

Wikana Group

Independent Statutory Auditor's Opinion and Report
Financial year ended
31 December 2013

INDEPENDENT STATUTORY AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Wikana S.A.

We reviewed the enclosed consolidated financial statements of the group whose Parent is Wikana S.A., having its registered office in Lublin, ul. Cisowa 11 (the "Parent"), which consist of the consolidated balance sheet drawn up as at 31 December 2013, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 1 January 2013 to 31 December 2013, together with notes to the financial statements.

The Parent's Management Board is responsible for drawing up the consolidated financial statements and report on the Group's operations in accordance with legal regulations.

The Parent's Management Board and members of the Supervisory Board or other supervisory body are required to ensure that the consolidated financial statements and report on the Group's operations fulfil the requirements provided for in the Accounting Act of 29 September 1994 (Polish Journal of Laws of 2013, item 330 as amended), hereinafter referred to as the "Polish Accounting Act."

Our objective was to audit the consolidated financial statements and express an opinion on whether they are compliant with the Group's required accounting principles (policy), whether they reliably and clearly present all significant aspects of the financial situation, asset position and financial results of the Group.

The Group's consolidated financial statements for the previous financial year, ended 31 December 2012, were audited by a different statutory auditor, who on 30 April 2013 issued an unqualified opinion on the consolidated financial statements. Our opinion pertains only to the consolidated financial statements for the financial year ended 31 December 2013.

We audited the consolidated financial statements in accordance with the following:

- 1) Section 7 of the Polish Accounting Act;
- 2) National financial audit standards issued by the National Chamber of Statutory Auditors in Poland.

We planned and carried out the audit of the consolidated financial statements in such manner as to gain the rational certainty necessary for us to express an opinion on the statements. In particular, the audit covered verification of the accounting principles (policies) and significant estimates applied by the Parent and subsidiaries, and examination – primarily on a test basis – of the evidence supporting the figures and disclosures in the consolidated financial statements, together with an overview of the consolidated financial statements.

We consider that the audit provided us with sufficient basis to issue an opinion.

In our opinion, the audited consolidated financial statements, in all significant aspects:

- a) give a true and accurate view of all information significant for assessment of the Group's financial situation and asset position as at 31 December 2013, as well as its financial results for the financial year 1 January 2013 to 31 December 2013,
- b) were drawn up in accordance with International Accounting Standards, International Financial Reporting Standards and associated interpretations published in the form of European Commission regulations, and where not governed by such standards then appropriate to the requirements of the Polish Accounting Act and secondary legislation issued on its basis, and also pursuant to correctly maintained accounts,
- c) are compliant with the provisions of law binding on the Group, which impact the content of financial statements.

Without raising reservations as to the correctness and accuracy of the audited consolidated financial statements, we point out the following:

- 1. As at 31 December 2013, the Group showed a balance of current liabilities of PLN 112 954 000 and low liquidity ratios. As described in note 33 (point "Liquidity risk"), the Parent's Management Board carried out an assessment of the risks and threats as to the Group's ability to continue as a going concern. In the light of this analysis, the further operations of the Group are dependent on, among others, achievement of the expected apartment sales, in volume and value terms, at the on-going development projects, sale of other assets and sufficient availability of financing from external sources. Based on the analysis, the financial statements were prepared by the Parent's Management Board on the assumption that the Group will continue as a going concern for at least the next 12 months from the date on which the financial statements were prepared.
- 2. The Group has infringed on the terms of credit agreements. Details are presented in note 26.
- 3. The Parent's Management Board corrected an error in the comparative data as at 31 December 2012. The correction is described in note 2 to the financial statements.
- 4. The consolidated financial statements cover also the financial statements of subsidiaries, which were not audited, however this is not in violation of the Polish Accounting Act. As regards the financial statements that were not audited, we applied audit procedures that allowed us to issue an opinion on the Group's consolidated financial statements.

The Management Board report on the Group's operations is complete in the meaning of art. 49, sec. 2 of the Polish Accounting Act and complies with the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information disclosed by issuers of securities and the conditions for recognising information required by the laws of a non-member state as equivalent (Polish Journal of Laws of 2009, no. 33, item 259, as amended), and the information contained in it, as sourced from the audited consolidated financial statements, is compliant therewith.

