

**LC CORP SA**

**AUDITORS' REPORT  
SUPPLEMENTING THE INDEPENDENT AUDITOR'S OPINION  
ON THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31st 2009**

## I. GENERAL NOTES

### 1. Background

LC Corp S.A. ('the Company') was incorporated on the basis of a Notarial Deed dated March 3rd 2006. The Parent Undertaking's registered office is situated in Wrocław, Poland, in ul. Powstańców Śląskich 2-4.

The Company was entered in the Register of Entrepreneurs of the National Court Register under No. KRS No. 0000253077, on March 15<sup>th</sup> 2006.

The Company was issued with tax identification number (NIP) 899-25-62-750 on March 27th 2006 and statistical number (REGON) 020246398 on March 17th 2006.

The Company is part of the LC Corp B.V. Group. The information on transactions with related entities, and the list of companies in which the Company holds at least 20% in their share capitals or total number of votes in their governing bodies, is included in Note 17 and 30 of the accounting principles and notes to the financial statements (additional notes) to the audited financial statements for the year ended December 31<sup>st</sup> 2009.

The Company's principal activity is managing the holding.

As at December 31<sup>st</sup> 2009, the Company's issued share capital amounted to PLN 447,558,000. The Company's equity as at that date amounted to PLN 740,492,000.

As at March 12<sup>th</sup> 2010, the ownership structure of the Company's issued share capital was as follows:

Shareholder	Number of shares	Number of votes	Shares Par value (PLN'000)	Share % in share capital
Leszek Czarnecki directly and indirectly, including LC Corp B.V.	229,126,674	229,126,674	229,126	51.19%
Aviva OFE Aviva BZ WBK S.A	214,701,110	214,701,110	214,701	47.97%
	55,000,000	55,000,000	55,000	12.29%
ING Otwarty Fundusz Emerytalny	27,774,961	27,774,961	27,775	6.21%
Other	135,656,676	135,656,676	135,657	30.31%
Total	447,558,311	447,558,311	447,558	100%

The following changes in the share ownership of the share capital of the Company occurred within the reporting period and after the balance-sheet date:

- Aviva OFE Aviva BZ WBK SA increased its holdings from 27,000,000 to 55,000,000.

Within the reporting period the share capital of the Parent company did not change.

As at March 12<sup>th</sup> 2010, the Management Board of LC Corp SA comprised:

- President – Dariusz Niedośpiał
- Member of the Board – Waldemar Czarnecki
- Member of the Board – Joanna Jaskólska

There were following changes in the Company's Management Board composition from the balance sheet date to the date of the opinion:

- As of March 31<sup>st</sup> 2009 the mandates of Mr Dariusz Karwacki and Mr Waldemar Horbacki as Members of the Management Board expired
- As of December 11<sup>th</sup> 2009, Ms. Joanna Jaskólska appointed to the position of Member of the Management Board

## **2.1 Auditors' opinion and audit of financial statements**

Ernst & Young Audit sp. z o.o. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audit sp. z o.o. was appointed by the Supervisory Board on December 11th 2009 to audit the Company's financial statements.

Ernst & Young Audit sp. z o.o. and the key account certified auditor in charge of the audit meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56, clause 3 and 4 of the Act of May 7<sup>th</sup> 2009 *on certified auditors, their control authorities, entities qualified to audit financial statements and public supervision*.

Under the contract executed on January 7th 2010 with the Company's Management Board, we have audited the financial statements for the year ended December 31st 2009.

Our responsibility was to express an opinion on the financial statements based on our audit. The auditing procedures applied to the financial statements were designed to enable us to express an opinion on the financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the financial statements taken as a whole.

Based on our audit, we issued an auditors' unqualified opinion dated March 12<sup>th</sup> 2010, stating the following:

### **“To the General Meeting of Shareholders and Supervisory Board of LC Corp SA**

1. We conducted a review of the enclosed financial statements of the LC Corp SA (“Company”), with its business seat in Wrocław, ul. Powstańców Śląskich 2-4, is the dominant undertaking, including:

- statement of financial position drawn up as at December 31st 2009, disclosing the total balance of assets, equity and liabilities in the amount of PLN 799.818 thousand,
- statement of comprehensive income for the period from January 1<sup>st</sup> 2009 December 31st 2009, showing a net loss in the amount of PLN 8,276 thousand,
- statement of changes in equity for the period from January 1<sup>st</sup> 2009 to December 31st 2009, disclosing a decrease in equity by the amount of PLN 8,276 thousand,
- cash-flow statement for the period from January 1<sup>st</sup> 2009 to December 31st 2009, disclosing a decrease in the balance of net cash by the amount of PLN 9,848 thousand, and

- accounting principles and notes to the financial statements (“enclosed financial statements”)
2. The responsibility for the accuracy, correctness and clarity of the enclosed financial statements as well as for the correctness of the books rests with the Company’s Management Board. Our task consisted in presenting a report on reviewing such financial statements. Our responsibility was to audit the attached financial statements and to express an opinion whether, based on our audit, these financial statements are, in all material respects, true and fair.
  3. We conducted our audit of the attached financial statements in accordance with the following regulations being in force in Poland:
    - chapter 7 of the Accounting Act, dated September 29<sup>th</sup> 1994 ( Dz.U. of 2009, No. 152, Item 1223 as amended - ‘the Accounting Act’),
    - the financial statements auditing standards applied in Poland (based on the current standards for certified auditors issued by the National Chamber of Auditors, taking account of the Act of May 7<sup>th</sup> 2009 *on certified auditors, their control authorities, entities qualified to audit financial statements and public supervision.*

in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.

