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E-mail:	office@bdo.pl	02-676 Warsaw
Internet:	www.bdo.pl	Poland

CAPITAL GROUP, whose parent company is FABRYKI MEBLI "FORTE" S.A.
ul. Biała 1
07-300 Ostrów Mazowiecka

Opinion and report of the independent certified auditor on the audit of consolidated financial statements for the financial year from 1 January to 31 December 2013

BDO Sp. z o.o. District Court for the Capital City of Warsaw, 13th Commercial Division KRS number: 0000293339, share capital: PLN 1,000,000, Tax ID No 108-000-42-12. Regional offices of BDO: Katowice 40-004, al. Korfantego 2, tel: +48 32 359 50 00, katowice@bdo.pl; Kraków 30-415, ul. Wadowicka 8a, tel: +48 12 378 69 00, krakow@bdo.pl; Poznań 61-028, ul. Warszawska 43, tel: +48 61 650 30 80, poznan@bdo.pl; Wrocław 53-332, ul. Powstańców Śląskich 7a, tel: +4871 734 28 00, wroclaw@bdo.pl

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INDEPENDENT CERTIFIED AUDITOR'S OPINION for the General Meeting of Shareholders and the Supervisory Board of Fabryki Mebli Forte S.A.

We have audited the attached consolidated financial statements of the Capital Group, with the parent company Fabryki Mebli Forte S.A. with its registered office in Ostrów Mazowiecka, at ul. Biała 1, including:

- additional information on the adopted accounting policies;
- the consolidated statement of financial situation prepared as at 31 December 2013, presenting the total balance of assets and liabilities in the amount of PLN 554,854 thousand;
- the consolidated profit and loss account for the financial year from 1 January to 31 December 2013, presenting net profit in the amount of PLN 57,920 thousand;
- the consolidated statement of comprehensive income for the financial year from 1 January to 31 December 2013, presenting comprehensive income in the amount of PLN 58,290 thousand;
- the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2013, presenting an increase in equity in the amount of PLN 35,724 thousand;
- the consolidated cash flow statement for the financial year from 1 January to 31 December 2013, presenting an increase in net cash by PLN 46,109 thousand;
- as well as additional notes and explanations.

The Management Board of the Capital Group is responsible for preparing the consolidated financial statements and the report on operations of the Capital Group in accordance with the applicable regulations.

The Management Board and Members of the Supervisory Board of the Parent Company are required to ensure that the consolidated financial statements and the report on operations of the Capital Group meet the requirements set out in the Accounting Act of 29 September 1994 (Journal of Laws of 2013 No 152, item 330 as amended), hereinafter referred to as the Accounting Act.

Our task was to audit the consolidated financial statements and express an opinion on their compliance with the Capital Group's accounting principles (policy) which needed to be applied, and whether the consolidated financial statements presented, in all material aspects, the assets and the financial position as well as the financial results of the Capital Group in a true and fair manner.

We conducted our audit of the consolidated financial statements in accordance with:

1/ Chapter 7 of the Accounting Act,

2/ national financial audit standards issued by the National Chamber of Statutory Auditors in Poland.

The audit of the consolidated financial statements was planned and conducted in such a way as to obtain rational certainty, enabling us to express an opinion on the financial statements. In particular, the audit covered the verification of correctness of accounting principles (policy) applied by the parent entity and the subsidiaries by verifying – mainly based on an ad hoc method – the bases from which numbers and information contained in the consolidated financial statements arise, as well as the overall evaluation of the consolidated financial statements.

We believe that the audit provided sufficient grounds for expressing our opinion.

In our opinion, the audited consolidated financial statements, in all material respects:

a) present information relevant for the evaluation of assets and the financial situation of the Capital Group in a true and fair manner as of 31 December 2013, as well as the financial results for the financial year from 1 January to 31 December 2013,

b) have been prepared in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations announced as regulations of the European Commission, and to the extent not covered by these standards – in accordance with requirements of the Accounting Act and executive provisions issued on its basis,

c) are in compliance with legal regulations related to the content of the consolidated financial statements and with the provisions of law applicable to the Capital Group.

This Report on the operations of the Capital Group is complete within the meaning of Article 49 section 2 of the Accounting Act and includes the relevant provisions of the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and on the conditions under which such information may be recognised as being equivalent to information required by the provisions of law of a state which is not a member state (Journal of Laws of 28 January 2014, item 133), and information contained therein, taken from the audited consolidated financial statements, is consistent with it.

Warsaw, 21 March 2014.

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02-676 Warszawa
Entity authorised to audit financial statements No 3355

Key certified auditor responsible for the audit:

Artur Staniszewski
Certified auditor
reg. No 9841

Acting on behalf of BDO Sp. z o.o.

dr André Helin
President of the Management Board
Certified auditor No 90004

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CAPITAL GROUP, whose parent company is FABRYKI MEBLI "FORTE" S.A.
ul. Biała 1
07-300 Ostrów Mazowiecka

Report on the audit of consolidated financial statements for the financial year from 1 January to 31 December 2013

BDO Sp. z o.o. District Court for the Capital City of Warsaw, 13th Commercial Division KRS number: 0000293339, share capital: PLN 1,000,000, Tax ID No 108-000-42-12. Regional offices of BDO: Katowice 40-004, al. Korfantego 2, tel: +48 32 359 50 00, katowice@bdo.pl; Kraków 30-415, ul. Wadowicka 8a, tel: +48 12 378 69 00, krakow@bdo.pl; Poznań 61-028, ul. Warszawska 43, tel: +48 61 650 30 80, poznan@bdo.pl; Wrocław 53-332, ul. Powstańców Śląskich 7a, tel: +4871 734 28 00, wroclaw@bdo.pl

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I. GENERAL PART OF THE REPORT

1. Data identifying the parent entity

1.1. Name and legal form

The Company operates under the business name Fabryki Mebli Forte Spółka Akcyjna (a Joint-Stock Company)

1.2. Registered office

ul. Biała 1, 07-300 Ostrów Mazowiecka.

1.3. Core business activity

According to the entry in the register and the articles of association, the Company's core business activity is the production and retail sale of furniture, mattresses and wood products.

1.4. Basis for business activity

Fabryki Mebli "Forte" S.A. operate on the basis of:

- the Company's Articles of Association drawn up in the form of a notarial deed on 22 November 1994 (Rep. A No 4358/94), as amended;
- Code of Commercial Companies.

1.5. Registration in the Commercial Court

On 23 June 2001, the Company was entered into the National Court Register in the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register under the KRS number 21840.

1.6. Registration in the Tax Office and the Voivodship Statistical Office

NIP (Tax ID No): 759-000-50-82
REGON (Company ID No): 550398784

1.7. Share capital and equity

The share capital as of 31 December 2013 amounted to PLN 23,751,084 and was divided into 23,751,084 shares with the nominal value of PLN 1 each.
In 2013 and until the date of completion of the audit, no changes took place in the share capital.

As at 31 December 2013, the Company's shareholding structure was as follows:

Shareholder	Number of held shares and votes	% of share in the overall number of votes
MaForm Holding AG	7,013,889	29.53%
Amplico Otwarty Fundusz Emerytalny	4,213,495	17.74%
ING Otwarty Fundusz Emerytalny	1,500,000	6.32%
Pioneer Fundusz Inwestycyjny Otwarty	1,206,097	5.08%

As at 31 December 2013, the Company's equity also included:

- Supplementary capital from share premium	PLN 111,646 thousand
- Revaluation reserve from hedging instruments	PLN 7,548 thousand
- Business combination capital	PLN (1,073) thousand
- Incentive Scheme	PLN 420 thousand
- Other reserve capital	PLN 146,803 thousand
- Retained earnings	PLN 80,043 thousand

As at 31 December 2013, total equity amounted to PLN 369,138 thousand.

In Resolution No 6/2013 of 28 May 2013, the General Meeting of Shareholders decided to allocate the Company's net profit for the period from 1 January to 31 December 2012 in the amount of PLN 31,872,512.45 in the following manner:

- PLN 22,563,529.80 for dividend payout;
- PLN 22,563,529.80 for supplementary capital;

1.8. Management Board of the Company

As at 31 December 2013, the composition of the Management Board was as follows:

- Maciej Formanowicz – President of the Management Board
- Robert Sławomir Rogowski – Vice-President of the Management Board
- Klaus Dieter Dahlem – Member of the Management Board
- Gert Coopmann – Member of the Management Board

During the audited period and after its end, the following changes occurred in the composition of the Management Board of the Company:

- on 10 January 2014, the Company received a statement on the resignation of Robert Sławomir Rogowski from the position of Vice-President of the Management Board.
- pursuant to the resolution of the Supervisory Board No 1/2014 of 10 January 2014, Mariusz Jacek Gazda was appointed a Member of the Management Board as of 1 March 2014.

2. Composition of the Capital Group as at the balance sheet date and changes in the period

2.1. Parent Entity

Fabryki Mebli "Forte" S.A.

Reporting period	1 January – 31 December 2013
Balance sheet total	PLN 539,725 thousand
Comprehensive income	PLN 56,896 thousand
Increase in equity	PLN 34,332 thousand
Increase in cash	PLN 42,718 thousand
Entity authorised to perform the audit	BDO Sp. z o.o., ul. Postępu 12, Warszawa
Type of opinion from the audit	unqualified

2.2. Subsidiaries

As at 31 December 2013, the Fabryki Mebli Forte Capital Group consisted of the following subsidiaries:

Entity name	Country	% of share	Entity authorised to perform the audit	Type of opinion
MV Forte GmbH	Germany	100	Hans – Peter Anfang vereidigter Buchprufer	unqualified
Forte Möbel AG	Switzerland	99	Brag Buchhaltungs und Revisions AG	unqualified
Kwadrat Sp. z o.o.	Poland	77.01	Not subject to audit	N/A
Galeria Kwadrat Sp. z o.o.	Poland	77.01	Not subject to audit	N/A
TM Handel Sp. z o.o. S.K.A.	Poland	100	Not subject to audit	N/A
Fort Investment Sp. z o.o.**	Poland	100	Not subject to audit	N/A

** indirectly related company – 100% subsidiary of Kwadrat Sp. z o.o.*
*** indirectly related company – 100% subsidiary of TM Handel Sp. z o.o. SKA*

In 2013, no changes in the composition of the Capital Group occurred.

All consolidated entities had the same balance sheet date as the parent entity.

2.3. Entities excluded from consolidation

1. Forte Baldai UAB with its registered office in Vilnius (Lithuania) -100% of shares,
2. Forte SK s.r.o. with its registered office in Bratislava (Slovakia) -100% of shares,
3. Forte Furniture LTO with its registered office in Preston (UK) -100% of shares,
4. Forte Iberia S.l.u. with its registered office in Valencia (Spain) -100% of shares,
5. Forte Mobilier S.a.r.l. with its registered office in Lyon (France) -100% of shares,
6. Mobil Forte S.r.L. with its registered office in Bacau (Romania) -100% of shares,
7. TM Handel Sp. z o.o. with its registered office in Warsaw -100% of shares.

Parent entity did not include the above-mentioned entities in the consolidation due to the fact that the impact of financial data of these entities on the consolidated financial statements, both individually and collectively, is immaterial.

3. Data identifying the audited financial statements

The subject of the audit were the consolidated financial statements of Fabryki Mebli Forte Capital Group drawn up for the financial year from 1 January to 31 December 2013, covering:

- additional information on the adopted accounting policies;
- the consolidated statement of financial situation prepared as at 31 December 2013, presenting the total balance of assets and liabilities in the amount of PLN 554,854 thousand;
- the consolidated profit and loss account for the financial year from 1 January to 31 December 2013, presenting net profit in the amount of PLN 57,920 thousand;
- the consolidated statement of comprehensive income for the financial year from 1 January to 31 December 2013, presenting comprehensive income in the amount of PLN 58,290 thousand;
- the consolidated statement of changes in equity for the financial year from 1 January to 31 December 2013, presenting

an increase in equity in the amount of PLN 35,724 thousand;

- consolidated cash flow statement for the financial year from 1 January to 31 December 2013, presenting an increase in net cash by PLN 46,109 thousand;
- as well as additional notes and explanations.

4. Data identifying the authorised entity and the certified auditor conducting the audit

The audit of consolidated financial statements of Fabryki Mebli Forte Capital Group for 2013 was conducted by BDO Sp. z o.o., with its registered office in Warsaw, ul. Postępu 12, an entity authorised to audit financial statements, entered on the list of the National Chamber of Statutory Auditors under the number 3355.

Appointment of a certified auditor to audit the Company's financial statements and the consolidated financial statements of the Capital Group beginning from 2012 has been performed by the Supervisory Board of the parent entity pursuant to Resolution No 14/2012 of 29 June 2012.

The audit was conducted pursuant to the audit agreement of 29 May 2013, by the key certified auditor, Artur Staniszewski (reg. No 9841). The audit began on 24 February 2014 and was conducted with intervals, until the date of the opinion issuance. It was preceded with a review of the consolidated financial statements for the first half of 2013.

We represent that the authorised entity BDO Sp. z o.o., the certified auditor auditing the aforementioned consolidated financial statements and other persons involved in the audit meet the conditions for expression of an unbiased and independent opinion about the financial statements, in accordance with Article 56 (57) and (60) of Act of 7 May 2009 on certified auditors and their Self-Government, Entities Authorised to Audit Financial Statements and Public Supervision (Journal of Laws of 2009 No 77, item 649, as amended).

During the audit, the Management Board of the parent entity provided the certified auditor with the requested data as well as information and explanations necessary to conduct the audit, and notified the auditor of the absence of material events after the balance sheet date until the date of submission of the statement.

No limitations occurred as regards the scope of the audit, and the certified auditor was not restricted in the selection of the relevant audit methods.

5. Information about the financial statements for the previous year

The basis for the opening balance were the consolidated financial statements drawn up for the period from 1 January to 31 December 2012, which were audited by BDO Sp. z o.o. – an entity authorised to audit financial statements No 3355, and which received an unqualified opinion.

The consolidated financial statements of the Capital Group for the period from 1 January to 31 December 2012 were approved by Resolution No 16/2013 of the Ordinary General Meeting of Shareholders dated 28 May 2013.

The consolidated financial statements for the period from 1 January until 31 December 2012 were submitted to the National Court Register on 29 May 2013.

II. FINANCIAL ANALYSIS OF THE CAPITAL GROUP

Selected items from the consolidated statement of financial situation, consolidated report on comprehensive income, as well as fundamental financial ratios are presented below, in comparison with the same items from the previous years.

1. Key values from the statement of financial situation

	31.12.2013	*% of total assets*	31.12.2012 restated	*% of total assets*	31.12.2011	*% of total assets*
ASSETS						
Non-current assets	254,070	*45.8*	252,922	*52.3*	237,488	*50.0*
Tangible fixed assets	188,588	*34.0*	188,780	*39.0*	188,793	*39.8*
Intangible assets	16,632	*3.0*	16,094	*3.3*	706	*0.1*
Financial assets	888	*0.2*	1,276	*0.3*	1,918	*0.4*
Investment properties	47,962	*8.6*	46,772	*9.7*	46,071	*9.7*
Current assets	300,784	*54.2*	231,205	*47.7*	236,309	*50.0*
Inventories	113,087	*20.4*	99,119	*20.5*	110,274	*23.3*
Receivables from supplies and services as well as other receivables	99,135	*17.9*	89,590	*18.5*	96,653	*20.4*
Receivables from derivative financial instruments	9,824	*1.8*	8,950	*1.8*		*
Income tax receivables	35	*0.0*	2	*0.0*	1,845	*0.4*
Deferred revenues and accruals	1,853	*0.3*	2,831	*0.6*	1,290	*0.3*
Financial assets	731	*0.1*	722	*0.1*	792	*0.2*
Cash and cash equivalents	76,119	*13.7*	29,991	*6.2*	25,455	*5.4*
TOTAL ASSETS	554,854	*100.0*	484,127	*100.0*	473,797	*100.0*

LIABILITIES						
Equity	384,607	*69.3*	348,883	*72.1*	314,248	*66.3*
Equity allocated to the Company’s shareholders	380,896	*68.6*	345,234	*71.3*	311,161	*65.7*
Share capital	23,751	*4.3*	23,751	*4.9*	23,751	*5.0*
Supplementary capital from share premium	111,646	*20.1*	111,646	*23.1*	111,646	*23.6*
Currency foreign exchange translation differences	380	*0.1*	368	*0.1*	834	*0.2*
Revaluation reserve from hedging instruments	7,548	*1.4*	7,249	*1.5*	(10,605)	*(2.2)*
Incentive Scheme	420	*0.1*	198	*0.0*	198	*0.0*
Other reserve capital	146,803	*26.5*	137,494	*28.4*	133,549	*28.2*
Retained earnings	90,348	*16.3*	64,528	*13.3*	51,788	*10.9*
Minority interest	3,711	*0.7*	3,649	*0.8*	3,087	*0.7*
Long-term liabilities	76,581	*13.8*	48,247	*10.0*	86,462	*18.1*
Interest-bearing loans and borrowings	58,178	*10.5*	29,900	*6.2*	73,027	*15.4*
Provisions for deferred income tax	13,504	*2.4*	14,095	*2.9*	10,563	*2.2*
Provision for benefits after the employment period	2,659	*0.5*	2,190	*0.5*	1,993	*0.4*
Other provisions	39	*0.0*	38	*0.0*	77	*0.0*
Deferred revenues and accruals	86	*0.0*	110	*0.0*	134	*0.0*
Financial liabilities due to lease	2,115	*0.4*	1,914	*0.4*	668	*0.1*
Short-term liabilities	93,666	*16.9*	86,997	*17.9*	73,087	*15.4*
Liabilities arising from supplies and services as well as other liabilities	54,720	*9.9*	40,846	*8.4*	40,393	*8.5*
Liabilities arising from derivative financial instruments		*0.0*		-	13,092	*2.8*
Current portion of interest-bearing loans and borrowings	9,259	*1.7*	29,624	*6.1*	8,138	*1.7*
Income tax liabilities	10,963	*2.0*	453	*0.1*		*0.0*
Provisions, deferred revenues and accruals	17,968	*3.2*	14,946	*3.1*	9,060	*1.9*
Financial liabilities due to lease	756	*0.1*	1,128	*0.2*	2,404	*0.5*
TOTAL LIABILITIES AND EQUITY	554,854	*100.0*	484,127	*100.0*	473,797	*100.0*

2. Key items of the consolidated profit and loss account

	2013	*% sales revenue*	2012 restated	*% sales revenue*	2011	*% sales revenue*
Sales revenue	666,365	*100.0*	560,531	*100.0*	527,208	*100.0*
Cost of sales	424,924	*63.8*	378,718	*67.6*	360,479	*68.4*
Gross profit/loss on sales	241,441	*36.2*	181,813	*32.4*	166,729	*31.6*
Other operating revenue	2,829	*0.4*	2,412	*0.4*	5,033	*1.0*
Costs of sales	133,919	*20.1*	112,030	*20.0*	105,167	*19.9*
General administrative costs	28,167	*4.2*	25,746	*4.6*	31,222	*5.9*
Other operating costs	9,763	*1.5*	4,749	*0.8*	5,154	*1.0*
Profit on sale of subsidiaries	-	-	-	-	17,606	*3.3*
Profit/(Loss) on operating activity	72,421	*10.9*	41,700	*7.4*	47,825	*9.1*
Financial revenue	1,288	*0.2*	1,376	*0.2*	1,116	*0.2*
Financial costs	1,114	*0.2*	1,407	*0.3*	5,988	*1.1*
Profit on derivative financial instruments	552	*0.1*	-	-	529	*0.1*
Profit/(loss) before tax	73,147	*11.0*	41,699	*7.4*	43,482	*8.2*
Income tax	15,227	*2.3*	6,635	*1.2*	4,905	*0.9*
Profit (loss) of the period	57,920	*8.7*	35,034	*6.3*	38,577	*7.3*
Profit attributable to:						
Shareholders of the Parent Company	57,856		34,473		38,416	
Non-controlling shareholders	64		561		161	

3. Key financial ratios

	2013	2012	2011
Liquidity ratios			
Current ratio I total current assets short-term liabilities	3.2	2.7	3.2
Current ratio II current assets – inventories short-term liabilities	2.0	1.5	1.7
Activity ratios			
Repayment of receivables in days average receivables under supplies and services* x 360 days sales revenues	43	51	52
Inventory turnover average inventory* x 360 days cost of sales	90	100	108
Profitability ratios			
Return on assets net profit/loss total assets	10.4%	7.2%	8.1%
ROE net profit/loss equity	15.1%	10.0%	12.3%
Net return on sales net profit/loss sales revenues	8.7%	6.3%	7.3%
Liability ratios:			
Repayment of liabilities in days average balance of liabilities under supplies and services* x 360 days cost of sales	28	28	33
Debt ratio short-term and long-term liabilities total liabilities and equity	0.3	0.3	0.3

**) average balance of receivables, inventories and liabilities is calculated as the arithmetic mean of the value of items of the opening balance and the closing balance.*

4. Note

In the audited period, the sales revenue increased by 18.9% in comparison with the previous year, whereas own costs of sales increased by 12.2%. As a result, the Group achieved sales result 32.8% higher than in the previous year. The share of the cost of sales and general management in sales revenues remained at a similar level as last year. Increase of other operating costs by 105.6% is due to the creation of revaluation write-downs in the audited period. The level of net financial result was also affected by a positive result on financial operations.

In 2013, the Group generated net profit in the amount of PLN 57.9 million compared to PLN 35.0 million in 2012, which means an increase of 65.3%.

The achieved net result affected the level of profitability ratios compared with the previous year:

- Asset profitability ratio increased from 7.2% in 2012 to 10.4% in the current year,
- Net sales profit margin increased from 6.3% in the previous year to 8.7% in 2013,
- return on equity increased from 10.0% last year to 15.1% in the audited year.

The structure of the assets, as in the previous year, includes primarily tangible fixed assets, whose share fell from 39.0% to 34.0%% of total assets, and inventory, whose share remained at a similar level.

The structure of liabilities is dominated by equity. The share of equity in the financing activities of the Group decreased slightly from 72.1% last year to 69.3% in the audited year. The debt ratio did not change and was similar to the previous year (at the level of 0.3).

Both the current ratio I and current ratio II improved. Current ratio I increased from 2.7 in 2012 to 3.2 in the audited year and current ratio II increased from 1.5 to 2.0.

Liabilities repayment rate was 28 days and remained unchanged. Receivables repayment rate also improved and fell from 51 days in 2012 to 43 days in 2013. Inventory turnover improved from 100 days in the previous year to 90 days the audited year.

During the audit of the consolidated financial statements, we did not find anything which would indicate that, as a result of ceasing or significantly reducing the existing operations, the Group would not be able to continue it at least in the subsequent reporting period.

III. DETAILED PART OF THE REPORT

1. Accounting principles

Entities included in the consolidated report of the Fabryki Mebli Forte Capital Group apply the same accounting policies and methods of valuation of individual assets and liabilities.

The parent entity draws up financial statements in accordance with the requirements of International Financial Reporting Standards ("IFRS") as approved by the European Union, and with respect to matters not regulated in the said standards in accordance with the requirements of the Accounting Act of 29 September 1994 (Journal Of Laws 2013, No 76, item 330 as amended).

Other companies of the Group draw up financial statements in accordance with the Accounting Act of 29 September 1994. The financial statements of subsidiaries are converted by the parent entity to comply with the principles of International Financial Reporting Standards as adopted by the European Union.

The financial statements of the entities included in the consolidated financial statements have been prepared on the same balance sheet date as the financial statements of the parent company.

2. Rules for preparation of the consolidated financial statements

The consolidated financial statements of Fabryki Mebli Forte Capital Group have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and the related interpretations announced as regulations of the European Commission, and to the extent not covered by these standards – in accordance with requirements of the Accounting Act and executive provisions issued on its basis.

Basis for preparation of the consolidated financial statements was consolidation documentation, covering *inter alia*:

- financial statements of the entities included in the consolidation;
- determining the shares of the parent company, direct and indirect, in the companies of the Group;
- overview of adjustments and consolidation exclusions, including the exclusions of results not performed by the consolidated entities included in the value of assets.

3. Information concerning the selected important items of the statement of financial situation and the consolidated profit and loss account.

The most important items of consolidated statement of financial situation and consolidated profit and loss account are described in notes to the consolidated financial statements.

4. Notes to financial statements

Additional notes on the adopted accounting policies and other notes have been prepared in a complete and correct manner, taking into account the requirements arising from IFRS, and to the extent not covered by these standards – in accordance with requirements of the Accounting Act.

5. Consolidated statement of changes in equity

The data presented in the consolidated statement of changes in equity have been connected correctly to the statement of financial situation and the books of accounts, and they reflect changes in the Group capital in a reliable and correct manner.

6. Consolidated cash flow statement

The consolidated cash flow statement has been drawn up by the Group taking into account the provisions of IAS 7, using the indirect method. It presents the correct connection with the consolidated statement of financial situation, the consolidated statement of comprehensive income, and entries in the accounting books.

7. Report on the Capital Group's operations

In line with the requirements of Article 49 of the Accounting Act and with the Regulation of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and on the conditions under which such information may be recognised as being equivalent to information required by the regulations of law of a state which is not a member state (Journal of Laws of 28 January 2014, item 133), the Management Board of the Parent Entity has drawn up a report on Capital Group operations.
Information contained in the report on operations is compliant with information contained in the audited consolidated financial statements.

8. Statement of the entity's management

The parent Company management has submitted a written statement on the complete presentation of data in books of accounts,

disclosure of all contingent liabilities, as well as non-occurrence of any material events after the balance sheet date.

9. Legality

During the audit we found no violations of the law affecting the consolidated financial statements.

We would like to note that the tax returns and financial statements of the entity may be subject to audit by tax authorities. Tax laws in Poland are subject to frequent change and contain many ambiguities, resulting in different, sometimes conflicting, interpretations of the same rules both by business entities and by various tax authorities. Because of uncertainty as to the final interpretation of certain tax laws, the amounts disclosed in the financial statements could be changed at a later date as a result of tax returns by tax authorities.

Warsaw, 21 March 2014.

BDO Sp. z o.o.
ul. Postępu 12
02-676 Warszawa
Entity authorised to audit financial statements No 3355

Key certified auditor responsible for the audit:

Artur Staniszewski
Certified auditor
reg. No 9841

Acting on behalf of BDO Sp. z o.o.

dr André Helin
President of the Management Board
Certified auditor No 90004

Dear Members of the Supervisory Board, Shareholders and Investors!

On behalf of the Management Board I am pleased to present the financial statements, together with a summary of Forte Capital Group's operations for the year 2013.

When 2012 was ending, we were all very anxious about the future. The economic crisis affected more and more areas of activity, and we could all hear the worried tone in everyone's questions about the nearest future. We did not succumb to pessimism, but the plans for 2013 were in that situation drawn up very cautiously. On the one hand we were reserved, on the other we were aware of the upcoming opportunities for dynamic growth. We adopted two scenarios: conservative and aggressive. What proved right was the dynamic development plan. Sales grew strongly in all markets, we achieved more than 20% dynamics. In 2013 we implemented a record number of new features: more than 1,500 pieces of furniture. We sold more than 4,900,000 units of packages that were timely delivered to our clients. We took part in numerous fairs in the country and abroad. During the International Fair in Poznań, our living room SNOW was awarded the Gold Medal, and ATTENTION won the contest "Furniture Plus – product of the year" in the dining room category.

For our Polish customers we introduced a loyalty programme FORTE PLUS, offering special designs and arrangements, as a new concept and quality of demonstrating furniture in the stores. This is an elite group of furniture stores, which gradually extends. We also strengthened sales on foreign markets, adding new directions and distribution channels. Our new segment line of assembled furniture is very successful. The quality of our products and services is constantly improved.

Last year, to support sales, we introduced a number of marketing activities, such as the participation in the TV show "Nasz Nowy Dom" ["Our New Home"], we made significant improvements in the functionality of our website, introduced an interactive product catalogue, we created a blog and facebook company profile, allowing for fast communication and brief exchange of business information with customers.

We keep "sharpening our saws" in all sections of the Group. In 2013 the streamlining of our IT network and software continued, as it is necessary for the customer care system and for all company processes. In September, we completed a successful upgrade of the SAP system. Since the very beginnings we have strongly emphasized the need for a secure system with minimum switchover time, drawing from the best practices of conducting such projects. We have also significantly improved security of the services provided by IT.

We extended the use of the 3TEC system, implementing the software in the following branches of the company: in Suwałki, Białystok, and Hajnówka, as well as in cooperation hubs for all the factories. This investment facilitated the flow control of components and tracking the entire production process in all factories.

In 2013 we continued our investments in the machine park. The factory in Hajnówka saw a complete and thorough reconstruction of its production hall. The infrastructure changed, the section of Central Fittings Packing was expanded department by a new line, work was performed on the assembly line, and we purchased a machine for saw sharpening. The factory in Hajnówka gained a new, modern dimension. We also completed investments in Białystok and Ostrów Mazowiecka, including on the assembly line, and the drills and saws line. We optimised material flow between the manufacturing and assembly departments.

In the previous year we continued the reduction of all purchase costs by introducing central purchases and systemic support. We developed the quality support system 5S, AQL, and ISO 9001 management principles. We obtained the FSC Chain of Custody accreditation, which verifies FSC certified material and products along the production chain and confirms world class quality of FORTE products.

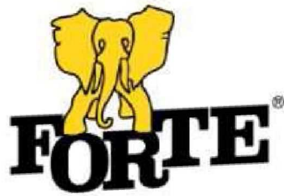
All these actions translated into our commercial success and financial results. Our sales revenues reached PLN 666.4 million, and we closed 2013 with net profit of PLN 57.9 million.

It was a huge success of the Capital Group and its employees in 2013. We carry out intense work for the development and support of our staff. We carried out a number of specialised training courses, supporting the staff in gaining specialised knowledge and soft management skills. We organise internship programmes for students. We continue last years' programmes for employees and their families, including English courses for employees and their children, and events related to art, science and entertainment. We implemented incentive schemes, and improved communication with staff through various meeting and internal publications. We have also improved the working conditions for office employees by renovating the entire office infrastructure, creating modern and comfortable working conditions. These efforts will continue and they are scheduled end in the next year, and it will contribute to improving our image as well.

On behalf of the Management Board I wish to thank all the employees for their enormous dedication and commitment, without which the Company could not have achieved such results in 2013. I also thank all the Shareholders for the trust they have placed in us. Our cooperation makes us ready to achieve new, ambitious goals in 2014.

President of the Management Board

Maciej Formanowicz



FABRYKI MEBLI “FORTE” S.A.

