

BUFIKS

Report

**on the audit of the financial statements of
Centrum Banku Śląskiego
Spółka z ograniczoną odpowiedzialnością
with its registered office in Katowice, ul. Chorzowska 50
for the financial year from 1 January 2013 to 31 December 2013**

Katowice, January 2014

TABLE OF CONTENTS

A. General Part.....	3
B. Economic and financial analysis	5
1. Analysis of the balance sheet	5
2. Profit and loss account (in PLN '000) rounded up to hundreds of PLN	6
3. Ratio analysis	7
3.1 Profitability ratios.....	7
3.2 Financial liquidity ratios.....	7
3.3 Turnover ratios	7
3.4 Presentation of other ratios.....	8
4. Going concern	8
C. Detailed Part	9
1. The Company's accounting system.....	9
1.1 The Company's accounting.....	9
1.2 As regards the book-keeping system, the auditor confirms that:	9
1.3 The Company's internal control system connected with the accounting system.....	10
1.4 As regards the protection of access to information resulting from the books of account and accounting documentation and computer protection, the auditor found that:.....	10
2. Inventory of assets, equity and liabilities	10
3.1 Assets – selected items	11
3.2 Equity and liabilities – selected items	11
3.3 Profit and loss account – selected items	11
4. Audit of other elements of the financial statements	12
4.1 Statement of cash flows for the financial year	12
4.2 Statement of changes in equity in the financial year.....	12
4.3 Additional information	12
4.4 Directors' report on the Company's activities	12
4.5 Non-compliance	12
4.6 Events after the balance-sheet date	12
4.7 Employment of specialists	13
4.8 Additional issues	13
5. Summary	13

A. General Part

1. The Company operates on the basis of an agreement executed in the form of a notarial deed on 9 December 1997, Notary Public's Register A No. 8254/97 and annexes: Reg. A No. 386/2001 of 22 March 2001, Reg. A No. 4320/2004 of 23 December 2004, Reg. A No. 20555/2007 of 29 October 2007, Reg. A No. 3291/2009 of 13 March 2009, Reg. A No. 4551/2009 of 17 April 2009, and Reg. A No. 5978/2010 of 30 June 2010.
2. In addition, the Company has the following documents based on which it carries out its activity in accordance with legal regulations:
 - a) the first record in the register of companies of the National Court Register under the number **0000047713** of 9 October 2001 in the District Court for East Katowice in Katowice, 8th Commercial Division of the National Court Register;
 - b) a current transcript from the register of companies of the National Court Register under the number 0000047713 of 2 January 2014 kept by the District Court for East Katowice in Katowice;
 - c) a taxpayer identification number (NIP) **954-22-08-197** granted on 14 May 2009 by the Second Tax Office in Katowice; at present the Company reports to the First Tax Office in Sosnowiec;
 - d) a statistical identification number (Regon) **273842724** based on the certificate of 19 August 2010 granted by the Statistical Office in Katowice.
3. Based on the Articles of Incorporation and a record in the relevant register, the Company's core activity consists in the management of real property at request of other entities.
4. As of the balance-sheet date, the company was affiliated with other entities within the meaning of Art. 3.1.43 of the Accounting Act.

The Company is a direct subsidiary of its parent: ING Bank Śląski Spółka Akcyjna with its registered office in Katowice and comes within the Capital Group of ING Bank Śląski S.A. The Company is an indirect subsidiary of a higher rank parent: ING Group in the Netherlands.
5. The Company does not own interests or shares in other entities.
6. Authorities of the Company:
 - a) General Assembly of Members
 - ✓ ING bank Śląski Spółka Akcyjna with its registered office in Katowice 100%
 - b) The Supervisory Board operating on a five-year term basis, as set out in the Company's Articles of Association, was composed of five members as of the balance-sheet date:
 - ✓ Mirosław Boda, Chairman
 - ✓ Justyna Kesler, Member
 - ✓ Tomasz Biłous, Member
 - ✓ Sławomir Stawczyk, Member
 - ✓ Ilona Dzierżanowska, Member.

