to the Group).

The nature and the impact of each new standard/amendment are described below:

- *Amendments to IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012):*

The amendments require that an entity presents separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. If items of other comprehensive income are presented before related tax effects, then the aggregated tax amount should be allocated between these sections. The amendment affected presentation only and had no impact on the Company's financial position or results of operations.

The amendments also propose to change of the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income, however, other titles are also allowed to be used.

The Group decided not to change the title of the Statement of Comprehensive Income.

- IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required or permitted by other IFRSs. The application of IFRS 13 has not materially impacted the fair value measurements of the Group. IFRS 13 also requires specific disclosures of fair values, which are provided in note 4.12.

(u) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below.

The Group does not plan to adopt these standards early and the extent of the impact has not been determined.

- *IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009):*
IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted.

- *IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014):*

This standard is to be applied retrospectively when there is a change in control conclusion.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

- it is exposed or has rights to variable returns from its involvements with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

The new standard also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008). The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change previous conclusions regarding the Group's control over its investees.

- *IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014):*

IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in its consolidated financial statements. The Group does not expect the new standard to have any impact on the financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing joint arrangements.

- *IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014):*

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities. The Group evaluates a need for more disclosures.

- *IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014):*

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements.

In consolidated financial statements there is no need to separately disclose the change in IAS 27 since the remaining portion of IAS 27 relates only to separate financial statements and the portion of IAS 27 that relates to the consolidated financial statements should be addressed as part of the IFRS 10 discussion.

- *IAS 28 (2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014):*

There are limited amendments made to IAS 28 (2008):

Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.

Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The Group does not expect the amendments to standard will have a material impact on the financial statements.

- *Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014):*

The amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.

The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The Group does not expect the amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

- *Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities (effective for annual periods beginning on or after 1 January 2014; early adoption is permitted; to be applied retrospectively subject to transitional provisions):*

The Amendments provide an exception to the consolidation requirements in IFRS 10 and requires qualifying investment entities to measure their investments in controlled entities – as well as investments in associates and joint ventures – at fair value through profit or loss, rather than consolidating them.

The consolidation exemption is mandatory (i.e. not optional), with the only

exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated.

An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. According to these essential elements an investment entity

- obtains funds from investors to provide those investors with investment management services;
- commits to its investors that its business purpose is to invest for returns solely from appreciation and/or investment income; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

The amendments also set out disclosure requirements for investment entities.

- *Amendments to IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively. Earlier application is permitted, however an entity shall not apply the amendments in periods (including comparative periods) in which it does not also apply IFRS 13):*

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period.

The Amendments also require the following additional disclosures when an impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs to disposal:

- the level of IFRS 13 'Fair value hierarchy' within which the fair value measurement of the asset or cash-generating unit is categorised;
- for fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique together with the reason for making it;
- for fair value measurements categorised within Level 2 and Level 3, each key assumption (i.e. assumptions to which recoverable amount is most sensitive) used in determining fair value less costs of disposal. If fair value less costs of disposal is measured using a present value technique, discount rate(s) used both in current and previous measurement should be disclosed.

The Group is currently assessing the potential impacts of the new and revised standard that will be effective for the annual period from 1 January 2014 or later. The Group currently does not expect that the new standards and interpretations would have a significant effect on the Group's results and financial position.

3. RESTATEMENT OF THE 2012 FINANCIAL STATEMENTS

During the preparation of the financial statements for the year ended 31 December 2013 the Group identified a Restricted cash of TEUR 4,812 incorrectly classified as Cash and cash equivalent. The Group has restated the 2012 financial statements to reclassify this amount from Current assets - Cash and cash equivalents to position in the Non Current assets - Restricted cash at 31 December 2012.

The impacts of the correction on the balance sheet are as follows:

<i>In thousands of euros</i>	Original balance 31/12/2012	Impact of correction	New balance 31/12/ 2012
Non Current assets			
Restricted cash	--	4,812	4,812
Current assets			
Cash and cash equivalents	29,371	(4,812)	24,559

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4. SUPPORTING NOTES TO THE FINANCIAL STATEMENTS

4.1. Group Entities

4.1.1. Control of the Group

The Group's parent company is PSJ, a.s., which is owned by PSJ Holding B.V.

4.1.2. Subsidiaries, Joint-Ventures and Associates

Consolidated entities	Country of incorporation	Ownership interest		Method of consolidation
		2013	2012	2013
Bytový dům Za Školou, s.r.o.	Czech Republic	100%	100%	Full
Byty Hůrka s.r.o. (previously Wadia Nárožní, s.r.o.)	Czech Republic	100%	100%	Full
Byty Jesenice, s.r.o. (previously Byty Lesná, s.r.o.)	Czech Republic	100%	100%	Full
City Gate, s.r.o.	Slovakia	100%	100%	Full
EKOKLIMA rus LLC	Russia	100%	100%	Full
GM, spol. s r.o. (previously PSJ, spol. s r.o.)	Czech Republic	100%	100%	Full
Hastal Apartments, s.r.o.	Czech Republic	–	100%	Full
PSJ Hydrotranzit, a.s.	Slovakia	100%	100%	Full
RM Invest CZ s.r.o.	Czech Republic	100%	100%	Full
EKOKLIMA akciová společnost	Czech Republic	68.55%	68.55%	Full
D.I.S., spol. s r.o.	Czech Republic	65%	65%	Full
KREMELSKÝ VAL	Russia	60%	60%	Full
Na Dolinách 24, s.r.o.	Czech Republic	60%	60%	Full
Metis Property, s. r. o.	Czech Republic	100%	–	Full
AZ TOWER a.s. (1)	Czech Republic	40%	35%	Equity

Non-consolidated entities	Country of incorporation	Ownership interest	
		2013	2012
PSJ-Minskprojekt, s.r.o.	Czech Republic	80%	80%
REALITY INVEST, spol. s r.o.	Slovakia	80%	80%
PORRES, s.r.o.	Czech Republic	73%	73%
Sportovní služby, s.r.o.	Czech Republic	70%	70%
SOU stavební PSJ, s.r.o.	Czech Republic	100%	100%
AB - CONTROL s.r.o.	Czech Republic	42%	42%
FC VYSOČINA JIHLAVA, a.s.	Czech Republic	40%	40%
ISD - NOE, spol. s r.o.	Slovakia	34%	34%
TENISCENTRUM JIHLAVA, a.s.	Czech Republic	41.61%	42.31%
PSJ Russia LLC	Russia	10%	10%
PSJ Ukraine LCC	Ukraine	80%	–
START ME UP, s.r.o.	Slovakia	100%	–
Other non-consolidated entities (especially non-profit entities Nadace J. a I. Waldesových, Nadace Patria NOSTRA, AMBIT – iniciativa pro evropský dvůr, o.p.s. etc.)			
	Czech Republic	n/a	n/a

The non-consolidated entities are entities in which ownership interest is below substantial influence or that are immaterial, both alone and in aggregate to the financial position performance and cash flows of the Group.

(1) In 2012 the entity AZ TOWER a.s. was included in non-consolidated entities and kept as Other Investments. In 2013 the Group has increased its share in AZ TOWER a.s. by 5% and the development project was completed. For more information see note 4.15.1.

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4.1.3. Changes in the Group

As at 7 March 2013, the Group acquired 100% ownership interest in Metis Property, s. r. o.

As at 30 September 2013 the Group sold 100% ownership interest in Hastal Apartments, s.r.o. to VM INVEST N.V.

4.1.4. Effect of acquisitions

The acquisition had the following effect on the Group's assets and liabilities:

The acquiree's net assets at the acquisition date (for companies acquired in 2013)

<i>In thousands of EUR</i>	<i>Metis Property, s.r.o.</i>
Trading property	736
Trade and other receivables	21
Cash and cash equivalents	3
Interest-bearing loans	(606)
Deferred tax	–
Net identifiable assets and liabilities	154
Fair value adjustments	–
Net identifiable assets and liabilities in fair values	154
Consideration, paid in cash	87
Cash (acquired)	3
Net cash outflow	(84)

During the transaction an insignificant bargain purchase was realized and is recorded under Other income caption.