4. The Company’s financial statements for the previous accounting year ended on December 31<sup>st</sup> 2008 were audited by another auditor, who expressed his unqualified opinion on these statements on March 13<sup>th</sup> 2009.
5. In our opinion, the attached financial statements, in all material respects:
  - present truly and fairly all information material for the assessment of the results of the Company’s operations for the year from January 1st 2009 to December 31st 2009, as well as its financial position as at December 31st 2009;
  - have been prepared in all material aspects correctly, i.e. in accordance with International Financial Reporting Standards as adopted by the EU;
  - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.
6. We have read the ‘Directors’ Report for the year from January 1st 2009 to December 31st 2009 and the rules of preparation of the annual statements’ (‘the Directors’ Report’) and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the Directors’ Report corresponds with the relevant regulations of the Directive of the Minister of Finance dated February 19<sup>th</sup> 2009 *on current and periodic information published by issuers*

*of securities and conditions for recognising as equivalent the information required by the laws of a non-member state (Journal of Laws of – Dz.U. 2009, No. 33, Item 259 as amended – directive on current and periodic information published by issuers of securities).”*

We conducted the audit of the financial statements during the period from November 30th 2009 to March 12<sup>th</sup> 2010. We were present at the Company’s head office from November 30th 2009 to December 4<sup>th</sup> 2009, and from February 11<sup>th</sup> 2010 to March 5<sup>th</sup> 2010.

## **2.2 Representations provided and data availability**

The Management Board of the Company confirmed its responsibility for the truth and fairness of the financial statements. The Board stated that it provided us with all financial statements, the books and other required documents as well as all necessary explanations. We also obtained a written representation dated March 12<sup>th</sup> 2010, from the Management Board of the Company confirming that:

- the information included in the documentation was complete,
  - all contingent liabilities had been disclosed in the financial statements,
- and
- all material events from the balance sheet date to the date of the representation letter

had been disclosed in the financial statements, and confirmed that the information provided to us was true and fair to the best of the Company Management Board’s knowledge and belief, and included all events that could have had an effect on the financial statements.

## **2.3 Financial statements for prior financial year**

The financial statements of the Company for the year ended December 31st 2008 were audited Dariusz Gawrych, Certified Auditor No. 11086/7982, acting on behalf of Deloitte Audyt Sp. z o.o., ul.Piękna 11, Warsaw, registered in the auditors’ register under the number 73. The certified auditor issued an unqualified opinion on the financial statements for the year ended December 31<sup>st</sup> 2008. The financial statements for the year ended December 31<sup>st</sup> 2008 were approved by the General Shareholders’ Meeting on March 31<sup>st</sup> 2009.

The financial statements of the Company for the financial year ended December 31st 2008, together with the auditors’ opinion, a copy of the resolution approving the financial statements and the Directors’ Report, were filed on April 16<sup>th</sup> 2009 with the National Court Register.

The balance sheet as at December 31st 2008, the P&L account, the statement of changes in equity and the cash flow statement for the year ended December 31st 2008, together with the auditors’ opinion and a copy of the resolution approving the financial statements were submitted for publication in Monitor Polski B No.919 on June 5<sup>th</sup> 2009.

The approved closing balance as at December 31<sup>st</sup> 2008 was correctly entered in the books as Opening Balance as at January 1<sup>st</sup> 2009.

### 3. Financial standing

#### 3.1 Basic financial data and ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2007 – 2009 calculated on the basis of financial information included in the financial statements for the year ended December 31st 2009 and December 31st 2008.

The ratios for the year December 31st 2008 and December 31st 2007 were calculated on the basis of financial information presented in the financial statements audited by another entity.