Consolidated financial statements for the period ended 31 December 2013

Statements prepared in accordance with the International Financial Reporting Standards

Ostrów Mazowiecka, 21 March 2014.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the reporting period ended	
		31 December 2013	31 December 2012 (restated)
Continued operations	**Note**		
Revenue from sales of goods, products and materials	12,1	659,969	555,253
Revenue from sales of services	12,1	6,396	5,278
Sales revenue		**666,365**	**560,531**
Cost of sales of sold goods, products and materials		(421,284)	(375,380)
Cost of sales of sold services		(3,640)	(3,338)
Cost of sales	12,6	**(424,924)**	**(378,718)**
Gross profit (loss) from sales		**241,441**	**181,813**
Other operating revenue	12,2	2,829	2,412
Costs of sales		(133,919)	(112,030)
General administrative costs		(28,167)	(25,746)
Other operating costs	12,3	(9,763)	(4,749)
Profit (loss) on operating activities		**72,421**	**41,700**
Financial revenue	12,4	1,288	1,376
Financial costs	12,5	(1,114)	(1,407)
Profit (loss) on derivative financial instruments	37,2	552	-
Profit (loss) before tax		**73,147**	**41,669**
Income tax	13	(15,227)	(6,635)
Profit (loss) on continued operations of the period		**57,920**	**35,034**
Discontinued operations		-	-
Profit (loss) on discontinued operations of the period		**-**	**-**
Profit (loss) of the period		**57,920**	**35,034**
Attributable to:			
Shareholders of the Parent Company		**57,856**	**34,473**
Non-controlling shareholders		64	561
Profit (loss) per share attributable to Shareholders of the Parent Company in the period (in PLN):			
- basic		2.44	1.45
- diluted		**2.44**	**1.45**

 Accounting principles (policies) and the enclosed notes constitute an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the reporting period ended 31 December 2013	31 December 2012 (restated)
Profit (loss) of the period		**57,920**	**35,034**
Other net comprehensive income, including:		**370**	**17,413**
Items which in the future will not be reclassified to the profit and loss account		**59**	**25**
Revaluation of employee benefit obligations	18,2	(201)	31
Deferred tax regarding employee benefits		38	(6)
Incentive Scheme	39,5	222	-
Items which in the future may be reclassified to the profit and loss account		**311**	**17,388**
Foreign exchange differences on translation of foreign operations		12	(466)
Hedge accounting	37,2	369	22,042
Income tax on other comprehensive income	37,2	(70)	(4,188)
Comprehensive income for the period		**58,290**	**52,447**
Attributable to:			
Shareholders of the Parent Company		58,226	51,886
Non-controlling shareholders		64	561

CONSOLIDATED STATEMENT OF FINANCIAL SITUATION (BALANCE SHEET)

	Note	31 December 2013	31 December 2012 (restated)
ASSETS			
Non-current assets		**254,070**	**252,922**
Tangible fixed assets	19	188,588	188,780
Intangible assets	21	16,632	16,094
Financial assets	23	888	1,276
Deferred income tax assets	13,3	-	-
Investment properties	20	47,962	46,772
Prepayments and accruals		-	-
Current assets		**300,784**	**231,205**
Inventory	24	113,087	99,119
Trade and other receivables	25	99,135	89,590
Receivables due to derivative financial instruments	26.36,2	9,824	8,950
Income tax receivables	25	35	2
Deferred revenues and accruals	27	1,853	2,831
Financial assets	28	731	722
Cash and cash equivalents	29	76,119	29,991
TOTAL ASSETS		**554,854**	**484,127**
EQUITY AND LIABILITIES			
Total equity		**384,607**	**348,883**
Equity (attributable to shareholders of the Parent Company), including:		**380,896**	**345,234**
Share capital	30,1	23,751	23,751
Share premium	30,2	111,646	111646
Exchange differences on translation of foreign operations		380	368
Revaluation reserve from hedging instruments	30,3	7,548	7,249
Incentive Scheme		420	198
Other reserve capital	30,3	146,803	137,494
Retained earnings	30,4	90,348	64,528
Capital attributable to non-controlling shareholders	30,5	**3,711**	**3,649**
Long-term liabilities		**76,581**	**48,247**
Interest-bearing loans and borrowings	31	58,178	29,900
Deferred income tax provision	13,3	13,504	14,095
Provision for benefits after the employment period	18,2	2,659	2,190
Other Provisions	32,1	39	38
Deferred revenues and accruals	32,2	86	110
Financial liabilities due to lease	17,1	2,115	1,914
Other long-term liabilities			-
Short-term liabilities		**93,666**	**86,997**
Trade and other liabilities	33	54,720	40,846
Liabilities due to financial derivative instruments			
Current portion of interest-bearing loans and borrowings	31	9,259	29,624
Income tax liabilities	33	10,963	453
Provisions, deferred revenues and accruals	32	17,968	14,946
Financial liabilities due to lease	17,1	756	1,128
Total liabilities		**170,247**	**135,244**
TOTAL EQUITY AND LIABILITIES		**554,854**	**484,127**

 Accounting principles (policies) and the enclosed notes constitute an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

	For the reporting period ended	
	31 December 2013	31 December 2012 (restated)
Cash flows from operating activities		
Profit (loss) of the period	**57,856**	**34,473**
Adjustments by:	**22,215**	**37,072**
(Profit)/loss of non-controlling shareholders	62	561
Depreciation	16,668	15,509
Foreign exchange (gains)/losses	486	(5,294)
Net interest and dividends	1,032	1,288
(Profit)/loss on investment activities	1,215	844
Change in the valuation of derivative financial instruments	(506)	(4,188)
Change in receivables	(9,545)	7,063
Change in inventories	(13,968)	11,155
Change in liabilities, excluding loans and borrowings	12,613	841
Change in accruals and deferrals	3,993	4,321
Change in provisions	(622)	3,684
Income tax paid	(5,365)	(4,986)
Current tax recognised in the profit and loss account	15,842	7,283
Foreign exchange differences	(18)	(343)
Provision for retirement benefits	267	31
Valuation of the Incentive Scheme	222	-
Other adjustments	(161)	(697)
Net cash flows from operating activities	**80,071**	**71,545**
Cash flows from investment activities		
Sale of tangible fixed assets and intangible assets	938	1,322
Purchase of tangible fixed assets and intangible assets	(16,818)	(30,658)
Real property investments	(1,028)	-
Sale of financial assets	-	-
Purchase of financial assets	-	-
Dividends received	25	7
Interest received		95
Repayment of borrowings granted	855	622
Borrowings granted	(437)	-
Other investment inflows	2	-
Other investment outflows	-	-
Net cash flows from investing activities	**(16,463)**	**(28,612)**
Cash flows from financing activities		
Inflows from loans and borrowings taken out	25,806	22,041
Repayment of loans and borrowings	(18,365)	(38,294)
Repayment of leasing liabilities	(1,273)	(2,768)
Dividends paid to shareholders of the Parent Company	(22,564)	(17,813)
Dividends paid to non-controlling shareholders	-	-
Interest paid	(1,103)	(1,483)
Other financial inflows	-	28
Other financial outflows	-	(1)
Net cash flows from financial activities	**(17,499)**	**(38,290)**
Net increase (decrease) in cash and cash equivalents	**46,109**	**4,643**
Net foreign exchange differences (from the opening balance translation)	(19)	107
Opening balance of cash	29,991	25,455
Closing balance of cash, including:	76,119	29,991
of limited disposability	-	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Attributable to the shareholders of the Parent Company									
	Share capital	**Share premium**	**Foreign exchange differences on translation of foreign operations**	**Incentive Scheme**	**Retained earnings/(accumulated loss)**	**Revaluation reserve from hedging instruments**	**Other reserve capital**	**Total**	**Equity of non-controlling shareholders**	**Total equity**
As at 1 January 2013	**23,751**	**111,646**	**368**	**198**	**64,528**	**7,249**	**137,494**	**345,234**	**3,649**	**348,883**
Changes in Accounting Principles (Policy)	-	-	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	-	-	-	-	-
As at 1 January 2013 after adjustments	**23,751**	**111,646**	**368**	**198**	**64,528**	**7,249**	**137,494**	**345,234**	**3,649**	**348,883**
Payment of dividend for 2012	-	-	-		(22,564)	-	-	(22,564)	(2)	**(22,566)**
Reclassification to reserve capital	-	-	-		(9,309)		9,309	-		-
Inclusion of an entity to consolidation	-	-	-	-	-	-	-	-		-
Provisions for employee benefits	-	-	-	-	(163)	-	-	(163)	-	**(163)**
Incentive Scheme	-	-	-	222	-	-	-	222	-	**222**
Current result	-	-	-	-	57,856	-	-	57,856	-	**57,856**
Hedge accounting	-	-	-	-	-	299	-	299		**299**
Minority result	-	-	-	-	-		-	-	64	**64**
Foreign exchange differences	-	-	12	-	-	-	-	12	-	**12**
Comprehensive income for the period	-	-	**12**	**222**	**57,693**	**299**	-	**58,226**	**64**	**58,290**
As at 31 December 2013	**23,751**	**111,646**	**380**	**420**	**90,348**	**7,548**	**146,803**	**380,896**	**3,711**	**384,607**

 Accounting principles (policies) and the enclosed notes constitute an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012 (restated)

	Attributable to the shareholders of the Parent Company									
	Share capital	Share premium	Foreign exchange differences on translation of foreign operations	Incentive Scheme	Retained earnings/(accumulated loss)	Revaluation reserve from hedging instruments	Other reserve capital	Total	Equity of non-controlling shareholders	Total equity
As at 1 January 2012	**23,751**	**111,646**	**834**	**198**	**51,788**	**(10,605)**	**133,549**	**311,161**	**3,087**	**314,248**
Changes in Accounting Principles (Policy)	-	-	-	-	-	-	-	-	-	-
Error adjustments	-	-	-	-	-	-	-	-	-	-
As at 1 January 2012 after adjustments	**23,751**	**111,646**	**834**	**198**	**51,788**	**(10,605)**	**133,549**	**311,161**	**3,087**	**314,248**
Payment of dividend for 2011	-	-	-	-	(17,813)	-	-	(17,813)	-	**(17,813)**
Reclassification to reserve capital	-	-	-	-	(3,945)	-	3,945	-	-	-
Inclusion of an entity to consolidation	-	-	-	-	-	-	-	-	1	**1**
Provisions for employee benefits	-	-	-	-	25	-	-	25	-	**25**
Current result	-	-	-	-	34,473	-	-	34,473	-	**34,473**
Hedge accounting	-		-	-	-	17,854	-	17,854	-	**17,854**
Minority result	-		-	-	-	-	-	-	561	**561**
Foreign exchange differences	-	-	(466)	-	-	-	-	(466)	-	**(466)**
Comprehensive income for the period	-	-	**(466)**	-	**34,498**	**17,854**	-	**51886**	**561**	**52,447**
As at 31 December 2012	**23,751**	**111,646**	**368**	**198**	**64,528**	**7,249**	**137,494**	**345,234**	**3,649**	**348,883**

ACCOUNTING PRINCIPLES (POLICY) AND ADDITIONAL EXPLANATORY NOTES

1. General information

The Fabryki Mebli FORTE Capital Group (the "Group") consists of Fabryki Mebli FORTE S.A. and its subsidiaries (see Note 2). The consolidated financial statements of the Group cover 12 months ended 31 December 2013 and contain comparative data for the year ended 31 December 2012.

Fabryki Mebli FORTE S.A. ("Parent Entity", "Company") was established by a Notarial Deed of 25 November 1993. The Parent Company's seat is located in Ostrów Mazowiecka, ul. Biała 1.

The Parent Company is entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw, 14th Commercial Division of the National Court Register, under KRS number 21840.

The Parent Company was assigned Statistical ID (REGON) number: 550398784.

The Parent Company and its subsidiaries comprising the Capital Group have been incorporated for an indefinite term.

Main activities of the Parent Company include:

- production of furniture,
- provision of services in the scope of marketing, promotion, organisation, exhibitions, conferences,
- conducting trade activities domestically and abroad.

2. Composition of the Group

The Fabryki Mebli FORTE Group includes the following consolidated subsidiaries:

Subsidiaries (full consolidation method):	Registered office	Scope of activities	Percentage share of the Group in the capital	
			31.12.2013	31.12.2012
MV Forte GmbH	Erkelenz (Germany)	Dealership	100.00%	100.00%
Forte Möbel AG	Baar (Switzerland)	Dealership	99.00%	99.00%
Kwadrat Sp. z o.o.	Bydgoszcz	Real estate service and lease	77.01%	77.01%
**Galeria Kwadrat Sp. z o.o.*	*Bydgoszcz*	*Management of real property*	*77.01%*	*77.01%*
TM Handel Sp. z o.o. SKA	Ostrów Mazowiecka	Purchase, sale and the management of real property, advisory services regarding the conduct of business activity and the management	100.00%	100.00%
***Fort Investment Sp. z o.o.*	*Ostrów Mazowiecka*	*Purchase, sale and the management of real property, advisory services regarding the conduct of business activity and the management*	*100.00%*	*100.00%*

* indirectly related company – 100% subsidiary of Kwadrat Sp. z o.o.
** indirectly related company – 100% subsidiary of TM Handel Sp. z o.o. SKA

The Group includes subsidiaries, specified in note 23, excluded from consolidation on the basis of an insignificant impact of their financial data on the consolidated statements.

As at 31 June 2013 and as at 31 December 2012, the percentage of voting rights held by the Parent Entity in the subsidiaries corresponded to the percentage held in the share capital of those entities.

Changes made to the composition of the Group during the reporting period
Did not occur.

Composition of the Management Board of the Parent Company
As at 31 December 2013, the Management Board of the Parent Company is composed of:

- Maciej Formanowicz – President of the Management Board
- Robert Rogowski – Vice-President of the Management Board
- Gert Coopmann – Member of the Management Board
- Klaus Dieter Dahlem – Member of the Management Board

Changes in the composition of the Management Board of the Company
On 10 January 2014, Robert Rogowski, Vice-President of the Management Board, submitted a statement of resignation from the position of Vice-President of the Parent Company.
On the same day, the Company's Supervisory Board appointed as of 1 March 2014 Mariusz Gazda as Member of the Management Board of the Parent Company.

3. Approval of the financial statements

These consolidated financial statements were authorised for issue by the Management Board on 21 March 2014.

4. Important values based on professional judgment and estimations

4.1. Judgments

In the process of applying the accounting policies to the issues discussed below, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Classification of lease agreements
The Group classifies lease agreements as either operating or financial, based on the assessment of the extent to which the benefits and risks of ownership are transferred to the lessor and the lessee. The assessment is based on the economic content of each transaction.

Depreciation rates
Depreciation rates are determined based on the anticipated economic useful lives of tangible fixed assets and intangible assets. The economic useful lives are reviewed annually by the Group based on current estimates.

4.2. Uncertainty of estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of assets
The Group carried out the analysis of the impairment of inventories. These results of the analysis of impairment of inventories have been presented in note 24 to the consolidated financial statements.

Fair value of financial instruments
The fair value of financial instruments for which no active market exists is assessed by means of appropriate valuation methods. The Group applies professional judgement in selecting appropriate methods and assumptions. The methods used for measuring the fair value of financial instruments are presented in note 36.2.

Valuation of provisions
Provisions for employee benefits are determined using actuarial valuations. The assumptions made in this respect are presented in note 18.2.

Deferred tax assets
The Group recognises a deferred tax asset on the basis of the assumption that taxable profit shall be achieved in future against which it can be utilised. The decrease in the tax results in the future could make this assumption unjustified.

5. Basis for preparation of the consolidated financial statements

These financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investment properties, which have been measured at fair value.

These consolidated financial statements are presented in Polish zloty ("PLN") and all values are rounded to the nearest thousand (PLN '000) except when otherwise indicated.

These consolidated financial statements were drawn up with the assumption of the **Group** continuing as a going concern in the foreseeable future. As at the date of approval of these consolidated financial statements, the Company's Management Board is not aware of any facts or circumstances that would indicate a threat to the continuing activity of the Group for at least 12 months following the balance sheet date as a result of any intended or compulsory withdrawal or significant limitation in the activities of the Group.

5.1. Declaration of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the EU.

At the date of approval of these financial statements for issue, in light of the current process of IFRS endorsement in the EU and the nature of the Group's activities, there is no difference between the currently enacted IFRSs applied by the Group and the IFRSs endorsed by the European Union.

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

5.2. Functional currency and presentation currency

The measurement currency of the Parent Entity and other companies included in these consolidated financial statements and the reporting currency of these consolidated financial statements is the Polish zloty.

The functional currency of foreign subsidiaries are the following currencies:
- Möbelvertrieb Forte GmbH – EUR
- Forte Möbel AG – CHF

6. Changes in accounting principles and error corrections

The following new or changed standards and interpretations issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee are effective from 1 January 2013:

Amendment to IAS 1 "Presentation of Financial Statements" as a result of "*Improvements to IFRS" in the 2009-2011 cycle*

- *Amendment to IAS 12 Deferred tax: Recovery of underlying assets*
- *Amendments to IAS 7 Offsetting financial assets and financial liabilities*
- *Amendments to IFRS 13 -Fair value measurement*
- IAS 19 (2011) "Employee benefits" – Amendments to the accounting of post-employment benefits.

Their application had insignificant impact on the operating results and financial situation of the Company.

It resulted e.g. in changes to the applied accounting principles, or expansion of the scope of necessary disclosures, or change of terminology used. The influence of the changes has been presented below in a detailed description of each standard.

- *Amendment to IAS 12 Deferred tax: Recovery of underlying assets*

Amendment to IAS 12 was published on 20 December 2010 and is applied to annual periods starting on 1 January 2012 or later. The change clarifies, among other things, the method of valuation of deferred tax assets and provisions in the case of investment properties measured using the fair value model in IAS 40 Investment Property. As a result of the amendments, SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets is accordingly withdrawn.

The Group will apply the amended IAS from 1 January 2013. The amended IAS 12 has no impact on the Group's financial statements.

- *Amendments to IFRS 7 Disclosures – Offsetting financial assets and financial liabilities*

Amendments to IAS 7 were published on 16 December 2011 and are applied to annual periods starting on 1 January 2013 or later. Without changing the general principles related to compensating assets and financial liabilities, the scope of disclosures related to mutually compensated amounts was extended. Also, a requirement was introduced for broader (more transparent) disclosures related to credit risk management using received or issued securities (pledges). The Group has applied the amended IAS since 1 January 2013.

- *Amendments to IFRS 13 -Fair value measurement*

The new standard was published on 12 May 2011 and its aim was to facilitate the use of fair value measurement by reducing the complex of solutions and increasing consistency in the use of fair value method. The standard clearly states the purpose of such measurement and precisely defines fair value.

IFRS 13 provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. IFRS 13 has a broad scope: guidelines concerning the fair value measurement apply to both the items of financial and non-financial instruments, for which other IFRSs require or permit measurements at fair value and disclosures about measurement at fair value. It does not apply to share-based payment transactions within the scope of IFRS 2, leasing transactions within the scope of IAS 17, and measurements that have some similarities to fair value but that are not fair value, such as net realisable value or value in use).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction on the principal (or most advantageous) market at the measurement date and current market conditions. According to IFRS 13 fair value is an exit price, whether it is directly observable or estimated with the use of another measurement technique. Moreover, IFRS 13 includes extensive information concerning information disclosure.

IFRS 13 is required prospectively from 1 January 2013. The standard provides also transitional provisions, thanks to which comparative information need not be disclosed for periods before

initial application of the Standard (i.e. the comparative data). In line with the provisions, the Group has not made any new disclosures requires by IFRS 13 for the comparative period for 2012. Apart from additional disclosures, the application on IFRS 13 had no significant influence on the amounts given in the consolidated financial statements.

- Amended IAS 19 (2011) "*Employee benefits*" – Amendments to the accounting of post-employment benefits.

The Group applied the amended IAS 19 (2011) and the resulting other changes for the first time in the current reporting period.

IAS 19 (2011) changes the method of recognition of defined benefit programmes and benefits from dissolution of employment. The most important change concerns the recognition of changes in liabilities arising from defined benefits and the programme assets. The changes require the immediate recognition of changes in liabilities arising from specific benefits and fair value of the programme assets. The method thus eliminates the "corridor approach", admissible in the previous version of IAS 19, and accelerates the recognition of costs of past employment. All actuarial gains and losses are recognised immediately in other comprehensive income to recognise net pension programme assets or liabilities in the consolidated statements of financial situation, to reflect the complete value of the programme deficit or surplus. Moreover, in IAS 19 (2011), the costs of interest and expected return on the programme assets from the previous version of IAS 19 are replaced with "net interest", determined by applying the discount rate to net defined benefit liability or asset. The changes influenced the values recognised in the profit and loss statement and other comprehensive income in the previous years (see tables below). What is more, IAS 19 (2011) introduced certain changes in the presentation of costs of defined benefits and introduced broader disclosures.

Until the initial application of IAS 19 (2011), particular transitional provisions shall apply. The Group applies applicable transitional provisions and retrospectively restated comparative data (see tables below).

Items in the profit and loss account	31.12.2012	Adjustments	As at 31.12.2012 after

		resulting from the IFRS 19	adjustments
Other operating costs	(4,718)	(31)	(4,749)
Income tax	(6,641)	6	(6,635)
Profit (loss) on continued operations of the period	35,059	(25)	35,034

Items in the statement of comprehensive income	31.12.2012	Adjustments resulting from the IFRS 19	As at 31.12.2012 after adjustments
Profit (loss) of the period	35,059	(25)	35,034
Other net comprehensive income, including:	17,388	25	17,413
Items which will not be reclassified to the profit and loss account in the future, including:	-	25	25
Revaluation of employee benefit obligations		31	31
Deferred tax regarding employee benefits		(6)	(6)

Items in the statement of financial situation	31.12.2012	Adjustments resulting from the IFRS 19	As at 31.12.2012 after adjustments
Provision for benefits after the employment period	2,206	(16)	2,190
Short-term provisions, deferred revenues and accruals	14,930	16	14,946

Items in statement of cash flows	31.12.2012	Adjustments resulting from the IFRS 19	As at 31.12.2012 after adjustments
Profit/(loss) of the period	34,498	(25)	34,473
Change in accruals and deferrals	4,305	16	4,321
Change in provisions	3,706	(22)	3,684
Provision for pensions and disablement benefits recognised in the result	-	31	31

7. Amendments to the existing standards and new regulations which are not in effect for periods beginning as at 1 January 2013.

In these consolidated financial statements, the Group did not decide to apply early the published standards or interpretations before their effective date.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretation Committee but have not yet come into force as at the balance sheet date:

- *IFRS 10 Consolidated Financial Statements*

The new standard was published on 12 May 2011 and is to replace interpretation *SIC 12 Consolidation – Special Purpose Entities* and some of the provisions of *IAS 27 Consolidated and Separate Financial Statements*. The standard defines the notion of control as a determining factor of whether an entity should be covered by consolidated financial statements and contains guidelines helping determine whether an entity exercises control or not.

The group will apply the new standard from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the new standard.

- *IFRS 11 "Joint arrangements"*

The new standard was published on 12 May 2011 and is to replace interpretation *SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers and IAS 31 Interests In Joint Ventures.* The standard emphasises rights and obligations resulting from a joint agreement regardless of its legal form and eliminates inconsistency in reporting through specific methods of settling shares in jointly controlled entities.

The group will apply the new standard from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the new standard.

- *IFRS 12 Disclosure of Interests in Other Entities*

The new standard was published on 12 May 2011 and contains requirements regarding disclosures of information concerning connections between entities.

The group will apply the new standard from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the new standard.

- *IAS 27 Separate Financial Statements*

The new standard was published on 12 May 2011 and results primarily from the transfer of some of the provisions of the existing IAS 27 to the new IFRS 10 and IFRS 11. The standard contains requirements in the scope of presentation and disclosures in separate financial statements of investments in associates and joint ventures. The standard replaces the existing IAS 27 *Consolidated and Separate Financial Statements.* The group will apply the new standard from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the new standard.

- *IAS 28 Investments in Associates and Joint Ventures*

The new standard was published on 12 May 2011 and regards settling investments in associates. It also determines the requirements for using the equity method in investments in associates and in joint entities. The standard replaces the existing IAS 28 *Investments in Associates and Joint Ventures.*

The group will apply the new standard from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the new standard.

- *Amendments to IAS 32 Offsetting financial assets and financial liabilities*

Amendments to IAS 32 were published on 16 December 2011 and are applied to annual periods starting on 1 January 2014 or later. These amendments are a reaction to the existing incoherence in applying criteria for offsetting which exist in IAS 32.

The Group will apply the amended IAS from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the changed standard.

- Guidelines regarding transitional provisions (amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidelines were published on 28 June 2012 and contain additional information with regard to using IFRS 10, IFRS 11 and IFRS 12, which includes the presentation of comparative data in the case of using the above-mentioned standards. The Group will apply the amendments from 1 January 2014.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

The IFRS in the form approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB) except for the below-listed standards, interpretations and amendments to them, which as at the date of approval of these financial statements for publication had not yet been adopted for application by the EU:

- *IFRS 9 Financial instruments* (as amended),

IFRS 9 requires that all financial assets within the scope of IAS 39 be measured at amortised cost or at fair value. Debt instruments kept within a business model, where the objective is to hold the financial asset to collect the contractual cash flows, consisting of payments of principal and interest on the principal amount, are measured at amortised cost at the end of each reporting period. All other debt instruments and equity investments are measured at fair value at the measurement day. Additionally, changes in the fair value of equity investments which are not intended for trade may be presented in other comprehensive income, whereas only dividend should be recognised in the profit and loss account. The decision is irreversible.

For the measurement of gains and losses on financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that they be split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount presented in profit or loss, unless it creates an accounting mismatch. Changes in fair value attributable to credit risk of the financial liability are not transferred to financial result in the subsequent reporting years. According to IAS 39, the entire change in fair value of the liability designated as at fair value through profit or loss was related to the result.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

- Amendments to IAS 19 *"Employee benefits" – Defined benefit programmes: Employee Contributions* (effective for annual periods beginning on or after 1 July 2014).

The above changes apply to the scope of application of the standard to contributions from employees or third parties for defined benefit programmes. The aim of the amendments is to simplify the accounting of contributions, which are independent from the number of years of service (e.g. employee benefits determined as constant percentage of remuneration).

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

- Amendments to IAS 36 "Impairment of Assets" – *Recoverable Amount Disclosures for Non-Financial Assets* (effective for annual periods beginning on or after 1 January 2014),

Changes to IAS 36 to a small extent refer to disclosure of information about the recoverable amount of assets, where an impairment write-down was created and where the recoverable amount is based on fair value less costs of disposal. By developing IFRS 13 "Fair Value Measurement", IASB decided to change IAS 36 to introduce the requirement of disclosure of information about the

recoverable amount of assets where an impairment write-down was created. The changes reveal the original intention of IASB, as the scope of the disclosure is limited only to the recoverable amount of assets where an impairment write-down was created, and when the recoverable amount is based on fair value less costs of disposal.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

- *Amendments to IAS 39 "Financial Instruments: Presentation, Recognition, and Measurement"- Novation of derivatives and continuing hedge accounting*

(effective for annual periods beginning on or after 1 January 2014).

The changes to a small extent permit the continuation of hedge accounting in the case of novation of a derivative (designated as hedging instrument) in such a way that a central entity becomes a party to the instrument subject to specific conditions.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

- IFRIC 21 "Levies"

(effective for annual periods beginning on or after 1 January 2014), criteria for recognising a liability, one of which is the requirement for a current liability resulting from past events (so-called obligating event). The interpretation clarifies, that the obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation.

As at the date of preparation of these financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

At the same time, hedge accounting of the asset portfolio and financial liabilities, the principles of which have never been approved for application in the EU, remains beyond the regulations adopted by the EU.

According to the estimated of the entity, the application of the hedge accounting of the asset portfolio or financial liabilities according to IAS 39 "Financial Instruments: Recognition and Measurement" would not have any significant influence of the financial statements, if it was adopted by the EU for application at the balance sheet day.

As at the date of preparation of these consolidated financial statements, it is not possible to reliably estimate the impact of the application of the introduced amendments.

- *IFRS 14 Regulatory Deferral Accounts*

The new standard was published on 30 January 2014 and is applied to annual periods starting on 1 January 2016 or later. The new standards is of a transitional nature in relation to the ongoing works of the IASB to regulate the manner of settling operations in the conditions of price regulation. Standard. The standard introduces the principles of recognising assets and liabilities resulting from transactions with regulated prices in the case when the entity decides to adopt IFRS.

The group will apply the new standard from 1 January 2016.

8. Error adjustment

Both in the current reporting period and in the comparative period, no adjustment occurred.

9. Summary of significant accounting policies

9.1. Consolidation principles

These consolidated financial statements comprise the financial statements of Fabryki Mebli FORTE S.A. and the consolidated financial statements of its subsidiaries for the year ended 31 December 2013. The financial statements of the subsidiaries have been adjusted to be IFRS compliant and prepared for the same reporting period as the financial statements of the Parent Company, using consistent accounting policies and based on unified accounting policies concerning transactions and economic events of a similar nature. To eliminate any discrepancies in accounting policies used, relevant adjustments are made. All significant balances and transactions between the Group companies, including unrealised gains on intra-group transactions, were fully eliminated. Unrealised losses are eliminated, unless they represent indicator of impairment.

Subsidiaries are consolidated from the date on which control is transferred to the Group and they are de-consolidated from the date that control ceases. The Parent Company exercises control when it holds, directly or indirectly, through its subsidiaries, more than a half of votes in a particular company, unless it can be proven that such ownership does not determine the exercise of control. Control is also exercised if the company has the power to govern the financial or operating policy of an enterprise so as to obtain benefits from its activities.

9.2. Revenues

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenues are recognised net of Value Added Tax (VAT) and discounts. The following specific recognition criteria must also be met before revenue is recognised.

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount

of revenue can be reliably measured.

Interest
Revenue is recognised as interest accrues (using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividends
Dividends are recognised when the shareholders' rights to receive the payment are established.

Rental income (operational leasing)
Rental income arising on investment properties is accounted for on a straight-line basis over the lease term on ongoing leases.

Government subsidies
Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.
When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, its fair value is credited to a deferred income account and is systematically recognised in the profit and loss account over the estimated useful life of the relevant asset by way of equal, annual write-downs.

9.3. Earnings per share

Earnings per share for each reporting period are calculated as a quotient of the net profit for a given accounting period and the weighted average number of shares of the parent entity outstanding in that period.

9.4. Leases

The Group as a lessee

Financial leases which substantially transfer to the Group all risks and benefits arising from the ownership of leased items are capitalised at the date of lease commencement, according to the lower of the following two values: fair value of leased fixed assets, or the present value of minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, in a way to produce a constant rate of interest on the remaining balance of the liability. Financial costs are charged directly to the profit and loss account.

Capitalised leased assets are depreciated over the estimated useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the two periods: the lease term or the estimated useful life.

Leases where the lessor retains substantially all the risks and benefits of ownership of held asset are classified as operating leases. Operating lease payments and subsequent lease instalments are recognised as costs in the profit and loss account, on a straight-line basis and over the lease term.

The Group as a lessor
Leases where the lessor substantially retains all risks and benefits of ownership of the lease subject are classified as operating leases. As the lessor, the Group enters into rental agreements for premises in investment real properties. Income under such agreements is recognised on a current basis in the profit and loss account.

9.5. Foreign currency translation

Transactions expressed in foreign currencies are converted to PLN at the exchange rate applicable as at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are converted to PLN according to the average foreign exchange rate established by the National Bank of Poland for a given currency, applicable as at the end of the reporting period. The resulting exchange rate differences are recognised under financial revenue/costs or, in the cases provided for in the accounting principles (policy), capitalised at the value of assets. Non-monetary assets and liabilities denominated in foreign currencies and recorded at their historical cost as at the date of the transaction. Non-monetary assets and liabilities measured at fair value are converted according to the average exchange rate applicable as at the date of the measurement at fair value.