The acquiree's contribution to the consolidated net profit in 2013 (for companies acquired in 2013)

<i>Companies acquired in 2013</i>	<i>Net profit/(loss) contributed to consolidated profit in 2013</i>
	<i>In thousands of euros</i>
Metis Property, s. r. o.	(1)

The acquiree's revenue and net profit before acquisition date in 2013 (for companies acquired in 2013)

<i>Companies acquired in 2013</i>	<i>The acquiree's revenue before acquisition date in 2013</i>	<i>The acquiree's net profit before acquisition date in 2013</i>
	<i>In thousands of euros</i>	<i>In thousands of euros</i>
Metis Property, s. r. o.	–	–

4.2. Revenues from Construction Contracts, Service Income and Gross Rental Income

4.2.1. Revenues from Construction Contracts

Revenues from construction contracts total TEUR 199,735 (2012 – TEUR 297,702), of which TEUR 99,590 is realised in the Czech Republic (2012 – TEUR 144,072) and TEUR 100,145 (2012 – TEUR 153,630) is realised outside of the Czech Republic.

<i>In thousands of EUR</i>	2013	2012
Building construction	197,469	293,573
Sale of own products and services	503	3,746
Sale of goods	177	124
Other revenues	1,586	259
Total	199,735	297,702

4.2.2. Revenues from Construction Contracts in Progress

<i>In thousands of EUR</i>	2013	2012
Construction costs incurred plus recognised profits less recognised losses to date	101,733	228,533
Less: progress billings	101,921	229,322
	(188)	(789)
Recognised and included in the financial statements as amounts due:		
From customers under construction contracts	1,049	1,878
To customers under construction contracts	(1 550)	(2,308)
Total	(501)	(430)

As at 31 December 2013, retentions held by customers for contract work amounted to TEUR 12,168 (2012 – TEUR 14,177). Advances received from customers for contract work amounted to TEUR 21,390 (2012 – TEUR 3,814).

4.2.3. Service Income

Service income provided by the Group relates to construction activities of the Group. It comprises repairs and maintenance of buildings, structures and transportation. Service income totals TEUR 1,607 (2012 – TEUR 1,166), of which TEUR 1,418 (2012 – TEUR 1,058) is realised in the Czech Republic and TEUR 189 (2012 – TEUR 108) is realised in Slovakia primarily by Slovak subsidiaries.

4.2.4. Gross Rental Income

Gross rental income totals TEUR 1,667 (2012 – TEUR 1,575), of which TEUR 1,283 (2012 – TEUR 1,210) represent rental income from offices, factory buildings and shops and TEUR 384 (2012 – TEUR 365) represent income from hotel operations.

4.2.5. Costs Related to Construction Contracts and Service Income

<i>In thousands of EUR</i>	2013	2012
Building construction	(131,988)	(203,426)
Material & Energy consumption	(24,576)	(47,461)
Wages and salaries	(8,164)	(9,592)
Social security contributions	(3,014)	(3,465)
Advisory and legal services	(887)	(896)
Amortisation and depreciation of int. and tangible assets	(2,123)	(2,883)
Repairs and maintenance	(420)	(467)
Travel expenses	(1,187)	(1,361)
Other service expenses	(13,732)	(13,006)
Total	(186,091)	(282,557)

4.3. Property Operating Expenses

<i>In thousands of EUR</i>	2013	2012
Energy	(203)	(293)
Service expenses	(58)	(73)
Repairs and maintenance	(16)	(9)
Other operating expenses	(20)	(22)
Total property operating expenses	(297)	(397)

PSJ, a.s.

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4.4. Valuation Gains and Losses on Investment Property

<i>In thousands of EUR</i>	2013	2012
<i>Entity description</i>		
PSJ, a.s.	319	82
City Gate, s.r.o.	–	1,210
Total	319	1,292
<i>In thousands of EUR</i>	2013	2012
<i>Entity description</i>		
PSJ Hydrotranzit, a.s.	(53)	–
PSJ, a.s.	(13)	
City Gate, s.r.o.	(903)	–
Total	(969)	–
Net valuation gains and (losses) on investment property	(650)	1,292

4.5. Net Result on the Disposal of Financial Investments in subsidiaries

PSJ, a.s. owned 100% ownership interest in Hastal Apartments, s.r.o. On 30 September 2013 the Company concluded with VM INVEST N.V. an Agreement of Transfer of interest ownership. The transfer was recorded in the Commercial Register of Companies as at 22 October 2013.

Effect of the disposal

<i>In thousands of EUR</i>	2013
Intangible fixed assets	1
Deferred tax assets	170
Trading property	2,377
Trade and other receivables	25
Identifiable assets	2,573
Interest-bearing loans and borrowings	(4,141)
Trade and other payables	(686)
Identifiable liabilities	(4,827)
Net identifiable assets total	(2,254)
Net identifiable assets sold	(2,254)
Loans and receivables sold	4,500
Total carrying value sold	2,246
Sales price of the subsidiary based on the contract	193
Sales price of loans and receivables sold	3,756
Total sales price	3,949
Net gain on disposal	1,703

As at date of sale the Company sold loans receivable and trade receivables against Hastal Apartments, s.r.o. to VM INVEST N.V. Carrying value of loans and receivables sold is TEUR 4,500 and sales price is TEUR 3,756.

4.6. Net Result on the Disposal of Trading Property and raw material

<i>In thousands of EUR</i>	2013	2012
Proceeds from sale of trading property		
<i>Entity description</i>		
Byty Hůrka s.r.o.	10,510	–
Bytový dům Za Školou s.r.o.	–	12
RM Invest CZ s.r.o.	–	434
Raw material	56	32
Total	10,566	478
Carrying value of sold trading property		
<i>Entity description</i>		
Bytový dům Za Školou s.r.o.	–	(12)
RM Invest CZ s.r.o.	–	(464)
Byty Hůrka s.r.o.	(9,459)	–
Raw material	–	(7)
Total	(9,459)	(483)
Net profit on disposal of trading property	1,107	(5)

Bytový dům Za Školou s.r.o. is a residential project in Jihlava and therefore the sale represents the sale of flats and related land.

4.7. Administrative Expenses

<i>In thousands of EUR</i>	2013	2012
Wages and salaries	(3,970)	(4,633)
Social security contributions	(1,035)	(999)
Audit, tax, legal and other advisory services	(325)	(872)
Advertising expenses	(1,070)	(1,132)
Material & Energy consumption	(394)	(368)
Amortisation and depreciation of intangible and tangible assets	(537)	(558)
Rent	(257)	(622)
Other service expenses	(2,164)	(2,012)
Total	(9,752)	(11,196)

4.8. Other Income

<i>In thousands of EUR</i>	2013	2012
Penalties	2,300	1,722
Net profit on disposal of property, plant and equipment	146	46
Gain on bargain purchase	67	–
Time-barred liabilities write-off	475	448
Other income	1,151	1,438
Total	4,139	3,654

4.9. Other Expenses

<i>In thousands of EUR</i>	2013	2012
Penalties	(385)	(50)
Creation of bad debt provisions	(484)	(601)
Release of bad debt provisions	1,038	1,093
Impairment to Trading property	–	(1,732)
Reversal of impairment to Trading property	1,098	–
Creation of provisions (Note 4.27)	(667)	(1,047)
Release of provisions (Note 4.27)	35	767
Taxes	(173)	(138)
Insurance	(798)	(819)
Net loss on disposal of property, plant and equipment	–	(10)
Shortages and damages	(16)	(201)
Receivables written off	(915)	–
Other expenses	(597)	(831)
TOTAL	(1,864)	(3,569)

4.10. Finance Income and Finance Costs

<i>In thousands of EUR</i>	2013	2012
Bank interest income	768	1,172
Liability write off *)	3,800	–
Net effect from unwinding discount of long-term payables and long-term receivables	792	262
Interest revenues related to finance leases	63	83
Finance income	5,423	1,517
Bank interest expense	(1,187)	(1,418)
Net foreign exchange expense	(108)	(1,191)
Interest charges related to finance leases	(13)	(13)
Interest expense related to non-bank loans	(1,397)	(465)
Bank guarantees	(406)	(322)
Net effect from unwinding discount of long-term payables and long-term receivables	(322)	–
Other financial expenses	(467)	(661)
Finance costs	(3,900)	(4,070)
Net finance income / (costs)	1,523	(2,553)

*) Part of the bank loan provided to the Company City gate, s.r.o. was remitted of TEUR 3,800 on 10 October 2013 under the Appendix Nr. 4 of Contract on financing Nr. 18/ZF/2009.