During the financial year, the composition of the Supervisory Board did not change.
 - c) The Board of Directors is composed of two members: Chairman and Vice-chairman that are appointed and dismissed by the Supervisory Board.

The Board of Directors was composed of:

 - ✓ Jacek Frejlich, Chairman
 - ✓ Piotr Syrnicki, Vice-chairman.
7. The Company's Chief Accountant is Lucyna Bindas-Wilk.
8. Equity was as follows:

Specification	As of the balance-sheet date of the current year	As of the balance-sheet date of the previous year
Equity	223 673 202.39	219 310 724.36
Share capital	230 343 000.00	230 343 000.00
Called-up unpaid share capital (negative value)		
Own interests (shares) (negative value)		
Supplementary capital	87 526.12	87 526.12
Revaluation reserve	1 630.06	
Other reserves		
Profit (loss) of previous years	(11 119 801.76)	(22 879 627.52)
Net profit (loss)	4 360 847.97	11 759 825.76
Net profit deductions in the financial year (negative value)		

The Company's share capital as of 31 December 2013 was PLN 230 343 000.00 and was divided into 230 343 shares of the par value of PLN 1000.00 each.

The share capital was recognised:

- a) at an amount defined in the Company's Articles of Association and the register of Companies in accordance with Art. 36.1 and 26.2 of the Accounting Act;
 - b) in accordance with the book of shares kept in accordance with Art. 188 of the Commercial Companies Code;
 - c) was fully paid up in cash and covered with an in-kind contribution in accordance with Art. 167 § 1.2 of the Commercial Companies Code;
 - d) corresponds to an amount defined in Art. 154 of the Commercial Companies Code.
9. To achieve goals set out in Art. 3 above, the Company employed 14 persons on the average in the audited financial year and in the previous year.
 10. On the basis of the resolution of the Supervisory Board No. 6/2013 of 27 February 2013, the Company selected BUFIKS Biuro Usług Finansowo-Księgowych Sp. z o.o. GRUPA FINANS-SERVIS with its registered office in Katowice recorded under the number 660 in the list of authorised entities kept by the National Board of Statutory Auditors to carry out the obligatory audit of its financial statements for the financial year in the light of Art. 64 of the Accounting Act in accordance with Art. 66.4 thereof.
 11. In accordance with the agreement No. 001/13/14/BSF of 14 March 2013 executed under the resolution specified in Art. 10 above, the audit was conducted at the Company's premises in the period from 14 October 2013 to 18 October 2013 and from 2 January 2014 to 10 January 2014.
 12. Both the audit company and Iłona Jaroszek (Reg. No. 10470), a key auditor who conducted the audit on the audit company's behalf, and Anna Jagiełło, who participated in the audit, represent that they are independent of the audited Company within the meaning of Art. 56.3 and 56.4 of the act of 7 May 2009 on statutory auditors and their self-government, entities authorised to audit financial statements, and public regulators.
 13. The financial statements for the previous year were audited by BUFIKS Biuro Usług Finansowo-Księgowych Sp. z o.o. GRUPA FINANS-SERVIS with its registered office in Katowice, recorded under the number 660 in the list of authorised entities kept by the Polish Board of Statutory Auditors. The auditor issued an unqualified opinion.
The statements were approved by the General Assembly of Members on the basis of the resolution No. 1/2013 of 27 March 2013.
On the grounds of the Resolution No. 3/2013 of 27 March 2013, the General Assembly of Members allocated net profit of PLN 11 759 825.76 earned by the Company in 2012 to cover the losses of previous years.
 14. The approved financial statements for the previous year were:

- a) filed together with other documents with the District Court in Katowice, 8th Commercial Division of the National Court Register on 28 March 2013 in accordance with Art. 69.1 and 69.1a of the Accounting Act (a company subject to registration in the National Court Register);
 - b) filed with the Tax Office on 28 March 2013 in accordance with Art. 27 of the Corporate Income Tax Act of 15 February 1992.
15. In accordance with Art. 45 of the Accounting Act, the audited financial statements for the current financial year, as signed by the Directors and the person that prepared them, are composed of:
- a) an introduction to the financial statements,
 - b) a balance sheet as of 31 December 2013 recording total assets and total equity and liabilities both amounting to **PLN 229 005 896.04**,
 - c) a profit and loss account recording the profit of the financial year of **PLN 4 360 847.97**,
 - d) a statement of changes in equity in the financial year from 1 January 2013 to 31 December 2013,
 - e) a statement of cash flows in the financial year,
 - f) supplementary information and explanatory notes,
- and the Directors' report on the Company's activities in the financial year.
16. In accordance with Art. 67 of the Accounting Act, the Company made its books of account and underlying documents available to the auditor and provided information required by the auditor to issue the auditor opinion on the audited financial statements.
- The scope of the audit was not limited.
17. In addition, in accordance with Art. 67 of the Accounting Act, the Directors of the Company made a written statement as of the audit final date that:
- a) the financial statements submitted for the audit and the supplementary report on the Company's activities are complete, accurate and reliable;
 - b) supplementary information discloses all corresponding liabilities as of the balance-sheet date;
 - c) no other events that substantially influence figures and disclosures in the financial statements had taken place.
18. This report was prepared by the auditor on the basis of the audit working documentation under Art. 65.6 of the Accounting Act, including:
- a) relevant trials to test reliability and compliance, including items of a significant value;
 - b) the level of significance defined by the auditor for the financial statements;
 - c) the auditor's professional judgement on compliance of economic operations with accounting operations;
 - d) tax settlements and their compliance with data declared by the audited Company as a basis for their disclosure in the books of account.

B. Economic and financial analysis

The economic and financial analysis of the Company was prepared on the basis of its performance in the years 2011-2013.

1. Analysis of the balance sheet

Assets in PLN '000, rounded to hundreds of PLN

	Specification	2013		2012		2011		Change			
		amount	% share	amount	% share	amount	% share	in PLN '000	%	in PLN '000	%
		2013/2012		2013/2011		2013/2011		2013/2011		2013/2011	
1	2	3	4	5	6	7	8	9	10	11	12
A	Fixed assets	128 573.3	56.1	131 988.0	58.6	130 344.4	60.7	(3 414.7)	97.4	(1 771.2)	98.6
I	Intangibles	87.7	0.0	147.8	0.1	192.3	0.1	(60.1)	59.3	(104.6)	45.6
II	Tangible fixed assets	1.7	0.0	17.1	0.0	100.2	0.0	(15.4)	9.9	(98.5)	1.7
III	Long-term receivables										
I	From affiliates										
IV	Long-term investments	128 409.0	56.1	131 781.0	58.5	129 900.0	60.5	(3 372.0)	97.4	(1 491.0)	98.9
a	In affiliates										
V	Long-term prepayments	74.9	0.0	42.2	0.0	151.9	0.1	32.8	177.9	(77.1)	49.3
B	Current assets	100 435.6	43.9	93 417.5	41.4	84 317.7	39.3	7 015.0	107.6	16 114.9	119.1
I	Inventories			6.6	0.0			(6.6)			
II	Short-term receivables	854.3	0.4	796.4	0.4	3 164.5	1.5	57.8	107.3	(2 310.2)	27.0
I	Receivables from affiliates	72.9	0.0	260.5	0.1	1 481.9	0.7	(187.6)	28.0	(1 409.0)	4.9
III	Short-term investments	99 578.0	43.6	92 613.0	41.1	81 152.1	37.8	6 965.0	107.6	18 425.9	122.7
a	in affiliates			50 137.0	22.2			(50 137.0)			
IV	Short-term prepayments	0.3	0.0	1.5	0.0	1.1	0.0	(1.2)	20.0	(0.8)	27.3
Total assets		229 005.9	100.0	225 405.6	100.0	214 662.1	100.0	3 600.3	101.6	14 343.7	106.7