Financial statements concerning foreign operations are translated to the Polish currency in the following manner:

- individual balance sheet items at the average rate determined by the National Bank of Poland as at the balance sheet date;
  - Möbelvertrieb Forte GmbH – EUR – 4.1472
  - Forte Möbel AG – CHF – 3.3816

- individual items of the profit and loss account at the exchange rate constituting the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the date ending each month.
  - Möbelvertrieb Forte GmbH – EUR – 4.2110
  - Forte Möbel AG – CHF – 3.4260

The exchange differences arising from the translation to the presentation currency are taken directly to equity and recognised as a separate item. On disposal of a foreign entity, the cumulative amount of deferred exchange differences recognised in equity and relating to that particular foreign entity shall be recognised in the profit and loss account.

9.6. Borrowing costs

Borrowing costs, which can be directly attributed to purchase, creation or construction of fixed assets are capitalised as part of the cost of its construction. Borrowing costs include interest and foreign exchange gains or losses to the extent they are regarded as

an adjustment of interest costs.

Other finance costs are recognised as an expense in the period.

9.7. Retirement benefits

In accordance with the applicable remuneration systems, employees of the Group companies are entitled to retirement severance pays. Retirement benefits are paid out as one-off benefit upon retirement. The amount of those benefits depends on the number of years of employment and the employee's average salary. The Group creates a provision for future retirement benefits in order to allocate the costs of those allowances to the periods to which they relate.

In accordance with IAS 19, retirement benefits are post-employment defined benefits. The present value of such obligations as at each balance sheet date is determined by an independent actuary. The balance of these liabilities equals discounted payments which will be made in the future and accounts for staff turnover, and remuneration increase rate. Demographic information and information on staff turnover are based on historical information.

Benefit costs are divided into the following components:

- the current service cost (provision change resulting from the accumulation of liabilities over the period of the extensional traineeships and age of employees)
- interest costs (increase in liabilities related to interest rate; it is the product of the value of liabilities at the beginning of the year and the rate of interest used for the discount)
- actuarial profit/loss is a change resulting from differences between the assumptions and their implementation as well as changes adopted in the calculation of parameters and assumptions

The Group presents the first two components of defined benefit cost in the financial result.

Revaluations recognised in other comprehensive income are immediately reflected in retained earnings and will not be transferred to the profit and loss account.

9.8. Share-based payment transactions Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuator using the Black-Scholes model. In the valuation of equity-settled transactions, only market factors are considered.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the number of awards that, in the opinion of the directors of the parent entity at that date, based on the best available estimate of the number of equity instruments, will ultimately vest.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. In the current reporting period and in the comparative period no transactions there were no equity-settled transactions.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

9.9. Taxes Current tax

Current income tax assets and liabilities arising in the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted at the balance sheet date.

Deferred tax

For the purposes of financial reporting, deferred tax is calculated using the liability method, on temporary differences arising as at the end of the reporting period between the tax value of assets and liabilities and their book value presented in the financial statements.

Deferred tax liability is recognised for all taxable temporary differences

- except where the deferred income tax liability arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax asset is recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

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

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the profit and loss account.

The Group offsets deferred tax assets and deferred tax liabilities only if it has a legally enforceable right to offset current tax receivables with liabilities, and deferred tax asset is related to the same taxpayer and the same tax authority.

Value Added Tax
Revenues, expenses, assets and liabilities are recognised net of the amount of value added tax except:

- where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of value added tax included.

The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

9.10. Tangible fixed assets

Tangible fixed assets are measured according to costs less accumulated depreciation and revaluation impairment write-downs. The initial cost of an item of tangible fixed assets comprises its purchase price and any directly attributable costs of purchase and bringing the asset to working condition for its intended use. Cost comprises also the cost of replacement of components of fixed assets when incurred if the recognition criteria are met. Subsequent expenditures, such as repair or maintenance costs, are expensed in the reporting period in which they were incurred.

Upon purchase, fixed assets are divided into components which represent items with a significant value and can be allocated a separate depreciation period. Major overhauls are also treated as a separate component. The Group qualifies as fixed assets the right of perpetual usufruct of land, granted by way of administrative decision, which is considered equally with purchased land, assuming that it meets the definition of fixed assets.

Tangible fixed assets are depreciated using the straight line method over their estimated useful lives:

Type	2013	2012
Buildings and structures	25-50 years	25-50 years
Plant and machinery	5-50 years	5-50 years
Office equipment	3-10 years	3-10 years
Means of transport	5-10 years	5-10 years
Computers	3-5 years,	3-5 years,
Leasehold improvements	5-10 years	5-10 years

Residual values, useful lives and depreciation methods of tangible fixed assets are reviewed annually, and, if necessary, adjusted retrospectively, i.e. with effect from the beginning of the completed financial year.

An item of tangible fixed assets is derecognised upon disposal or when no future economic benefits are expected from its further use. Any gain or loss arising on derecognition of an asset (calculated as the difference between the net disposal proceeds, if any, and the carrying amount of the asset) is recognised in the profit and loss account for the period in which derecognition took place.

Construction in progress (CIP) include assets in the course of construction or assembly and are recognised at acquisition price or cost of construction, less the possible impairment write-downs. Assets under construction are not depreciated until completed and brought into use.

9.11. Investment properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value. Any gain or loss arising from a change in the fair value of investment property is recognised in the profit and loss account for the period in which it arose.

Investment property is derecognised when disposed of or permanently withdrawn from use and no future benefits are expected from its disposal. Gains or losses on derecognition of investment property are recognised in the profit and loss account for the year in which such derecognition took place.

Transfers of assets to investment property are made solely when changes occur in their use, evidenced by the ending of occupation by the owner, the conclusion of an operating lease, or the completion of construction or development of investment property. If an asset occupied by the Group as an owner-occupied asset becomes an investment property, the Group accounts for such a property in accordance with the policy stated under the item of *Tangible fixed assets* until the date of change in the manner of its use.

For a transfer from investment property to owner-occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use.

9.12. Intangible assets

Intangible assets acquired separately or constructed (if they meet the criteria for recognition of R&D works) are measured on initial recognition at the purchase price or cost of construction. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at acquisition price or cost of construction less any accumulated depreciation and any revaluation impairment write-downs. Expenditures incurred for internally generated intangible assets, excluding capitalised development costs, are not capitalised and are charged against profits in the year in which they are incurred.

The useful lives of intangible assets are assessed by the Group to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The depreciation period and depreciation method for intangible assets with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates. Depreciation write-downs on intangible assets with finite lives are recognised in the profit and loss account in the expense category consistent with the function of a given intangible asset.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually either individually or at the cash generating unit level.

Useful lives are reviewed on an annual basis and, if necessary, are adjusted for with effect from the beginning of the financial year that has just ended.

Costs of research and development

R&D costs are written down to the profit and loss account when identified. Expenditure on development activities carried out within the project are carried forward to the next period, if it can be considered to be recovered in the future. After the initial recognition of expenditures on development, historical cost model is applied, requiring assets to be carried at purchase/manufacturing costs, less accumulated depreciation and accumulated impairment write-downs. All expenditure carried forward is amortised over the expected period of obtaining revenue from the sale of the project.

Costs of development works are tested for impairment annually – if the asset has not yet been put to use, or more often – when, during the reporting period, there is an indication of impairment showing that their carrying amount may not be recoverable.

A summary of the policies applied to the Group's intangible assets is as follows:

	Patents and licenses	Computer software	Other
Useful life	For patents and licenses used on the basis of a fixed-term agreement this period is assumed taking into account the additional period for which use can be extended.	5 years	5 years
Depreciation method applied	Depreciated over the term of the contract – the straight-line method.	Using the straight-line method.	Using the straight-line method.
Internally generated or acquired	Acquired	Acquired	Acquired
Verification for impairment	The annual assessment of whether there is any indication of impairment.	The annual assessment of whether there is any indication of impairment.	The annual assessment of whether there is any indication of impairment.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

9.13. Impairment on non-financial non-current assets

An assessment is made at each reporting date to determine whether there is any indication that an asset from non-financial fixed assets may be impaired. If such indication exists, or in the case annual impairment testing is required, the Group makes an estimate of the recoverable amount of that asset or the cash-generating unit to which that asset has been allocated.

The recoverable amount of an asset or cash-generating unit is equal to the higher of the asset's or cash-generating unit's fair value less costs to sell or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its adopted recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Revaluation impairment write-downs on continuing operations are recognised in other operational costs.

The Group performs an assessment at each reporting date as to whether there is any indication that previously recognised revaluation impairment write-downs may no longer exist or may have been reduced. If such indication exists, the Group makes an estimate of the recoverable amount. Previously recognised revaluation impairment write-downs are reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last revaluation write-down was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no revaluation impairment write-downs been recognised for the asset in the previous years. Such a reversal of revaluation impairment write-down is immediately recognised as income in the profit and loss account. After a reversal of revaluation impairment write-down is recognised, the depreciation write-down referring to a given asset is adjusted in the future periods so as to allocate the asset's carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

9.14. Non-current assets held for sale

Fixed assets and disposal groups are classified as intended for sale if their carrying amount is more likely to be recovered through a sale transaction than as a result of their continued use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. The classification of assets as intended for sale implies that the management of the Group intends to complete the sale within one year from the date of reclassification.

Fixed assets (and disposal groups) classified as intended for sale are posted at the lower of the following values: balance sheet value or fair value less selling expenses.

In the statement of financial situation, assets intended for sale (or disposal group) are presented as a separate item of assets. Should there be any liabilities related to the disposal group which are to be transferred in the transaction together with the disposal group, these liabilities are presented as a separate item of liabilities.

9.15. Inventory

Inventories are valued at the lower of acquisition price/cost of construction and net realisable value.

Costs incurred in bringing each inventory item to its present location and condition – both for this and the previous reporting period – are recognised as follows:

Materials	- purchase price determined on a weighted average basis;
Finished products and work in progress	- cost of direct materials and labour and a proportion of manufacturing overheads based on normal capacity utilisation, excluding external financing costs;
Goods	- purchase price determined on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

9.16. Financial assets

Financial assets are classified into one of the following categories:

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

Financial assets held to maturity
Financial assets held to maturity include investments with fixed or determinable payments and fixed maturities, which the Group has the positive intention and ability to hold until maturity. Financial assets held to maturity are measured at amortised cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if they are falling due within more than 12 months from the balance sheet date.

Financial assets at fair value through profit or loss
Financial assets purchased with the aim of generating profit with the short-term price fluctuations are classified as financial assets at fair value through profit or loss Derivatives are also classified as held for trading unless they are designated for hedging instruments, as long as they are not hedging instruments within hedge accounting. Financial assets are measured at fair value, which takes into account their market value as at the balance sheet date without taking into account the cost of sale. Any changes in fair value of these financial instruments are recognised as other revenue or operating costs in the profit and loss account. Financial assets at fair value through profit or loss are classified as current assets.
When a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss. It does not apply to cases where the embedded derivative does not significantly modify the cash flows or where it is clear that separation of the embedded derivative is prohibited. Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) or the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains embedded derivatives that would need to be separately recorded.

Loans granted and receivables
Loans granted and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted on an active market. These are classified as current assets, provided their maturity does not exceed 12 months after the balance sheet

date. Loans granted and receivables with maturities exceeding 12 months from the balance sheet date are classified under non-current assets. They are measured at amortised cost using the effective interest rate.

Available-for-sale financial assets
All other financial assets are available-for-sale financial assets Available-for-sale financial assets are measured at fair value, without deducting transaction costs, and taking into account their market value at the balance sheet date. Where no quoted market price is available and there is no possibility to determine their fair value using alternative methods, available-for-sale financial assets are measured at the purchase price, adjusted for any impairment write-downs. Positive and negative differences between the fair value and acquisition cost, net of deferred tax, of financial assets available for sale (if a quoted market price determined on the market is available or if the fair value can be determined using other reliable method), are taken to the revaluation reserve. Any decreases in the value of financial assets available for sale resulting from impairment are recognised as financial costs in the profit and loss account.
Purchase and sale of financial assets is recognised at the transaction date. Financial assets are initially recognised at fair value plus those transaction costs for all financial assets not carried at fair value through profit or loss that are directly attributable to the acquisition.
Financial assets are derecognised if the Group loses its control over contractual rights attached to those assets, which usually takes place upon sale of the asset or where all cash flows attributed to the given asset are transferred to an independent third party.

9.17. Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost
If there is an objective evidence of impairment on loans granted and receivables carried at amortised cost, the amount of revaluation impairment write-down is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (i.e. the effective interest rate assumed at initial recognition). The carrying amount of the asset is reduced either directly or through provision. The amount of the loss shall be recognised in profit or loss.
The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which revaluation impairment write-downs are or continue to be recognised or are considered to be invariant are not included in the collective assessment of impairment.
If, in the subsequent period, the amount of impairment write-down decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment write-down is reversed. Any subsequent reversal of impairment revaluation write-downs is recognised in the profit and loss account, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

Financial assets carried at cost
If there is an objective evidence of impairment of an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative instrument that is linked to and has to be settled through the delivery of such an unquoted equity instrument, the amount of the impairment write-down is measured as the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows discounted at the current market rate of return for similar financial assets.

Available-for-sale financial assets
If there is an objective evidence of impairment of an available-for-sale financial asset, then the amount of the difference between the acquisition cost (net of any principal payment and depreciation and – in the case of financial assets valued according to amortised cost with the application of effective interest rate method – the depreciation) and the current fair value (less any impairment write-down on that financial asset previously recognised in the profit or loss account) is removed from equity and recognised in the profit and loss account. Reversals of impairment write-downs on equity instruments classified as available for sale cannot be recognised in the profit and loss account unless, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment write-down was recognised in the profit and loss account, the impairment write-down is reversed, with the amount of reversal recognised in the profit and loss account.

9.18. Embedded derivative instruments

Embedded derivative instruments are separated from agreements and accounted for as derivative instruments if the following conditions are met:

- the economic nature and risks of the embedded derivative are not closely related to the economic nature and risks of the agreement in which the instrument is embedded;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative instrument;
- hybrid instrument (complex) is not recognised at fair value and changes in fair value are not recognised in the profit and loss account.

Embedded derivatives are recognised in a similar manner as individual derivatives that are not designated as hedging instruments.

The extent to which, in accordance with IAS 39, the economic characteristics and risks inherent to embedded derivative in a foreign

currency are closely related to the economic characteristics and risks of the main agreement (main contract) also covers situations when the currency of the main agreement is commonly used in contracts to purchase or sell non-financial items in the market for a given transaction.

Assessment of whether an embedded derivative should be separated is made by the Group upon its initial recognition.

9.19. Financial derivatives

Derivative instruments used by the Group to hedge its risks associated with changes in foreign exchange rates are foreign exchange forward contracts and zero-cost option strategies. Such derivative financial instruments at the balance sheet date are measured at fair value. The profit or loss is recognised in the profit and loss account, unless the derivative is designated as a hedging instrument in hedge accounting. In such case, the moment of the recognition of profit or loss depends on the nature of the hedge relationship.

Derivatives are carried as assets when the fair value balance is positive and as liabilities when the fair value balance is negative.

9.20. Hedge accounting

The Group's Parent Entity applies the cash flow hedge accounting method, whose aim is to secure the planned sales revenues, which involve currency risk affecting the profit and loss account, and whose probability of occurrence is highly unlikely.

The main objective of cash flow hedge accounting is to protect the operating revenue against changes in the foreign exchange rate between the date of creation of foreign currency exposure and hedging transaction and the date of implementation of foreign currency exposure and hedging transaction.

To hedge future foreign currency transactions, the Group's Parent Entity uses:

a/ forward contracts,

b/ symmetrical option strategies.

Hedging instruments are generally held to maturity. In exceptional cases, where circumstances justify the need, the Company may decide to roll over the hedging instrument.

Changes in fair value of hedging instruments are included in the Group's equity under the heading revaluation of hedging instruments. At the time of implementing the hedged sales revenue, changes in fair value of hedging instruments are recognised in the profit and loss account in the current sales revenue – for effective part and profit (losses) on derivative financial instruments – for the ineffective part. At the inception of the hedge, the Parent Entity formally designates and documents the hedging relationship and the risk management objective and strategy for undertaking the hedge.

Not less frequently than at hedge inception and on the last day of the financial year, assessment of the prospective effectiveness is made by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of future cash flows.

At the end of each month, measurement is performed of the effectiveness of hedging – retrospective efficiency – by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of the estimated future cash flows based on market data exchange on the valuation date.

Efficiency is considered to be high if ranges of 80% to 125%.

The Parent Entity discontinues to apply hedge accounting if the hedging instrument expires or is sold, terminated, completed, or if does not meet the criteria for hedge accounting and if the entity cancels hedging relationship. Then, the cumulative profit or loss on the hedging instrument recognised in equity remains there until the planned transaction. If the transaction is not performed, the accumulated net result recognised in equity is immediately transferred to the profit and loss account.

9.21. Trade and other receivables

Trade receivables, generally characterised by 1- to 3-month maturity period, are recognised and carried at original invoice amount, less write-downs on any doubtful receivables. Write-downs on receivables are estimated when the collection of full amount is no longer probable. Bad debts are written off when identified.

If the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to present value using a discount rate that reflects current market assessments of the time value of money. Where discounting is used, any increase in the balance due to the passage of time is recognised as finance income.

Other receivables include, in particular, advance payments for future purchases of fixed tangible assets, intangible assets and inventories. Advances are presented in accordance with the nature of assets to which they refer – as fixed assets or current assets. As a non-monetary assets, advances are not subject to discount.

9.22. Cash and cash equivalents

Cash and their equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents balance consists of cash and cash equivalents as defined above.

9.23. Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of transaction costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are then measured at amortised cost using the effective interest rate

method.

Amortised cost is calculated by taking into account any transaction costs, and any discount or premium received in connection with the liabilities.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as by calculating the cost with the effective interest rate method.

9.24. Trade and other liabilities

Short-term trade payables are carried at the amount due and payable.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated for hedging instruments. Financial liabilities may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

(i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

(ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(iii) the financial liabilities asset contains an embedded derivative that would need to be separately recorded.

Financial liabilities at fair value through profit or loss are measured at fair value, reflecting their market value at the balance sheet date less transaction costs. Changes in the fair value of these instruments are recognised in the profit and loss account as other costs or operating revenue.

Financial liabilities other than financial instruments measured at fair value through profit or loss are measured at amortised cost using the effective interest rate method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or if it expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, this is treated by the Group as a derecognition of the original liability and the recognition of a new liability. Similarly, if the terms of an existing liability are substantially modified, such a modification is treated by the Group as a derecognition of the original liability and the recognition of a new liability. Differences in the respective carrying amounts are recognised in the profit and loss account.

Other non-financial liabilities include, in particular, liabilities to the tax office in respect of value added tax and advance payment liabilities which will be settled by way of delivery of goods or services, or fixed assets. Other non-financial liabilities are recognised at the amount due.

9.25. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of the provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Costs relating to particular provisions are presented in the profit and loss account net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

10. Information on operating segments

As of 1 January 2009, new IFRS 9 "Operating segments" shall apply. Pursuant to the requirements of this standard, operating segments are to be identified on the basis of internal reports on components of the Group that are regularly reviewed by persons deciding on the allocation of resources to the given segment and assessing its financial results.

Internal analysis and reports for management purposes of the Group's Parent Entity are based on the geographical directions of sales. Basically, each line of sales has an attributed person, who is directly responsible for the execution of sales plans and financial results.

Due to the fact that there is no possibility to obtain separate financial information that would be subject to a duty of disclosure for each direction of sales, the Management Board of the Parent Entity decided not to separate the operating segments under IFRS 8.

11. Seasonality of operations

Seasonality can be observed in the Group's sales revenue.

The value of sales revenue achieved in the period of the last two years is presented below:

	Revenues from sales of products, materials, goods	Sales revenue – % of share

	and services	
Q1 2013	156,537	23.49%
Q2 2013	146,810	22.03%
Q3 2013	166,540	24.99%
Q4 2013	196,478	29.49%
Total for 2013	**666,365**	**100.00%**
Q1 2012	147,025	26.23%
Q2 2012	116,321	20.75%
Q3 2012	137,324	24.50%
Q4 2012	159,861	28.52%
Total for 2012	**560,531**	**100.00%**

12. Revenue and costs

12.1. Sales revenue and geographic structure

Sales revenue	**For the reporting period ended 31.12.2013**	**31.12.2012**
Revenue from sales of products, goods and materials	**659,969**	**555,253**
- products	646,930	539,607
- goods	9,515	3,063
- materials	3,524	12,583
Revenue from sales of services	**6,396**	**5,278**
Net sales revenue, in total	**666,365**	**560,531**
Geographic structure:	**666,365**	**560,531**
- domestic	125,112	110,532
- export	541,253	449,999
Net sales revenue, in total	**666,365**	**560,531**
- including from related entities	27,018	34,234

Information on key customers

The biggest customer for the products of the Forte Group is Roller GmbH (Germany). Its share in turnover exceeded 10% of the total Group revenue. There are no formal ties between the customer and the Issuer.

12.2. Other operating revenue

Other operating revenue	**For the reporting period ended 31.12.2013**	**31.12.2012**
Reversal of revaluation write-downs	310	262
Profit on sale of tangible fixed assets	-	100
Revaluation of investment real properties	162	701
Subsidies	492	24
Donations and compensations	847	515
Stocktaking surplus	515	421
Other	503	389
Total other operating revenue	**2,829**	**2,412**

12.3. Other operating costs

Other operating costs	**For the reporting period ended 31.12.2013**	**31.12.2012** (restated)
Creation of revaluation write-downs	4,007	786
Liquidation and impairment write-downs on tangible fixed assets	460	926
Scrapping of inventory	2,571	1,826
Donations	835	206
Penalties and compensations	171	516
Loss from the disposal of fixed assets	756	-
Costs of employee benefits	310	285
Other	653	204
Total other operating costs	**9,763**	**4,749**

12.4. Financial revenue

Financial revenue	**For the reporting period ended 31.12.2013**	**31.12. 2012**
Dividend from related entities not covered by consolidation	25	7
Interest	1,171	779

Exchange gains with respect to financial assets and liabilities	92	590
Total financial revenue	**1,288**	**1,376**

12.5. Financial costs

Financial costs	**For the reporting period ended 31.12.2013**	**31.12. 2012**
Interest on loans and leasing	1,030	1,375
Commission on loans	71	32
Other	13	-
Total financial costs	**1,114**	**1,407**

12.6. Costs by type

Costs by type	**For the reporting period ended 31.12.2013**	**31.12. 2012**
Depreciation	16,668	15,509
Consumption of materials and energy	329,142	278,563
External services	115,163	94,740
Taxes and fees	7,358	7,530
Payroll	95,263	80,044
Social insurance and other benefits	22,896	18,430
Other costs by type	6,087	5,919
	592,577	**500,735**
Change in product inventory and accruals	(14,558)	2,824
Manufacturing cost of products for internal purposes	(914)	(228)
Costs of sales	(133,919)	(112,030)
General administrative costs	(28,167)	(25,746)
Manufacturing cost of sold products and services	**415,019**	**365,555**
Value of goods and materials sold	**9,905**	**13,163**
Cost of sales	**424,924**	**378,718**

12.7. Depreciation costs recognised in the profit and loss account

Depreciation costs in the profit and loss account	**For the reporting period ended 31.12.2013**	**31.12. 2012**
Depreciation costs recognised in the:		
Own cost of sales	12,753	12,150
Costs of sale	2,482	2,099
General administrative costs	1,433	1,260
Total depreciation costs	**16,668**	**15,509**

12.8. Costs of employee benefits

Costs of employee benefits	**For the reporting period ended 31.12.2013**	**31.12. 2012**
Costs of employee benefits recognised in the:		
Own cost of sales	72,870	59,178
Costs of sale	26,166	22,256
General administrative costs	19,123	17,040
Total costs of employee benefits	**118,159**	**98,474**

13. Income tax

13.1. Tax expense

The main items of tax charge for the year ended 31 December 2013 and 31 December 2012 are as follows:

Income tax	**For the reporting period ended 31.12.2013**	**31.12. 2012** (restated)
Current income tax		
Current charge due to income tax	15,842	7,282
Adjustments related to current income tax from previous years	"	"
Deferred income tax		
Relating to the origination and reversal of temporary differences	(615)	(647)
Tax charge in the consolidated profit and loss account	**15,227**	**6,635**

The Group's statement of financial situation presents the asset and the deferred tax per balance.

13.2. Reconciliation of the effective tax rate

A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for 12 months ended 31 December 2013 and 31 December 2012:

Effective tax rate	For the reporting period ended 31.12.2013	31.12. 2012 (restated)
Profit/(loss) before tax	**73,147**	**41,669**
Tax at the statutory rate applicable in Poland, i.e. 19% (2012: 19%)	13,898	7,917
Non-tax deductible costs	700	125
Costs not constituting tax base	(118)	(46)
Effect of differences in tax rates of subsidiaries operating in other tax systems	695	520
Temporary differences from previous years	-	-
Other	52	(1,881)
Tax at the effective rate being 20.82% (2012: 15.93%)	15,227	6,635
Income tax (charge) recognised in the consolidated profit and loss account	15,227	6,635
Income tax attributable to discontinued operations	-	-
	15,227	**6,635**

Effective tax rates of subsidiaries operating in other tax systems are as follows: MV Forte GmbH (Germany) – 30.56%, Forte Möbel AG (Switzerland) – 11.68%.

13.3. Deferred income tax

Deferred income tax results from the following items:

Deferred income tax		Consolidated balance sheet		Consolidated profit and loss account	
		As at		For the reporting period ended	
		31.12.2013	31.12.2012	31.12.2013	31.12.2012
Balance sheet item	**Title of a temporary difference**		(restated)		(restated)
Deferred tax provision					
Tangible fixed assets	Revaluation of fixed assets	17,221	16,466	722	(1,073)
Tangible fixed assets	Investment relief	228	275	(47)	(47)
Tangible fixed assets	Revaluation write-down on fixed assets	(70)	(8)	(62)	64
Receivables/Liabilities arising from supplies and services as well as other receivables/liabilities	Foreign exchange differences	2	148	(147)	882
Deferred revenues and accruals	Deferred revenues and accruals	(1,742)	(1,353)	(389)	(357)
Financial assets	Share revaluation write-down	(76)	(76)	-	-
Trade and other receivables	Revaluation of receivables	(515)	(271)	(244)	(64)
Trade and other receivables; Financial assets	Interest accrued	6	10	(4)	8
Inventory	Revaluation of inventory value	(1,035)	(592)	(409)	248
Inventory, receivables under supplies and services, and other receivables	Revenue on conditions DDP and DAP incoterms	(840)	-	(591)	-
Inventory, receivables under supplies and services, as well as other receivables	Provisions for transport costs	115	-	115	-
Provision for benefits after the employment period	Provisions for retirement benefits	(59)	(48)	(59)	(48)
Provisions, deferred revenues and accruals	Provision for bonuses	(1,449)	(1,338)	(111)	(708)
Liabilities arising from supplies	Salaries and	(585)	(437)	(148)	(25)

and services, as well as other liabilities	overheads for payroll				
Receivables from to derivative instruments financial instruments	Short-term investments financial	106	-	106	-
Liabilities arising from supplies and services, as well as other liabilities	Overdue liabilities past due period of more than 30 days	(46)	-	(46)	-
	Other	910	(31)	699	457
Deferred tax provision		12,171	12,745	(615)	647
Deferred tax provision in the statement of comprehensive income		1,333	1,350		
Total deferred tax provision		**13,504**	**14,095**		

Deferred tax in the amount of PLN 32 thousand concerning employee benefits and hedge accounting is recognised directly in capitals.

14. Social assets and liabilities

The Act on Social Fund of 4 March 1994 with subsequent amendments requires the companies, whose employees' number exceeds 20, to establish and run a Social Fund. The Group operates such a Fund and creates periodical write-downs based on the minimum required amount. The Fund's purpose is to subsidize the Group's social activity, loans to employees and other social expenditure.

The Group has netted the assets of the Fund with the liability to the Fund, as these are not separate assets of the Group. Therefore, the net receivables as at 31 December 2013 are PLN 27 thousand (as at 31 December 2012 – net receivables amounted to PLN 92 thousand).

The composition and nature of assets, liabilities and costs related to the Social Fund are presented in the following tables:

	As at	
	31.12.2013	**31.12.2012**
Assets contributed to the Fund, in total	-	-
Loans granted to employees	1,665	1,691
Cash	704	765
Liabilities due to the Fund	(2,342)	(2,364)
Balance after offsetting	**27**	**92**
Write-downs on the Fund during the financial period	**2,359**	**2,213**

15. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Parent Entity by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing net profit for the period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period (adjusted by the influence of dilutive options and all dilutive convertible redeemable preference shares).

The following reflects the profit and share data used in the basic and diluted earnings per share computations:

	For the reporting period ended	
	31.12.2013	**31.12.2012** (restated)
Net profit (loss) from continued operations	57,856	34,473
Loss from discontinued operations	-	-
Net profit (loss)	57,856	34,473
Net profit (loss) attributed to normal shareholders, applied to calculate diluted earnings per share	57,856	34,473

	As at	
	31.12.2013	**31.12.2012**
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	23,751,084	23,751,084
Impact of dilution:		
Bonds convertible into shares	-	-
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share	23,751,084	23,751,084

In the period between the balance sheet date and the date of compiling these financial statements, no other transactions on ordinary shares or potential ordinary shares occurred.

16. Dividend paid and proposed

The Parent Entity's Management Board will propose a dividend payment for 2013, allocating a portion of the profit generated in the period. As at the publication of this report, the Management Board of the Parent Entity has not presented the details of dividend payments.

By virtue of a resolution of the Annual General Meeting of the Parent Entity 28 May 2013, the decision was made to distribute the Parent Entity net profit for the financial year 2012 in the amount of PLN 31,873 thousand, allocating PLN 22,564 thousand to the payment of dividend and PLN 9,309 thousand to supplementary capital. The amount of dividend per share amounted to PLN 0.95. The dividend record date was set for 18 June 2013. Dividend was paid on 02 July 2013.

17. Leases

17.1. Financial lease and hire purchase commitments

The Group as a lessee as at 31 December 2013 has financial leasing agreements on machinery, equipment and means of transport with the option to buy. The leased assets are secured by blank promissory notes.

The periods for which the lease agreements have been concluded are: 60 months for machinery and equipment, and 25 months for the means of transport and servers.

Residual value has been determined in the range from 0.05% to 0.17% of the initial value of leased machinery and equipment, approx. 14% for buildings and 1% for transport and servers.

As at 31 December 2013 and 31 December 2012, future minimum rentals payable under financial leases are as follows:

	Minimum payments	
	31.12.2013	**31.12.2012**
Within 1 year	819	1,205
In the period from 1 to 2 years	1,438	590
In the period from 2 to 5 years	760	1,420
Over 5 years	-	-
Minimum lease payments, in total	**3,017**	**3,215**
Minus financial costs	(146)	(173)
Present value of minimum lease payments	**2,871**	**3,042**
Short-term	756	1,128
Long-term	2,115	1,914

17.2. Operating lease liabilities – the Group as a lessee

In the reporting year ended 31 December 2013, the Group concluded operating lease agreements for the rental of commercial premises in the building in Wroclaw located at ul. Brucknera 25-43 and in Bydgoszcz at ul. Poznańska.

Most of the agreements have been concluded for an indefinite period with a 3 month notice period. The shortest agreement for fixed term has been concluded for the period until January 2014.

As at 31 December 2013, the future minimum lease payments under non-cancellable operating leases are as follows:

	31.12.2013	**31.12.2012**
Within 1 year	363	596
In the period from 1 to 5 years	168	378
Over 5 years	-	-
Future minimum lease payments, in total	**531**	**974**

17.3. Operating lease receivables – the Group as a lessor

The Group concluded operating lease agreements for the rental of commercial premises in the building located in Wroclaw at ul. Brucknera 25-43 and in Bydgoszcz at ul. Poznańska 3.