[signature]

Statutory Auditor no. 10077

Krzysztof Wasilewski

Lead Statutory Auditor

conducting the audit

CSWP Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.



Entity authorised to audit financial statements, entered into the list of authorised entities, no. 3767, held by the National Chamber of Statutory Auditors.

Warsaw, 26 May 2014

Wikana Group

Report on Audit of the Financial Statements
Financial year ended
31 December 2013

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I. GENERAL PART OF THE REPORT

1. Identification data and basic information on the Group and Parent

1.1. Name, legal form and registered address of the Parent

Wikana S.A.
ul. Cisowa 11
20-703 Lublin, Poland

1.2. Economic activities of the Parent

In accordance with the Parent's articles of incorporation, its principal economic activities are:

- Property development,
- Renting of real estate,
- Bookkeeping and accounting services.

1.3. Legal basis for the Parent's operations

The Parent was formed in January 1994 under the name ZPO ELPO S.A., entered into the register maintained by the District Court in Legnica, 5th Commercial Division, under RHB number 1085. In August 1999, the Parent changed its name to Masters S.A. On 20 January 2003, the Parent was registered by the District Court in Lublin, 11th Commercial Division of the National Court Register, under KRS number 0000144421. Pursuant to a resolution of Masters S.A.'s Extraordinary General Meeting on 12 January 2009, a merger was decided between Masters S.A., registered by the District Court in Lublin, 11th Commercial Division of the National Court Register, under KRS number 0000144421, and Wikana S.A., registered by the District Court in Lublin, 11th Commercial Division, under KRS number 0000296052. Pursuant to the resolution of Masters S.A.'s Extraordinary General Meeting on 12 January 2009 on the merger between Masters S.A. and Wikana S.A., the Parent changed its name to Wikana S.A. The District Court in Lublin, 11th Commercial Division, registered the merger on 12 March 2009. The Parent has been established for an indefinite period of time, and operates pursuant to the articles of association of 13 January 1995, as amended. Currently, the Company's registration files are maintained by the District Court in Lublin-Wschód in Lublin, based in Świdnik, 6th Commercial Division of the National Court Register.

1.4. Parent's registration for tax and statistical purposes

NIP (taxpayer identification number): 6910019382
REGON (statistical identification number): 390284802

1.5. Parent's share capital

As at 31 December 2013, the Parent's registered share capital was PLN 33 533 119.20, divided into 167 665 596 shares with a nominal value of PLN 0.20 each.

The shareholding structure as at 31 December 2013 was as follows:

Shareholder name	Number of shares	Nominal value of shares (PLN thousands)	% of votes held	Type of shares
Ipnihome Limited*	99 533 218	19 906.6	59.3%	Ordinary
Dekra Holdings Limited	27 798 956	5 559.8	16.6%	Ordinary
Others	40 333 422	8 066.7	24.1%	Ordinary
	167 665 596	33 533.1	100%	

* Entity controlled by Adam Buchajski. Moreover, Adam Buchajski directly holds 3.13% of shares in the Parent. The total number of shares held directly and indirectly by Adam Buchajski is 104 781 364, i.e. 62.49%, which entitles to 104 781 364 votes at the Parent's General Meeting and constitutes 62.49% of votes.

Wikana S.A. is the parent of Wikana Group, and prepared consolidated financial statements.

1.6. Parent's Management Board

The Parent's Management Board performs management functions.

As at 31 December 2013, the Parent's Management Board comprised:

- Sylwester Bogacki – President of the Management Board
- Krzysztof Szaliłow – Vice-President of the Management Board
- Tomasz Demendecki – Member of the Management Board

During the financial year and from the end of the reporting period to the date on which this report was prepared, the following changes in the Parent's Management Board took place:

In connection with Tomasz Grodzki's resignation as Vice-President of the Management Board on 10 May 2013, on the same date the Supervisory Board appointed Krzysztof Szaliłow as Vice-President of the Management Board.

On 22 October 2013, the Supervisory Board appointed Tomasz Demendecki as Member of the Management Board.