4.11. Taxation**4.11.1. Income Tax Expense Recognised in the Statement of comprehensive income**

<i>In thousands of EUR</i>	2013	2012
Current tax expense relating to		
Current year	(1,743)	(2,191)
Previous years	16	3
Total	(1,727)	(2,188)
Deferred tax expense		
Change in temporary differences	(287)	(217)
Effect of changes in foreign currency rates	87	45
Total	(200)	(172)
Total income tax expense in the statement of comprehensive income	(1,927)	(2,360)

4.11.2. Reconciliation of Effective Tax Rate

<i>In thousands of EUR</i>	2013	2013	2012	2012
Profit before tax		14,319		5,111
Income tax using the domestic corporation tax rate	19.00%	(2,721)	19.00%	(971)
Non-deductible expenses		(798)		(2,151)
Tax exempt revenues		1,068		395
Effect of unrecognised deferred tax assets (related to tax losses)		329		933
Effect of different tax rates used		(138)		(168)
Other differences		532		(398)
Total	12.07%	(1,727)	46.17%	(2,360)

As at 31 December 2013 the corporate tax rate in the Czech Republic is 19%, in Slovakia is 23% and in Russia is 20%.

As at 31 December 2013 the Tax losses carried forward were TEUR 1,729 (2012 – TEUR 4,910). From the prudence principle, no deferred tax asset was recognised from these tax losses.

4.11.3. Current Tax Assets and Liabilities

The current tax asset of TEUR 434 (2012 – TEUR 1,165) represents the amount of income tax recoverable in respect of current and prior periods, i.e. the amount by which the advance payments made exceed income tax payable if any.

Trade and other payables include current tax liabilities of TEUR 105 (2012 – TEUR 62) payable in respect of current or prior periods, i.e., the amount by which the income tax payable exceeds advance payments made.

4.11.4. Deferred Tax Assets and Liabilities

The deferred tax assets and liabilities are attributable to the following:

<i>In thousands of EUR</i>	Assets		Liabilities		Net	
	2013	2012	2013	2012	2013	2012
Investment property	169	233	(2,381)	(2,216)	(2,212)	(1,983)
Property, plant and equipment	26	40	(861)	(915)	(835)	(875)
Intangible assets	–	–	–	(205)	–	135
Finance lease	–	10	(126)	(83)	(126)	(73)
Trading property – inventory	334	414	(80)	(4)	254	410
Trade receivables	1,339	1,285	(237)	(176)	1,102	1,109
Trade payables	–	–	(113)	(152)	(113)	(152)
Provisions	1,473	1,227	–	–	1,473	1,227
Other items	145	327	(190)	–	(45)	(13)
Tax assets/(liabilities)	3,486	3,536	(3,988)	(3,751)	(502)	(215)
Set-off of tax (Note 1)	(2,567)	(2,455)	2,567	2,455	–	–
Net tax assets/(liabilities)	919	1,081	(1,421)	(1,296)	(502)	(215)

Note 1: Set-off of tax represents reclassification for purpose of the consolidated statement of financial position.

4.11.5. Movement in Deferred tax during the Year

<i>In thousands of EUR</i>	Balance at 1 January 2012	Change in Deferred tax recognised in profit/(loss)	Changes in Deferred tax recognised in Equity	Balance at 31 December 2012
Investment property	(1,080)	(903)	–	(1,983)
Property, plant and equipment	(881)	6	–	(875)
Finance lease	(86)	13	–	(73)
Trading property – inventory	36	374	–	410
Trade receivables	997	112	–	1,109
Trade payables	(342)	190	–	(152)
Provisions	1,782	(555)	–	1,227
Intangible assets	(540)	675	–	135
Other items	116	(129)	–	(13)
Total	2	(217)	–	(215)

<i>In thousands of EUR</i>	Balance at 1 January 2013	Change in Deferred tax recognised in profit/(loss)	Changes in Deferred tax recognised in Equity	Balance at 31 December 2013
Investment property	(1,983)	(229)	–	(2,212)
Property, plant and equipment	(875)	40	–	(835)
Finance lease	(73)	(53)	–	(126)
Trading property – inventory	410	(156)	–	254
Trade receivables	1,109	(7)	–	1,102
Trade payables	(152)	39	–	(113)
Provisions	1,227	246	–	1,473
Intangible assets	135	(135)	–	–
Other items	(13)	(32)	–	(45)
Total	(215)	(287)	–	(502)

The change in temporary differences recognised in profit/(loss) contains a deferred tax expense of TEUR 287 (2012 - TEUR 217) and the effect of changes in foreign currency rates of TEUR 87 (2012 - TEUR 45).

4.12. Investment Property

<i>In thousands of EUR</i>	PSJ, a.s.	GM, spol. s.r.o.	Byty Jesenice, s.r.o.	KREMEL- SKÝ VAL	City Gate, s.r.o.	PSJ Hydro- tranzit, a.s.	Invest- ment property under con- struction	Total
Balance at 1 January 2012	8,205	2,430	2,097	527	7,991	4,308	1,370	26,928
Acquisitions	6	–	107	–	3	–	562	678
Disposals	–	–	–	–	–	(122)	–	(122)
Transfers from Trading property	–	–	–	–	–	–	–	–
Transfers from Property, plant & equipment	–	–	–	–	–	–	–	–
Fair value adjustment	82	–	–	–	1,210	–	–	1,292
Effect in movement in foreign exchange rate	215	64	55	20	81	113	36	584
Balance at 31 December 2012	8,508	2,494	2,259	547	9,285	4,299	1,968	29,360
Balance at 1 January 2013	8,508	2,494	2,259	547	9,285	4,299	1,968	29,360
Acquisitions	29	–	15	–	18	36	–	98
Disposals	(107)	–	–	–	–	–	(774)	(881)
Transfers from Trading property	–	–	–	–	–	–	–	–
Transfers from Property, plant & equipment	–	–	–	–	–	–	–	–
Fair value adjustment	214	–	–	–	(903)	(53)	92	(650)
Effect in movement in foreign exchange rate	(718)	(208)	(189)	(61)	98	(86)	(128)	(1,292)
Balance at 31 December 2013	7,926	2,286	2,085	486	8,498	4,196	1,158	26,635

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Investment property projects cover offices building, parking spaces, storages and retail premises. The total estimated rentable and saleable space is 298,834 sq.m divided as follows:

Company	Project	Description	Location (City, State)	Estimated total rentable/saleable space (sq.m)
PSJ, a.s.	Jiráskova area	Multi-purpose area currently used for generating rental income	Jihlava, Czech Republic	3,104
	Pávovská area	Multi-purpose area currently used for generating rental income	Jihlava, Czech Republic	11,896
	Křížová area	Multi-purpose building with offices, parking space, restaurant currently used for generating rental income	Jihlava, Czech Republic	1,191
	Skořepka area	Administration building currently used for generating rental income	Brno, Czech Republic	592
	Hrotovická area	Multi-purpose area currently used for generating rental income	Třebíč, Czech Republic	6,196
	Uherčice area	Multi-purpose area currently not used for generating rental income	Jihlava, Czech Republic	1,126
	Majdalenky	Land held for long-term capital appreciation	Jihlava, Czech Republic	6,120
	City Gate	Flats for rent	Bratislava, Slovakia	461
	Stefánikova kasarna area	Land and building held for long-term capital appreciation	Jihlava, Czech Republic	4,439
PSJ Hydrotranzit	Vlci hrdlo area	Multi-purpose area currently used for generating rental income	Bratislava, Slovakia	11,687
GM, spol. s r.o.	Mošnov	Land held for long-term capital appreciation	Mošnov, Czech Republic	220,000
KREMELSKÝ VAL	KREMELSKÝ VAL	Land held for long-term capital appreciation	Rjazan, Russia	5,842
City Gate, s.r.o.	City Gate	Retail building currently used for generating rental income	Bratislava, Slovakia	4,745
Byty Jesenice, s.r.o.	Jesenice	Land held for long-term capital appreciation	Jesenice u Prahy, Czech Republic	21,435

4.12.1. Fair value measurement of investment property

Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio based on requirement of the Company's management. Part of portfolio is valued annually; rest of investment property is valued by external valuer on a regular basis or valued internally. The management annually assess whether there occurred conditions, which would result in the change of the valuations. If such indication occurs, new valuation by external valuer is performed.