The agreements are for a fixed term with the possibility of extension. The longest agreement was concluded for the period until 2018.

As at 31 December 2013, the future minimum lease payments under non-cancellable operating leases are as follows:

	As at	
	31.12.2013	**31.12.2012**
Within 1 year	1,280	1,711
In the period from 1 to 5 years	3,654	2,082
Over 5 years	302	-
Future minimum lease payments, in total	**5,236**	**3,793**

18. Employee benefits

18.1. Employee share incentive programmes

A detailed description of the Incentive Scheme is contained in note 39.5.

18.2. Pensions and other post-employment benefits

The Group's Entities pays to retiring employees retirement benefits in the amount set out in the Labour Code. As a result – based on a valuation carried out by a professional actuarial company – the Group recognised a provision for the current value of this retirement benefit liability. The following table sets forth the amount of the provision and movements in the benefit liability over the period.

The principal assumptions used by the actuary in determining retirement and other benefit obligations as at the balance sheet date are shown below:

	As at 31.12.2013	31.12.2012
Discount rate (%)	4.0%	4.5%
Expected inflation rate (%)	2.5%	2.5%
Employee turnover ratio (%)	10.7-13.5%	9.6-12.3%
Predicted growth rate of remunerations (in %)	3.5%	3.5%

Provision for pensions and disablement benefits	**Changes** 2013	**2012** (restated)
As at 1 January	2,206	1,993
Foreign exchange differences	1	(9)
Interest costs	94	107
Costs of current employment	226	207
Costs of past employment and limitations of benefit programme	-	-
Benefits paid	(1)	(61)
Actuarial profit/(loss) from changes in economic assumptions	122	228
Actuarial profit/(loss) from differences between the assumptions and the implementation	79	(259)
Profit/loss on benefit programme settlements	-	-
As at 31 December	**2,717**	**2,206**
Of which:		
longterm	2,659	2,190
short-term	58	16

Short-term provision for pensions and disablement benefits was recognised as short-term liabilities/provisions and accruals or deferrals.

Amounts recognised in the comprehensive income:

	2013	**2012** (restated)
Costs of benefits:		
Costs of current employment	(226)	(207)
Interest costs	(94)	(107)
Components of the programme costs recognised in the financial result:	**(320)**	**(314)**
Actuarial profit/(loss) from changes in economic assumptions	(122)	(228)
Actuarial profit/(loss) from differences between the assumptions and the implementation	(79)	259
Current components of the programme costs recognised in equity	**(201)**	**31**
Total amount of the programme costs recognised in capital	**(170)**	**31**
Total annual costs:	**(521)**	**(283)**

Below we have presented – in accordance with IAS 19 – the sensitivity of liabilities to changes in the discount rate and the rate growth of remuneration. Increase and decrease of interest rates by 0.5% has been adopted:

Assumptions	% change	Impact on the provision for pensions and disablement benefits
Discount rate (%)	0.5%	(122)
	-0.5%	131
Predicted growth rate of remuneration (in %)	0.5%	143
	-0.5%	(134)

19. Tangible fixed assets

	As at 31.12.2013	31.12.2012
Land	12,772	12,820
Buildings and structures	76,657	74,114
Technical equipment and machines	79,086	87,407

Means of transport	6,438	6,482
Other tangible fixed assets	3,930	4,028
Fixed assets under construction	9,705	3,929
Total tangible fixed assets	**188,588**	**188,780**

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other	Fixed assets under construction	Total
Net value as at 1 January 2013	**12,820**	**74,114**	**87,407**	**6,482**	**4,028**	**3,929**	**188,780**
Increase	-	5,459	5,155	1,393	334	14,727	27,068
Including financial lease	-	-	-	*1079*	-	-	*1079*
Reclassified from intangible assets to fixed assets	-	-	-	-	-	-	-
Other decreases	(48)	(519)	(4,501)	(667)	(86)	(8,951)	(14,772)
Elimination of redemption as a result of the sale of assets	-	449	2,854	615	77	-	3,995
Revaluation impairment write-down:			(365)				(365)
Reversal of revaluation impairment write-downs recognised in the profit and loss account	-	-	38	-	-	-	38
Depreciation write-down for the period	-	(2,846)	(11,502)	(1,397)	(425)	-	(16,170)
Foreign exchange differences adjustment	-	-	-	12	2	-	14
Net value as at 31 December 2013	**12,772**	**76,657**	**79,086**	**6,438**	**3,930**	**9,705**	**188,588**
As at 1 January 2013							
Gross amount	12,820	93,814	175,082	13,774	6,066	3,929	305,485
Accumulated depreciation and revaluation impairment write-down	–	(19,700)	(87,675)	(7,292)	(2,038)	–	(116,705)
Net value	12,820	74,114	87,407	6,482	4,028	3,929	188,780
As at 31 December 2013							
Gross amount	12,772	98,754	175,736	14,512	6,316	9,705	317,795
Accumulated depreciation and revaluation impairment write-down	–	(22,097)	(96,650)	(8,074)	(2,386)		(129,207)
Net value	**12,772**	**76,657**	**79,086**	**6,438**	**3,930**	**9,705**	**188,588**

	Land	Buildings and structures	Machinery and equipment	Means of transport	Other	Fixed assets under construction	Total
Net value as at 1 January 2012	**12,820**	**69,697**	**78,514**	**5,993**	**3,921**	**17,848**	**188,793**
Increase	-	7,761	20,944	1,905	557	13,044	44,211
Including financial lease	-	-	***1,201***	***1,361***	***243***	-	***2,805***
Reclassified from intangible assets to fixed assets	-	–	–	–	–	–	-
Other decreases	-	(1,574)	(3,724)	(1,134)	(334)	(26,963)	(33,729)
Elimination of redemption as a result of the sale of assets	–	639	2,275	1,050	298	–	4,262
Reversal of revaluation impairment write-down recognised in the profit and loss account		337					337
Depreciation write-down for the period	-	(2,746)	(10,601)	(1,312)	(412)	-	(15,071)
Foreign exchange differences adjustment	-	-	(1)	(20)	(2)	-	(23)
Net value as at 31 December 2012	**12,820**	**74,114**	**87,407**	**6,482**	**4,028**	**3,929**	**188,780**

As at 1 January 2012							
Gross amount	12,820	87,627	157,865	13,071	6,116	17,848	295,347
Accumulated depreciation and revaluation impairment write-down	–	(17,930)	(79,351)	(7,078)	(2,195)	-	(106,554)
Net value	12,820	69,697	78,514	5,993	3,921	17,848	188,793
As at 31 December 2012							
Gross amount	12,820	93,814	175,085	13,842	6,340	3,929	305,830
Accumulated depreciation and revaluation impairment write-down		(19,700)	(87,678)	(7,360)	(2,312)		(117,050)
Net value	**12,820**	**74,114**	**87,407**	**6,482**	**4,028**	**3,929**	**188,780**

As at 31 December 2013, total fixed assets at the Group's disposal amounted to PLN 188,588 thousand (as at 31 December 2012: PLN 188,780 thousand). They consisted of the amounts shown above.

Assets pledged as security

The balance sheet value of tangible fixed assets used as at 31 December 2013 by the Group on the basis of financial lease agreements and lease agreements with the option of repurchase is PLN 4,124 thousand, of which PLN 1,752 thousand relates to the lease of machinery and equipment, PLN 2,178 thousand relates to the lease of means of transport, and PLN 194 thousand relates to the lease of other tangible fixed assets (as at 31 December 2012: PLN 4,739 thousand).
Land and buildings with the balance sheet value of PLN 72,910 thousand (as at 31 December 2012: PLN 69,738 thousand) are covered by mortgages established to secure bank loans of the Group (note 29 – interest-bearing loans and borrowings).
Additionally, machinery and equipment with the balance sheet value of PLN 52,916 thousand are subject to registered pledge (as at 31 December 2012: PLN 36,619 thousand).
There were no capitalised external financing costs in the reporting period ended 31 December 2013 (as at 31 December 2012: PLN 139 thousand).

Purchase and sale

In the 12-month period ended 31 December 2013, the Group purchased tangible fixed assets with a value of PLN 17,041 thousand (in the comparative period ended 31 December 2012: PLN 14,520 thousand) and sold tangible fixed assets with net value of: PLN 1,543 thousand (in the comparative period ended 31 December 2012: PLN 1,276 thousand).
The most significant capital expenditures include expenses for infrastructure modernisation of buildings in all the factories of the Parent Entity and investments for the purchase of modern WEEKE drills.

Capital commitments

As at 31 December 2013, the Group's capital commitments are PLN 1,667 thousand (as at 31 December 2012: PLN 408 thousand). This amount concerns primarily the expenditures on tangible fixed assets under construction and the purchase of machinery and equipment.

Impairment write-downs

Revaluation write-downs on fixed assets	**2013**
Revaluation write-down as at 1 January	41
Creation	365
Used	-
Release	(38)
Revaluation write-down as at 31 December	**368**

20. Investment properties

The Group holds two investment properties. These are shopping centres: in Wrocław with an area of ca. 7 thousand sq. m and in Bydgoszcz with an area of ca. 5 thousand sq. m. The properties were classified as investment properties because a vast part of them is leased to unrelated entities.

When assessing the value of investment real properties the Group in the applies principles set out in IAS 40, i.e. valuation at fair value. The valuation is carried out at the end of each financial year by an independent valuer.

In 2013, Galeria Kwardat purchased a land property located in Bydgoszcz, ul. Grudziądzka, with an area of 828 sq. m for a net price of PLN 1,020 thousand plus additional fees in the amount of PLN 8 thousand. The value of the purchased land increased the value of the property

As a result of revaluation of the investment real property as at 31 December 2013, there was no increase in the fair value of real property in Wrocław (in 2012 – an increase in the fair value by PLN 528 thousand), while in Bydgoszcz there was an increase by PLN 162 thousand (in 2012: increase in the fair value by PLN 173 thousand).

	Fair value change	
	2013	**2012**
Opening balance as at the beginning of the reporting period	46,772	46,071
Increase (later expenses)	1,190	701
- land purchase	1,028	-
- reclassification of fixed assets under construction	-	-
- revaluation to the fair value	162	701
Closing balance as at the end of the reporting period	**47,962**	**46,772**

	For the reporting period ended	
	31.12.2013	31.12.2012
Interest income from the rent of investment real property	2,848	2,574
Costs resulting from repair and maintenance, including:	155	62
costs that brought rental income during the period	*148*	*60*
costs that did not bring rental income during the period	*7*	*2*

The Group has no contractual commitments for the purchase, construction or development of investment real estate, as well as repairs, maintenance and improvements.

Fair value hierarchy
Fair value of the investment real properties as at 31 December 2013 was determined based on appraisal reports prepared by independent surveyors.
Valuation of developed properties was made with investment income approach using the techniques of simple capitalisation.

Analysis of unobservable data was performed, which covers items such as the rent amount for the rental of commercial space in a given area (obtainable rate of monthly rent in the amount of PLN 49/sq. m and PLN 38/sq. m respectively was established) and capitalisation rate. Since no similar properties have been found on the market for which the known net operating income would allow the calculation of yields, it has been determined based on the capital market (the capitalisation rate adopted was 10.13% and 10.81%, respectively).

To determine the fair value of land, the comparative approach using average price adjustment has been applied. The fair value increases with increasing rent. The fair value increases with a decrease in the capitalisation ratio

There has been no change in the valuation technique as compared to the comparative period.

As at 31 December 2013, the hierarchy of fair value was as follows:

	Level 1	Level 2	Level 3	**Fair value as at 31 December 2013**
Property in Wrocław	-	-	29,751	**29,751**
Property in Bydgoszcz	-	-	18,211	**18,211**

21. Intangible assets

	As at	
	31.12.2013	31.12.2012
Patents and licenses	434	213
Other intangible assets	16,198	15,436
Completed development works	-	427
Investments in progress	-	18
Total	**16,632**	**16,094**

	Patents and licenses	Other	Completed development works	Investments in progress	Total
Net value as at 1 January 2013	**213**	**15,436**	**427**	**18**	**16,094**
Increase	306	14	733	132	1,185
Decrease	-	-	-	(150)	(150)
Depreciation write-down for the period	(85)	(166)	(246)	-	(497)
Reclassification of intangible assets	-	-	-	-	-
Elimination of redemption as a result of the sale	-	-	-	-	-
Elimination of redemption as a result of the reclassification	-	-	-	-	-
Net value as at 31 December 2013	**434**	**15,284**	**914**	**0**	**16,632**
As at 1 January 2013					
Gross amount	5,109	16,556	524	18	22,207
Accumulated depreciation and revaluation impairment write-down	(4,896)	(1,120)	(97)	_	(6,113)
Net value	**213**	**15,436**	**427**	**18**	**16,094**
As at 31 December 2013					
Gross amount	5,415	16,570	1,257	-	23,242
Accumulated depreciation and revaluation impairment write-down	(4,981)	(1,286)	(343)	-	(6,610)
Net value	**434**	**15,284**	**914**	**0**	**16,632**

	Patents and licenses	Other	Completed development works	Investments in progress	Total
Net value as at 1 January 2012	**211**	**452**	**43**	-	**706**

Increase	58	15,272	478	39	15,847
Decrease	(48)	(55)	-	(21)	(124)
Depreciation write-down for the period	(86)	(258)	(94)	-	(438)
Reclassification of intangible assets	75	(75)	-	-	-
Elimination of redemption as a result of the sale	48	55	-	-	103
Elimination of redemption as a result of the reclassification	(45)	45	-	-	-
Net value as at 31 December 2012	**213**	**15,436**	**427**	**18**	**16,094**
As at 1 January 2012					
Gross amount	5	1,188	46	-	6,485
Accumulated depreciation and revaluation impairment write-down	(5,040)	(736)	(3)	-	(5,779)
Net value	**211**	**452**	**43**	-	**706**
As at 31 December 2012					
Gross amount	5,109	16,556	524	18	22,207
Accumulated depreciation and revaluation impairment write-down	(4,896)	(1,120)	(97)	_	(6,113)
Net value	**213**	**15,436**	**427**	**18**	**16,094**

As at 31 December 2013, intangible assets at the Group's disposal amount to PLN 16,632 thousand (as at 31 December 2012: PLN 16,094 thousand). They consisted of the amounts shown above. As at 31 December 2013 and 31 December 2012, no intangible assets classified as intended for sale occurred.

The increase in other intangible assets in 2012 was influenced by the purchase of the trademark "FORTE" from "FORMACON" Sp. z o.o. at a net price PLN 15,272 thousand. As at the agreement date, Maciej Formanowicz – President of the Management Board of the Parent Entity – acted as the shareholder of "FORMACON" Sp. z o.o. The value of trademark ma was estimated by an external valuer.

Expenditure on research and development
In the reporting period ended 31 December 2013, the Group made expenditure on research and development recognised in the profit and loss account in the amount of PLN 990 thousand (in 2012: PLN 1,116 thousand).

Description of securities established on intangible assets:
No securities are established on the intangible assets of the Group.

Intangible assets with indefinite useful life
The only intangible asset with indefinite useful life is a trademark.

The Company was unable to determine the period of use of the trademark, because there is no foreseeable limit of the period during which it expects to reap economic benefits from the sale under the FORTE trademark.

The Company plans to continue its efforts to increase revenues from the sale of FORTE branded goods, and hence, to continue increasing its visibility in the market.

Impairment

Due to the indefinite useful life of the mark, the Management Board of the Parent Company conducted the test for impairment
Method of valuation

The value in use of the mark was appraised by the relief from royalty method. The method determines the value on the basis of discounted future royalty flows taking into account license agreements concluded on market terms for comparative brands.

Assumptions for valuation
Royalty rate – depending on the market: Western Europe – 1%, Central and Eastern Europe and Poland – 2.5%
Cost of equity – 12.49% for 2013
The discount rate – 13.2%-14.0% over the projection period
The rate of income tax – 19%
Period of financial projections – from 1 January 2014 to 31 December 2018, plus the estimate of residual value.
For the forecast of Forte brand sales revenues for 2014, i.e. the period covered with the most up-to-date budget, 12% growth of revenues is assumed.
The result of trademark value appraisal, according to the adopted assumptions, has not proved any decrease of its value, taking into account the sensitivity to three crucial exit assumptions: licence fee rate, the discount rate, and the growth rate after 31 December 2018.

22. Non-current assets held for sale

As at 31 December 2013, the Group did not have non-current assets classified as held for sale.

23. Long-term financial assets

	As at 31.12.2013	31.12.2012
Long-term financial assets		
Shares and interest in subsidiaries non-listed and not covered by consolidation	341	341
Other shares and interest	3	4
Other	-	-
	344	**345**
Other long-term financial assets		
Long-term receivables	80	91
Borrowings to related entities	403	778
Other	61	62
		931
	888	**1,276**

Shares and interest in subsidiaries excluded from consolidation are valuated at historical cost less the possible impairment write-downs. Financial data obtained from subsidiaries whose shares were not covered by revaluation write-downs do not indicate the impairment of share value, and therefore tests for the impairment of shares in subsidiaries were not conducted.

Shares and interest in subsidiaries not covered by consolidation as at 31 December 2013 and 31 December 2012:

Company name	Type relationship	Takeover date/significant influence	Value of shares at acquisition price	Revaluation adjustments	Carrying amount of shares
Forte Baldai UAB	Subsidiary	16.04.1999	164	-	164
Forte SK S.r.o.	Subsidiary	13.12.2002	96	-	96
Forte Furniture Ltd.	Subsidiary	10.08.2005	6	-	6
Forte Iberia S.l.u.	Subsidiary	15.09.2005	63	-	63
Forte Mobilier Sari	Subsidiary	17.11.2005	399	399	-
Forte Mobila S.r.l.	Subsidiary	12.09.2008	12	-	12
TM Handel Sp. z o.o.	Subsidiary	12.05.2008	-	-	-
TOTAL			**740**	**399**	**341**

The Group's shares in other entities are as follows:

31 December 2013

Company name	Scope of activity	Carrying value of shares
Meblopol Sp. z o.o.	Poznań Handel	3
TOTAL		**3**

31 December 2012

Company name	Scope of activity	Carrying value of shares
Meblopol Sp. z o.o.	Poznań Handel	3
Volksbank	Brilon Bank	1
TOTAL		**4**

The percentage share of assets, revenue and results of subsidiaries excluded from consolidation as at 31 December 2013 was as follows:

Company name	Type relationship	In total assets	In revenue	In current result
Forte Baldai UAB	Subsidiary	0.06%	0.04%	0.15%
Forte SK S.r.o.	Subsidiary	0.13%	0.30%	0.60%
Forte Furniture Ltd.	Subsidiary	0.06%	0.07%	0.10%
Forte Iberia S.l.u.	Subsidiary	0.04%	0.11%	-0.01%
Forte Mobilier Sari	Subsidiary	0.04%	0.05%	-0.04%
Forte Mobila S.r.l.	Subsidiary	0.09%	0.04%	-0.47%
TM Handel Sp. z o.o.	Subsidiary	0.86%	2.70%	-0.11%

The percentage share of assets, revenue and results of subsidiaries excluded from consolidation as at 31 December 2012 was as follows:

Company name	Type of relationship	Total assets	In revenue	In current result
Forte Baldai UAB	Subsidiary	0.04%	0.05%	-0.75%
Forte SK S.r.o.	Subsidiary	0.18%	0.42%	1.10%
Forte Furniture Ltd.	Subsidiary	0.05%	0.10%	0.20%
Forte Iberia S.l.u.	Subsidiary	0.04%	0.12%	0.19%
Forte Mobilier Sari	Subsidiary	0.01%	0.00%	-0.07%
Forte Mobila S.r.l.	Subsidiary	0.37%	0.43%	-0.75%
TM Handel Sp. z o.o.	Subsidiary	2.24%	5.87%	1.94%

The percentage share means a share of assets, revenue and results of subsidiaries excluded from consolidation in respective items of the consolidated financial statements prior to exclusions.

24. Inventory

	As at 31.12.2013	31.12.2012
Materials (at acquisition price)	38,043	36,829
Production in progress (at manufacturing price) Finished products:	19,908	16,113
According to acquisition price/manufacturing price	53,177	43,054
According to net realisable value	52,527	42,000
Goods	2,609	4,177
Total inventories, at the lower of the two: acquisition price (cost of construction) and realisable value.	**113,087**	**99,119**

Changes in inventory revaluation write-down were as follows:

	2013	Changes 2012
Revaluation write-down as at 1 January	3,294	4,246
Increase	3,262	880
Decrease	(1,106)	(1,832)
Revaluation write-down as at 31 December	**5,450**	**3,294**

Calculation of inventory revaluation write-downs recognised in the books of the Group was performed on the basis of reviews, analyses of inventories in all material groups, as well as experience in the management of slow-moving materials.

Assortment items remaining in the Group's warehouse have been subjected to a comprehensive analysis. Replacements have been selected, design works have been carried towards technological changes, and attempts have been made to complete furniture from the existing semi-finished products. In the case of indices, for which obtaining the full value may be questionable in the opinion of the Group, the percentage of value was determined that could be recoverable.

In addition, there was a detailed analysis of the degree of wear and damage to the pallets as returnable packaging.

In this way, it was estimated that at the balance sheet date the value of revaluation write-down on inventories should amount to PLN 5,450 thousand (in 2012: PLN 3,294 thousand).

Impairment write-down on inventories has been recognized in the profit and loss account under the item of the cost of sales and other operating costs.

Bank loan security was established on inventories of finished goods, work in progress, goods and materials, with a value of PLN 22,898 thousand (in 2012: PLN 17,284 thousand).

25. Trade and other receivables

	As at 31.12.2013	31.12.2012
Trade receivables from related parties	3,917	12,258
Receivables under supplies and services from other entities	77,161	65,407
Other receivables from related parties	-	-
Other budget receivables	17,815	11,735
Other receivables from third parties	242	190
Total (net) receivables	**99,136**	**89,590**
Revaluation write-down on receivables	2,984	1,667
Gross receivables	**102,119**	**91,257**
Income tax receivables	**35**	**2**

Receivables under supplies and services with repayment period outstanding after balance sheet day (gross):

	As at 31.12.2013	31.12.2012
a) up to 1 month	46,586	37,989
b) over 1 month and up to 3 months	16,230	8,402
c) over 3 months and up to 6 months	58	150
d) over 6 months and up to 1 year	32	18
e) over 1 year	51	95
f) overdue receivables	21,105	32,678
Total trade receivables (gross)	**84,062**	**79,332**
Revaluation write-down on receivables	(2,984)	(1,667)
Total trade receivables (net)	**81,078**	**77,665**

Total overdue trade receivables (gross) divided into receivables overdue by:

	As at 31.12.2013	31.12.2012
a) up to 1 month	16,216	22,297
b) over 1 month and up to 3 months	1,415	4,873
c) over 3 months and up to 6 months	283	1,853
d) over 6 months and up to 1 year	378	2,107
e) over 1 year	2,812	1,548
Total overdue trade receivables (gross)	**21,104**	**32,678**
Revaluation write-down on receivables	(2,906)	(1,667)
Total overdue trade receivables (net)	**18,198**	**31,011**

For terms and conditions of related party transactions, refer to note 39. of additional notes and explanations.

Trade receivables are non-interest bearing and are payable on 1 to 3-month terms.

The Group has a policy to sell only to verified customers. Owing to that, as the management believes, there is no additional credit risk that would not be covered by the doubtful debt revaluation write-down related to trade receivables of the Group.

As at 31 December 2013, the Company's trade receivables in the amount of PLN 1,642 thousand (as at 31 December 2012: PLN 788 thousand) were considered uncollectible and therefore subject to impairment write-down.

Revaluation write-down on receivables was recognized in the profit and loss account under the item of other operating costs.

Changes in revaluation write-downs on receivables were as follows:

Revaluation write-downs on receivables	Changes 2013	2012
Revaluation write-down as at 1 January	1,667	1,271
Creation	1,642	788
Used	(30)	(168)
Release	(295)	(224)
Revaluation write-down as at 31 December	**2,984**	**1,667**

The table below lists trade receivables which were overdue as at 31 December 2013 and 31 December 2012:

	Total	Not overdue	Overdue, but recoverable			
			< 30 days	30–90 days	90–180 days	> 180 days
31 December 2013	81,078	62,957	16,216	1,415	283	207
31 December 2012	77,665	46,654	22,297	4,873	1,853	1,988

26. Receivables due to derivative financial instruments

	As at 31.12.2013	31.12.2012
Fair value of derivative instruments (zero-cost option strategies)	9,318	8,950
Result on option settled in January 2014	506	-
	9,824	**8,950**

27. Deferrals

Deferrals	As at 31.12.2013	31.12.2012
Property and motor insurance	719	998
Fairs	318	576
Research and development	570	534
Business trips	87	144
Other	159	579
Total deferrals	**1,853**	**2,831**

28. Other short-term financial assets

Other short-term financial assets	As at 31.12.2013	31.12.2012
Borrowings granted	657	644
Interest on loans granted	3	7
Other financial assets	71	71
Other short-term financial assets, in total	**731**	**722**

For details of loans granted to subsidiaries, refer to point 39 of additional notes and explanations.

29. Cash and cash equivalents

Cash and cash equivalents	As at 31.12.2013	31.12.2012
Cash at bank and in hand	18,409	17,218
Other cash (overnight deposits and deposits under three months)	57,710	12,773
Total cash and cash equivalents	**76,119**	**29,991**

Cash and cash equivalents at bank earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and one month depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The fair value of cash and cash equivalents as at 31 December 2013 is PLN 76,119 thousand (as at 31 December 2012: PLN 29,991 thousand).

As at 31 December 2013, the Group did not hold cash of limited disposability (as at 31 December 2012: did not occur).

30. Share capital and supplementary/reserve capital

30.1. Share capital

Share capital (shares in units)	As at 31.12.2013	31.12. 2012
Series A ordinary shares with a nominal value of PLN 1 each	8,793,992	8,793,992
Series B ordinary shares with a nominal value of PLN 1 each	2,456,380	2,456,380
Series C ordinary shares with a nominal value of PLN 1 each	6,058,000	6,058,000
Series D ordinary shares with a nominal value of PLN 1 each	2,047,619	2,047,619
Series E ordinary shares with a nominal value of PLN 1 each	4,327,093	4,327,093
Series F ordinary shares with a nominal value of PLN 1 each	68,000	68,000
	23,751,084	**23,751,084**

In the financial year ended 31 December 2013 and 31 December 2012 there were no changes in the initial capital of the Parent Entity.

Nominal value of shares

All issued shares have a nominal value of PLN 1 and have been fully paid or covered by contribution in kind.

Shareholders' rights

Shares of all series are equal with respect to the distribution of votes, dividends or repayment of capital.

Major Shareholders

Shareholders with at least 5% of the total number of shares of the Company as at 21 March 2014:

Item	Shareholder	Number of held shares and votes	% stake in share capital	% share in the overall number of votes
1.	MaForm Holding AG	7,013,889	29.53%	29.53%
2.	Amplico Otwarty Fundusz Emerytalny	4,000,000	16.84%	16.84%
3.	ING Otwarty Fundusz Emerytalny	1,500,000	6.32%	6.32%
4.	Aviva Otwarty Fundusz Emerytalny	1,324,480	5.58%	5.58%
5.	Pioneer Fundusz Inwestycyjny Otwarty	1,206,097	5.08%	5.08%

30.2. Share premium

In the financial year ended 31 December 2013 there were no events which would lead to a change in the share premium above their nominal value (31 December 2012: did not occur).

30.3. Other capital

Revaluation reserve from financial instruments

	As at 31.12.2013	31.12.2012
Opening balance of accumulated result on financial instruments hedging cash flows	7,249	(10,605)
Amount recognised in equity in the reporting period due to hedging transactions	3,777	22,042
Amount recognised in profit and loss account due to:	(551)	-
- ineffectiveness of the transactions concluded		
- conclusion of transactions subject to hedging	(2,857)	-
- discontinuance of hedge accounting	-	-
Deferred income tax	(70)	(4,188)
Closing balance of accumulated result on financial instruments hedging cash flows	**7,548**	**7,249**

Other reserve and supplementary capital

	Statutory	Other reserve capital	Total

	supplementary capital		
As at 1 January 2013	1,250	136,244	137,494
Write-down on gains for investments and the financing of the Group's current activities	-	9,309	9,309
As at 31 December 2013	**1,250**	**145,553**	**146,803**

	Statutory supplementary capital	Other reserve capital	Total
As at 1 January 2012	1,250	132,299	133,549
Write-down on gains for investments and the financing of the Group's current activities	-	3,945	3,945
As at 31 December 2012	**1,250**	**136,244**	**137,494**

According to the requirements of the Code of Commercial Companies, the Parent Entity is obliged to establish supplementary capital in order to cover losses. At least 8% of profit for the fiscal year reported in the Parent Company's individual financial statements is allocated to the supplementary capital until the capital reaches at least one third of the Parent Company's share capital. The General Meeting of Stockholders takes decisions about the use of the supplementary capital; however a part of the reserve capital in the amount of one third of the initial capital may be only used to cover the loss reported in the individual financial statements of the parent entity, and it is not subject to distribution to other purposes.

On the basis of the resolutions of the Parent Company's General Meeting reserve capital can be used in particular to increase the share capital or for the payment of dividends to shareholders.

30.4. Retained earnings

	As at 31.12.2013	31.12.2012 (restated)
Net profit	57,856	34,473
Undistributed profit	32,492	30,055
	90,348	**64,528**

Undistributed profit comes from the valuation of fixed assets at fair value determined at the transition to IFRSs less deferred tax.

There were no restrictions regarding the payment of dividends as at 31 December 2013 (31 December 2012: did not occur).

30.5. Minority share

	Changes 2013	2012
At 1 January	3,649	3,087
Dividend payout to to non-controlling shareholders	(2)	-
Profit share of the subsidiaries	64	561
Inclusion of an entity to consolidation	-	1
As of 31 December	**3,711**	**3,649**

30.6. Financial Reporting in Hyperinflationary Economies

Under IAS 29 Financial Reporting in Hyperinflationary Economies it is required that economic entities which conducted business activity in hyperinflationary economy should restate equity items (except for retained profit and any surpluses related to the assets revaluation) by applying the general price index, commencing from dates when these equities were contributed or were otherwise created. It is assumed that hyperinflation occurred in Poland in the years 1989–1996.

In view of the Management Board recognising the above-mentioned adjustment as uncovered losses from previous years is doubtful when it is not clear what the effects of the adjustment are on the basis of the CCC. Therefore, according to the Management Board, recognition of the hyperinflation adjustment directly in the Group's equity shown in the balance sheet could be misleading for the readers of the report, hence, taking into account the provisions of IAS 1. 17 appropriate amounts and method of conversion are included only in the following table (in '000 PLN). Given the information outlined below financial statements present fairly the financial position and cash flows of the Group, and is in compliance with IFRS.