Equity and liabilities in PLN '000 rounded to hundreds of PLN

	Specification	2013		2012		2011		Change			
		amount	% share	amount	% share	amount	% share	in PLN '000	%	in PLN '000	%
		2013/2012		2013/2011		2013/2011		2013/2011		2013/2011	
1	2	3	4	5	6	7	8	9	10	11	12
A	Equity	223 673.1	97.7	219 310.7	97.3	207 550.9	96.7	4 362.4	102.0	16 122.2	107.8
I	Share capital	230 343.0	100.7	230 343.0	102.2	230 343.0	107.3		100.0		100.0
II	Called-up share capital (negative value)										
III	Own interests (shares) (negative value)										
IV	Supplementary capital	87.5	0.0	87.5	0.0	87.5	0.0		100.0	(0.0)	100.0
V	Revaluation reserve	1.6	0.0					1.6		1.6	
VI	Other reserves										
VII	Profit (loss) of previous years	(11 119.8)	(4.9)	(22 879.6)	(10.2)	(33 289.9)	(15.5)	11 769.8	48.6	22 170.1	33.4
VIII	Net profit (loss)	4 360.8	1.9	11 759.8	5.2	10 410.3	4.9	(7 399.0)	37.1	(6 049.6)	41.9
IX	Net profit deductions during the financial year (negative value)										
B	Payables and provisions for payables	5 332.8	2.3	6 094.9	2.7	7 111.2	3.3	(762.1)	87.6	(1 778.4)	75.0
I	Provisions for payables	2 743.0	1.2	2 560.8	1.1	1 537.8	0.7	182.2	107.1	1 205.3	178.4
II	Long-term payables										
I	To affiliates										
III	Short-term payables	2 589.8	1.1	3 534.0	1.6	5 573.5	2.6	(944.3)	73.3	(2 983.7)	46.5
I	To affiliates	24.2	0.0	152.4	0.1	262.5	0.1	(128.2)	15.9	(238.3)	9.2
IV	Accruals										
Total equity and liabilities		229 005.9	100.0	225 405.6	100.0	214 662.1	100.0	3 600.3	101.6	14 343.8	106.7

2. Profit and loss account (in PLN '000) rounded up to hundreds of PLN

	Specification	2013		2012		2011		Change			
		amount	% share	amount	% share	amount	% share	in PLN '000	%	in PLN '000	%
		2013/2012		2013/2011		2013/2011		2013/2011		2013/2011	
1	2	3	4	5	6	7	8	9	10	11	12
A	Core activity										
1	net sales and sales equivalents, including	20 614.6	87.6	20 843.5	76.9	26 002.6	88.5	(228.9)	98.9	(5 388.0)	79.3
2	Own cost to sell	13 888.4	76.8	11 819.2	94.2	14 230.0	86.7	2 069.2	117.5	(341.6)	97.6
3	Profit (loss) from sale	6 726.2		9 024.2		11 772.6		(2 298.1)	74.5	(5 046.4)	57.1
B	Other operating activities										
1	Other operating income	84.0	0.4	1 766.5	6.5	344.6	1.2	(1 672.4)	4.8	(280.8)	24.4
2	Other operating expenses	4 181.2	23.1	732.4	5.8	1 917.2	11.7	3 448.8	570.9	2 264.0	218.1
3	Profit (loss) from operating activities	(4 097.2)		1 024.1		(1 572.6)		(5 121.2)	(400.1)	(2 524.6)	260.5
C	Operating profit (loss) (A3+B3)	2 629.0		10 048.3		10 200.00		(7 419.3)	26.2	(7 571.0)	25.8
D	Financing activities										
1	Financial income	2 832.4	12.0	4 512.5	16.6	3 022.5	10.3	(1 680.0)	62.8	(190.1)	93.7
2	Financial expenses	9.1	0.1	1.9	0.0	262.8	1.6	7.2	480.1	(253.7)	3.5
3	Profit (loss) from financing activities	2 823.3		4 510.5		2 759.7		(1 687.2)	62.6	63.6	102.3
E	Extraordinary gains (losses)										
1	Extraordinary gains										
2	Extraordinary losses										
3	Extraordinary profit (loss)										
F	Profit (loss) before tax (C+D3+E3)	5 452.3		14 558.9		12 959.7		(9 108.5)	37.5	(7 507.4)	42.1
1	Income tax	1 114.9		1 717.6		2 549.4		(602.7)	64.9	808.0	363.3
2	Other mandatory profit deductions (loss increase)	(23.4)		1 081.4				(1 104.8)	(2.2)	(2 265.9)	(1.0)
G	Total mandatory charges	1 091.5		2 799.0		2 549.4		(1 707.5)	39.0	(1 457.9)	42.8
Profit (loss) after tax (F-G)		4 360.8		11 759.8		10 410.3		(7 399.0)	37.1	(6 049.5)	41.9