At 1 January 2013 the fair value measurement for investment property of TEUR 29,360 has been categorized as Level 3 recurring fair value based on the inputs to the valuation technique used in accordance with IFRS 13. There were no transfers between Levels during the year.

Level 3 fair value

Reconciliation from the opening balances at 1 January 2013 to the closing balances at 31 December 2013 for Level 3 fair values is shown in the following table:

Balance at 1 January 2013	29,360
Additions	98
Disposals	(881)
Changes in fair value	(650)
Effect of changes in FX rates	(1,292)
Balance at 31 December 2013	26,635

Valuation technique and significant unobservable inputs

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Inter-relationship between key unobservable inputs and fair value measurement
				The estimated fair value would increase (decrease) if:
Commercial portfolio	Profitable method (refer below)	Estimated yearly profit from rent	102 TEUR – 520 TEUR/per year (311TEUR/year)	Estimated yearly rent were higher (lower)
		Cost growth	1%-4%(2.5%)	Cost growth were lower (higher)
		Revenue growth	1%-2%(1.5%)	Revenue growth were higher (lower)
		Capitalisation rate	7% - 7.5%	Capitalisation rate were lower (higher)
Commercial portfolio	Material price (refer below)	Estimated value of enclosed space per cm	50,56EUR -202,08EUR/cm (200 EUR/cm)	Estimated value of enclosed space were higher (lower)
Land bank	Market comparable method (refer below)	Sales price per sqm	10.39 EUR/sqm-292,77 EUR/sqm (60 EUR/sqm)	Expected sales price per sqm were higher (lower)

Income method of setting the property's value

Income method valuation is calculating attained annual rent lowered of annual costs for operating, alternatively comparing those costs and profits with realised costs and profits of similar properties. Average annual maintenance, property administration, property tax, insurance and other relevant expenses are included in costs. Each property type has to be valued separately and with respect to individual factors which have impact on the property value as well as considering the development of the economy as a whole.

Material price of the buildings

Material price is a price of re-building the property, lowered of the wear. Material price represents costs, which would be needed to spend at the time of the valuation for building a similar property. Market price of the property may adjust this result.

Calculation of the price by THU principle consists of finding a measure of the whole building (e.g. enclosed area, built up area, dispositions etc.) and a unit price of comparable object is compared to the catalogue of technical-economic indicators (THU – budgetary indicators of building objects). This material price is modified of the wear (both physical and moral).

Method of market comparison

Method is based on comparing prices of comparable estates in that area and recently paid. Price of comparable estates is modified with deductions and supplements, which reflects qualitative factor such as location, quality, building preparedness, etc.

Sensitivity analysis

The sensitivity analysis on change in assumptions of investment property valuation (except from land bank) is included below:

	Current yield	Current market value	Increased yield by 25 bp	Market value upon increased yield	P/L effect before taxation
2013	6,26%	26,635	6,51%	25,612	(1,023)
2012	5,37%	29,360	5,62%	28,054	(1,306)

A 0.25% strengthening (devaluation) of the current yield at 31 December 2013 would have decreased (increased respectively) the profit and loss account by TEUR 1,023 (2012 – TEUR 1,306). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

	Current average yield	Annualised rental income	Decreased rental income by 10%	Market value upon decreased rental income	P/L effect before taxation
2013	6,26%	1,667	1,500	23,961	(2,674)
2012	5,37%	1,575	1,418	26,406	(2,954)

A 10% strengthening (devaluation) of the rental income at 31 December 2013 would have increased (decreased respectively) the profit and loss account by TEUR 2,674 (2012 – TEUR 2,954). This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2012.

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4.13. Property, plant and equipment

<i>In thousands of EUR</i>	Land and buildings	Plant and equipment	Property under construction	Total
Cost				
Balance at 1 January 2012	9,193	12,787	1,191	23,171
Acquisitions through business combinations	–	–	–	–
Additions	252	665	–	917
Transfers to/from Investment Property	–	–	–	–
Disposals	(112)	(598)	(786)	(1,496)
Disposals out of the Group	–	–	–	–
Effect of movements in foreign exchange	182	226	31	439
Balance at 31 December 2012	9,515	13,080	436	23,031
Balance at 1 January 2013	9,515	13,080	436	23,031
Acquisitions through business combinations	–	–	–	–
Additions	17	224	–	241
Transfers to/from Investment Property	–	–	–	–
Disposals	(31)	(357)	(5)	(393)
Disposals out of the Group	–	–	–	–
Effect of movements in foreign exchange	(581)	(800)	(37)	(1,418)
Balance at 31 December 2013	8,920	12,147	394	21,461
Accumulated depreciation and impairment losses				
Balance at 1 January 2012	(2,805)	(9,350)	–	(12,155)
Acquisitions through business combinations	–	–	–	–
Depreciation charge for the year	(457)	(1,092)	–	(1,549)
Reversal of impairment	–	–	–	–
Transfers to/from Investment Property	–	–	–	–
Disposals	219	598	–	817
Disposals out of the Group	–	–	–	–
Effect of movements in foreign exchange	(167)	(184)	–	(351)
Balance at 31 December 2012	(3,210)	(10,028)	–	(13,238)
Balance at 1 January 2013	(3,210)	(10,028)	–	(13,238)
Acquisitions through business combinations	–	–	–	–
Depreciation charge for the year	(421)	(1,083)	–	(1,504)
Reversal of impairment	–	–	–	–
Transfers to/from Investment Property	–	–	–	–
Disposals	11	357	–	368
Disposals out of the Group	–	–	–	–
Effect of movements in foreign exchange	348	881	–	1,229
Balance at 31 December 2013	(3,272)	(9,873)	–	(13,145)
Carrying amounts				
At 1 January 2012	6,388	3,437	1,191	11,016
At 31 December 2012	6,305	3,052	436	9,793
At 1 January 2013	6,305	3,052	436	9,793
At 31 December 2013	5,648	2,274	394	8,316

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Land and Buildings

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
PSJ, a.s.	1,389	1,644
GM, spol. s r.o.	1,853	2,138
PSJ Hydrotranzit, a.s.	2,010	2,075
EKOKLIMA akciová společnost	396	448
Total	5,648	6,305

Property, Plant and Equipment

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
PSJ, a.s.	881	1,040
GM, spol. s r.o.	28	11
PSJ Hydrotranzit, a.s.	523	745
D.I.S., spol. s r.o.	701	1,022
EKOKLIMA akciová společnost	141	234
Total	2,274	3,052

Property under Construction

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
PSJ, a.s.	392	433
PSJ Hydrotranzit, a.s.	–	–
EKOKLIMA akciová společnost	2	3
Total	394	436

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4.14. Intangible Assets

<i>In thousands of EUR</i>	Software	Other intangible assets	Total Intangible fixed assets	Goodwill
Cost				
Balance at 1 January 2012	664	8,541	9,205	1,067
Acquisitions through business combinations	–	–	–	–
Additions	112	–	112	–
Disposals	–	(6)	(6)	–
Disposals out of Group	–	–	–	–
Effect of movements in foreign exchange rate	55	280	335	28
Balance at 31 December 2012	831	8,815	9,646	1,095
Balance at 1 January 2013	831	8,815	9,646	1,095
Acquisitions through business combinations	–	–	–	–
Additions	33	–	33	–
Disposals	–	(64)	(64)	–
Disposals out of Group	–	–	–	(5)
Effect of movements in foreign exchange rate	(24)	(730)	(754)	(90)
Balance at 31 December 2013	840	8,021	8,861	1,000
Accumulated amortisation and impairment losses				
Balance at 1 January 2012	(552)	(5,687)	(6,239)	–
Acquisitions through business combinations	–	–	–	–
Amortisation for the year	(92)	(1,690)	(1,782)	–
Impairment	–	(119)	(119)	–
Disposal	–	6	6	–
Disposals out of Group	–	–	–	–
Effect of movements in foreign exchange rate	(18)	(151)	(169)	–
Balance at 31 December 2012	(662)	(7,641)	(8,303)	–
Balance at 1 January 2013	(662)	(7,641)	(8,303)	–
Acquisitions through business combinations	–	–	–	–
Amortisation for the year	(44)	(1,076)	(1,120)	–
Impairment	–	–	–	–
Disposal	13	2	15	–
Disposals out of Group	–	–	–	–
Effect of movements in foreign exchange rate	27	751	778	–
Balance at 31 December 2013	(666)	(7,964)	(8,630)	–
Carrying amounts				
At 1 January 2012	112	2,854	2,966	1,067
At 31 December 2012	169	1,174	1,343	1,095
At 1 January 2013	169	1,174	1,343	1,095
At 31 December 2013	174	57	231	1,000

4.15. Investments in associates

4.15.1. Equity accounted investees

As at 31 December 2013 financial investment in the company AZ TOWER a.s. was reclassified from Other investments to the position Investments in associate and was accounted for using the equity method.