In connection with Krzysztof Szaliłow's resignation as Vice-President of the Management Board on 28 January 2014, on the same date the Supervisory Board changed Sylwester Bogacki's position at the Management Board to Vice-President, and appointed Sławomir Horbaczewski as President of the Management Board.

In connection with Tomasz Demendecki's resignation as Member of the Management Board on 28 January 2014, on 24 April 2014 the Supervisory Board appointed Robert Pydzik as Member of the Management Board and Agnieszka Maliszewska as Member of the Management Board.

On 24 April 2014, Sylwester Bogacki resigned as Vice-President of the Management Board, effective from 30 April 2014.

1.7. Information on the entities comprising the Group

As at 31 December 2013, Wikana Group comprised the following entities:

- Wikana S.A. – parent,
- Wikana Bioenergia Sp. z o.o. – wholly-owned subsidiary,

- Wikana Project Sp. z o.o. – wholly-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. – wholly-owned subsidiary,
- Multiserwis S.A. ***** – 93.89%-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. Krosno S.K.A.* – wholly-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. Legnica S.K.A.* – wholly-owned subsidiary,
- Zielone Tarasy S.A.** – wholly-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. Komerc S.K.A.* – wholly-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. 02 S.K.A.* – wholly-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. 03 Miasteczko S.K.A.* – wholly-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. 04 Osiedle S.K.A.* – wholly-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. 01 S.K.A.*** – wholly-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. 05 Marina S.K.A.* – wholly-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. Alfa S.K.A. – wholly-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. Beta S.K.A.***** – wholly-owned subsidiary,
- Wikana Nieruchomości Sp. z o.o. Delta S.K.A.**** – wholly-owned subsidiary,
- Towarzystwo Budownictwa Społecznego "Wikana" Sp. z o.o. – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Panorama S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Podpromie S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Zielone Tarasy S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Krosno S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. ACER S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. ACER S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Alfa S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Betula S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Corylus S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Gamma S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Jota S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Kappa S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Lambda S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Larix S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Zeta S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Sigma S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Rosa S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Magnolia S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Omega S.K.A.***** – wholly-owned subsidiary,
- Wikana Property Sp. z o.o. Omikron S.K.A.***** – wholly-owned subsidiary,

* Indirectly owned by Wikana S.A., through investment certificates issued by WIKANA FIZ, which owns 100% of shares in the subsidiary. The general partner in these companies is Wikana Nieruchomości Sp. z o.o., an entity fully owned by Wikana S.A.

** Indirectly owned by Wikana S.A., through investment certificates issued by WIKANA FIZ, which owns 100% of shares in the subsidiary. The entity was transformed from a partnership limited by shares in 2013.

*** Indirectly owned by Wikana S.A., through investment certificates issued by WIKANA FIZ, which owns 100% of shares in the subsidiary. The general partner in these companies is Wikana Bioenergia Sp. z o.o., an entity fully owned by Wikana S.A.

**** 100% of shares in Wikana Property Sp. z o.o. Delta S.K.A. was sold in 2013 to Wikana Project Sp. z o.o., an entity fully owned by Wikana S.A.

***** The companies were established in 2013. The general partner is Wikana Property Sp. z o.o., an entity fully owned by Wikana S.A.

***** 100% of shares in Wikana Invest Sp. z o.o. was sold in 2013 to Polska Tektura Sp. z o.o., an entity unrelated to Wikana S.A.

***** 6.11% of shares in Multiserwis S.A. was sold in 2013 to entities unrelated to Wikana S.A.

All of the above entities were included in Wikana Group's consolidated financial statements for the financial year 1 January 2013 – 31 December 2013, using full consolidation.