Total income	23 531.0	100.0	27 112.4	100.0	29 369.7	100.0	(3 581.3)	86.8	(5 838.7)	80.1
Total expenses	18 078.7	100.0	12 553.6	100.0	16 410.0	100.0	5 526.2	144.0	1 668.7	110.2

3. Ratio analysis

3.1 Profitability ratios

Profitability ratios	safe ratio	measure	2013	2012	2011
Return on assets (ROA) $\frac{\text{net profit (loss)} \times 100}{\text{total assets}}$	6-8	percent	1.90%	5.22%	4.85%
Net profitability $\frac{\text{net profit (loss)} \times 100}{\text{total income}}$	3-8	percent	18.53%	43.37%	35.45%
Return on equity (ROE) $\frac{\text{net profit (loss)} \times 100}{\text{equity}}$	15-25	percent	1.95%	5.36%	5.02%

Thanks to profit earned in the audited year, return on assets, return on equity and net profitability for the audited year are positive. The Company's working assets generated profit of PLN 0.019 per PLN 1.00 invested in assets. This ratio increased in comparison to the previous year thanks to profit earned and the growth of balance-sheet assets.

This ratio dropped in comparison to the previous year because of profit that was three times smaller and the slight growth of assets. the smaller profit of 2013 results from the impairment of the investment property at 64A Powsińska Street of PLN 3 961 000 and high renovations costs incurred due to the change of the existing tenant at 50 Chorzowska Street.

3.2 Financial liquidity ratios

Profitability ratios	safe ratio	measure	2013	2012	2011
Financial liquidity ratio 1 $\frac{\text{current assets} - \text{trade receivables of above 12 months}}{\text{short-term payables} - \text{short-term payables of above 12 months}}$	1.2 – 2.0	times	33.75	24.92	14.69
Financial liquidity ratio 2 $\frac{\text{current assets} - \text{inventories} - \text{short-term prepayments} - \text{trade receivables of above 12 months}}{\text{short-term payables} - \text{trade payables of above 12 months}}$	1.0	times	33.75	24.92	14.69
Financial liquidity ratio 3 $\frac{\text{short-term investments}}{\text{short-term payables} - \text{trade payables of above 12 months}}$	0.1 – 0.2	times	33.46	24.71	14.14
Commercial settlement capacity $\frac{\text{trade receivables}}{\text{trade payables}}$	1.0	times	0.27	0.51	0.68

The comparison of the above ratios with the desired current liquidity ratio, which is a relation of current assets to short-term payables, reflects no disturbances to the timely settlement of the Company's liabilities.

Surplus cash is invested in bank deposits.