	2009	2008	2007
<b>Total assets</b>	799,818	944,330	894,224
<b>Shareholders' equity</b>	740,492	748,768	758,471
<b>Net profit/ loss</b>	-8,276	-10,645	1,829
<b>Return on assets (%)</b>	-1.0%	-1.1%	0.2%
Net profit x 100 ----- Total assets			
<b>Return on equity (%)</b>	-1.1%	-1.4%	0.7%
Net profit x 100 ----- Shareholders' equity at the beginning of the period			
<b>Profit margin (%)</b>	-312.8%	-113.1%	14.8%
Net profit x 100 ----- Sales of finished goods, goods for resale and raw materials			
<b>Liquidity I</b>	4,3	1,5	1,5
Current assets ----- Current liabilities			
<b>Liquidity III</b>	0,1	0,2	1,4
Cash and cash equivalents ----- Current liabilities			
<b>Receivables turnover</b>	76 days	65 days	76 days
Trade receivables x 365 days ----- Sales of finished goods, goods for resale and raw materials			
<b>Liabilities turnover</b>	11 days	41 days	32 days
Liabilities x 365 days ----- value of goods and materials sold + cost of sales			
<b>Stability of financing (%)</b>	96.1%	91.9%	84.8%
(Equity + long-term provisions and liabilities) x 100			

----- Total liabilities			
<b>Debt ratio (%)</b> (Total liabilities + equity) x 100 ----- Total assets	7.4%	20.7%	15.2%
<b>Rate of inflation:</b>	2009	2008	2007
Yearly average	3.5%	4.2%	2.5%
December to December	3.5%	3.3%	4.0%

### 3.2 Comments

The ratios presented above indicate the following trends:

- return on assets for the year ended December 31st 2009 was – 1.0%, compared with -1.1% in 2008 and -0.2% in 2007.
- return on equity for the year ended December 31st 2009 was – 1.1%, compared with -1.4% in 2008 and 0.7% in 2007.
- profit margin ratios for the year ended December 31st 2009 was – 312.8%, i.e. lower than in 2008 and 2007 when it was -113.1% and 14.8% respectively.
- liquidity I ratio was 4.3 for the year ended December 31st 2009, compared with 1.5 in 2008 and 1.5 in 2007. Liquidity III ratio was 0.1 for the year ended December 31st 2009, compared with 0.2 in 2008 and 1.4 in 2007.
- turnover rate for receivables was 76 days for the year ended December 31st 2009, compared with 65 days in 2008 and 76 days in 2007.
- liabilities turnover was 11 days for the year ended December 31st 2009, compared with 41 days in 2008 and 32 days in 2007.
- stability of financing for the year ended December 31st 2009 was 96.1%, compared with 91.9% in 2008 and 84.8% in 2007.
- debt ratio decreased in 2009 to 7.4%, compared to 20.7% in 2008 and 15.2% in 2007.

### 3.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the Company is unable to continue as a going concern for at least twelve months subsequent to December 31st 2009 as a result of an intended or compulsory withdrawal from or a substantial limitation in its current operations.

In Note 7 of the additional notes and explanations to the Company's financial statements for the year ended December 31st 2009, the Management Board of the Company has stated that the financial statements were prepared on the assumption that these entities will continue as a going concern for a period of at least twelve months subsequent to December 31st 2009 and that there are no circumstances that would indicate a threat to their continued activity.

## **II. DETAILED REPORT**

### **1. Assessment of the accounting system**

The Company uses a computerized system of book-keeping records NAV in its head office. The Company keeps updated documentation as specified in Art. 10 of the Accounting Act of September 29<sup>th</sup> 1994 (Dz. U. /Journal of Laws/ of 2009 No. 152, Item 1223 as amended), including the corporate chart of accounts approved by the Company's Management Board.

During the audit no material irregularities were noted in the accounting books which could have a material effect on the audited financial statements, and which were not subsequently adjusted, including those concerning:

- Legitimacy and continuity of the applied accounting principles
- Reliability and correctness of the accounting books and the correlated entries within them
- Evidenced economic operations
- Correctness of opening of the accounting books based on the balances of the approved balance sheet for the previous year
- Correlation of entries with accounting evidence and financial statements
- Compliance with the security conditions to be met by accounting documentation, as storage of books and financial statements.

### **2. Structure of assets, liabilities and equity presented in the financial statements**

The structure of the Company's assets, equity and liabilities is presented in the audited financial statements for the year ended December 31<sup>st</sup> 2009.

### **3. Additional Notes and Explanations to the Financial Statements**

The additional notes and explanations to the financial statements for the year ended December 31<sup>st</sup> 2009 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

### **4. Directors' Report on Operations of the Company**

We have read the 'Directors' Report for the year from January 1<sup>st</sup> 2009 to December 31<sup>st</sup> 2009 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Directive of the Minister of Finance dated February 19<sup>th</sup> 2009 *on current and periodic information published by issuers of securities and conditions for recognising as equivalent the information required by the laws of a non-member state* (Journal of Laws of – Dz.U. 2009, No. 33, Item 259).

### **5. Conformity with Law and Regulations**

We have obtained a letter of representations from the Management Board of the Company confirming that no laws, regulations or provisions of the Company's Articles of Association were breached during the financial year.



on behalf of  
Ernst & Young Audit Sp. z o.o.  
Rondo ONZ 1, 00-124 Warsaw  
Registration No. 130

Marek Musiał  
Key Account Statutory Auditor No. 90036

Wrocław, March 12th 2010<sup>1</sup>

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<sup>1</sup> *The above audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.*