During the year 2013 construction project of multifunction building was finished and approved. Building consists of part with flats and apartments treated as Trading property and part with offices and retail premises designated for rent treated as Investment property. Before the year 2013 construction project was under development and the company had negative equity, with immaterial impact on consolidated financial statements of the Group.

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	Country	Ownership		Investment	
		2013	2012	2013	2012
AZ TOWER a.s.	Czech Republic	40%	35%	1,412	--
TOTAL				1,412	--

The Group's share of the post-acquisition profit or loss of the above associate recognised as at 31 December 2013 is TEUR 1,491 (2012 – TEUR 0).

The financial information relating to associate is summarised below:

<i>In thousands of euros</i>	Assets	Liabilities	Equity	Profit
2013				
AZ TOWER a.s.	27,727	(25,002)	(2,725)	2,941

4.16. Other Investments

<i>In thousands of EUR</i>	2013	2012
Other financial investments	1,711	1,649
Time deposits	87	50
Total	1,798	1,699

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4.16.1. Other financial investments

Non-consolidated entities as at 31 December 2013	Acquisition price	Ownership interest	Equity	Turnover	Total assets
PSJ-Minskprojekt, s.r.o.	3	80%	1	–	1
REALITY INVEST spol. s r.o.	509	80%	(1)	–	165
SOU stavební PSJ, s.r.o.	4	100%	13	–	13
AB - CONTROL s.r.o.	9	42%	*)	*)	*)
FC VYSOČINA JIHLAVA, a.s.	102	40%	177	2,697	1,011
ISD - NOE, s.r.o.	132	34%	460	59	627
TENISCENTRUM JIHLAVA, a.s.	797	42%	1,745	187	2,157
Nadace Jindřicha a Ičky Waldesových	108	n/a	115	15	115
Other non-consolidated entities (especially non-profit entities)*	47	n/a	n/a	n/a	n/a
Total	1,711				

Non-consolidated entities as at 31 December 2012	Acquisition price	Ownership interest	Equity	Turnover	Total assets
PSJ-Minskprojekt, s.r.o.	3	80%	1	–	1
REALITY INVEST spol. s r.o.	509	80%	4	–	165
SOU stavební PSJ, s.r.o.	3	100%	14	8	15
AB - CONTROL s.r.o.	10	42%	*)	*)	*)
FC VYSOČINA JIHLAVA, a.s.	111	40%	145	2,057	847
ISD - NOE, s.r.o.	132	34%	724	453	1,242
TENISCENTRUM JIHLAVA, a.s.	695	42%	1,742	183	2,159
Nadace Jindřicha a Ičky Waldesových	118	n/a	115	10	115
Other non-consolidated entities (especially non-profit entities)*	68	n/a	n/a	n/a	n/a
Total	1,649				

*) Financial statements are not available as at the date of signing these financial statements.

4.17. Loans receivable

<i>In thousands of EUR</i>	2013	Average interest rate	2012	Average interest rate
Loans receivable	2,385	5%	2,359	8%
Total	2,385	5%	2,359	8%

Loans receivable repayable on 31/12/2014 are of TEUR 1829 out of which is TEUR 1 683 loan provided to PSJ Holding B.V. in June 2012 with 3% interest and TEUR 146 is short term loan provided by GM, spol. s r.o. to third party.

4.18. Long-Term Receivables

As at 31 December 2013 there were other long-term receivables of TEUR 2,382 (2012 – TEUR 3,221), which represent warranty amounts retained by customers and investors.

Long-term receivables with maturity over five years amount to TEUR 192 (2012 – TEUR 30).

4.19. Restricted cash

As at 31 December 2013, bank balances contain restricted cash of TEUR 5,039 (2012 – TEUR 4,812). Restricted cash is connected with bank guarantees, retention related construction projects and deposits to export loans.

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4.20. Trading Property and Inventory

<i>In thousands of EUR</i>	2013	2012
Trading property including goods for resale	19,975	26,052
Work in progress	462	230
Raw material	105	855
Total	20,542	27,137

Raw material primarily represents materials used for construction work.

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Trading Property including goods for resale

<i>In thousands of EUR</i>	GM, spol. s.r.o.	EKO KLIMA akciová společnost	Bytový dům Za Školou s.r.o.	Hastal Apart- ments, s.r.o.	PSJ, a.s.	City Gate, s.r.o.	Byty Hurka s.r.o.	RM Invest CZ s.r.o.	Dolínách 24, s.r.o.	Metis Property, s.r.o.	Total
Balance at 1 January 2012	25	139	12	2,354	197	16,153	2,493	486	1,024	-	22,883
Additions	2	70	-	12	-	-	5,113	-	80	-	5,277
Additions through acquisitions	-	-	-	-	-	-	-	-	-	-	-
Transfer to Investment property	-	-	-	-	-	-	-	-	-	-	-
Disposals	(3)	-	(13)	(38)	(197)	-	-	(464)	-	-	(715)
Impairment to Trading property	-	-	-	26	-	(1,622)	-	-	(135)	-	(1,731)
Effect of movement in foreign exchange rate	1	2	1	62	-	166	66	13	27	-	338
Balance at 31 December 2012	25	211	-	2,416	-	14,697	7,672	35	996	-	26,052
Balance at 1 January 2013	25	211	-	2,416	-	14,697	7,672	35	996	-	26,052
Additions	1	208	-	-	-	-	4,578	-	-	83	4,870
Additions through acquisitions	-	-	-	-	-	-	-	-	-	736	736
Transfer to Investment property	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(2,214)	-	-	(9,459)	-	(4)	-	(11,677)
Reversal of impairment to Trading property	-	-	-	-	-	1,098	-	-	-	-	1,098
Effect of movement in foreign exchange rate	(2)	(27)	-	(202)	-	(143)	(643)	(3)	(84)	-	(1,104)
Balance at 31 December 2013	24	392	-	-	-	15,652	2,148	32	908	819	19,975

4.21. Trade and Other Receivables

<i>In thousands of EUR</i>	2013	2012
Trade receivables	58,660	71,777
Construction contracts in progress	1,049	1,877
Value added tax receivables	288	257
Advance payments	10,431	8,728
Prepaid expenses	738	983
Estimated receivables	6,971	3,962
Receivables from employees	5	4
Accrued revenues	584	1,465
Other receivables	6,529	8,793
Total	85,255	97,846

Trade receivables are shown net of a bad debt provision of TEUR (3,967) (2012 – TEUR (4,856)).

4.22. Cash and Cash Equivalents

<i>In thousands of EUR</i>	2013	2012
Bank balances	18,572	24,297
Cash and cash equivalents	199	173
Term deposit	273	89
Cash and cash equivalents in the cash-flow statement	19,044	24,559

4.23. Changes in Equity

The consolidated statement of changes in equity is presented on the face of the financial statements.

4.23.1. Share Capital

As at 31 December 2013 and 31 December 2012, the subscribed capital of the Company was TEUR 7,444 and was fully paid.

The nominal value of the shares is quoted in CZK. The below EUR amount represents EUR equivalent calculated using historical FX rate.

<i>In thousands of EUR</i>		2013	2012
Number of shares	Nominal value		
20 shares per	82 050 EUR	1,641	1,641
32 shares per	41 025 EUR	1,313	1,313
83 shares per	8 205 EUR	681	681
11 shares per	821 EUR	9	9
11 567 shares per	328 EUR	3,796	3,796
14 shares per	205 EUR	3	3
85 shares per	8 EUR	1	1
Total		7,444	7,444

All shareholders have equal rights and responsibilities.

4.23.2. Translation Reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements from the functional to the presentation currency (see accounting policy (r)).

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4.23.3. Reserves

Reserves comprise statutory legal fund of TEUR 7,030 (2012 – TEUR 6,703).