Share capital in the books at the end of 1996	17,308
Share capital after hyperinflation indices	25,758
Result of hyperinflation adjustment on share capital	(8,450)
Reserve capital in the books at the end of 1996	50,273
Reserve capital after hyperinflation indices	60,277
Result of hyperinflation adjustment on reserve capital	(10,004)
Total result of hyperinflation adjustment on retained profit	**(18,454)**

31. Interest-bearing loans and borrowings

Short-term	Nominal interest rate %	Due date	31.12.2013	31.12.2012
ING Bank Śląski S.A. – working capital credit in the amount of PLN 35,000 thousand – short-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR or 1M LIBOR	31 October 2016	-	20,193
PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand – short-term portion	1 M WIBOR	30 June 2014	300	600
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand – short-term portion	1 M EURIBOR	31 March 2014	3,681	3,628
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand – short-term portion	3 M EURIBOR	19 June 2015	5,278	5,203
Total short-term			**9,259**	**29,624**

Long-term	Nominal interest rate %	Due date	31.12.2013	31.12.2012
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand – long-term portion	IM EURIBOR	31 March 2014	1,840	5,442
PKO BP S.A. – working capital credit in the amount of PLN 45,000 thousand – long-term portion	depending on the currency used IM WIBOR or IM EURIBOR	19 December 2016	24,883	16,353
ING Bank Śląski S.A. – working capital credit in the amount of PLN 35,000 thousand – long-term portion	depending on the currency used 1M WIBOR or 1M EURIBOR or 1M LIBOR	31 October 2016	28,816	-
PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand – long-term portion	1 M WIBOR	30 June 2014	-	300
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand – long-term portion	3 M EURIBOR	19 June 2015	2,639	7,805
Total long-term			**58,178**	**29,900**

Bank loan securities as at	31 December 2013
PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand	1. Ordinary mortgage in the amount of PLN 3,000 thousand on real estate located in Ostrów Mazowiecka, together with the assignment of rights under the insurance contract 2. Capped mortgage in the amount of PLN 1,000 thousand on real estate located in Ostrów Mazowiecka, together with the assignment of rights under the insurance contract
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand	1. Transfer of ownership of machinery and equipment with a value of PLN 252 thousand, together with the assignment of rights under the insurance contract 2. Registered pledge on equipment with the value of PLN 4,934 thousand, together with the assignment of rights under the insurance contract
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand	1. Registered pledge on equipment up to a maximum amount of security of PLN 25,700 thousand, together with the assignment of rights under the insurance contract 2. Statement of the borrower on the submission to enforcement proceedings under Article 96 and 97 of the Banking law
PKO BP S.A. – working capital credit in the amount of PLN 45,000 thousand	1. Registered pledge on inventory in the factory in Hajnówka with the value of PLN 23,043 thousand, together with the assignment of rights under the insurance contract 2. Joint capped mortgage in the amount of PLN 45,000 thousand on real estates located in Hajnówka and Ostrów Mazowiecka, together with the assignment of rights under the insurance contract 3. Registered pledge on production lines with the value of PLN 14,812 thousand, together with the assignment of rights under the insurance contract.
ING Bank Śląski S.A. – working capital credit in the amount of PLN 35,000 thousand.	1. Registered pledge on movable assets in the factory in Suwałki up to a maximum amount of PLN 42,000 thousand, together with the assignment of rights under the insurance contract 2. Joint capped mortgage up to a maximum amount of PLN 42,000 thousand on the right of perpetual usufruct of land and ownership right of buildings in the factory in Suwałki, together with the assignment of rights under the insurance contract
PKO BP S.A. – investment loan in the amount of EUR 3,500 thousand	1. Registered pledge on the purchased movable assets with a value of no less than PLN 21,010 thousand. 2. An assignment of rights from the insurance policy 3. Blank promissory note issued by the Borrower with the Borrower's promissory note declaration
mBank S.A. – working capital facility in the amount of EUR 1,000 thousand	1. Blank promissory note issued by the Borrower with the Borrower's promissory note declaration

With the nominal interest rate the margin of the bank should be additionally taken into account, which ranges between:

1.00%–3.30% for loans granted in EUR

0.80% -1.00% for loans taken in PLN

1.00% -1.90% for loans taken in USD

Breakdown of loans due to currency type (translated into PLN, in PLN `000)

Currency	As at 31.12.2013	31.12.2012
PLN	300	900
EUR	66,521	56,007
USD	616	2,617
	67,437	**59,524**

On 16 September 2013, the Management Board of the Parent Company signed a supplementary agreement with ING Bank Śląski S.A. to the loan agreement dated 24 June 2003, subsequently amended by a supplementary agreement of 28 May 2010. The subject of the supplementary agreement is the extension of the credit period until 31 October 2015. On the basis of the previous loan agreement, the Bank granted a loan to the Issuer in the amount of PLN 35,000 thousand.

On 20 December 2013, the Management Board of the Parent Company signed an annex to the overdraft facility agreement of 14 February 2000 with Powszechna Kasa Oszczędności Bank Polski S.A. (PKO BP S.A.). By virtue of the annex, the final period of the loan was extended until 19 December 2016. The maximum loan amount is PLN 45,000 thousand or the equivalent amount in EUR.

In addition, on the same day, i.e. 20 December 2013 it concluded a loan agreement with mBank S.A. for a multi-currency overdraft up to a total amount not exceeding EUR 1,000 thousand. The use of the loan will be followed by the execution of payment orders debiting current accounts of the Issuer held in PLN, EUR or USD. Period of the loan is one year and ends on 16 December 2014.

On 23 July 2013, the Parent Company signed an agreement with PKO BP S.A regarding investment loan in the amount of EUR 3,500 thousand for the financing and refinancing of the purchase of production machinery and equipment. The deadline of the loan expires on 31 May 2014. The loan was granted until December 2018. Its repayment will take place from 30 June 2014 in equal quarterly installments.

As at the balance sheet date for the period ended 31 December 2013, the utilisation of the working capital loan available from mBank S.A. and the investment loan from PKO BP S.A. has been null (zero PLN), and the collaterals for those loans are described in the table above.

32. Provisions, deferred revenues and accruals

32.1. Change in provisions

Provision for employee benefits after the employment period has been described in note 19.2.

32.2. Deferred revenues and accruals

Long-term deferred revenues and accruals	**As at 31.12.2013**	**31.12. 2012**
Long-term accrued/deferred income due to:		
Subsidy to purchased tangible fixed assets	86	110

Short-term deferred revenues and accruals	**31.12.2013**	**31.12. 2012** restated
Accrued/deferred expenses due to:		
Commissions	1,294	1,744
Bonuses for customers	8,451	7,572
Bonuses	1,500	1,670
Leaves	2,403	1,263
Balance sheet audit costs	159	143
External services	2,995	1,707
Other costs	111	48
Short-term provisions:		
Short-term provision for benefits after the employment period	58	16
Guarantee repairs	973	759
Accrued/deferred income due to::		
Subsidy to purchased tangible fixed assets	24	24
	17,968	**14,946**

The Group creates a provision for the costs of expected repairs and returns of products sold during the last year based on the level of warranty repairs and returns recorded in previous years. Assumptions used to calculate the provision for warranty repairs and

returns are based on current sales levels and currently available information about returns and 1-year guarantee and warranty period for all sold products.

As at the balance sheet date ended 31 June 2013, the Group created a provision for the bonus for the Management Board in the amount of PLN 1,500 thousand.

The amount of PLN 8,451 thousand is a provision created by the Group for future bonuses payable due to sales realised in 2013 to customers from, above all, the German and Austrian markets. The bonuses will be paid by setting them off against payments occurring after the balance sheet date.

The amount of PLN 2,995 consist primarily of marketing and disposal costs.

33. Trade and other liabilities (short-term)

	As at	
	31.12.2013	**31.12. 2012**
Liabilities arising from supplies and services	**37,441**	**29,224**
Towards related entities	590	1,902
To other entities	36,851	27,322
Liabilities from tax, customs, social insurance and other benefits	**5,338**	**3,604**
VAT	5	13
Personal income tax	1,157	812
Social insurance	3,420	2,574
Other	756	205
Other liabilities		**8,018**
Payroll liabilities to employees	8,954	6,416
Capital commitments	1,667	408
Other liabilities	1,320	1,194
	54,720	**40,846**
Liabilities relating to corporate income tax	**10,963**	**453**
Total liabilities	**65,683**	**41,299**

Terms and conditions of the above financial liabilities

For terms and conditions of related party transactions, refer to point 39 of additional notes and explanations. Trade liabilities do not bear interest and they are usually payable within 7 to 45 days. Other liabilities do not bear interest and are payable within 1 month.

The amount resulting from the difference between the liabilities and receivables from taxes on goods and services is paid to the relevant tax authorities on a monthly basis.

Interest payable is normally settled at maturity periods throughout the financial year.

34. Contingent liabilities

None

35. Court cases

There are no court proceedings whose total value constitutes at least 10% of the Group's own funds.

36. Financial instruments

36.1. Carrying value

Classification of financial instruments according to IAS 39 as at 31 December 2013									
	Financial assets held to maturity	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from IAS 39	**Total**
Financial fixed assets:	-	-	**3**	**403**	-	-	-	-	**406**
Financial assets	-	-	3	403	-	-	-	-	406
Financial current assets:	-	-	-	**158,171**	-	-	**9,824**	-	**167,995**
Receivables from supplies and services as well as other receivables		-	-	81,321	-	-		"	81,321
Receivables from derivative instruments		'	-		'		9,824		9,824
Cash and cash equivalents	-	-	-	76,119	-	-	-	-	76,119
Other financial assets	-	-	-	731	-	-	-	-	731
Long-term financial liabilities:	-	-	-	-	-	**(58,178)**	-	**(2,115)**	**(60,293)**
Interest-bearing loans and borrowings	-	-	-	-	-	(58,178)	-	-	(58,178)
Financial liabilities due to lease	-	-	-	-	-	-	-	(2,115)	(2,115)
Other financial liabilities	-	-	-	-	-	-	-	-	-
Short-term liabilities	-	-	-	-	-	**(49,688)**	-	**(756)**	**(50,444)**
Liabilities arising from supplies and services as well as other liabilities		-	-			(40,429)	"		(40,429)
Liabilities related to derivative instruments		-	-	-		"	"		
Current portion of loans and borrowings	-	-		"	-	(9,259)	"	"	(9,259)
Financial liabilities due to lease	-	-	-	-	-	-	-	(756)	(756)
	-	**-**	**3**	**158,574**	**-**	**(107,866)**	**9,824**	**(2,871)**	**57,664**

Classification of financial instruments according to IAS 39 as at 31 December 2012									
	Financial assets held to maturity	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Financial liabilities at fair value through profit or loss	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from IAS 39	**Total**
Financial fixed assets:	-	-	**4**	**868**	-	-	-	-	**872**
Financial assets	-	-	4	868	-	-	-	-	872
Financial current assets:	-	-	-	**108,568**	-	-	**8,950**	-	**117,518**
Receivables from supplies and services as well as other receivables	-	-	-	77,855	-	-	-	-	77,855
Receivables from derivative instruments	-	-	-	-	-	-	8,950	-	8,950
Cash and cash equivalents	-	-	-	29,991	-	-	-	-	29,991
Other financial assets	-	-	-	722	-	-	-	-	722
Long-term financial liabilities:	-	-	-	-	-	**(29,900)**		**(1,914)**	**(31,814)**
Interest-bearing loans and borrowings	-	-	-	-	-	(29,900)	-	-	(29,900)
Financial liabilities due to lease	-	-	-	-	-	-	-	(1,914)	(1,914)
Other financial liabilities	-	-	-	-	-	-	-	-	-
Short-term liabilities	-	-	-	-	-	**(60,450)**	-	**(1,128)**	**(61,578)**
Liabilities arising from supplies and services as well as other liabilities	-	-	-	-	-	(30,826)	-	-	(30,826)
Liabilities related to derivative instruments	-	-	-	-	-	-	-	-	-
Current portion of loans and borrowings	-	-	-	-	-	(29,624)	-	-	(29,624)
Financial liabilities due to lease	-	-	-	-	-	-	-	(1,128)	(1,128)
	-	-	**4**	**109,436**	-	**(90,350)**	**8,950**	**(3,042)**	**(24,998)**

36.2. Fair value

	As at 31 December 2013		As at 31 December 2012	
	Carrying value	Fair value	Carrying value	Fair value
Financial fixed assets	406	406	872	872
Receivables from derivative instruments	9,824	9,824	8,950	8,950
Cash and cash equivalents	76,119	76,119	29,991	29,991
Other current financial assets	731	731	722	722
Interest-bearing loans and borrowings	(58,178)	(58,178)	(29,900)	(29,900)
Long-term financial liabilities due to lease	(2,115)	(2,115)	(1,914)	(1,914)
Other long-term financial liabilities	-	-	-	-
Liabilities related to derivative instruments	-	-	-	-
Current portion of loans and borrowings	(9,259)	(9,259)	(29,624)	(29,624)
Short-term financial liabilities due to lease	(756)	(756)	(1,128)	(1,128)

The Group does not compare the carrying amounts and fair values of the classes of financial instruments that are of short-term receivable or liability nature.

Shares and interest included in the available-for-sale financial assets relate to non-quoted entities with regard to which there is no possibility of determining their actual fair value using alternative methods are valuated at the purchase price adjusted by any impairment write-downs.

36.3. Fair value hierarchy

The following note presents only disclosures for financial instruments measured in the balance sheet at fair value.

	As at 31 December 2013		As at 31 December 2012	
	Level 2	Level 3	Level 2	Level 3
Financial fixed assets	-	3	-	4
Receivables from derivative instruments	9,824	-	8,950	-
Liabilities related to derivative instruments	-	-	-	-
	9,824	**3**	**8,950**	**4**

Methods of determining fair value of financial instruments

Level I

In the reporting period ended 31 December 2013 the Group had no financial instruments measured at fair value classified to level I (as at 31 December 2012: none).

Level II

For level II the Group classifies receivables or liabilities from derivative instruments. Changes in fair value of derivatives that meet hedge accounting criteria include, in part, effective for the Group's equity and the ineffective portion in the profit and loss account. At the time of implementation of the hedged sales revenue, changes in fair value of hedging instruments are recognised in the profit and loss account. Changes in the fair value of derivative instruments which do not meet the criteria for applying hedge accounting policies are recognized in the profit and loss account for the current period.

Fair value of derivatives is determined using valuation models for financial instruments and publicly available exchange rates (exchange rate for EUR – 4.1472) and interest rates (IM -12 M WIBID, 1M-12M EURIBOR). Indicators of exchange rates volatility are sourced from Reuters and are as follows:

EUR/PLN PUT - płaszczyzna zmienności na koniec grudnia 2013			
Tenor	Maturity	ATM Bid	ATM Ask
DD	2014-01-02	3,28%	4,98%
3 Days	2014-01-03	3,28%	4,98%
1 Week	2014-01-07	3,28%	4,98%
2 Weeks	2014-01-14	3,64%	5,06%
3 Weeks	2014-01-21	4,00%	5,14%
1 Month	2014-01-31	4,51%	5,26%
2 Months	2014-02-28	4,93%	5,68%
3 Months	2014-03-31	5,38%	6,08%
4 Months	2014-04-30	5,72%	6,41%
5 Months	2014-06-02	6,10%	6,77%
6 Months	2014-06-30	6,43%	7,08%
7 Months	2014-07-31	6,59%	7,25%
8 Months	2014-09-01	6,75%	7,44%
9 Months	2014-09-30	6,90%	7,60%
10 Months	2014-10-31	7,06%	7,78%
11 Months	2014-12-01	7,22%	7,95%
1 Year	2014-12-31	7,38%	8,13%
1Y 3M	2015-03-31	7,38%	8,13%
1Y 6M	2015-06-30	7,38%	8,13%
1Y 9M	2015-09-30	7,38%	8,13%
2 Years	2015-12-31	7,38%	8,13%

EUR/PLN CALL - płaszczyzna zmienności na koniec grudnia 2013			
Tenor	Maturity	ATM Bid	ATM Ask
DD	2014-01-02	3,28%	4,98%
3 Days	2014-01-03	3,28%	4,98%
1 Week	2014-01-07	3,28%	4,98%
2 Weeks	2014-01-14	3,64%	5,06%
3 Weeks	2014-01-21	4,00%	5,14%
1 Month	2014-01-31	4,51%	5,26%
2 Months	2014-02-28	4,93%	5,68%
3 Months	2014-03-31	5,38%	6,08%
4 Months	2014-04-30	5,72%	6,41%
5 Months	2014-06-02	6,10%	6,77%
6 Months	2014-06-30	6,43%	7,08%
7 Months	2014-07-31	6,59%	7,25%
8 Months	2014-09-01	6,75%	7,44%
9 Months	2014-09-30	6,90%	7,60%
10 Months	2014-10-31	7,06%	7,78%
11 Months	2014-12-01	7,22%	7,95%
1 Year	2014-12-31	7,38%	8,13%
1Y 3M	2015-03-31	7,38%	8,13%
1Y 6M	2015-06-30	7,38%	8,13%
1Y 9M	2015-09-30	7,38%	8,13%
2 Years	2015-12-31	7,38%	8,13%

volatility sphere as at the end of December 2013.

The Company uses Garman-Kohlhagen model for the valuation of European options.
Exchange rates at which currency options are executes are presented in note 37.2 Hedge accounting.

Level III
Level III covers shares in non-listed companies, for which it is not possible to reliably determine their fair value. For these companies, there are no active markets and no comparable transactions with the use of the same instruments. In the statement of financial situation, these shares are valued at the purchase price net of impairment write-downs.

	As at	
	31.12.2013	**31.12.2012**
As of the beginning of the period	3	4
Revaluation write-downs	-	-
Sale	-	-
As of the end of the period	**3**	**4**

In the reporting period there was no reclassification or transfer of financial instruments between different levels (in the comparable period: none).

36.4. Income, costs, profit and loss positions related to financial instruments recognised in the profit and loss account

	Income, costs, profit and loss positions (including interest-related income and costs) as at 31 December 2013							
	Financial assets held to maturity	Assets/financial liabilities at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from IAS 39	**Total**
Income/(expense) due to interest	-	-	-	1,172	(1,012)	-	(89)	**71**
Foreign exchange profits/(losses)	-	-	-	473	(381)	-	-	**92**
(Establishment)/reversal of revaluation write-downs	-	-	-	(1,285)	-	-	-	**(1,285)**
Dividends	-	-	25	-	-	-	-	**25**
Profits/(losses) on sale/execution of financial instruments								
Adjustment of sales due to hedging transactions						2,857		**2,857**
Profits/(losses) due to the valuation and execution of derivatives in the period						552		**552**
Total net profit/(loss)	-	-	**25**	**360**	**(1,393)**	**3,409**	**(89)**	**2,312**

Income, costs, profit and loss positions (including interest-related income and costs) as at 31 December 2012								
	Financial assets held to maturity	Assets/financial liabilities at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Financial liabilities valued at amortised cost	Hedging instruments	Financial liabilities excluded from IAS 39	**Total**
Income/(expense) due to interest	-	-	-	778	(1,266)	-	(140)	**(628)**
Foreign exchange profits/(losses)	-	-	-	(6,630)	7,176	-	-	**546**
(Establishment)/reversal of revaluation write-downs	-	-	-	(563)	-	-	-	**(563)**
Dividends	-	-	7	-	-	-	-	7
Profits/(losses) on sale/execution of financial instruments								
Adjustment of sales due to hedging transactions								
Profits/(losses) due to the valuation and execution of derivatives in the period								
Total net profit/(loss)	-	-	7	**(6,415)**	**5,910**	-	**(140)**	**(638)**

37. Financial risk management objectives and policies

Apart from derivatives, the Group's principal financial instruments comprise bank loans, bonds, cash, treasury bills and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors and contract liabilities, which arise directly from its operations. The Group also performs transactions involving derivatives, primarily *zero-cost option strategies*. The purpose of these transactions is to manage interest rate risk and currency risk arising in the course of business activity of the Group. It is – and has been throughout the audited period – the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board verifies and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments. The accounting policies of the Group relating to derivatives are set out in note 9.19.

37.1. Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations that bear interest at floating interest rates (WIBOR, EURIBOR, LIBOR) increased by a margin. In order to analyse the sensitivity to changes in the interest rate of long-term financial liabilities of the Group, i.e. loans and obligations under financial lease, their interest rate has been assumed to decline per annum for EURIBOR by 0.10 percentage point and increase per annum for WIBOR by 0.50 percentage point, as well as increase for LIBOR – by 0.50 percentage point (2012: WIBOR- a decrease of 0.75 percentage points; EURIBOR increase by 0.5 percentage point, LIBOR – none)

The Group does not have any hedging instruments against interest rate risk.

Interest rate risk – sensitivity analysis
The following table shows the sensitivity of gross financial result to reasonably possible changes in interest rates assuming that other factors do not change, in relation to liabilities bearing floating interest rate. No impact has been shown on the Group's equity.

	Increase in percentage points	Impact on gross financial result
Year ended on 31.12.2013		
PLN	0.50%	(135)
EUR	-0.10%	33
USD	0.05%	(1)
Year ended on 31.12.2012		
PLN	-0.75%	139
EUR	0.50%	(66)
USD	-	-

The carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk.

31 December 2013 – variable interest rate

	< 1 year	1–2 years	2–5 years	> 5 years	Total
Bank loans	9,259	4,479	53,699	-	67,437
Financial lease	756	1,367	748	-	2,871

31 December 2012 – variable interest rate

	1 year	1–2 years	2–5 years	> 5 years	Total
Bank loans	29,624	25,484	4,416	-	59,524
Financial lease	1,178	549	1,365	-	3,042

The effective interest rate for loans taken by the Group as at 31 December 2013 was 1.3871% (in 2012: 1.5796%).

Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument. The other financial instruments of the Group that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

37.2. Currency risk

The Group has sales transactions currency exposures. Such an exposure arises from sales and purchases made by an operating unit in currencies other than its functional currency. Approximately 82% of the Group's sales transactions are denominated in currencies other than the functional currency of the operating unit performing the sales.

The Group seeks to negotiate the terms of the hedging derivatives in such a way as to match the terms of the hedged item and providing maximum effectiveness of the hedge.

The following table shows the sensitivity of gross profit due to changes in the fair value of monetary assets and liabilities to reasonably possible fluctuations in the EUR, GBP and USD (in total) assuming that other factor do not change.

For the needs of the analysis assumptions were made regarding changes in currency exchange rates based on published market forecasts: for data on 31 December 2013 an increase was assumed of all the mentioned exchange rates by 5% (2012: increase of 5%) and a decrease of 5% over the year (2012: decrease of 5%).

	Percentage changes in rates	Impact on gross financial result	Impact on equity
31 December 2013			
Trade receivables	5%	3,618	-
Loans granted	5%	34	-
Cash	5%	776	-
Hedging instruments	5%	-	(9,615)
Trade liabilities	**5%**	(1,001)	-
Bank loans	**5%**	(3,453)	-
Financial lease	5%	(136)	
Total influence of increase of the exchange rate		**(162)**	**(9,615)**
Trade receivables	-5%	(3,618)	-
Loans granted	-5%	(34)	-
Cash	-5%	(776)	-
Hedging instruments	-5%	-	13,444
Trade liabilities	-5%	1,001	-
Bank loans	-5%	3,453	-
Financial lease	-5%	136	
Total influence of the decrease of exchange rate		**162**	**13,444**
31 December 2012			
Trade receivables	5%	3,141	-
Loans granted	5%	32	-
Cash	5%	676	-
Hedging instruments	5%	-	(5,673)
Trade liabilities	5%	(815)	-
Bank loans	5%	(2,931)	-
Total influence of increase of the exchange rate		**103**	**(5,673)**
Trade receivables	-5%	(3,141)	-
Loans granted	-5%	(32)	-
Cash	-5%	(676)	-
Hedging instruments	-5%	-	9,336
Trade liabilities	-5%	815	-
Bank loans	-5%	2,931	-
Total influence of the decrease of exchange rates		*(1031*	*10 33K1*

Currency risk hedging
The basic method of managing the currency risk hedging strategies use derivative instrument. To hedge future foreign currency transactions, the Company uses symmetrical option strategies.

The impact of derivatives on the statement of financial position
As at 31 December 2013, the fair value of open items in derivatives amounted to PLN 9,318 thousand and was recognised in total in receivables from derivative financial instruments.

The impact of derivatives on financial result and other comprehensive income
Rate of implementation of the expiring option strategies covered by hedge accounting are included in the corridors, without affecting the Parent Company's financial result.

The impact of derivatives on the result of the period

	01.01.-31.12.2013	01.01.-31.12.2012
Influence on sales revenue	2,857	-
Impact on other operating revenue/costs, of which:	552	-
- due to the execution of derivatives in the period	500	-
- due to the valuation of derivatives in the period	52	-
Proceeds from derivatives on the result of the period, in total:	**3,409**	-

Hedge accounting

Summary of the more important hedge accounting policies has been presented in note 9.20. According to them, changes in fair value of hedging instruments include, in part, the effective equity of the Parent Company and the ineffective portion in the profit and loss account. At the time of implementation of the hedged sales revenue, changes in fair value of hedging instruments are

recognised in the profit and loss account.

Not less frequently than at hedge inception and on the last day of each month, assessment of the prospective effectiveness is made by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of future cash flows.

At the end of each month, measurement is performed of the effectiveness of hedging – retrospective efficiency – by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of the estimated future cash flows based on market data exchange on the valuation date.

Revaluation reserve from hedging instruments
Revaluation reserve from financial instruments is presented in item 30.3 of additional explanatory notes.

Fair value foreign exchange contracts
As at 31 December 2013, the fair value of foreign exchange contracts that meet the criteria for hedge accounting amounted to PLN 9,318 thousand and as the effective value it was recognised in total in reserves from revaluation and receivables from derivative financial instruments.

In addition, at the balance sheet date receivables from derivative financial instruments included an amount of PLN 506 thousand as a result of an option due on 31 December 2013, whose cash settlement with the bank took place on 3 January 2014.

The following table contains data on the fair values and the related settlement terms, as well as summary information on the amount (volume) that constitutes the basis of future payments and the price of execution of effective forward contracts. Settlement terms are consistent with the terms in which the amount charged to the revaluation reserve in respect of the transaction will be charged to the profit and loss account.

Currency	Amount in currency	Type of transaction	Date of conclusion	Date of performance	Exchange rate	Name of the Bank	Fair value
EUR	7,000	Put Option	03.2012	09.2014-12.2014	4.2000	PKO BP S.A.	681
EUR	7,000	Call Option	03.2012	09.2014-12.2014	4.7110	PKO BP S.A.	(55)
EUR	20,000	Put Option	June 2012	01.2014-05.2014	4.3000	PKO BP S.A.	2,797
EUR	20,000	Call Option	June 2012	01.2014-05.2014	4.9830-5.1400	PKO BP S.A.	0
EUR	9,000	Put Option	03.2013	12.2014-02.2015	4.2000	PKO BP S.A.	979
EUR	9,000	Call Option	03.2013	12.2014-02.2015	4.7110-4.7580	PKO BP S.A.	(134)
EUR	8,000	Put Option	05.2013	03.2015-04.2015	4.1800-4.2000	PKO BP S.A.	860
EUR	8,000	Call Option	05.2013	03.2015-04.2015	4.6760-4.7000	PKO BP S.A.	(228)
EUR	10,000	Put Option	11.2013	08.2015-09.2015	4.2500	PKO BP S.A.	1,393
EUR	10,000	Call Option	11.2013	08.2015-09.2015	4.6300	PKO BP S.A.	(609)
Total						**PKO BP S.A.**	**5,684**
EUR	14,000	Put Option	January 2013	June 2014 – December 2014	4.1500-4.2000	mBank S.A.	1,141
EUR	14,000	Call Option	January 2013	June 2014 – December 2014	4.6660-4.8000	mBank S.A.	(52)
EUR	4,000	Put Option	05.2013	05.2015	4.3000	mBank S.A.	650
EUR	4,000	Call Option	05.2013	05.2015	4.7530	mBank S.A.	(105)
EUR	4,000	Put Option	06.2013	06.2015	4.3500	mBank S.A.	763
EUR	4,000	Call Option	06.2013	06.2015	4.8610	mBank S.A.	(75)
EUR	4,000	Put Option	08.2013	07.2015	4.2600	mBank S.A.	573
EUR	4,000	Call Option	08.2013	07.2015	4.8000	mBank S.A.	(112)
Total						**mBank S.A.**	**2,783**
EUR	6,000	Put Option	April 2012	January 2014 – March 2014	4.3000	HSBC Bank Polska S.A.	851
EUR	6,000	Call Option	April 2012	January 2014 – March 2014	4.8100-4.8850	HSBC Bank Polska S.A.	0
Total						**HSBC Bank Polska S.A.**	**851**

Risks related to forward foreign exchange contracts are the risks of interest rate, exchange rate and the insolvency of a given counterparty. Credit risk is limited, however, because the counterparty to the transaction are banks with high financial standing.

37.3. Credit risk

The Group operates a procedure for granting the counterparty trade credit limit and describing its form of security. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

A greater part of the trade receivables is insured, or secured by bank guarantees due to the central settlement. In addition, receivables from counterparties are regularly monitored by the trade and financial regulatory bodies. In the event of overdue receivables, in accordance with the applicable procedures sales are halted and debt collection begins.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments with positive fair value, the Group's exposure to credit risk arises from default of the counter party.

There are no significant concentrations of credit risk within the Group.

37.4. Liquidity risk

The lack of funds risk is monitored by the Group with the use of the periodical liquidity planning tool. This tool takes into account the maturity dates of investments and financial assets (e.g. receivable accounts, other financial assets) as well as projected cash flows from operating activity.

The Group's objective is to maintain balance between the continuity and flexibility of funding through the use of various sources such as bank overdrafts, bank loans, and financial leases.

The table below provides an analysis of the Group's financial liabilities as at 31 December 2013 and as at 31 December 2012 by maturity based on contractual non-discount payment terms.

31 December 2013	< 1 year	1–2 years	2–5 years	> 5 years	Total
Bank loans	9,259	4,479	53,699	-	67,437
Financial lease	756	1,367	748	-	2,871
Trade and other liabilities	54,720	-	-	-	54,720
	64,735	**5,846**	**54,444**	-	**125,028**

31 December 2012	< 1 year	1–2 years	2–5 years	> 5 years	Total
Bank loans	29,624	25,484	4,416	-	59,524
Financial lease	1,128	549	1,365	-	3,042
Trade and other liabilities	40,846	-	-	-	40,846
	71,598	**26,033**	**5,781**	_	**103,412**

38. Capital management

The Group's main objective when managing the capital is to maintain good credit rating and safe capital ratios that can support the Group's operating activities and increase its value to the shareholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or issue new shares. In the reporting periods ended 31 December 2013 and 31 December 2012, there were no changes to the Company's objectives, policies and processes for managing capital.

The Group monitors capital using the leverage ratio calculated as the ratio of net debt to net debt plus total equity. The Group's policy is to keep the ratio between 20% and 40%.