3.3 Turnover ratios

Profitability ratios	safe ratio	measure	2013	2012	2011
Turnover of inventories (in days) $\frac{\text{average inventories} \times 365 \text{ days}}{\text{net sales of products, goods and materials}}$	decreasing ratio	days	x	x	x

Payment of receivables (in days) average trade payables x 365 days net sales of products, goods and materials	number of days comparable to item 18	days	9	28	27
Payment of payables (in days) average trade payables x 365 net sales of products, goods and materials	number of days comparable to item 17	days	24	43	35
Productivity of assets <u>net sales of products, goods and materials</u> total assets	2.0	PLN/PLN	0.09	0.09	0.12

The period of the payment of receivables in days shortened from 28 days in 2012 to 9 days in 2013. The period of the payment of payables in the audited year extended by 21 days in comparison to the previous year since the Company pays its payables slower than it obtains its receivables. A cash conversion cycle is 15, which is considered safe.

An asset productivity ratio, which is used to assess the effectiveness of asset management, is 0.09, which means that PLN 1.00 of assets generated PLN 0.09 of income.

3.4 Presentation of other ratios

3.4.1 Ratios used for the purpose of horizontal and vertical analysis of the balance sheet

Profitability ratios	safe ratio	measure	2013	2012	2011
Golden rule <u>(equity + long-term provisions) x 100</u> fixed assets	100 – 150	percent	175.80%	167.94%	160.28%
Golden rule 2 <u>short-term third-party capital x 100</u> current assets	40 – 80	percent	2.96%	4.01%	6.81%
Golden financing rule <u>equity x 100</u> third-party capital	above 100	percent	4194.38%	3598.29%	2918.63%
Carrying amount of the Company Total assets – total payables	increasing ratio	PLN '000	233 673.2	219 310.7	207 550.9
Company's fixed asset ratio <u>fixed assets x 100</u> total assets	30 - 50	percent	56.14%	58.56%	60.72%

A ratio reflecting the coverage of fixed assets with equity and long-term provisions, called "Golden Rule", is 175.80%. The bigger the ratio the safer solvency of the Company. The ratio above 100% shows that fixed assets are correctly financed with equity and the Company is able to maintain its financial balance.

In addition, the ratio may show that a part of equity was used to finance current assets.

4. Going concern

Taking into account ratios resulting from the economic and financial analysis and the results of the audit of the financial statements, as well as business events that took place after the balance-sheet date, the Company is able to carry on its activity in the foreseeable future without material changes to the scope of its activities.

It is necessary to note that the Company informed that it is capable of carrying on its activities without change in the Introduction to the Additional Information. However, the Directors inform that the Company Owner and the Company work over the split-off of the Company under Art. 529.1.1 of the Commercial Companies Code.

If the plan is implemented, the Company will be dissolved without liquidation on the day it is deleted from the register (split-off date). The Company will be deleted from the register *ex officio* immediately after the registration of the increase of the share capital of the taking-over Company.

C. Detailed Part

1. The Company's accounting system

1.1 The Company's accounting

The Company keeps current documentation in accordance with the requirements of Art. 10 of the Accounting Act of 29 September 1994 (consolidated text: Journal of Laws No. 2002.76.694), which describes the Company's accounting principles (policy).

The accounting policy of Centrum Banku Śląskiego Sp. z o.o. in Katowice comprises:

- a) the definition of a financial year and reporting periods;
- b) the general description of rules to meet the requirements of the Accounting Act;
- c) methods used to measure assets, equity and liabilities and determine profit and loss;
- d) book-keeping rules, including:
 - the Company's Chart of Accounts,
 - the list of books of account,
 - principles for recording business operations in G/L control accounts,
- e) the list and description of permitted programmes and data processing system,
- f) data and data file protection system, including book evidence, books of account and other underlying documents.

Accounting principles and the chart of accounts are updated if necessary to adjust the Company's accounting policy to legal amendments to the Accounting Act, the Commercial Companies Code, and tax regulations.

On 10 May 2013, the Directors of the Company adopted the resolution No. 1/2013 on the establishment of an off-site business unit of the Company under the name of Centrum Banku Śląskiego Sp. z o.o. – Warsaw Subsidiary as of 1 June 2013. Therefore, the organisational structure of the Company comprises two organised parts of the enterprise. Those organised parts of the enterprise established as a result of the split-off are not branches preparing their individual balance sheets within the meaning of the Accounting Act. Therefore, the Company does not prepare consolidated financial statements.