4.24. Non-controlling Interest

As at 31 December 2013, the non-controlling interest in the consolidated companies of the Group was TEUR 3,460 (2012 – TEUR 4,100).

4.25. Interest-Bearing Loans and Borrowings

The contractual terms of the Group's interest-bearing loans and borrowings are summarised below. For more information about the Group's exposure to interest rates, please refer to Note 4.29.

<i>In thousands of EUR</i>	2013	2012
Current liabilities		
Bank loans	9,597	24,678
Third party	–	1,691
Related party	–	3,779
Total	9,597	30,148

As at 31 December 2013 the Group had bank overdraft TEUR 245 (2012 – TEUR 13) included in current liabilities.

<i>In thousands of EUR</i>	2013	2012
Non-current liabilities		
Bank loans	14,986	21,487
Related party	5,215	5,062
Bonds	14,584	15,912
Total	34,785	42,461

On 17 December 2012, the Company PSJ, a.s. issued CZK 400 million bonds in nominal value of 1 CZK each. The bonds are issued as subordinated, with fix interest rate 8% and bonds are due on 17 December 2020.

Non-current interest bearing loans and borrowings are payable as follows:

<i>In thousands of EUR</i>	Amount as at 31 December 2013	Payable in 1-5 years	Payable after 5 years
Bank loans	14,986	14,986	–
Related party	5,215	5,215	–
Bonds	14,584	–	14,584
Total	34,785	20,201	14,584

<i>In thousands of EUR</i>	Amount as at 31 December 2012	Payable in 1-5 years	Payable after 5 years
Bank loans	21,487	19,765	1,722
Related party	5,062	–	5,062
Bonds	15,912	–	15,912
Total	42,461	19,765	22,696

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The bank loans are secured as follows:

<i>In thousands of EUR</i>			
Entity	Assets pledged by the entity	Carrying amount of pledged assets	
		2013	2012
PSJ, a.s.	Trade receivables, bank accounts, fixed assets, investment property, trading property	9,084	28,266
PSJ Hydrotranzit, a.s.	Fixed assets, investment property, trading property	4,196	2,075
EKOKLIMA, akciová společnost	Fixed assets, trading property	539	470
Hastal Apartments, s.r.o.	Trading property, bill of exchange	0	2,416
City Gate, s.r.o.	Investment property, trading property	24,150	23,982
D.I.S., spol. s r.o.	Fixed assets, trading property	689	1,018
Total		38,658	58,227

4.26. Other Long-Term Payables

As at 31 December 2013 long-term liabilities amounted to TEUR 8,957 (2012 – TEUR 9,751), of which TEUR 64 (2012 – TEUR 198) related to finance lease liabilities.

The remaining part of other long-term payables represents retentions to suppliers of construction contracts. Long-term payables with maturity over five years amount to TEUR 1,395 (2012 – TEUR 2,777).

Non-cancellable finance lease rentals are payable as follows:

<i>In thousands of EUR</i>	2013	2012
Less than one year	–	–
Between one and five years	(64)	(198)
More than five years	–	–
Total	(64)	(198)

During the year ended 31 December 2013, TEUR 13 was recognised as an interest expense in the statement of comprehensive income in respect of finance leases (2012 – TEUR 13).

4.27. Provisions

The Group creates provisions mainly for: warranty repairs and other expected business risks and penalties, loss-making projects and staff remunerations. The provisions recorded by the Group as at 31 December 2013 amounted to TEUR 6,911 (2012 – TEUR 6,935), out of which TEUR 403 (2012 – TEUR 1,220) represents provision for bonuses related to construction projects, TEUR 823 (2012 – TEUR 676) is bank guarantees provision, TEUR 4,429 (2012 – TEUR 3,623) is warranty provision, TEUR 887 (2012 – TEUR 286) represents provisions for penalties, TEUR 0 (2012 – TEUR 236) comprises provisions relating to construction works and TEUR 369 (2012 – TEUR 894) are other provisions.

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<i>In thousands of EUR</i>	
Balance at 1 January 2012	6,609
Acquisitions through business combinations	–
Disposal through sale of subsidiary	–
Provisions created during the year	1,047
Release of provisions (Note 4.8)	(767)
Provisions used during the year	(293)
Effect of movement in foreign exchange rate	339
Balance at 31 December 2012	6,935
Non-current	–
Current	6,935
Total at 31 December 2012	6,935
Balance at 1 January 2013	6,935
Acquisitions through business combinations	–
Disposal through sale of subsidiary	–
Provisions created during the year	667
Release of provisions (Note 4.8)	(35)
Provisions used during the year	(101)
Effect of movement in foreign exchange rate	(555)
Balance at 31 December 2013	6,911
Non-current	–
Current	6,911
Total at 31 December 2013	6,911

4.28. Trade and Other Payables

<i>In thousands of EUR</i>	2013	2012
Trade payables	(33,022)	(47,802)
Construction contracts in progress	(1,550)	(2,308)
Advances received	(19,387)	(8,234)
Estimated payables	(10,667)	(10,941)
Income tax payables	(105)	(62)
Payables to employees, social security and health insurance, employees income tax	(1,229)	(1,696)
Payable to shareholders (dividend payable)	(3)	(3,117)
Deferred revenues	(455)	(2,019)
Other payables	(9,049)	(2,583)
Total	(75,467)	(78,762)

Advance payments represent mainly advances for construction work.

4.29. Financial Instruments and Fair Values

Exposure to credit, interest rate and currency risks arise in the normal course of the Group's business.

Credit Risk

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Investments can be made only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial

instruments are with counterparties that have a sound credit rating and with whom the Group has a signed a netting agreement.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Credit Risk Concentration

	Total exposure		Total credit exposure
	In the statement of financial position	Out of the statement of financial position	
Amounts due from banks	23,611	–	23,611
Amounts due from customers and other receivables	85,255	–	85,255
Total	108,866	–	108,866

The Group has bank accounts with a prestigious banking institution; no risk is expected.

Amounts due from customers consist mainly of amounts due from customers under construction projects and receivables from finished projects.

Foreign Currency Risk

The Group is exposed to foreign currency risk on payables and receivables that are denominated in a currency other than Czech crowns. The currency risk is managed where possible by making investments in the same currency as the financing sources utilised.

The currency risk during the period of repayment of liabilities to third parties is usually offset by generating revenues denominated in the same underlying currency, which is applicable to both sales revenues and operating revenues.

Overview of Foreign Currency Receivables and Payables as at 31 December 2013

		Total	Less than 1 year	1-5 years	More than 5 years
Items in the statement of financial position					
Trade and other receivables	TEUR	15,172	14,785	386	1
	TUSD	749	749	–	–
	TRUB	747	747	–	–
	TPLN	209	209	–	–
	TBGP	–	–	–	–
Trade and other payables	TEUR	(7,380)	(6,955)	(346)	(79)
	TUSD	(407)	(407)	–	–
	TRUB	(7,914)	(5,718)	(2,195)	–
	TPLN	(2)	(2)	–	–
	TBGP	(10)	(10)	–	–
Total	TEUR	7,792	7,830	40	(78)
	TUSD	342	342	–	–
	TRUB	(7,167)	(4,971)	(2,195)	–
	TPLN	207	207	–	–
	TBGP	(10)	(10)	–	–

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Overview of Foreign Currency Receivables and Payables as at 31 December 2012

		Total	Less than 1 year	1-5 years	More than 5 years
Items in the statement of financial position					
Trade and other receivables	TEUR	14,726	14,707	19	–
	TUSD	3,880	3,880	–	–
	TRUB	188,907	188,907	–	–
	TGEL	1	1	–	–
Trade and other payables	TEUR	(16,128)	(19,838)	3,799	(89)
	TUSD	(3,416)	(3,737)	321	–
	TRUB	(65,614)	(128,604)	62,990	–
	TGEL	–	–	–	–
Total	TEUR	(1,402)	(5,131)	3,818	(89)
	TUSD	464	143	321	–
	TRUB	123,293	60,303	62,990	–
	TGEL	1	1	–	–

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged since 2006.

Gearing ratio	2013	2012
<i>In thousands of EUR</i>		
Debt (1)	44,382	72,609
Less: Cash and cash equivalents	(24,083)	(29,371)
Net debt	20,299	39,459
Equity (2)	34,759	32,247
	58.40%	134.08%

(1) Debt is defined as long- and short-term borrowings as detailed in Note 4.25.