	31.12.2013	31.12.2012
Interest-bearing credits and loans	67,437	59,524
Financial lease	2,871	3,042
Trade and other liabilities, provisions, accruals/deferrals	99,393	72,678
Cash and cash equivalents	(76,119)	(29,991)
Net debt	**94,128**	**105,253**
Convertible preference shares	-	-
Share capital	23,751	23,751
Share premium	111,646	111,646
Other reserve capital	146,903	137,494
Revaluation reserve	7,548	7,249
Incentive Scheme	420	198
Retained earnings	90,348	64,528
Exchange differences on translation of foreign operations	380	368
Equity of non-controlling shareholders	3,711	3,649
Total capital	384,607	348,883
Capital and net debt ratios	478,735	454,136
Gearing ratio	24.40%	23.18%

39. Related party disclosures

The following table presents total amounts of transactions concluded with related entities:

Related entity	Sales to related undertakings	Purchases from related entities	Receivables from related entities	Liabilities to related entities
Subsidiaries:				

Forte Baldai UAB	31.12.2013	-	253	49	-
	31.12.2012	120	-	151	-
Forte SK S.r.o.	31.12.2013	168	1,947	-	138
	31.12.2012	204	2,169	109	167
Forte Furniture Ltd.	31.12.2013	-	475	-	40
	31.12.2012	-	589	-	48
Forte Iberia S.l.u.	31.12.2013	6	757	-	62
	31.12.2012	-	707	-	12
Forte Mobilier S.a.r.l.	31.12.2013	-	338	1	41
	31.12.2012	-	-	136	-
Forte Mobila S.r.l.	31.12.2013	345	465	138	-
	31.12.2012	1,050	235	1,916	30
TM Handel Sp. z o.o.	31.12.2013	26,499	4,415	3,729	309
	31.12.2012	32,860	3,985	9,946	1,645
Total	**31.12.2013**	**27,018**	**8,650**	**3,917**	**590**
	31.12.2012	**34,234**	**7,685**	**12,258**	**1,902**

Transactions regard the sale of products, goods and services and the purchase of services.

All loans are presented in the above note as receivables from related entities.

Balance of loans granted as at 30 December 2014 is presented in the table below:

Related entity	Loan amount	Loan currency	Due date	Loan balance as at 31 December 2013	Interest amount as at 31 December 2013
Subsidiaries:					
Forte SK S. r. o.	1,260	PLN	December 2015	383	2
Forte Mobila S.r.l.	330	EUR	September 2014	283	-
Forte Mobilier S.a.r.l.	80	EUR	June 2017	290	1
Forte Baldai UAB	25	EUR	December 2018	104	-
Total:				**1,060**	**3**
Including:					
Short-term portion:					
Forte SK S. r. o.				270	2
Forte Mobila S.r.l.				283	-
Forte Mobilier S.a.r.l.				83	1
Forte Baldai UAB				21	-
Total:				**657**	**3**
Long-term portion:					
Forte SK S. r. o.				113	-
Forte Mobila S.r.l.				-	-
Forte Mobilier S.a.r.l.				207	-
Forte Baldai UAB				83	-
Total:				**403**	**-**

These loans were granted on market terms (variable interest rate based on EURIBOR/WIBOR plus a margin.

Balance of loans granted to non-consolidated subsidiaries as at 31 December 2012:

Related entity	Loan amount	Loan currency	Due date	Loan balance as at 31 December 2012	Interest amount as at 31 December 2012
Subsidiaries: Forte SK S. r. o.	1,260	PLN	December 2015	787	4
Forte Mobila S.r.l.	330	EUR	September 2014	635	3
Total:				**1,422**	**7**

39.1. Parent Entity of the Group

The parent entity of the Fabryki Mebli FORTE Capital Group is Fabryki Mebli FORTE S.A.

39.2. Entity with significant influence over the Group

Information about the entities holding more than 5% of the share capital of the Parent Entity are presented in Note 30.

39.3. Joint venture in which the Parent Company is a venturer

The Group's Parent Company does not conduct joint ventures.

39.4. Terms and conditions of transactions with related parties

All transactions with related entities are conducted under terms used by the Group in relations with unrelated entities.

39.5. Transactions involving the Management Board, key managerial staff and members of their immediate families.

Incentive Scheme for Members of the Management Board of the Parent Company and the issue of series A, B and C subscription warrants with the exclusion of the pre-emptive right to series A, B and C subscription warrants

Due to the fact that as at 31 December 2013 the non-market condition of net profit growth per share of the Parent Company, established on the basis of the consolidated annual financial statements of the Capital Group, has been met, the Company has adopted a number of 150,000 warrants as remaining to be executed on this day. Thus, the value of the total cost recognised in the reporting period ended 31 December 2013 amounted to PLN 222 thousand.

The table below presents the scope of the adopted incentive scheme for unrealised Series, in accordance with the agreed Rules of the Incentive Scheme.

	C series
Number of subscription warrants	150,000
Vesting period	1 January 2013 – 31 December 2013
Issue price of the Series G shares	PLN 11.52
Conditions for entitlement to acquire warrants	1/ increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2013 compared to the average price of the Company's shares on the WSE in December 2012 2/ increase by at least 10% of net profit per Company's share as at 31 December 2013 compared to the result as at 31 December 2012 3/ serving as a Member of the Management Board for at least six months in a given period and remaining at the position at the end of the given period, as well as obtaining the acknowledgement of fulfilment of duties of a Member of the Management Board of the Company during the given period

The number and weighted average prices of warrants execution are as follows:

	Series	Number of warrants	weighted average execution price
As at 31.12.2013	C	150,000	11.52
Granted in 2012		-	-
Redeemed/expired in 2012	B	150,000	11.52
Granted in 2011		-	-
Redeemed/expired in 2011	A	150,000	11.52

39.6. Remuneration of the Group's senior management

Remuneration paid to members of the Management Board and Supervisory Board of the Company (the Parent Company) and the Management Boards/Members of the Supervisory Boards of the Group's related entities is as follows:

Remuneration paid or payable to the members of the Management Board and Supervisory Board of the Group

	Period of 12 months ended	
	31.12.2013	**31.12.2012**
Management Board's remuneration, including:	**7,433**	**6,519**
in the Issuer's enterprise	**6,800**	**5,809**
Maciej Formanowicz	1,471	1,548
Robert Rogowski	1,199	1,127
Gert Coopmann	2,484	1,994
Klaus Dieter Dahlem	1,646	1,140
for performing functions in the Governing Bodies of the subsidiaries	**633**	**710**
Maciej Formanowicz	557	603
Robert Rogowski	-	-
Gert Coopmann Klaus Dieter Dahlem	76	107
Supervisory Board:	**216**	**216**
Zbigniew Sebastian	48	48
Władysław Frasyniuk	42	42
Stanisław Krauz	42	42
Marek Rocki	42	42
Tomasz Domagalski	42	42

Remuneration paid or payable to other members of key management personnel

		Year ended
	31.12.2013	**31.12.2012**
Short-term employee benefits (salaries and overheads)	4,493	6,013

Jubilee awards	-	-
Benefits after the employment period	-	-
Revenues from dissolution of employment	-	66
Share-based employee benefits	-	-
Total remuneration paid to key management personnel (except for members of the Management Board and the Supervisory Board)	**4,493**	**6,079**

39.7. Participation of senior executives in the employee programmes and schemes

No employee share incentive programmes were in force in the reporting period.

40. Employment structure

Average employment in the Group in the period from January to December 2013 was as follows:

	2013	2012
Management Board of the Parent Company	4	4
Management Boards of related entities	5	3
Administration	120	110
Sales Department	231	246
Production Division	1,462	1,358
Other	341	312
Total	**2,163**	**2,033**

41. Subsequent events after the reporting period

On 10 January 2014, Robert Sławomir Rogowski submitted his resignation from the position of Vice-President of the Management Board of the Parent Entity. The resignation was due to personal matters. On the same day, the Company's Supervisory Board appointed as of 1 March 2014 Mariusz Jacek Gajda as Member of the Management Board of the Parent Company.

The Company entered into the following zero-cost transactions regarding the sale of Call options and purchase of Put options hedging from currency risk:

- on 21 January 2014 with mBank S.A.:

  1. EUR 2,500,000 – Put 4.2200-Call 4.5870 with an expiration date 2015-10-29
  2. EUR 2,500,000 – Put 4.2200-Call 4.5870 with an expiration date 2015-11-27
  3. EUR 2,500,000 – Put 4.2200 – Call 4.5870 with an expiration date 2015-12-28

The total nominal amount of the transactions amounts to EUR 15 million (EUR 7.5 million for each option type), which is equivalent to the amount of PLN 62.5 million.

- on 24 January 2014 with mBank S.A.:

  1. EUR 2,500,000 – Put 4.2710 – Call 4.5900 with an expiration date 2015-10-15
  2. EUR 2,500,000 – Put 4.2710 – Call 4.5900 with an expiration date 2015-11-13
  3. EUR 2,000,000 – Put 4.2710 – Call 4.5900 with an expiration date 2015-12-14

The total nominal amount of the transactions amounts to EUR 14 million (EUR 7 million for each option type), which is equivalent to the amount of PLN 58.8 million.

- on 14 March with ING Bank Śląski S.A.:

  1. EUR 1,000,000 – Put 4.2600 – Call 4.7305 with an expiration date 2015-07-29
  2. EUR 1,000,000 – Put 4.2600 – Call 4.7305 with an expiration date 2015-09-14
  3. EUR 1,500,000 – Put 4.2600 – Call 4.7305 with an expiration date 2015-10-15
  4. EUR 1,500,000 – Put 4.2600 – Call 4.7305 with an expiration date 2015-10-29
  5. EUR 1,500,000 – Put 4.2600 – Call 4.7305 with an expiration date 2015-11-13
  6. EUR 1,500,000 – Put 4.2600 – Call 4.7305 with an expiration date 2015-11-27
  7. EUR 1,000,000 – Put 4.2600 – Call 4.7305 with an expiration date 2015-12-14

- on 14 March 2014 with PKO Bank Polski S.A.:

  1. EUR 2,000,000 – Put 4.3000 – Call 4.7465 with an expiration date 2016-01-15
  2. EUR 2,000,000 – Put 4.3000 – Call 4.7465 with an expiration date 2016-02-15
  3. EUR 2,000,000 – Put 4.3000 – Call 4.7465 with an expiration date 2016-03-14

The total nominal amount of the transactions amounts to EUR 30 million (EUR 15 million for each option type), which is equivalent to the amount of PLN 127 million.

On 30 January 2014, the Company signed the following forward transactions with PKO BP S.A.:

1. Sale EUR 1,000,000 at the rate of 4.2662 with settlement date on 2014-06-16
2. Sale EUR 1,000,000 at the rate of 4.2739 with settlement date on 2014-07-15
3. Sale EUR 1,000,000 at the rate of 4.2818 with settlement date on 2014-08-14
4. Sale EUR 1,000,000 at the rate of 4.2900 with settlement date on 2014-09-15
5. Sale EUR 1,000,000 at the rate of 4.2985 with settlement date on 2014-10-15
6. Sale EUR 1,000,000 at the rate of 4.3065 with settlement date on 2014-11-14

The total nominal amount of the said transactions amounts to EUR 13 million, which is equivalent to the amount of PLN 55 million.

Signature of the person entrusted with bookkeeping

Anna Wilczyńska

Signatures of all Members of the Management Board:

President of the Management Board
Maciej Formanowicz

Member of the Management Board
Mariusz Gazda

Member of the Management Board
Klaus Dieter Dahlem

Member of the Management Board
Gert Coopmann

Ostrów Mazowiecka, 21 March 2014

FABRYKI MEBLI "FORTE" CAPITAL GROUP

Management Board's report on the operations of the Fabryki Mebli FORTE Capital Group for the period ended 31 December 2013.

Ostrów Mazowiecka, 21 March 2014.

I. CURRENT FINANCIAL AND OPERATIONAL STANDING

This Report on the operations of the Capital Group of the Issuer – Fabryki Mebli "FORTE" in 2013 was prepared on the basis of § 92 of the Regulation of the Minister of Finance of 19 February 2009 concerning current and periodic information provided by securities issuers and conditions of recognising as equivalent information required under the regulations of a state not being a member state (Journal of Laws of 28 January 2014, item 133).

1. Basic information on the Fabryki Mebli FORTE Capital Group

1.1. Information on the Group's Parent Company

Fabryki Mebli FORTE S.A. ("Parent Company", "Company") was established by a Notarial Deed of 25 November 1993. The Parent Company's seat is located in Ostrów Mazowiecka, ul. Biała 1.

The Parent Company is entered into the Register of Businesses of the National Court Register maintained by the District Court, 14th Commercial Division of the National Court Register, under KRS number 21840.

The Parent Company was awarded the statistical number REGON: 550398784.

The duration of the Parent Company is unlimited.

Main activities of the Parent Company include:

- production of furniture,
- provision of services in the scope of marketing, promotion, organisation, exhibitions, conferences,
- conducting trade activities domestically and abroad.

Fabryki Mebli "FORTE" S.A. conducts its business through four domestic Branches:

- Ostrów Mazowiecka ul. Biała 1 – HQ – the head office of the Company together with the Management Board and the manufacturing plant;
- Suwałki ul. Północna 30 – manufacturing plant;
- Hajnówka ul. 3-go Maja 51 – manufacturing plant.
- Białystok ul. Generała Andersa 11 – manufacturing plant; and furniture stores in Wrocław, Toruń, Przemyśl and Białystok.

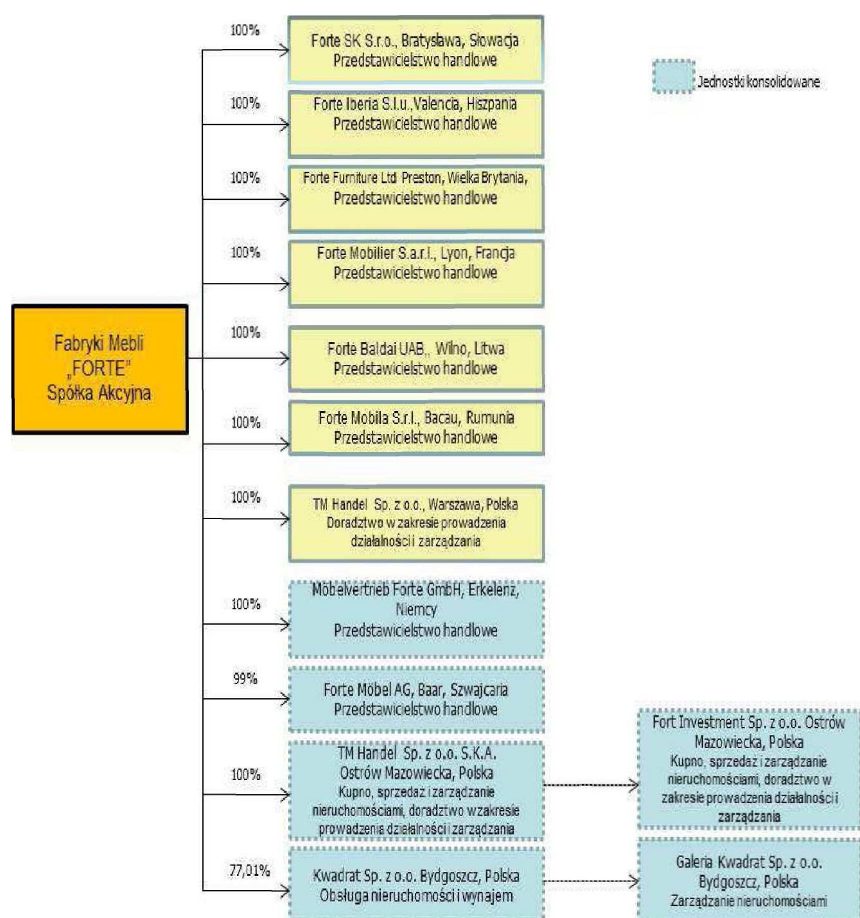
The Fabryki Mebli FORTE Group includes the following consolidated subsidiaries:

Subsidiaries (full consolidation method):	Registered office	Scope of activities	Percentage share of the Group in the capital	
			31.12.2013	31.12.2012
MV Forte GmbH	Erkelenz (Germany)	Dealership	100.00%	100.00%
Forte Möbel AG	Baar (Switzerland)	Dealership	99.00%	99.00%
Kwadrat Sp. z o.o.	Bydgoszcz	Real estate service and lease	77.01%	77.01%
**Galeria Kwadrat Sp. z o.o.*	*Bydgoszcz*	*Management of real property*	*77.01%*	*77.01%*
TM Handel Sp. z o.o. SKA	Ostrów Mazowiecka	Purchase, sale and the management of real property, advisory services regarding the conduct of business activity and the management	100.00%	100.00%
***Fort Investment Sp. z o.o.*	*Ostrów Mazowiecka*	*Purchase, sale and the management of real property, advisory services regarding the conduct of business activity and the management*	*100.00%*	*100.00%*

* indirectly related Parent Company – 100% subsidiary of Kwadrat Sp. z o.o.
** indirectly related Parent Company – 100% subsidiary of TM Handel Sp. z o.o. SKA

The Group includes subsidiaries, specified in note 6, excluded from consolidation on the basis of an insignificant impact of their financial data on the consolidated statements.

The Parent Company is a Parent Company and forms the Capital Group together with other entities. As at 31 December 2013 the Capital Group was composed of:



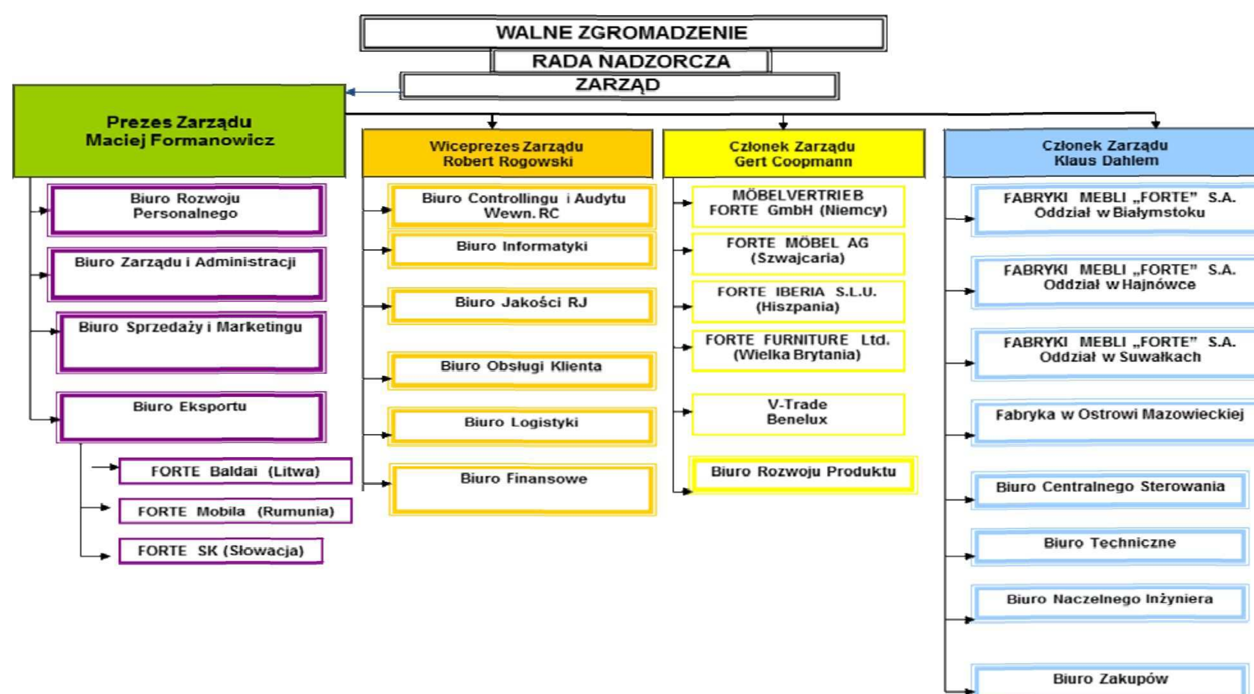
	Dealership
	Consolidated entities
	Advisory services regarding conducting business activity and management
	Purchase, sale and the management of real property, advisory services regarding the conduct of business activity and the management
	Real estate service and lease
	Management of real property

1.2. Parent Company Management Board

Management Board composition as at the balance sheet date ended 31 December 2013
Maciej Formanowicz – President of the Management Board
Robert Rogowski – Vice-President of the Management Board
Klaus Dieter Dahlem – Member of the Management Board
Gert Coopmann – Member of the Management Board

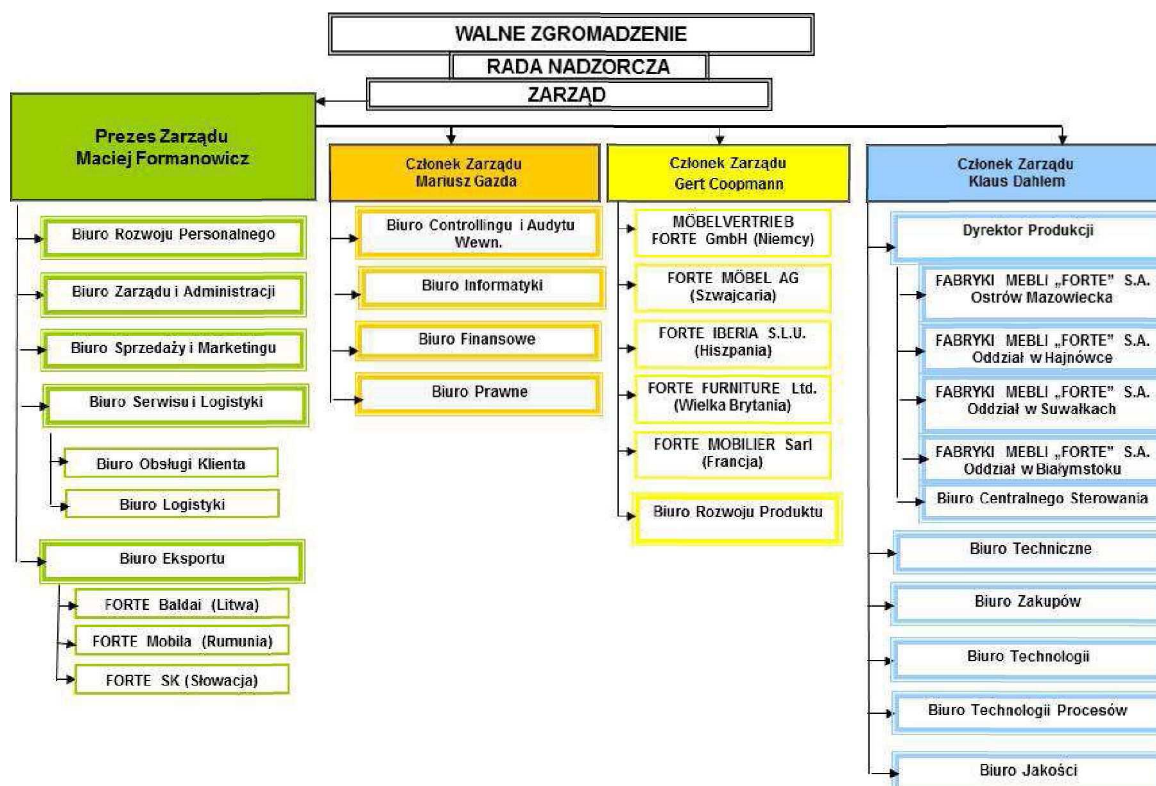
Management Board composition as of the date of publication of this report i.e. 21 March 2014
Maciej Formanowicz – President of the Management Board
Mariusz Gazda – Member of the Management Board
Klaus Dieter Dahlem – Member of the Management Board
Gert Coopmann – Member of the Management Board

Chart illustrating roles and division of responsibilities of Members of the Management Board of Fabryki Mebli "FORTE" Capital Group's Parent Company, in force at the end of 2013.



	General Meeting
	Supervisory Board
	Management Board
	President of the Management Board
	Human Resources Development Office
	Management and Administration Office
	Vice-President of the Management Board
	Member of the Management Board
	Internal Audit and Controlling Office RC
	IT Office
	RJ Quality Office
	Branch in
	Sales and Marketing Office
	Export Office
	Customer Service Office
	Logistics Office
	Financial Office
	Human Resources Development Office
	Factory in Ostrów Mazowiecka
	Central Control Office
	Technical Office
	Chief Engineer Office
	Purchase Office

Chart illustrating roles and division of responsibilities of Members of the Management Board of Fabryki Mebli "FORTE" Capital Group's Parent Company, in force as of 1 March 2014.



	General Meeting
	Supervisory Board
	Management Board
	President of the Management Board
	Human Resources Development Office
	Management and Administration Office
	Vice-President of the Management Board
	Member of the Management Board
	Internal Audit and Controlling Office
	IT Office
	RJ Quality Office
	Branch in
	Sales and Marketing Office
	Export Office
	Customer Service Office
	Logistics Office
	Financial Office
	Human Resources Development Office
	Central Control Office
	Purchase Office
	Service and Logistics Office
	Legal Office
	Production Director Office
	Product Development Office
	Technology Office
	Process Technology Office
	Quality Office

1.3. Mission and policy of the Fabryki Mebli FORTE Capital Group

Mission: Production leader, reliable supplier of modern furniture systems, which meets customer needs.
The aim of the Fabryki Mebli FORTE Capital Group is to:

- Continually increase the value of the company, and thus ensure that the shareholders receive a higher-than-average return on invested capital,
- Ensure the supply of goods and services meeting the requirements of Customers in a wide range of their needs, taking into account specific market requirements,

- Achieve full satisfaction of our Customers,
- Strengthen the opinion of a credible and reliable partner,
- Build creative relationships in the work environment through shaping the awareness and personality of people,
- Provide conditions ensuring safety and health at work,
- Conduct activities in an environmentally acceptable way,
- Be committed to preserving the values of FSC.

The abovementioned policy is implemented by the Group through:
- Constant monitoring of activities and their effects in financial terms and of Customer satisfaction, continued improvement of the Organisation Management System with the use of PN-EN ISO 9001:2009 Quality Management Systems,
- Continuous improvement of processes and product design so that their production is safer and their operational parameters meet Customer expectations and needs,
- Forming the attitudes of safe handling through the identification of threats and creation of technical, economical and organisational conditions leading to a reduction of risks,
- Acting in accordance with legal requirements and other regulations regarding the activities of the Organisation, the product, health and safety at work and environmental protection.

The effectiveness and efficiency of the Integrated Quality Management System and FSC is subject to continued commitment and responsibility of the Management Board.

1.4. Key events in which the Parent Company participated in 2013 and until the date of publication of the Management Board's Report

Date	Event
14–20 January 2013	IMM Fair in Cologne, Germany
28 January – 1 February 2013	Partnertage Fair in Barntrup, Germany
5–8 March 2013	Furniture Fair in Poznań, 2013
4–7 June 2013	Partner Days in Ostrów Mazowiecka
10–11 July 2013	Conforama Fair in Ostrów Mazowiecka
3–6 September 2013	International Furniture Fair in Ostróda
16–20 September 2013	MOW Fair in Germany
29 September 2013	The main sponsor of the TV project "Our new home" aired on Polsat TV
13 January 2014	IMM Fair in Cologne, Germany
19–22 January 2014	NEC Fair, United Kingdom
28–30 January 2014	Fair in Barntrup, Germany
11–14 February 2014	Fair in Valencia, Spain

1.5. Awards and honours

- "Diamond of the Furniture Industry 2013" award in the Living Room Space category – "Linea" in the competition organised by *BIZNEZ meble.pl* monthly and meble.pl website,
- The award granted by meble.pl website in the "MebWeb" competition for the best industry website www.forte.com.pl
- Award for the FADO collection in the "Living Room" category in the 11th edition of the "Meble Plus – Product of the Year 2013" organised by *Meble Plus* monthly
- First place in the 2013 ranking of the Cabinet Furniture Manufacturers in Poland organised by organised by *Meble Plus* monthly. When evaluating the manufacturers, elements taken into account included business contacts quality, as well as warranty and post-warranty service.
- Ostróda Fair 2013 – award for the best stand.
- Gold medal of the Poznań International Fair in the cabinet furniture category – SNOW programme – MEBLE POLSKA 2014 Fair
- Award for the ATTENTION programme in the category "Dining room" in the 12th edition of the contest for the best furniture industry products organised by "Meble Plus – Product of the Year 2014"

2. Identification of the major investments of the Capital Group.

The Issuer does not make investments in securities, intangible assets and real estate, it only has shares in the above mentioned entities.

The Group includes two real properties in its possession in its investment in real properties. These are shopping centres: in Wrocław with an area of ca. 7 thousand sq. m and in Bydgoszcz with an area of ca. 5 thousand sq. m. The properties were classified as investment properties because a vast part of them is leased to unrelated entities.

When assessing the value of investment real properties the Group in the applies principles set out in IAS 40, i.e. valuation at fair value. The valuation is carried out at the end of each financial year by an independent valuator.

A detailed description of the method of valuation and the fair value hierarchy is presented in note 20 to the Consolidated Financial Statements for the period ended 31 December 2013.

In 2013, Galeria Kwardat Parent Company purchased a land property located in Bydgoszcz, ul. Grudziądzka, with an area of 828 sq. m for a net price of PLN 1,020 thousand plus additional fees in the amount of PLN 8 thousand. The value of the purchased land increased the value of the property

As a result of revaluation of the investment real property as at 31 December 2013, there was no increase in the fair value of real property in Wrocław (in 2012 – an increase in the fair value by PLN 528 thousand), while in Bydgoszcz there was an increase by PLN 162 thousand (in 2012: increase in the fair value by PLN 173 thousand).

	Fair value change	
	2013	**2012**
Opening balance as at the beginning of the reporting period	46,772	46,071
Increase (later expenses)	1,190	701
- land purchase	1,028	
- reclassification of fixed assets under construction	-	-
- revaluation to the fair value	162	701
Closing balance as at the end of the reporting period	47,962	**46,772**

	For the reporting period ended	
	31.12.2013	**31.12.2012**
Interest income from the rent of investment real property	2,848	2,574
Costs resulting from repair and maintenance, including:	155	62
costs that brought rental income during the period	148	60
costs that did not bring rental income during the period	7	2

The Group has no contractual commitments for the purchase, construction or development of investment real estate, as well as repairs, maintenance and improvements.

3. Information concerning basic products, goods and services

Value sales in individual assortments (in PLN '000):

Assortment	2013		2012		Change during the period	
	Value	**Share**	**Value**	**Share**	**Value**	**Share**
Cabinet furniture	645,066	96.8%	536,312	95.7%	108,754	1.1%
Other furniture	1,864	0.3%	3,295	0.6%	(1,431)	(0.3%)
Goods	9,515	1.4%	3,063	0.5%	6,452	0.9%
Materials	3,524	0.5%	12,583	2.2%	(9,059)	(1.7%)
Services	6,396	1.0%	5,278	1.0%	1,118	0.0%
Total	**666,365**	**100%**	**560,531**	**100%**	**105,834**	**18.9%**

Due to the diversity of its assortment, the Issuer does not present the volume structure of sales as the value structure gives a complete picture of the sales structure and its changes.

According to the Issuer's strategy, it focuses its activities on the production of cabinet furniture for residential premises and offices and is one of the leaders of Polish furniture producers on the market. Complementarity and coherence of the offer additionally includes tables, chairs and decorative additions. The products offered by the Group have been recognisable in the market for many years. The Group has a wide range of regular customers – chain stores, furniture shops and warehouses.

In 2013, the Group continued the direction of the development of the commercial offer commenced in previous years and assuming focusing on the most profitable product group. Many programmes concerning modern design were introduced to the offer .

4. Information about markets, including the division into domestic and foreign markets.

The share of export sales has for many years constituted the basis for the activities of the Issuer's Capital Group. In 2013, export sales amounted to PLN 541,253 thousand and constituted 81.2% of the annual sales (in 2012 – PLN 449,999 thousand – 80.3%). German-speaking markets (Germany, Austria, Switzerland) remain the strategic ones, with sales in 2013 accounting for approx. 70% of total export sales.

Sales in the Polish market amounted to PLN 125,112 thousand (18.8%) compared to PLN 110,532 thousand (19.7%) in 2012 and focused on two main distribution channels: traditional furniture stores and retail chains.