1.2 As regards the book-keeping system, the auditor confirms that:

- a) the Company complies with the principle of continuity of accounting principles and opens its books of account as of 1 January of the audited year correctly;
- b) the Company keeps its books of account correctly with the use of a relevant computer programme;
- c) business operations were recorded in accordance with key accounting principles, including accrual and prudent valuation principles;
- d) source documents based on which records in books of account were made were verified and qualified in accordance with Art. 21.1.6 of the Accounting Act, including,

without limitation, evidence qualified in economic terms by authorised persons and technically approved to be recorded in the books of account.

1.3 The Company's internal control system connected with the accounting system

Internal control is performed in the form of functional control.

As a result of internal control, business processes are carried out and recorded correctly and corresponding book records are accurate.

We verified the book-keeping system and a corresponding internal control system on a test basis.

We assessed in particular whether:

- a) business operation documentation is correct,
- b) electronic books of account are kept correctly,
- c) methods of protecting access to data and an electronic data processing system are reasonable,
- d) data resulting from books comply with financial statements, and accounting documentation, books of account and financial statements are protected,
- e) internal control operates correctly.

As a result of the assessment, given the results of the analysis of the reliability of particular financial statement items, we found that the book-keeping system and the related internal control system may be considered correct. It was not the purpose of our audit to present a comprehensive opinion on the operation of those systems.

1.4 As regards the protection of access to information resulting from the books of account and accounting documentation and computer protection, the auditor found that:

- a) the Company keeps hardcopies of files;
- b) original accounting documents, books of account and financial statements are stored at the office of the Company Directors and are broken down into years and months;
- c) data storage periods comply with Art. 74 of the Accounting Act, i.e. financial statements are stored on a permanent basis and other files are stored for 5 years starting from the beginning of the following year.

The Company's financial year is a calendar year and a reporting period is a month.

2. Inventory of assets, equity and liabilities

Assets, equity and liabilities were measured for the purpose of the annual balance sheet mostly in accordance with Art. 26 of the Accounting Act:

- a) in the form of physical count:
 - cash in hand as of 31 December 2013;
- b) in the form of balance confirmation:
 - settlements with recipients as of 31 October 2013;
 - cash in bank accounts as of 31 December 2013;
- c) in the form of the verification of book records and valuation:
 - rights classified under real property as of 31 December 2013;
 - fixed assets as of 31 December 2013;

- disputable and doubtful receivables as of 31 December 2013;
- public and legal receivables as of 31 December 2013;
- prepayments and accruals as of 31 December 2013;
- equity as of 31 December 2013;
- payables as of 31 December 2013;
- deferred income tax assets and provisions as of 31 December 2013.

The books of account and documentation based on which business operations were recorded there in are correct within the meaning of Art. 24 of the Accounting Act and form the basis for the preparation of the audited financial statements.

3. Balance sheet

3.1 Assets – selected items

3.1.1 Long-term investments

As of 31 December 2013, the Company owns two investment properties:

- a building at 64A Powińska Street in Warsaw of fair value of PLN 7 022 000.00
- a building at 50 Chorzowska Street in Katowice of fair value of PLN 121 387 000.00.

The value of the above properties as of 1 January 2013 was PLN 131 781 000.00 and was increased by PLN 596 169.54 as a result of work connected with the modernisation of the buildings. As of 10 December 2013, Lucjan Kopeć (expert No. 3123), who represented Contract Consulting Spółka z o.o. issued an opinion that the fair value of both properties was PLN 128 409 000.00. The Company recognised the impairment loss of PLN 3 968 169.54.

3.1.2 Short-term investments

Short-term investments comprise:

- cash in the current bank account of PLN 98 452 774.29,
- cash in bank accounts equal to deposits paid under rental agreements of PLN 1 118 729.23,
- cash in hand of PLN 6 545.27.

Cash in hand was physically counted and cash in bank accounts and deposits was confirmed by the Company's bank as of the balance-sheet date.