(2) Equity includes all capital, reserves and retained earnings of the Group.

Operational Risk

Operational risk is defined as the risk of loss arising from the inappropriateness or failure of internal processes, human errors or failures of systems or the risk of loss arising from external events. The Company assesses these risks on a regular basis and undertakes measures aimed at systematic detection and minimisation of these risks.

In respect of areas with an identified significant risk, the Group has implemented a set of key risk indicators that serve as an early warning system and as a measure of operational risk taken.

Interest Rate Risk

The interest rate risk is applicable generally to those business activities and development projects where floating interest rates for debt financing are used. Bank loans usually have flexible interest rates in a vast majority of senior financing cases depending on the EURIBOR, PRIBOR or BRIBOR rates for the reference period from 1 month to 6 months, increased by a fixed margin.

Effective Interest Rates and Repricing Analysis

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at the reporting date and the periods in which they reprice.

<i>In thousands of EUR</i>	2013					
	Effective interest rate	Total	6 months or less	6-12 months	1-5 years	Fixed interest rate
B - Non-current bank loan 1	3.20% + EURIBOR 3M	(1,171)	(1,171)	–	–	–
C - Non-current bank loan 2	2.60% + EURIBOR 3M	(11,822)	(11,822)	–	–	–
E - ST part of Non-current bank loan 1	3.20% + EURIBOR 3M	(401)	(401)	–	–	–
F - Current bank loan 2	2.60% + BRIBOR 3M	(1,691)	(1,691)	–	–	–
Non-current bank loan 2	1.75% + PRIBOR 3M	(1,993)	(1,993)	–	–	–
Current bank loan 4	2.05% + EURIBOR 3M	(1,300)	(1,300)	–	–	–
Current bank loan 5	1.75% + PRIBOR 3M	(6,062)	(6,062)	–	–	–
H - Current bank loan 7	6.87%	(143)	–	–	–	(143)
Bonds	8%	(14,584)	–	–	–	(14,584)
Related party loan 1	3%	(5,000)	–	–	–	(5,000)
Related party loan 2	3%	(215)	–	–	–	(215)
Total		(44,382)	(24,440)	–	–	(19,942)

<i>In thousands of EUR</i>	2012					
	Effective interest rate	Total	6 months or less	6-12 months	1-5 years	Fixed interest rate
A - Current bank loan 1	1.25% + EURIBOR 1M	–	–	–	–	–
B - Non-current bank loan 1	3.20% + EURIBOR 3M	(1,570)	(1,570)	–	–	–
C - Current bank loan 2	2.50% + EURIBOR 3M	(1)	(1)	–	–	–
D - Current bank loan 3	2.20% + PRIBOR 1M	(2,332)	(2,332)	–	–	–
E - ST part of Non-current bank loan 1	3.20% + EURIBOR 3M	(464)	(464)	–	–	–
F - ST part of Current bank loan 2	2.50% + EURIBOR 3M	(17,314)	(17,314)	–	–	–
Non-current bank loan 2	1.75% + PRIBOR 3M	(2,502)	(2,502)	–	–	–
Current bank loan 4	2.05% + EURIBOR 3M	(2,000)	(2,000)	–	–	–
Current bank loan 5	1.75% + PRIBOR 3M	(16,777)	(16,777)	–	–	–
Current bank loan 6	1.95% + PRIBOR 3M	(2,974)	(2,974)	–	–	–
H - Current bank loan 7	6.87%	(231)	–	–	–	(231)
Bonds	8%	(15,912)	–	–	–	(15,912)
Related party loan 1	3%	(5,062)	–	–	–	(5,062)
Related party loan 2	3%	(2,387)	–	–	–	(2,387)
Related party loan 3	3%	(1,392)	–	–	–	(1,392)
Third party loan	2%	(1,691)	–	–	–	(1,691)
Total		(72,609)	(45,934)	–	–	(26,675)

Liquidity Risk

With respect to the nature of its business and its assets, the Group is, to some extent, naturally exposed to liquidity risk. This risk is mitigated by the business strategy adopted and carried out by the Group – to undertake construction projects and obtain continuous streams of cash flows from partial billings on construction services provided up to date.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and costs of equity will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Sensitivity Analysis - Exposure to Currency Risk

The Group's exposure to foreign currency risk based on notional amounts was as follows:

FX rate as at 31/12/2013		10%	-10%
EUR	27,425	30,168	24,683
USD	19,894	21,883	17,905
RUB	0,605	0,666	0,545
PLN	6,603	7,263	5,943
GBP	32,911	36,202	29,620

Average FX rate for 12 months 2013			
EUR	25,974	28,572	23,377
USD	19,565	21,521	17,608
RUB	0,614	0,676	0,553
PLN	6,189	6,808	5,570
GBP	30,595	33,654	27,535

2013	Orig. curr.		TCZK	TCZK +10%	Change	TCZK -10%	Change
Items in the statement of financial position							
Trade and other receivables	TEUR	15,172	416,092	457,701	41,609	374,483	(41,609)
	TUSD	749	14,901	16,391	1,490	13,411	(1,490)
	TRUB	747	452	497	45	407	(45)
	TPLN	209	1,380	1,518	138	1,242	(138)
	TGBP	0	0	0	0	0	0
Trade and other payables	TEUR	(7,380)	(202,397)	(222,636)	(20,240)	(182,157)	20,240
	TUSD	(407)	(8,097)	(8,907)	(810)	(7,287)	810
	TRUB	(7,914)	(4,788)	(5,267)	(479)	(4,309)	479
	TPLN	(2)	(13)	(15)	(2)	(12)	1
	TGBP	(10)	(329)	(362)	(33)	(296)	33
(Net exposure to currency risk)	TEUR	7,792	213,696	235,065	21,369	192,326	(21,370)
	TUSD	342	6,804	7,484	680	6,124	(680)
	TRUB	(7,167)	(4,336)	(4,770)	(434)	(3,902)	434
	TPLN	207	1,367	1,503	136	1,230	(137)
	TGBP	(10)	(329)	(362)	(33)	(296)	33
				TCZK	21,719	TCZK	(21,719)
				TEUR	836	TEUR	(836)

FX rate as at 31/12/2012		10%	-10%
EUR	25,140	27,654	22,626
USD	19,055	20,961	17,150
RUB	0,625	0,688	0,563
GEL	11,555	12,711	10,400

Average FX rate for 12 months 2012			
EUR	25,143	27,657	22,629
USD	19,583	21,541	17,625
RUB	0,630	0,693	0,567

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GEL			11.808	12.989	10.627		
2012	Orig. curr.		TCZK	TCZK +10%	Change	TCZK -10%	Change
Items in the statement of financial position							
Trade and other receivables	TEUR	14,726	370,204	407,224	37,020	333,184	(37,020)
	TUSD	3,880	73,931	81,324	7,393	66,538	(7,393)
	TRUB	188,907	117,985	129,783	11,798	106,187	(11,798)
	TGEL	1	15	17	2	13	(2)
Trade and other payables	TEUR	(16,128)	(405,450)	(445,995)	(40,545)	(364,905)	40,545
	TUSD	(3,416)	(65,089)	(71,598)	(6,509)	(58,580)	6,509
	TRUB	(65,614)	(40,981)	(45,079)	(4,098)	(36,883)	4,098
	TGEL	–	2	2	–	2	–
(Net exposure to currency risk)	TEUR	(1,402)	(35,246)	(38,771)	(3,525)	(31,721)	3,525
	TUSD	464	8,842	9,726	884	7,958	(884)
	TRUB	123,293	77,004	84,705	7,700	69,304	(7,700)
	TGEL	1	17	19	2	16	(2)
			TCZK	5,061	TCZK	(5,061)	
			TEUR	201	TEUR	(201)	

A 10% strengthening (devaluation) of the Czech crown against the above currencies at 31 December 2013 would have decreased (increased respectively) the profit and loss account by TEUR 836 (2012 – TEUR 201). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2012.

Sensitivity Analysis - Interest Rate Risk

The interest rate profile of the Group's interest-bearing financial instruments is described in Notes 4.17, 4.25 and 4.29 for financial assets and financial liabilities, respectively.