Market development takes place by, *inter alia*, attracting new customers, increasing the number of products at regular customers and introducing new products to the market. The Group perceives the number of new products that are welcomed by the customers as its strength.

The biggest customer for the products is Roller GmbH (Germany). This customer's share in turnover exceeded 10% in the sales revenue. There are no formal ties between the customer and the Issuer.

The strategic supplier of raw materials for the Forte Capital Group is the PFLEIDERER Group. In 2013, its share in turnover exceeded 10% of the sales revenue. There are no formal ties between the supplier and the Issuer.

5. Information concerning contracts important for the activity.

Insurance contracts entered into by FORTE Group in 2013:

- In co-insurance with Genarali T.U.S.A, TUiR "WARTA" S.A., Gothaer Towarzystwo Ubezpieczeń S.A., and InterRisk Towarzystwo Ubezpieczeń S.A Vienna Insurance Group: insurance period 25 September 2013 – 24 September 2014
  - property insurance from acts of God – the sum insured of PLN 505,461 thousand.
  - insurance of the loss of profit – the sum insured of PLN 177,680 thousand.
- with TUiR "Warta S.A.": insurance period 25 September 2013 -24 September 2014
  - electronic equipment insurance against all risks – the sum insured of PLN 3,200 thousand.
  - company's activity third-party liability insurance – the sum insured PLN 15,000 thousand property insurance in transportation – the sum insured of PLN 317,000 thousand.
- with AIG Europe Limited Sp. z o.o.: insurance period 1 April 2013 – 31 March 2014
  - liability insurance of the Members of the Issuer's Bodies – the sum insured of EUR 10,000 thousand.
- with TUiR "Warta S.A.": insurance period 24 September 2013 -23 September 2014
  - property insurance from random events – the sum insured of PLN 9,125 thousand.

6. Information about material transactions concluded with related entities on conditions other than arm's length conditions

All transactions with related entities are conducted under market terms used by the Issuer in relations with unrelated entities.

The following table presents total amounts of transactions concluded by the Parent Company with related entities:

Related entity		Sales to related undertakings	Purchases from related entities	Receivables from related entities	Liabilities to related entities
Subsidiaries:					
Forte Baldai UAB	31.12.2013	-	253	49	-
	31.12.2012	120	-	151	-
Forte SK S.r.o.	31.12.2013	168	1,947	-	138
	31.12.2012	204	2,169	901	167
Forte Furniture Ltd.	31.12.2013	-	475	-	40
	31.12.2012	-	589	-	48
Forte Iberia S.l.u.	31.12.2013	6	757		62
	31.12.2012	-	707	-	12
Forte Mobilier S.a.r.l.	31.12.2013	-	338	1	41
	31.12.2012	-	-	136	-
Forte Mobila S.r.l.	31.12.2013	345	465	138	-
	31.12.2012	1,050	235	1,916	30
TM Handel Sp. z o.o.	31.12.2013	26,499	4,415	3,729	309
	31.12.2012	32,860	3,985	9,946	1,645
Total	**31.12.2013**	**27,018**	**8,650**	**3,917**	**590**
	31.12.2012	**34,234**	**7,685**	**12,258**	**1,902**

Transactions regard the sale of products, goods and services, granted loans and the purchase of services.

7. Information regarding credits and loans.

As at 31 December 2013, the Company's debts due to short-term bank loans and borrowings amounted to PLN 9,259 thousand (on 31.12.2012 – PLN 29,624 thousand).

As at 31 December 2013, the Company's debts due to long-term bank loans and borrowings amounted to PLN 58,178 thousand (on 31.12.2012 – PLN 29,900 thousand).

Additional information on loans have been included in the table below. All values have been presented in PLN '000

Short-term	Nominal interest rate %	Due date	31.12.2013	31.12.2012
ING Bank Śląski S.A. – working capital credit in	depending on the	31 October 2016		20,193

the amount of PLN 35,000 thousand – short-term portion	currency used 1M WIBOR or 1M LIBOR			
PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand – short-term portion	1 M WIBOR	30 June 2014	300	600
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand – short-term portion	1 M EURIBOR	31 March 2014	3,681	3,628
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand – short-term portion	3 M EURIBOR	19 June 2015	5,278	5,203
Total short-term			**9,259**	**29,624**

Long-term	**Nominal interest rate %**	**Due date**	**31.12.2013**	**31.12.2012**
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand – long-term portion	IM EURIBOR	31 March 2014	1,840	5,442
PKO BP S.A. – working capital credit in the amount of PLN 45,000 thousand – long-term portion	depending on the currency used IM WIBOR or IM EURIBOR	19 December 2016	24,883	16,353
ING Bank Śląski S.A. – working capital credit in the amount of PLN 35,000 thousand – long-term portion	depending on the currency used 1M WIBOR or 1M LIBOR	31 October 2016	28,816	
PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand – long-term portion	1 M WIBOR	30 June 2014	-	300
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand – long-term portion	3 M EURIBOR	19 June 2015	2,639	7,805
Total long-term			**58,178**	**29,900**

Bank loan securities as at	**31 December 2013**	
PKO BP S.A. – investment loan in the amount of PLN 3,000 thousand	1.	Ordinary mortgage in the amount of PLN 3,000 thousand on real estate located in Ostrów Mazowiecka, together with the assignment of rights under the insurance contract
	2.	Capped mortgage in the amount of PLN 1,000 thousand on real estate located in Ostrów Mazowiecka, together with the assignment of rights under the insurance contract
PKO BP S.A. – investment loan in the amount of EUR 3,550 thousand	1.	Transfer of ownership of machinery and equipment with a value of PLN 252 thousand, together with the assignment of rights under the insurance contract
	2.	Registered pledge on equipment with the value of PLN 4,934 thousand, together with the assignment of rights under the insurance contract
HSBC Bank Polska S.A. – investment loan in the amount of EUR 3,500 thousand	1.	Registered pledge on equipment up to a maximum amount of security of PLN 25,700 thousand, together with the assignment of rights under the insurance contract
	2.	Statement of the borrower on the submission to enforcement proceedings under Article 96 and 97 of the Banking law
PKO BP S.A. – working capital credit in the amount of PLN 45,000 thousand	1.	Registered pledge on inventory in the factory in Hajnówka with the value of PLN 23,043 thousand, together with the assignment of rights under the insurance contract
	2.	Joint capped mortgage in the amount of PLN 45,000 thousand on real estates located in Hajnówka and Ostrów Mazowiecka, together with the assignment of rights under the insurance contract
	3.	Registered pledge on production lines with the value of PLN 14,812 thousand, together with the assignment of rights under the insurance contract.
ING Bank Śląski S.A. – working capital credit in the amount of PLN 35,000 thousand.	1.	Registered pledge on movable assets in the factory in Suwałki up to a maximum amount of PLN 42,000 thousand, together with the assignment of rights under the insurance contract
	2.	Joint capped mortgage up to a maximum amount of PLN 42,000 thousand on the right of perpetual usufruct of land and ownership right of buildings in the factory in Suwałki, together with the assignment of rights under the insurance contract
PKO BP S.A. – investment loan in the amount of EUR 3,500 thousand	1.	Registered pledge on the movable assets with a value of no less than PLN 21,010 thousand.
	2.	An assignment of rights from the insurance policy
	3.	Blank promissory note issued by the Borrower with the Borrower's promissory note declaration
mBank S.A. – working capital facility in the amount of EUR 1,000 thousand	1.	Blank promissory note issued by the Borrower with the Borrower's promissory note declaration

Breakdown of loans due to currency type (translated into PLN, in PLN `000)

Currency	As at 31.12.2013	31.12.2012
PLN	300	900
EUR	66,512	56,007
USD	616	2,617
	67,437	**59,524**

In 2013, the Management Board of the Parent Company entered into the following loan agreements:

- on 16 September 2013 it signed a supplementary agreement with ING Bank Śląski S.A. to the loan agreement dated 24 June 2003 extending the credit period to 31 October 2015. The amount of the loan and loan collateral remained unchanged.
- on 20 December 2013, the Company signed an annex to the overdraft facility agreement of 14 February 2000 with PKO BP S.A. By virtue of the annex, the final period of the loan was extended to 19 December 2016. The amount of the loan and the loan collateral remained unchanged.
- on 20 December 2013, it concluded a loan agreement with mBank S.A. for a multi-currency overdraft up to a total amount not exceeding EUR 1,000 thousand with the possibility of simultaneous use of the amount in PLN and USD. Period of the loan is one year and ends on 16 December 2014.
- on 23 December 2013, it signed an agreement with PKO BP S.A. regarding investment loan in the amount of EUR 3,500 thousand for the financing of the purchase of production machinery and equipment. The deadline of the loan expires on 31 May 2014. The loan repayment period was set until December 2018. Its repayment will take place from 30 June 2014 in equal quarterly installments.

8. Information concerning loans granted in the fiscal year.

In the reporting period ended 31 December 2013, the Parent Company extended loans to the following non-consolidated subsidiaries:

- on 26 June 2013, to the subsidiary Fort Mobilier S.a.r.l. with this registered seat in Lyon in the amount of EUR 80 thousand. The maturity date for the whole loan was set for 30 June 2017, interest payable on a quarterly basis.
- on 11 December 2013, to the subsidiary Fort Baldai with this registered seat in Vilnius in the amount of EUR 25 thousand. The maturity date for the whole loan was set for 31 December 2018, interest payable on a quarterly basis.

The table below presents the balance of granted loans receivable at 31 December 2013.

Related entity	Loan amount	Loan currency	Due date	Loan balance as at 30.12.2014 in PLN thousand	Interest amount as at 31 December 2013 in PLN thousand
Subsidiaries:					
Forte SK S. r. o.	1,260	PLN	December 2015	383	2
Forte Mobila S.r.l.	330	EUR	September 2014	283	-
Forte Mobilier S.a.r.l.	80	EUR	June 2017	290	1
Forte Baldai UAB	25	EUR	December 2018	104	-
Total:				**1,060**	**3**
Including:					
Short-term portion:					
Forte SK S. r. o.				270	2
Forte Mobila S.r.l.				283	-
Forte Mobilier S.a.r.l.				83	1
Forte Baldai UAB				21	-
Total:				**657**	**3**
Long-term portion:					
Forte SK S. r. o.				113	-
Forte Mobila S.r.l.				-	-
Forte Mobilier S.a.r.l.				207	-
Forte Baldai UAB				83	-
Total:				**403**	**-**

9. Information concerning guarantees and sureties granted and received in the fiscal year.

On 27 March 2013, the Parent Company issued four guarantees for loans taken out by FURNIREX Sp. z o.o. with its registered seat in Hajnówka to finance a technological investment to a total amount of PLN 18,299 thousand. FURNIREX Sp. z o.o. made an offer to the Parent Company, according to which it invested the funds received under the technological loans in modern investments located in a production area in Hajnówka leased from Forte. FURNIREX Sp. z o.o. uses modern technologies to provide services of processing entrusted material for FORTE and other furniture manufacturers.

Guarantees were made to BRE Bank S.A. (currently mBank S.A.) for the period to 30 June 2018.

As at 31 December 2013 the outstanding amount was PLN 6,319 thousand.

10. Description of the use of securities issue proceeds by the Issuer.

In the reporting period no securities were issued.

11. Differences between the financial results indicated in the annual report and earlier forecasts for the given year.

The Issuer did not publish financial result forecasts for 2013.

12. Assessment and its justification, concerning the management of financial resources.

Net Working Capital	**2013**	**2012** (restated)
Current assets	300,784	231,205
Short-term liabilities	(93,665)	(86,997)
Net Working Capital	207,119	144,208
Ratio of net working capital (net working capital /total assets)	37.3%	29.8%

Debt analysis	**2013**	**2012**
Total liabilities	170,246	135,244
Total debt ratio (total debts/total liabilities)	30.6%	27.9%
Credit rating ((net profit + depreciation)/total liabilities)	43.8%	37.4%

As at 31.12.2013, FORTE Group's long-term liabilities amounted to PLN 76,581 thousand and consisted mainly of liabilities from loans and borrowings (PLN 58,178 thousand), representing 76.0% of total long-term liabilities.

As at 31.12.2013, short-term liabilities amounted to PLN 93,665 thousand and comprised mainly trade and other liabilities (PLN 54,720 thousand), representing 58.4% of short-term liabilities, as well as short-term deferred revenues and accruals (PLN 17,968 thousand), representing 19.2 % of total short-term liabilities.

The Group has a low level of debt and good financial liquidity. There are no threats related to the pay off incurred liabilities.

13. Assessment of ability to fulfil investment plans in comparison to the resources available

In 2013, the Group executed an investment plan in the amount of approx. PLN 18,000 thousand.

The investments were financed from own resources. The Group's investment plan for 2014 amounts to approx. 40,000 thousand and assumes mainly investments in modern machinery and equipment to all the factories of the Parent Company. Primary objectives of the investment are to improve productivity (cost reduction), increase diverse production capacity, increase production capabilities, restoration of a part of depreciated fixed assets.

The investments planned for 2014 will in their significant part be financed with resources from a five-year investment credit. Agreement for the said investment loan was concluded with PKO BP S.A. on 23 December 2013.

14. Information regarding financial instruments in respect of: risk: price change, credit risk, risk of significant disturbances to cash flows and risk of a loss of the financial liquidity.

Apart from derivatives, the Group's principal financial instruments comprise bank loans, bonds, cash, treasury bills and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors and contract liabilities, which arise directly from its operations. The Group also performs transactions involving derivatives, primarily *zero-cost option strategies* and foreign currency forward contracts. The purpose of these transactions is to manage interest rate risk and currency risk arising in the course of business activity of the Group.

It is – and has been throughout the audited period – the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Management Board verifies and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

14.1. Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations that bear interest at floating interest rates (WIBOR, EURIBOR, LIBOR) increased by a margin. In order to analyse the sensitivity to changes in the interest rate of long-term financial liabilities of the Group, i.e. loans and obligations under financial lease, their

interest rate has been assumed to decline per annum for EURIBOR by 0.10 percentage point and increase per annum for WIBOR by 0.50 percentage point, as well as increase for LIBOR – by 0.50 percentage point.

The Group does not have any hedging instruments against interest rate risk.

Interest rate risk – sensitivity analysis

The sensitivity of gross profit due to changes in the interest rate and balance sheet value of the Group's financial instruments exposed to the risk of interest rates are described in item 37.1. of additional explanatory notes to the consolidated financial statements.

14.2. Currency risk

The Group has sales transactions currency exposures. Such an exposure arises from sales and purchases made by the Group in currencies other than its functional currency. About 80% of the Group's sales transactions are denominated in foreign currencies, mainly in EUR.

The Group seeks to negotiate the terms of the hedging derivatives in such a way as to match the terms of the hedged item and providing maximum effectiveness of the hedge.

The sensitivity of gross profit due to changes in the fair value of monetary assets and liabilities to reasonably possible fluctuations in the EUR, GBP and USD (in total) exchange rates are described in item 37.2. of additional explanatory notes to the consolidated financial statements.

Currency risk hedging
The basic method of managing the currency risk hedging strategies use derivative instrument. To hedge future foreign currency transactions, the Company uses symmetrical option strategies and forward contracts.

The impact of derivatives on the statement of financial position
As at 31 December 2013, the fair value of open items in derivatives amounted to PLN 9,318 thousand and was recognised in total in receivables from derivative financial instruments.

The impact of derivatives on financial result and other comprehensive income
In the reporting period ended 31 December 2013, the result on derivatives amounted to PLN 3,409 thousand and concerned the implementation of the expiring option strategies covered by hedge accounting.

The impact of derivatives on the result of the period

	01.01-31.12.2013	**01.01-31.12.2012**
Influence on sales revenue	2,857	_
Impact on revenue/financial costs, of which:	552	-
- *due to the execution of derivatives in the period*	***500***	-
-*due to the valuation of derivatives in the period*	***52***	-
Proceeds from derivatives on the result of the period, in total:	**3,409**	-

Hedge accounting

Summary of the more important hedge accounting policies has been presented in note 9.20 to the consolidated financial statements. According to them, changes in fair value of hedging instruments include, in part, the effective equity of the Parent Company and the ineffective portion in the profit and loss account. At the time of implementation of the hedged sales revenue, changes in fair value of hedging instruments are recognised in the profit and loss account.

Not less frequently than at hedge inception and on the last day of each month, assessment of the prospective effectiveness is made by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of future cash flows.

At the end of each month, measurement is performed of the effectiveness of hedging – retrospective efficiency – by comparing the cumulative change in fair value of the hedging instrument to the cumulative change in the value of the estimated future cash flows based on market data exchange on the valuation date.

Revaluation reserve from hedging instruments
Revaluation reserve from financial instruments is presented in item 37.2 of additional explanatory notes to the consolidated financial statements.

Fair value foreign exchange contracts
Collective data on the fair values and the related settlement terms, as well as summary information on the amount (volume) that constitutes the basis of future payments and the price of execution of effective forward contracts is presented in item 37.2 of additional explanatory notes to the consolidated financial statements.

Risks related to forward foreign exchange contracts are the risks of interest rate, exchange rate and the insolvency of a given counterparty. Credit risk is limited, however, because the counterparty to the transaction are banks with high financial standing.

14.3. Credit risk

The Group operates a procedure for granting the counterparty trade credit limit and describing its form of security. It is the

Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

A greater part of the trade receivables is insured, or secured by bank guarantees due to the central settlement. In addition, receivables from counterparties are regularly monitored by the trade and financial regulatory bodies. In the event of overdue receivables, in accordance with the applicable procedures sales are halted and debt collection begins.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, available-for-sale financial assets and certain derivative instruments with positive fair value, the Group's exposure to credit risk arises from default of the counter party.

There are no significant concentrations of credit risk within the Group.

14.4. Liquidity risk

The lack of funds risk is monitored by the Group with the use of the periodical liquidity planning tool. This tool takes into account the maturity dates of investments and financial assets (e.g. receivable accounts, other financial assets) as well as projected cash flows from operating activity.

The Group's objective is to maintain balance between the continuity and flexibility of funding through the use of various sources such as bank overdrafts, bank loans, and financial leases.

Detailed information on liquidity risk are described in item 37.4. of additional explanatory notes to the consolidated financial statements.

15. Assessment of factors which materially affected financial results for the financial period

Short description of the Group performance and basic economic and financial parameters:

Description	2013	2012 restated	Change (in %)
Sales revenue	666,365	560,531	18.9%
Cost of sales	(424,924)	(378,718)	12.2%
Gross profit from sales	241,441	181,813	32.8%
Gross return on sales %	36.2%	32.4%	
Operating profit (EBIT)	72,421	41,700	73.7%
EBITDA	89,089	57,209	55.7%
Gross profit	73,147	41,669	75.5%
Net profit	57,920	35,034	65.3%
Net return on sales %	8.7%	6.3%	
Return on equity (ROE)	15.1%	10.0%	
Return on assets (ROA)	10.4%	7.2%	

FORTE Management Board considers 2013 as a record year both in terms of the achieved level of sales and net profits earned.

In the opinion of the Management Board, it is the result of the effective implementation of a consistent policy of market penetration, product offer development and budgetary discipline in all business areas. The ability to adapt product range and customer service to individual markets, allows to achieve growth in a wide range of geographical locations. Higher levels of production reduce the operating costs which, in further calculations regarding new products, allows us to be even more attractive from the point of view of our customers.

Revenues from sales denominated in PLN in 2013 amounted to PLN 666,365 thousand. and compared to the same period last year increased by 18.9% (in terms of value by PLN 105,834 thousand).

The level of revenue was mainly influenced by the increase in sales volume, in particular on the German market, key for the operations of the Group, and on the Polish market, second largest market in terms of the size. Above-average sales growth can be observed in the newly-formed French market and the countries of southern Europe. Sales of assembled furniture is increasing according to the plan and it should be a significant driving growth factor in the German-speaking markets in the coming years. Current dynamics of orders indicates a high likelihood of continuation of the sales dynamics in the coming years.

Gross profitability on sales was 36.2% (against 32.4% in 2012).
The main reasons for the improvement in profitability are: positive impact of increased production scale on lower unit costs, stable situation on the basic raw materials prices market and good results of budget discipline.

Cost of sales the cost of sales to revenue ratio was 20.1% against 20% in the same period last year. In terms of value, cost of sales increased by PLN 21,889 thousand, which is directly related to the increase in sales. The main item in this group of costs is transportation costs, whose ratio in relation to sales revenue was the same as in the last year and amounted to 7%.

The Management Board recognises the potential arising from the optimisation of logistics costs. The Parent Company carried out a series of activities to achieve better results in this area of activity.

General costs – the costs to revenue ratio amounted to 4.2% (against 4.6% in 2012).
In terms of value general costs increased by PLN 2,421 thousand. One of the reasons for the increase of general costs was an additional bonus payment for employees.

Other operating costs as at the end of 2013 amounted to PLN 9,763 thousand (compared to PLN 4,749 thousand in 2012).

The most important items in this group include the cost of liquidation and the write-down for damaged and incomplete inventories totalling PLN 4,971 thousand, as well as the establishment of a write-down for doubtful receivables in the amount of PLN 1,595 thousand.

Other operating revenue as at the end of 2013 amounted to PLN 2,829 thousand (compared to PLN 2,412 thousand in 2012). Major items here include: compensation received – PLN 847 thousand, a grant for the organization of trade fairs – PLN 492 thousand, and inventory surplus – PLN 515 thousand.

Operating profit amounted to PLN 72,421 thousand. (10.9% of revenue), and was higher by as much as 73.7% than the operating profit earned in the same period of the previous year.

Financial revenues amounted to PLN 1,288 thousand (compared to PLN 1,376 thousand in 2012). Major items here include: interest received on bank deposits, bonds and granted loans – PLN 1,171 thousand.

Financial costs amounted to PLN 1,114 thousand (compared to 1,407 thousand in 2012), of which PLN 1,030 thousand was the interest on loans and leases.

In 2013, the Group generated a record **net profit** at the level of PLN 57,920 thousand. (8.7% of revenues). In the same period of the previous year net profit amounted to PLN 35,034 thousand. (6.3% of revenues).

16. Description of external and internal factors important for the development and development prospects.

Year 2013 was extremely successful for the Group Forte both in terms of market and financial aspects. With activities related to product development and expansion of the distribution network implemented in the past few years, the Parent Company now offers its products in the largest furniture chains in western Europe. Comprehensive offer and services provide additional opportunities for expansion and increase of sales revenue in the coming years.

The Management Board believes that the capital expenditures planned for 2014 should bring further progress in terms of costs and contribute to the release of production capacity, which is extremely important when handling such a large number of different markets and increasing sales volumes.

Situation on the basic raw materials market is perceived as quite stable. Any increases in prices of raw materials will be important for the future profitability of the business, but the Management Board does not expect significant changes in this regard.

Exchange rate volatility remains fairly insignificant in terms of the Company's financial results due to the continued policy of hedging foreign exchange risk.

17. Changes in the methods of managing the Issuer's company and its capital group.

Did not occur.

18. All agreements concluded between the Issuer and the management staff.

The Parent Company has entered into the following agreements with the management staff:

- agreement providing that in case of termination of service of the CEO, he/she will be entitled to severance pay equal to 24 monthly salaries calculated on the basis of the average monthly salary for the last twelve months of employment;
- agreement providing that in the case a member of the Management Board is dismissed from the role, he/she is entitled to compensation in the amount of 12 of their monthly salaries, unless the basis for the dismissal will be any of the following reasons: committing a crime by the member of the Management Board against the Company, serious and culpable violation by the member of the Management Board of the provisions in the field of securities trading, breach of essential contractual obligations, existence of a permanent impediment to the exercise by the member of the Management Board of their duties lasting longer than 3 months, unless the occurrence of permanent impediment is due to the contractual provision of services to the Company. The agreement also provides that the member of the Management Board may terminate the agreement in the event of a breach by the Company of the relevant obligations under the agreement. In this case, the member of the Management Board will be entitled to compensation in the amount of 12 of his/her monthly salaries. Also in the case of non-appointment of the member of the Management Board for the 2014-2017 or the 2017-2020 term of the Management Board, given member of the Management Board will be entitled to compensation in the amount of his/her 12 monthly salaries;
- agreement providing that in the case a member of the Management Board is dismissed from the role, he/she is entitled to compensation in the amount equal to the remuneration payable to the member of the Management Board until the end of the given term of office but not less than 6 of their monthly salaries, unless the basis for the dismissal will be any of the following reasons: committing a crime by the member of the Management Board against the Company, serious and culpable violation by the member of the Management Board of the provisions in the field of securities trading, breach of essential contractual obligations, existence of an impediment to the exercise by the member of the Management Board of

their duties lasting longer than 3 months. The agreement also provides that the member of the Management Board may terminate the agreement in the event of a breach by the Company of the relevant obligations under the agreement. In this case, the member of the Management Board will be entitled to compensation in the amount of 6 of his/her monthly salaries and 1% of margin I on turnover in Germany calculated on the basis of two finished calendar quarters in line with the rules applicable in the Company.

19. The amount of remuneration, rewards and benefits, including those under the incentive or bonus schemes based on the Issuer's capital.

Due to the fact that as at 31 December 2013 the non-market condition of net profit growth per share of the Parent Company, established on the basis of the consolidated annual financial statements of the Capital Group, has been met, the Parent Company has adopted a number of 150,000 warrants as remaining to be executed on this day. Thus,

the value of the total cost recognised in the reporting period ended 31 December 2013 amounted to PLN 222 thousand.

The table below presents the scope of the adopted incentive scheme for unrealised Series, in accordance with the agreed Rules of the Incentive Scheme.

	C series
Number of subscription warrants	150,000
Vesting period	1 January 2013 – 31 December 2013
Issue price of the Series G shares	PLN 11.52
Conditions for entitlement to acquire warrants	1) increase by at least 10% of the average price of the Company's shares on the Warsaw Stock Exchange in December 2013 compared to the average price of the Company's shares on the WSE in December 2012 2) increase by at least 10% of net profit per Company's share as at 31 December 2013 compared to the result as at 31 December 2012 3/ serving as a Member of the Management Board for at least six months in a given period and remaining at the position at the end of the given period, as well as obtaining the acknowledgement of fulfilment of duties of a Member of the Management Board of the Company during the given period

The number and weighted average prices of warrants execution are as follows:

	Series	**Number of warrants**	**weighted average execution price**
As of 31.12.2013	C	150,000	11.52
Granted in 2012		-	-
Redeemed/expired in 2012	B	150,000	11.52
Granted in 2011		-	-
Redeemed/expired in 2011	A	150,000	11.52

Remuneration paid or payable to the members of the Management Board and Supervisory Board of the Company

	Period of 12 months ended	
	31.12.2013	**31.12.2012**
Management Board's remuneration, including:	**7,433**	**6,519**
in the Issuer's enterprise	**6,800**	**5,809**
Maciej Formanowicz	1,471	1,548
Robert Rogowski	1,199	1,127
Gert Coopmann	2,484	1,994
Klaus Dieter Dahlem	1,646	1,140
for performing functions in the Governing Bodies of the subsidiaries	**633**	**710**
Maciej Formanowicz	557	603
Robert Rogowski	-	-
Gert Coopmann	76	107
Klaus Dieter Dahlem	-	-
Supervisory Board:	**216**	**216**
Zbigniew Sebastian	48	48
Władysław Frasyniuk	42	42
Stanisław Krauz	42	42
Marek Rocki	42	42
Tomasz Domagalski	42	42

20. Specification of the total number and face value of the Issuer's shares held by members of the management and supervisory bodies.

- Zbigniew Sebastian – Chairman of the Supervisory Board – 300 shares with a nominal value of PLN 1 each,
- Dariusz Bilwin – Registered Signatory – 1,500 shares with a nominal value of PLN 1 each,

21. Employment and personnel policy of the Group

The structure of employment according to professions education, gender and the type of work performed in the FORTE Group:

Employment structure	Status as at: 2013	2012
- *as per education*		
University degree	14%	13%
Secondary education	46%	45%
Vocational training	29%	32%
Primary education	11%	10%
- *as per gender*		
Women	26%	28%
Men	74%	72%
- *according to the type of work*		
Blue-collar workers	82%	79%
White-collar workers	18%	21%

Average employment in the Group in the period from January to December 2013 was as follows:

	2013	2012
Management Board of the Parent Company	4	4
Management Boards of related entities	5	3
Administration	120	110
Sales Department	231	246
Production Division	1,462	1,358
Other	341	312
Total	**2,163**	**2,033**

21.1. Development and training

Internal training schemes

Internal training schemes are an excellent opportunity to improve and harmonise the knowledge of our employees. Training workshops are conducted by internal experts being employees of the Parent Company. Through such meetings, employees have the opportunity to
better understand the needs of the company, as well as to get to know their co-workers and tasks assigned to other organisational units.

English for children and staff

The Parent Company continues its innovative educational project started in 2012 together with the AMF Foundation, intended for children of workers of the factory in Ostrów Mazowiecka, called Forte School of Languages [Szkoła Języków Forte]. It offers free classes of English and German for school-aged children.
January 2014 saw the launch of an educational project consisting of partly paid English lessons for factory workers.

21.2. Internship programmes and practices.

The Management Board of Forte signed a cooperation agreement with the University of Life Sciences in Poznań and the Faculty of Wood Science and Technology at Warsaw University of Life Sciences, whose assumptions relate primarily to the implementation of joint projects that could bring new designs and technologies. The Parent Company offers participation in professional internships for students.

In order to actively participate in the professional training of teachers in the wood furniture industry, Fabryki Mebli Forte S.A. in collaboration with the REFA Wielkopolska Association joined the project called "Poland is all about furniture" [Polska meblami stoi]. The aim of the project is to increase the knowledge and improve professional qualifications of teachers and instructors through professional training and contact with reputable companies operating in the furniture industry.

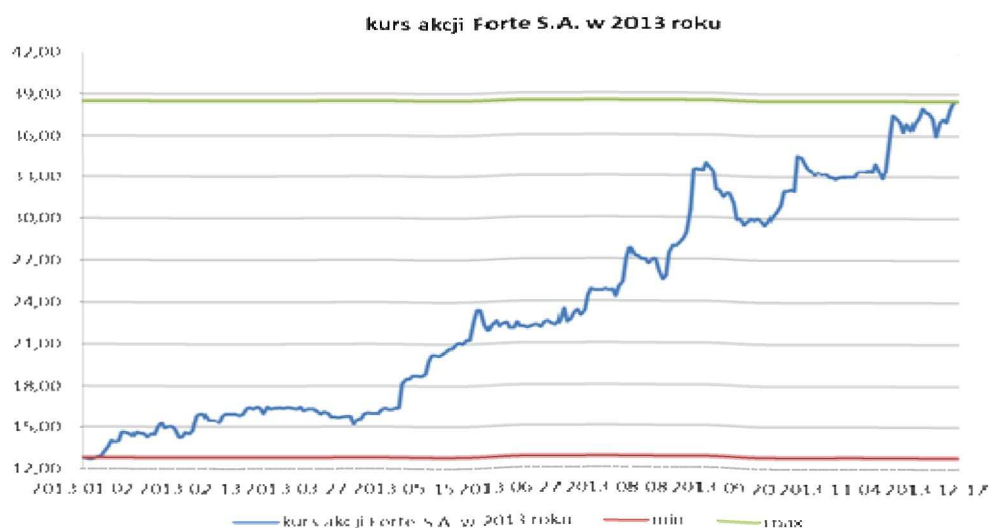
22. Fabryki Mebli "FORTE" S.A. share price performance

Shares of Fabryki Mebli "FORTE" S.A. are listed on the Warsaw Stock Exchange in Warsaw in the continuous trading system.