3.2 Equity and liabilities – selected items

3.2.1 Short-term payables of PLN 2 589 719.31 comprise in particular:

- trade payables	PLN 1 351 795.14
- personal income tax	PLN 13 958.00
- social insurance (ZUS) premiums	PLN 63 087.00
- VAT	PLN 38 241.07
- deposits paid by tenants	PLN 1 118 729.23
- other liabilities	PLN 3 908.87

3.3 Profit and loss account – selected items

The Company prepares its profit and loss account in a single-step format.

Income from core activity of PLN 20 614 647.35 was recognised correctly in all material aspects in the financial year and comprise mainly the rental of office and commercial premises.

Operating expenses of PLN 13 888 390.56 reflect in all material aspects the actual course of business operations.

Other operating activity comprises mainly the measurement of long-term investments in the form of real properties.

Financial income comprise mainly deposit interest.

4. Audit of other elements of the financial statements

4.1 Statement of cash flows for the financial year

The statement of cash flows was prepared in accordance with Art. 48b of the Accounting Act in a reliable way, complies with the balance sheet, the profit and loss account, and the books of account.

4.2 Statement of changes in equity in the financial year

The Company recorded items that contribute to the growth of its equity by PLN 4 362 478.03 completely and reliably in accordance with the balance sheet and the books of account.

4.3 Additional information

Additional information comprises an introduction to the financial statements, as well as supplementary information and explanatory notes. Additional information includes the necessary cope of figures and disclosures.

Information is presented in all material aspects in accordance with the books of account.

4.4 Directors' report on the Company's activities

The report on the Company's activities in the financial year meets the requirements of Art. 49.2 of the Accounting Act of 29 September 1994 and information and figures presented therein comply with the audited financial statements.

4.5 Non-compliance

As a result of procedures applied during the audit of the financial statements for the financial year, the Company was not found to infringe legal regulations that are applicable to the financial statements.

4.6 Events after the balance-sheet date

The auditor confirms that no material business events which would influence the financial statements and the balance-sheet profit took place between the balance-sheet date, i.e. 31 December 2013, and the audit completion date and the related statement made by Directors on 10 January 2014 is taken into account.

4.7 Employment of specialists

The auditor hired a specialist to measure long-term investments in real property. On the basis of the appraisal prepared by Lucjan Kopeć (expert No. 3123), who represented Contract Consulting Sp. z o.o., the fair value of investments in real property was used.

4.8 Additional issues

The audit agreement did not provide for the audit of additional issues.

5. Summary

The results of the audit are summarised in the auditor opinion, which forms a separate document required by the Accounting Act.

This report is made of 19 consecutively numbered pages which were signed by the auditor.

The following appendixes form an integral part of this report:

1. Introduction to the financial statements for the financial year
2. Balance sheet prepared as of 31 December 2013
3. Profit and loss account for the period from 1 January 2013 to 31 December 2013
4. Statement of changes in equity in the period from 1 January 2013 to 31 December 2013
5. Statement of cash flows in the period from 1 January 2013 to 31 December 2013
6. Supplementary information and explanatory notes for the financial year
7. Directors' report on the Company's activities in the financial year

Key auditor that conducted the audit
on behalf of BUFIKS Biuro Usług
Finansowo-Księgowych Sp. z o.o.
GRUPA FINANS-SERVIS
illegible signature
Ilona Jaroszek, Reg. No. 10470

Board of Directors of
BUFIKS Biuro Usług Finansowo-
Księgowych Sp. z o.o. GRUPA FINANS-
SERVIS
illegible signature
Piotr Kołodziejczyk, Auditor, No. 9324
Chairman of the Board

BUFIKS Biuro Usług Finansowo-Księgowych Sp. z o.o.
GRUPA FINANS-SERVIS
40-084 Katowice, ul. Sokolska 3
Entity authorised to audit financial statements
(No. 660 in the list of the Polish Board of Statutory Auditors)

Katowice, 10 January 2014