<i>In thousands of EUR</i>		Average amounts		
2013		Effective interest rate	Total	Interest (calculated)
Bank Loan – PSJ, a.s.		2.19%	(11,420)	(250)
Bank Loan – PSJ Hydrotranzit, a.s.		2.89%	(3,432)	(99)
Bank Loan – Hastal Apartments, s.r.o.		1.23%	(1,488)	(18)
Bank Loan – City Gate, s.r.o.		2.49%	(15,413)	(385)
Bank Loan – Byty Hůrka s.r.o.		2.53%	(1,166)	(29)
Bank Loan – D.I.S., spol. s r.o.		3.83%	(154)	(6)
Bank Loan – GM, spol. s r.o.		2.00%	(845)	(17)
Total			(33,918)	(804)

Increase of rate by 10%			Decrease of rate by 10%		
increase of rate by 10%	Interest (calculated)	PL effect	decrease of rate by 10%	Interest (calculated)	PL effect
2.41%	(275)	(25)	1.97%	(225)	25
3.18%	(109)	(10)	2.60%	(89)	10
1.35%	(20)	(2)	1.10%	(16)	2
2.74%	(423)	(38)	2.24%	(346)	38
2.78%	(32)	(3)	2.28%	(27)	3
4.21%	(6)	(1)	3.45%	(5)	1
2.20%	(19)	(2)	1.80%	(15)	2
	(884)	(81)		(723)	81

<i>In thousands of EUR</i>	Average amounts		
	Effective interest rate	Total	Interest (calculated)
2012			
Bank Loan – PSJ, a.s.	3.01%	(17,609)	(530)
Bank Loan – PSJ Hydrotranzit, a.s.	3.75%	(3,167)	(119)
Bank Loan – Hastal Apartments, s.r.o.	2.70%	(2,937)	(79)
Bank Loan – City Gate, s.r.o.	2.63%	(19,853)	(523)
Bank Loan – PSJ Hydrotranzit, a.s.	2.11%	(97)	(2)
Bank Loan – Byty Hůrka s.r.o.	1.27%	(1,166)	(15)
Bank Loan – D.I.S., spol. s r.o.	3.69%	(149)	(5)
Bank Loan – Na Dolinách 24, s.r.o.	1.03%	(339)	(3)
Bank Loan – GM, spol. s r.o.	1.00%	(845)	(8)
Total		(46,162)	(1,284)

Increase of rate by 10%			Decrease of rate by 10%		
increase of rate by 10%	Interest (calculated)	PL effect	decrease of rate by 10%	Interest (calculated)	PL effect
3.31%	(583)	(53)	2.71%	(477)	53
4.12%	(131)	(12)	3.37%	(107)	12
2.96%	(87)	(8)	2.43%	(71)	8
2.90%	(575)	(52)	2.37%	(471)	52
2.32%	(2)	–	1.90%	(2)	–
1.39%	(16)	(1)	1.14%	(13)	1
4.06%	(6)	(1)	3.32%	(5)	1
1.13%	(4)	–	0.93%	(3)	–
1.10%	(9)	(1)	0.90%	(8)	1
	(1,413)	(128)		(1,157)	128

An increase (decrease) in interest rates by 10% at the reporting date would have decreased (increased respectively) the profit and loss account by TEUR 81 (2012 – TEUR 128) as shown in the above table. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

Fair value hierarchy

A number of the Company's accounting policies and disclosures require the measurement of fair value, both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Fair values are categorized, in accordance with the requirements of IFRS 13, into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- (1) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- (2) Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- (3) Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is observable.

Information regarding the fair value measurement and fair value hierarchy of investment property refer to Note 4.12.1.

Comparison of carrying values and fair values of assets a liabilities

2013

Assets/liabilities <i>In thousands of EUR</i>	Carrying value	Fair value adjustment	Fair value
Other investments	1,798	–	1,798
Long-term receivables	2,569	(187)	2,382
Trade and other receivables	85,255	–	85,255
Interest bearings loans and borrowings	(44,640)	–	(44,640)
Other long-term payables	(9,628)	671	(8,957)
Trade and other payables	(75,467)	–	(75,467)

2012

Assets/liabilities <i>In thousands of EUR</i>	Carrying value	Fair value adjustment	Fair value
Other investments	1,699	–	1,699
Long-term receivables	3,589	(368)	3,221
Trade and other receivables	97,846	–	97,846
Interest bearings loans and borrowings	(72,622)	–	(72,622)
Other long-term payables	(10,802)	1,051	(9,751)
Trade and other payables	(78,762)	–	(78,762)

4.30. Contingencies

The Group identified the following contingencies as at 31 December 2013:

- EKOKLIMA akciová společnost provided bank guarantees to investors of TEUR 2,102 (TCZK 57,642) (2012 – TEUR 2,464).
- As at the reporting date, PSJ, a.s. provided bank guarantees of TEUR 34,716 (TCZK 952,166) (2012 – TEUR 26,666), which relate to security payments made in accordance with the conditions of public tenders, adequate fulfilment of contracts and warranty periods set by contracts.
- As at the reporting date, PSJ Hydrotranzit, a.s. provided bank guarantees of TEUR 4,492 (2012 – TEUR 233), which relate to security payments made in accordance with the conditions of public tenders, adequate fulfilment of contracts and warranty periods set by contracts.
- As at the reporting date, D.I.S., spol. s r.o. provided bank guarantees of TEUR 9,898 (TCZK 271,472) (2012 – TEUR 7,026), which relate to security payments made in accordance with the conditions of public tenders, adequate fulfilment of contracts and warranty periods set by contracts.
- PSJ Hydrotranzit, a.s. is one of the defendants in a legal dispute regarding the payment of TEUR 1,890 and accrued interest. The legal dispute was lodged in respect of the payment of a discount on the fee payable. A payment order was issued as part of the legal dispute, which was appealed on a timely basis and no further proceedings have as yet been determined by the court of first instance. The Company established a bad debt provision and additional provision totalling TEUR 158 (2012 - TEUR 158), which is, according to an expert opinion prepared for the Company, sufficient.

4.31. Related parties**4.31.1. Identity of Related Parties**

The Group has a related party relationship with its subsidiaries, associates, joint ventures and with its directors and executive officers.

Key management persons are the Chairman of the Board of Directors, members of the Board of Directors and Supervisory Board, Finance Director and Chief Project Managers and Project Managers. The remuneration of the key management personnel is as follows:

<i>In thousands of EUR</i>	2013	2012
Remuneration and benefits paid to key management	2,791	2,576
Total	2,791	2,576

4.31.2. Transactions with Related Parties

The Group identified the following transactions with related parties in 2013 and 2012

<i>In thousands of EUR</i>		2013	2012
FC VYSOČINA JIHLAVA, a.s.	Receivables from the Group	26	191
	Payables to the Group	–	14
	Services provided to the Group	36	42
	Purchases from the Group	347	796
TENISCENTRUM JIHLAVA, a.s.	Receivables from the Group	–	6
	Payables to the Group	–	410
	Services provided to the Group	832	715
	Purchases from the Group	7	7
Nadace Jindřicha a Ičky Waldesových	Payables to the Group	–	–
	Purchases from the Group	–	8
	Services provided to the Group	1	1
ISD NOE, spol. s r.o.	Services provided to the Group	–	1
	Payables to the Group	5	–
PSJ New NV	Purchases from the Group	–	4
REALITY INVEST, spol. s r.o.	Payables to the Group	3	41
	Services provided to the Group	3	3
	Receivables from the Group	1,329	1,408
Devontaine N.V.	Purchases from the Group	40	16
	Loans provided	–	5,000
PSJ Subholding BV	Receivables from the Group	–	5,532
	Purchases from the Group	183	93
	Receivables from the Group	3,892	–
	Payables to the Group	75	26
PSJ Holding BV	Loans receivable	5,215	–
	Granted loans	1,683	1,592
	Services provided to the Group	53	26
	Purchases from the Group	121	–
AZ TOWER a.s.	Receivables from the Group	–	7
	Payables to the Group	1,094	13,118
	Granted loans	8,669	597
	Services provided to the Group	4,842	12,961
Inovat SE	Purchases from the Group	32	7
	Receivables from the Group	34	–
	Purchases from the Group	36	–
PSJ Ukraine LLC	Receivables from the Group	46	–

4.32. Subsequent Events

No significant events occurred between the reporting date and the date of preparation of the Company's financial statements.

The financial statements were prepared on 19 June 2014.

Signature of the authorised representative:

František Vaculík



Miroslav Horňák