Key data on FORTE shares:

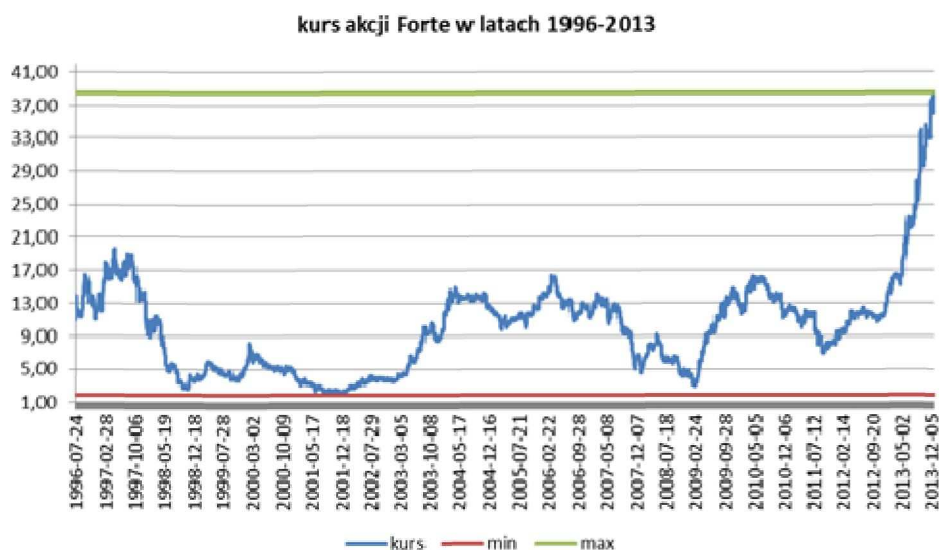
Key data	2013	2012 restated
Company's net profit in PLN '000	56,538	31873
The highest share price in PLN	38.50	12.90
The lowest share price in PLN	12.65	8.71
Share price at the end of the year in PLN	38.50	12.90
P/E indicator as of the end of the year	16.17	9.60
Number of shares on the stock exchange (in items)	23,751,084	23,751,084

Average daily trading volume (in items)	36,479	10,239



	share price

Chart showing price of shares of Forte S.A. in 2013.
(source: http://www.apwinfostrefa.pl/GPWIS2/pl/emitents/auotations/FORTE.PLFORTEOOQ12)



	Forte's share price in the period 1996-2013
	exchange rate

Chart. Price of shares of Forte S.A. in the period 1996-2013.
(source: http://www.gpwinfostrefa.pl/GPWIS2/pl/emitents/quotations/FORTE,PLFORTE00012)

23. Information concerning agreements known to the Issuer which may change the proportion of shares held by the existing shareholders

The Issuer does not posses such information.

24. Information concerning the control system of the employee share programmes.

Did not occur.

25. Information on court proceedings whose total value constitutes at least 10% of the Issuer's own funds.

Did not occur.

26. Information on the date of agreement conclusion by the Issuer with an entity authorised to audit financial statements regarding an audit or review of the financial statements and the period for which the agreement was concluded and the total amount of remuneration under the agreement.

In the reporting period and the comparative period, the Parent Company entered into the following agreements with BDO Sp. z o.o. as an entity authorised to audit financial statements:

On 29 May 2013:

- The agreement regarding the audit of the interim individual financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 30 June 2013. For the execution of the above agreement, the parties agreed remuneration in the amount of PLN 32 thousand net.
- The agreement regarding the audit of the individual financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 31 December 2013. For the execution of the above agreement, the parties agreed remuneration in the amount of PLN 56 thousand net.

On 2 July 2012:

- The agreement regarding the audit of the interim individual financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 30 June 2012. For the execution of the above agreement, the parties agreed remuneration in the amount of PLN 30 thousand net.
- The agreement regarding the audit of the individual financial statements of the Company and the consolidated financial statements of the Capital Group prepared based on the data as at 31 December 2012. For the execution of the above agreement, the parties agreed remuneration in the amount of PLN 50 thousand net.

27. The structure of assets and liabilities

Liquidity and efficiency analysis	**2013**	**2012**
Current liquidity (current assets/short-term liabilities)	3.21	2.66
Quick liquidity (current assets – inventories/short-term liabilities)	2.00	1.52
Receivables rotation in days (average receivables under supplies and services* 365/sales revenues)	43	52
Inventory turnover in days (average inventory* 365/own cost of sales)	91	101
Liabilities rotation in days (average supplies and services liabilities* 365/own cost of sales	29	28
Rotation of current assets in days (average curent assets* 365/sales revenues)	146	152

Characteristics of the balance sheet structure	**2013**		**2012**		**% Change 2013/2012**
	in PLN '000	% of the balance sheet total	in PLN '000	% of the balance sheet total	
Non-current assets	254,070	46%	252,922	52%	0.5%
Current assets	300,784	54%	231,205	48%	30.1%
Total assets	**554,854**	**100%**	**484,127**	**100%**	**14.6%**
Equity	384,607	69%	348,883	72%	10.2%
Long-term liabilities and provisions	76,581	14%	48,247	10%	58.7%
Short-term liabilities and provisions	93,666	17%	86,997	18%	7.7%
Total equity and liabilities	**554,854**	**100%**	**484,127**	**100%**	**14.6%**

In 2013, the Group recorded an increase in **balance sheet total** by PLN 70,727 million.

Fixed assets remained at a similar level to the previous year. The level of investment only slightly exceeded the level of annual depreciation.

The increase in **current assets** by PLN 69,579 thousand is mainly due to the increase in cash (PLN 46,128 thousand), inventories (PLN 13,968 thousand) and receivables (PLN 9,545 thousand).

The increase in **receivables under supplies and services and other receivables** is the consequence of increase in sales, whereas increase in **inventories** derives from the need of maintaining a security buffer in connection with increased production and timely shipments. The increased cash balance is the result of balance sheet items hedging – released funds in EUR from currency loans are invested after their exchange into PLN. The balance of interest received and paid is positive.

On the side of **liabilities** there have been increases of liabilities connected with: bank loans (by PLN 7,913 thousand), trade and other payables (by 13,874 thousand), income tax (by PLN 10,510 thousand) and provisions and accruals (by PLN 3,022 thousand).

The increase in **bank loans** balance arises from the Group's foreign exchange risk management policy described above.

Increase in the balance of **liabilities arising from supplies and services** is the consequence of increased production. The Group timely performs all of its obligations.

The increase in income tax liability arises from the increase in taxable profit and the fact that the Parent Company settles income tax in a simplified form (monthly advances were calculated based on taxable profit for the year 2011).

The Group maintains very high financial liquidity. The closing balance of **cash** at the end of the reporting period was PLN 76,119 thousand, which is an increase of PLN 46,128 thousand compared to the end of 2012 despite allocation of significant sums for dividend payment for the year 2012.

28. Major events which influenced the activity and financial results of the Issuer in the financial year and after the end of the year, and those whose influence may be apparent in the forthcoming years.

In 2013, the Group continued to implement a number of projects in various areas of operations – from sales and its support, further modernisation of factories, development of IT systems, to quality support systems.

Seeing the opportunity for increasing the value in increasing revenue and profitability, The Group focuses on key aspects of its development – seeking market opportunities for additional sales while reducing the costs of operations.

In the most important events of 2013, the Group may include:

- introduction of a record number of new products,
- introduction of domestic partnership programme FORTE PLUS, as a new concept and quality of the presentation of its offer,
- participation in numerous marketing activities, including television advertising in "Our New Home" programme
- increase of IT security – SAP operating system upgrade
- obtaining the FSC Chain of Custody accreditation,
- continuation of manufacturing processes optimisation, including by development of investments allowing for the increase of production capacity and reduction of costs in subsequent years.

29. Description of the structure of major capital investments made within the given financial year.

The description is contained in item 2 of these statements.

30. Description of the organization of the Issuer's capital group, with the list of consolidated companies, and description of changes in the organization of the Issuer's Capital Group together with their reasons.

The description has been set out in item 2 of these statements.

31. Description of the policy concerning development lines of the Issuer's Capital Group. The main directions of development.

In the foreseeable future the Group will seek opportunities for further development in these areas, which are currently the basic scope of its activity, i.e. production and sale of cabinet furniture within the mid-price level. The Management Board sees continuous opportunities to increase revenues from this category by attracting new customers and expanding its product range. Simultaneous combination of these measures with further optimisation of the cost of doing business, should result in further increase in the Group's profits.

Due to increasing sales volumes, the Parent Company's Management Board is considering the possibility of production capacity expansion by investing in new manufacturing plant. At the moment, optimal location proposals are being analysed. No binding decisions in this area have yet been taken.

32. Description of off-balance sheet items by counterparty, object and value.

Did not occur.

33. Selected financial data converted on the basis of the following exchange rates:

- • Individual items of assets and liabilities as at 31 December 2013 were converted according to the average exchange rate of EUR 1 dated 31.12.2013 (1 EUR = PLN 4.1472). Particular items of the profit and loss account and the cash flow statement were calculated on the basis of exchange rates constituting the arithmetic mean of rates established by the National Bank of Poland (NBP) on the last day of each month (EUR 1 between 1 January and 31 December 2013 = PLN 4.2110).

- Individual items of assets and liabilities as at 31 December 2012 were converted according to the average exchange rate of EUR 1 dated 31.12.2012 (1 EUR = PLN 4.0882). Particular items of the profit and loss account and the cash flow statement were calculated on the basis of exchange rates constituting the arithmetic mean of rates established by the National Bank of Poland (NBP) on the last day of each month (between 1 January and 31 December 2012 = PLN 4,1736).

34. Statement of the Management Board concerning the entity authorised to audit financial statements of the Issuer.

The Management Board of Fabryki Mebli "FORTE" S.A. represents that the entity authorised to audit the financial statements reviewing the annual consolidated financial statements of the Issuer was selected in accordance with the provisions of law and meets the conditions required to issue unbiased and independent audit reports, in line with the regulations in force and professional standards.

35. Statement of the Management Board regarding the reliability of the financial statements of the Issuer.

The Management Board of Fabryki Mebli "FORTE" S.A. represents that, to the best of their knowledge, the annual consolidated financial statements of the Issuer's Capital Group for 2013 and comparative data were prepared in accordance with the binding accounting principles and truly, accurately and clearly reflect the actual and financial situation and the financial result of the Issuer.

Moreover, the Management Board represents that the annual Management Board's report on the operations contains a true description of the development and achievements as well as the condition of the of the Issuer's Capital Group, including basic risks and threats.

36. Description of the basic characteristics of internal control and risk management systems applied by the Issuer with respect to the process of preparing financial statements and consolidated financial statements.

The Parent Company's Management Board is responsible for the Issuer's bookkeeping in accordance with the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended) and for the internal control system and its efficiency in the process of preparing financial statements.

A Member of the Management Board responsible for financial matters supervises the process of preparing the Parent Company's financial statements and interim reports. Both separate and consolidated statements are prepared by the employees of the Finance Office controlled by the Chief Accountant and the Member of the Management Board responsible for the Group's finances.

The process of preparing financial data for the purpose of reporting is automated, and subject to formalised operational and acceptance procedures.

At the end of each month, subsidiaries report to the Management Board of the Parent Company financial statements, together with information about the implementation of the budget for the previous month.

Each month after closing the accounting books, Members of the Management Board and senior executives receive reports with information which allows to analyse key financial data and operational indicators. Meetings of the Management Board with senior executives are held in order to discuss the situation of the Group divided into individual departments and areas of activity.

The Parent Company keeps accounting books in the integrated SAP R/3 system, in accordance with the accounting policy of the Company approved by the Management Board, based on the International Accounting Standards.

The structure of the system ensures clear division of competences, consistency of accounting entries and control between the general ledger and sub-ledgers. The high flexibility of the system allows it to adapt to changing current accounting principles or other legal standards.

Access to information resources of the IT system is restricted by appropriate rights of authorised employees solely in the scope of their duties.

The Group manages risk in relation to the process of preparing financial statements also through current monitoring of changes in external provisions and regulations regarding reporting requirements and through preparing for their implementation significantly in advance.

A certified auditor is appointed by the Supervisory Board after consulting the Parent Company's Management Board. Annual and semi-annual financial statements are subject to independent audit and review by the Company's auditor. The results of the audit are presented by the auditor to the management of the Company at closing meetings.

President of the Management Board Maciej Formanowicz	**Member of the Management Board Mariusz Gazda**
....	....
Member of the Management Board Klaus Dieter Dahlem	**Member of the Management Board Gert Coopmann**
....	....

Ostrów Mazowiecka, 21 March 2014

II. CORPORATE GOVERNANCE

In accordance with § 29(5) of the Rules of Giełda Papierów Wartościowych w Warszawie S.A. [Warsaw Stock Exchange] (hereinafter: "Exchange" or the "WSE") on the basis of Resolution No 1013/2007 of 11 December 2007 of the Exchange Management Board and in accordance with § 91(5)(4) of the Regulation of the Minister of Finance of 19 February 2009 concerning current and periodic information provided by securities Issuers and conditions of recognising as equivalent information required under the regulations of a state not being a member state. (Journal of Laws of 28 January 2014 No 2014 item 133), the Management Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka (hereinafter: the "Parent Company" of "FORTE") submits the statement regarding the Company's application of the principles of corporate governance in 2013, included in the document "Code of Best Practice for WSE Listed Companies".

37. Set of corporate governance principles observed by the Issuer and the place where their content is available for the public, and provisions waived by the Issuer with the explanation of the reasons for the waiver.

The Management Board of the Parent Company represents that in 2013 the Parent Company observed corporate governance principles included in the document "Code of Best Practice for WSE Listed Companies" constituting an appendix to Resolution No 12/1170/2007 of the Exchange Supervisory Board of 4 July 2007 amended by Resolution No 17/1249/2010 of 19 May 2010, Resolution No 20/1287/2011 of 19 October 2011 and Resolution No 19/1304/2012 of 21 November 2012, which is available to the public on the website: http://www.corp-gov.gpw.pl/publications.asp,, with the exception of the corporate governance principles listed below:

Part I principle No 5

"The Parent Company should have a remuneration policy and rules of defining the policy. The remuneration policy should in particular define the form, structure and level of remuneration of members of supervisory and management bodies. In determining the remuneration policy for members of supervisory and management bodies of the Parent Company, the European Commission Recommendation of 14 December 2004 should apply, fostering an appropriate regime for the remuneration of directors of listed companies (2004/913/EC), supplemented by the European Commission Recommendation of 30 April 2009 (2009/385/EC)."

The Parent Company does not apply the above-mentioned principle in the part regarding the remuneration policy and the rules of its defining in relation to supervisory and management bodies. The Company applies Remuneration Regulations determining the principles of remunerating and granting cash benefits to FORTE employees. In accordance with the valid provisions of law and the Parent Company's Articles of Association, the principles of granting remuneration and the amount of remuneration for Members of the Supervisory Board are determined by the General Meeting, and the decision on the amount of remuneration for the Parent Company's Management Board is made by the Supervisory Board.

The amount of remuneration of members of the Parent Company's bodies and other benefits granted to these individuals during a given financial year are presented in the annual financial statements of the Parent Company.

Part I principle No 9

"The WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in the management and supervisory functions in their enterprises, thus reinforcing the creativity and innovation of the Parent Company's economic activity."

The Parent Company pursues a policy of appointing competent, creative individuals with adequate education and working experience as members of supervisory and management bodies. Other factors, including sex, may not be a factor in the above-mentioned scope. FORTE does not consider it legitimate to introduce regulations based on predetermined parity with regards to sex, and the decisions regarding the choice of individuals supervising and managing the Parent Company are made by the Parent Company's eligible bodies.

Part I principle No 12

"The Parent Company should enable its shareholders to exercise the voting right during a general meeting either in person or by proxy, outside the venue of the general meeting, with the use of electronic means of communication".

According to the Parent Company, the manner of holding previous General Meetings sufficiently enables shareholders to participate in the General Meeting and to exercise their rights in this scope. Taking into consideration the costs related to ensuring the participation of shareholders in the General Meeting with the use of means of electronic communication as well as the risks and scarce experience of the market in the scope, the Parent Company decided in 2013 not to enable its shareholders to participate in the General Meeting with the use of electronic means of communication. As the use of modern technology becomes more widespread and adequate safety level of their application is ensured, the Parent Company will consider applying this principle in practice.

Part II principle No 1 item 9a

"The Parent Company operates a corporate website and, apart from information required by law, places on it (...) the record of the proceedings of the general meeting, in the form of audio or video".

According to the Management Board, the history of the previous General Meetings of FABRYKI MEBLI "FORTE" S.A. does not require making and placing on the website the record in the form of audio or video. The General Meetings take place in the registered seat of the Parent Company, and therefore participation in them is not hindered in any manner for Shareholders

interested in the proceedings. Moreover, in accordance with binding provisions, the Parent Company places on its website the notice of the General Meeting together with the agenda, draft resolutions and any required documentation and announces it to the public in the form of a current report. The proceedings of the General Meeting are recorded in detail in the form of notarial minutes. Additionally, publishing required current reports and posting relevant information on the Parent Company's website enables Shareholders to review all material information regarding the General Meetings. Such principles guarantee transparency of the proceedings of the General Meetings, and will ensure their full and actual record. The Parent Company does not exclude the possibility of applying the above-mentioned principle in the future.

Part II principle No 2
"The Parent Company ensures operation of its website in English, at least in the scope indicated in part II item 1".
The above-mentioned principle is applied in the Company in part. The Parent Company places on its website the main information regarding the Parent Company and its offer in English, German and Russian. Although it does not include all the information enumerated in part II principle No 1, the Parent Company does not consider it justified to present it in such scope. Due to the current structure of shareholders and the scope of activities of the Parent Company, the Parent Company's Management Board does not consider it justified to bear additional costs related to the strict implementation of the said principle.

Part IV principle No 10
"The Parent Company should enable its shareholders to participate in the General Meeting using electronic means of communication in the following manner:
1) real-time transmission of the general meeting,

real-time bilateral communication where shareholders may take the floor during the general meeting from a location other than the location of the general meeting".

In accordance with binding provisions, the Parent Company places on its website the notice of the General Meeting together with the agenda, draft resolutions and any required documentation and announces it to the public in the form of a current report. The proceedings of the General Meeting are recorded in detail in the form of notarial minutes. Additionally, publishing required current reports and posting relevant information on the Parent Company's website enables Shareholders to review all material information regarding the General Meetings.

Taking into consideration the lack of a developed market practice, organising the General Meeting with the use of electronic means of communication bears significant risks of both legal and technical nature. The applicable provisions of law do not determine the status of a shareholder participating in the General Meeting with the use of electronic means of communication, despite not taking part in the voting, which gives rise to additional doubts and may expose both the Company and the shareholders to unnecessary legal risk.

38. Description of the basic characteristics of internal control and risk management systems applied by the Issuer with respect to the process of preparing financial statements and consolidated financial statements.

The Parent Company's Management Board is responsible for the Parent Company's bookkeeping in accordance with the Accounting Act of 29 September 1994 (Journal of Laws of 2013 item 330, as amended) and for the internal control system and its efficiency in the process of preparing financial statements.

A Member of the Management Board responsible for financial matters supervises the process of preparing the Parent Company's financial statements and interim reports. Both separate and consolidated statements are prepared by the employees of the Finance Office controlled by the Chief Accountant and the Member of the Management Board responsible for the Parent Company's finances.

The process of preparing financial data for the purpose of reporting is automated, and subject to formalised operational and acceptance procedures.

The Parent Company possesses relevant procedures for preparing financial statements which aim at ensuring the complete and correct recognition of all business transactions in a given scope. These procedures include in particular:

- adequate internal communication in the scope of preparing the process of preparing financial statements,
- detailed planning of all activities related to the preparation of the financial statements and determining a detailed activity schedule together with assigning responsibility for given actions to individual persons.

Monitoring of the completeness of economic events is additionally supported by the V-desk electronic document circulation system. This system records in particular all incoming invoices of the Parent Company, as well as all agreements concluded by the Issuer. Access to electronic circulation of documents is granted in the scope of their competence to authorised Parent Company staff.

The V-desk system covers the registration, factual description, posting and acceptance of invoices – in accordance with competences assigned by the Management Board.

Accepted invoices are imported to the SAP R3 operating system upon prior verification of the correctness of accounting descriptions by the Accounting Office employees.

Each month after closing the accounting books, Members of the Management Board and senior executives receive reports with information which allows to analyse key financial data and operational indicators. Meetings of the Management Board with senior executives are held cyclically in order to discuss the situation of the Parent Company divided into individual departments and areas

of activity.

FABRYKI MEBLI „FORTE" S.A. keeps accounting books in the integrated SAP R/3 system, in accordance with the accounting policy of the Parent Company approved by the Management Board, based on the International Accounting Standards.

The structure of the system ensures clear division of competences, consistency of accounting entries and control between the general ledger and sub-ledgers. The high flexibility of the system allows it to adapt to changing current accounting principles or other legal standards.

Access to information resources of the IT system is restricted by appropriate rights of authorised employees solely in the scope of their duties.

The Parent Company manages risk in relation to the process of preparing financial statements also through current monitoring of changes in external provisions and regulations regarding reporting requirements and through preparing for their implementation significantly in advance.

A certified auditor is appointed by the Supervisory Board after consulting the Parent Company's Management Board. Annual and semi-annual financial statements are subject to independent audit and review by the Parent Company's auditor. The results of the audit are presented by the auditor to the management of the Parent Company at closing meetings.

39. Shareholders holding directly or indirectly significant stakes of shares.

In accordance with the most current information possessed by the Company, the shareholding structure as at 31 December 2013 was as follows:

Item	Shareholder	Number of held shares and votes	% stake in share capital	% share in the overall number of votes
1.	MaForm Holding AG	7,013,889	29.53%	29.53%
2.	Amplico Otwarty Fundusz Emerytalny	4,213,495	17.74%	17.74%
3.	ING Otwarty Fundusz Emerytalny	1,500,000	6.32%	6.32%
4.	Pioneer Fundusz Inwestycyjny Otwarty	1,206,097	5.08%	5.08%

40. Holders of any securities which provide special control rights.

The Parent Company did not issue securities which provide special control rights.

41. Restrictions on voting rights, such as restrictions on the execution of voting rights by a shareholder of a defined part or amount of votes, time-related restrictions on the execution of voting rights or subscriptions, in accordance with which, in cooperation with the Parent Company, equity rights related to securities are separate from the ownership of securities.

The Company does not provide for any restrictions regarding exercising the right to vote.

42. Limitations in transferring the ownership right to the Issuer's securities

There are no limitations in transferring the ownership right to the Parent Company's securities.

43. Description of principles concerning the appointment and dismissal of managers and their entitlements, in particular the right to decide on the issuance or redemption of shares.

In accordance with the Parent Company's Articles of Association, the Management Board consists of between one and five members appointed for a joint term of office. The number of Management Board Members is determined by the Supervisory Board which also appoints the President of the Management Board and other Members of the Management Board. The Management Board is appointed for a joint three-year term of office. In accordance with the Code of Commercial Companies, Members of the Management Board may be dismissed by the Supervisory Board at any moment. The Supervisory Board determines the terms and conditions of remunerating Members of the Management Board, including the provisions of agreements and appointment letters binding Members of the Management Board with the Company. In accordance with the Articles of Association of the Parent Company, the Management Board directs the activities of the Parent Company and represents it before third parties. The work of the Management Board is managed by the President of the Management Board. The scope of activities of the Management Board includes all matters related to managing the Parent Company not restricted to the competencies of the Parent Company's other bodies.

The powers of the Management Board of the Parent Company related to the right to decide on redeeming shares do not deviate from the regulations contained in the Code of Commercial Companies.

44. Principles of introducing amendments to the articles of association or memorandum of association of the Issuer's Parent Company.

The Parent Company's Articles of Association are amended in accordance with mandatory provisions of the Code of Commercial Companies, i.e. Art. 430 et seq., by way of a resolution of the General Meeting of the Parent Company.

The General Meeting of the Parent Company may authorise the Supervisory Board to establish the consolidated text of the amended Parent Company's Articles of Association.

The Parent Company's Management Board, acting in accordance with the Regulation of the Minister of Finance of 19 February 2009 concerning current and periodic information provided by securities Issuers and conditions of recognising as equivalent information required under the regulations of a state not being a member state (Journal of Laws of 28 January 2014, as amended), informs shareholders of intended amendments to the Parent Company's Articles of Association made and of the preparation of the consolidated text of the Articles of Association which takes into consideration the amendments made, by publishing current reports and placing the current Articles of Association on the Parent Company's website.

45. The manner of functioning of the General Meeting and its principal powers and a description of the rights of shareholders and the manner of their execution, in particular the principles arising from regulations of the general meeting, if such regulations have been adopted and are not a direct result of the existing law.

The manner of functioning of the General Meeting of Fabryki Mebli "FORTE" S.A. and its powers, as well as the rights of shareholders and the manner of their execution are determined by the following documents:

1. the Commercial Companies Code,
2. The Parent Company's Articles of Association,
3. Regulations of General Meetings.

The schedule of works regarding organising General Meetings is planned in such a way as to duly perform obligations towards shareholders and allow them to execute their rights.

On 28 May 2013, the General Meeting was convened by the Parent Company's Management Board through a notice published on the Parent Company's website at least 26 days prior to the date of the General Meeting, and in a manner specified for transmitting current information according to the provisions on public offering and conditions governing the introduction of financial instruments to organised trading and on public companies. Resolutions adopted by the General Meeting were published on the Parent Company's website.

Resolutions of the General Meeting are adopted by a simple majority of the votes cast, unless the provisions of law or the Parent Company's Articles of Association provide otherwise. Votes in favour of or against a resolution are considered votes cast.

The following matters were reserved in the Articles of Association to the exclusive decision of the General Meeting:

- terms and conditions and manner of redeeming shares of the Parent Company,
- terms and conditions of issuing utility certificates in exchange for redeemed shares,
- creating reserve capital and earmarked funds,
- allocating reserve capital,
- allocating pure profit earned by the Company.

A resolution of the General Meeting is not required for the purchase and sale of real property, perpetual usufruct, and a share in real property (decisions on such matters are reserved for the Parent Company's Supervisory Board).

Representatives of the media may be present during the General Meeting.

The participants of the Annual General Meeting of the Parent Company always include Members of the Management Board and the Supervisory Board and the Parent Company's certified auditor.

The course of the Annual General Meeting was compliant with the provisions of the Code of Commercial Companies and the Parent Company's Regulations of General Meetings. Members of the Management Board, Supervisory Board and the certified auditor of the Parent Company present during the Meeting were ready to give any explanations and respond to the shareholders' questions in the scope of their competencies in accordance with the binding provisions of law.

Shareholders can participate in the General Meeting and exercise the voting right in person or through a proxy.

46. Composition of issuer's managing, supervising and administering bodies, changes they underwent during the last financial year and description of their activities.

SUPERVISORY BOARD

The Parent Company's Supervisory Board acts on the basis of the provisions of the Code of Commercial Companies, the Parent Company's Articles of Association and the Regulations of the Supervisory Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka. The Supervisory Board consists of between five and seven members. The Chairman of the Supervisory Board is appointed by the General Meeting. From among its members, the Supervisory Board appoints the Vice-chairman and, if necessary, the secretary. If the number of members of the Supervisory Board falls below the minimum number set out in the Code of Commercial Companies, the General Meeting supplements /appoints/ Members of the Supervisory Board for the remaining part of the term of office.

The term of office of the Supervisory Board is four years. In accordance with resolution No 25/2011 adopted on 22 June 2011, the Annual General Meeting of Fabryki Mebli "FORTE" S.A. established a five-person Supervisory Board of the Parent Company in the current term of office.

In 2013, the Supervisory Board of Fabryki Mebli "FORTE" S.A. was composed of:

- Zbigniew Sebastian – Chairman,
- Władysław Frasyniuk – Vice-chairman,
- Tomasz Domagalski,
- Stanisław Krauz,
- Marek Rocki.

The exclusive competence of the Supervisory Board includes in particular adopting resolutions on matters regarding:

1. purchasing and selling real property, perpetual usufruct or a share in real property, selling and transferring rights to use real property, encumbrance on real property, establishing limited property rights on the property of the Parent Company,
2. taking out loans exceeding the Parent Company's financial plan,
3. granting sureties to the amount exceeding in total the equivalent of EUR 150,000,
4. taking over the obligations of third parties,
5. accepting and establishing pledges and other collaterals, except for a pledge and collaterals related to the ordinary business of the Company in the amount not exceeding in total the equivalent of EUR 150,000,
6. concluding, terminating and amending lease agreements and other such agreements, if they are concluded for a period longer than three years and when the annual lease rent paid by the Company exceeds the equivalent of EUR 150,000,
7. leasing the enterprise or its part,
8. purchasing and selling establishments and branches of the Parent Company,
9. selling the Parent Company's enterprise or its part,
10. approving employee participation in profits and granting special pension rights,
11. establishing the annual plan for the enterprise (in particular investment and financial plans), as well as strategic plans,
12. granting borrowings outside the ordinary course of trade to a total amount exceeding the equivalent of EUR 50,000.

Meetings of the Supervisory Board are held when necessary, but at least three times within a financial year.

The Members of the Supervisory Board may cast their vote in writing via another Member of the Supervisory Board. The Supervisory Board may also adopt resolutions in writing or through direct remote communication means. A resolution is valid if all Members of the Supervisory Board have been notified of the content of the draft resolution.

Taking into consideration the fact that in the current term of office the Supervisory Board is composed of five persons, the functions of the Audit Committee are performed by the whole Supervisory Board.

No other committees were established in the Company.

MANAGEMENT BOARD

The Parent Company's Management Board acts on the basis of the provisions of the Code of Commercial Companies, the Parent Company's Articles of Association and the Regulations of the Management Board of Fabryki Mebli "FORTE" S.A. with its registered seat in Ostrów Mazowiecka. The Management Board consists of between one and five members appointed for a joint term of office. The Management Board of Fabryki Mebli "FORTE" S.A. was appointed for a three-year term of office, for the years 2011–2014, and in the period from 1 January to 31 December 2013 it was composed of four persons, i.e. the President, the Vice-president and two other Members of the Management Board. In 2013, the Management Board was composed of:
Maciej Formanowicz – President of the Management Board,
Robert Rogowski – Vice-President of the Management Board,
Gert Coopmann – Member of the Management Board,
Klaus Dieter Dahlem – Member of the Management Board.

In accordance with the Articles of Association of the Parent Company, the Management Board directs the activities of the Parent Company and represents it before third parties. The work of the Management Board is managed by the President of the Management Board. The scope of activities of the Management Board includes all matters related to managing the Parent Company not restricted to the competencies of the Parent Company's other bodies. Resolutions of the Management Board are adopted by a simple majority of votes cast. In the event of equal split of votes, the Management Board President's vote prevails.

The following persons are authorised to make declarations of will and contract obligations on behalf of the Parent Company: the President of the Management Board acting independently, two Members of the Management Board acting jointly, one Member of the Management Board acting jointly with a registered signatory.

President of the Management Board
Maciej Formanowicz

Member of the Management Board
Mariusz Gazda

Member of the Management Board
Klaus Dieter Dahlem

Member of the Management Board
Gert Coopmann

Ostrów Mazowiecka, 21 March 2014