1.8. Information on audit of the financial statements of entities comprising the Group

We conducted the audit of the financial statements of the Parent, Wikana S.A., for the financial year January 1 to 31 December 2013 and issued an unqualified opinion on 26 May 2014, accompanied by the following explanation:

"Without raising reservations as to the correctness and accuracy of the audited financial statements, we point out that:

1. As at 31 December 2013, the Company showed a balance of current liabilities of PLN 62 119 000, and its current assets consist of inventory, which for the most part includes unfinished property development projects, sales of which will actually take longer than 12 months from the balance sheet date due to the long duration of property projects, and receivables and current financial assets, which for the most part include unsettled balances with Wikana Group's related parties, and their recoverability depends on the financial standing of those entities and is strictly connected with the financial standing of the entire Group, which as at the balance sheet date shows a substantial balance of current liabilities and low liquidity ratios. As described in note 32 (point "Liquidity risk"), the Company's Management Board carried out an assessment of the risks and threats as to the Company's ability to continue as a going concern. In the light of this analysis, the further operations of the Company are dependent on, among others, achievement of the expected apartment sales, in volume and value terms, at the on-going development projects, sale of other assets and sufficient availability of financing from external sources. Based on the analysis, the financial statements were prepared by the Company's Management Board on the assumption that the Company will continue as a going concern for at least the next 12 months from the date on which the financial statements were prepared.
2. The Company has infringed on the terms of credit agreements. Details are presented in note 26.
3. The Company's Management Board corrected an error in the comparative data as at 31 December 2012. The correction is described in note 2 to the financial statements."

We audited the financial statements of Wikana Group's subsidiaries listed below for the financial year 1 January 2013 – 31 December 2013. By the date of this report, opinions on the audit were not issued.

- Wikana Nieruchomości Sp. z o.o. 04 Osiedle S.K.A.,
- Zielone Tarasy S.A.,
- Multiserwis S.A.

The financial statements of other entities comprising Wikana Group for the financial year 1 January 2013 – 31 December 2013 were not audited, which is not in violation of the Polish Accounting Act. As regards the financial statements that were not audited, we applied audit procedures that allowed us to issue an opinion on the Group's consolidated financial statements.

2. Information on financial statements for the preceding year

Wikana Group's consolidated financial statements for the preceding financial year, i.e. the year ended 31 December 2012 were audited by ECA Seredyński i Wspólnicy Sp. k., and the independent statutory auditor's opinion, dated 30 April 2013, did not contain reservations but included the following supplementary explanation:

“Without raising reservations as to the correctness and accuracy of the audited consolidated financial statements, we point out that:

- the financial statements of eight subsidiaries covered by these financial statements, whose share in the balance sheet total is 22%, and share in revenue from sales is 12%, were not audited by a statutory auditor, which is in compliance with art. 64 of the Polish Accounting Act;
- in point 8.14 of the additional information, the Company presented contingent liabilities concerning disputes, amounting to PLN 2 094 000. The Management Board regards the risk of this liability arising as unlikely;
- during the present year, the Company made an adjustment to the accounting of a merger in 2008, which has an impact on the level of equity. The adjustment is described in point 8.9 of the additional information.
- Until the end of the audit, the Company had not published financial statements for the preceding year in the official gazette Monitor Polski B.”

The Parent’s General Meeting of 29 June 2013 approved the consolidated financial statements for the preceding year.

The consolidated financial statements for the preceding year were filed with the National Court Register on 1 July 2013.

The Parent’s Management Board made an adjustment to the closing balance as at 31 December 2012. The adjustment is described in note 2 to the additional information, which is part of these financial statements.

Taking the above adjustment into consideration, the previous financial year’s closing balance was correctly entered into the accounts at the opening balance of the year being audited.

3. Data identifying the authorised entity and lead statutory auditor

3.1. Entity authorised to audit the financial statements

CSWP Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.
ul. Kopernika 34
00-336 Warsaw, Poland

NIP: 525-25-23-102
REGON: 145894054
KRS: 0000402544

Company registered at the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register.

Entry into the list of entities authorised to audit financial statements: no. 3767.

3.2. Lead statutory auditor

Krzysztof Wasilewski, statutory auditor no. 10077.

3.3. Information on the agreement on provision of assurance services, audit dates and independence

The basis for performance of the audit of the consolidated financial statements is the agreement of 3 February 2014. The decision on selection of a statutory auditor was taken through a resolution of the Parent's Supervisory Board of 31 January 2014.

The time frame for audit of the consolidated financial statements at the Parent's registered office was as follows:

- From 10 February to 4 April and from 23 May to 24 May 2014 – final audit.

CSWP Audyt Spółka z ograniczoną odpowiedzialnością Sp. k., the lead statutory auditor and the other persons participating in the audit of the Group's consolidated financial statements fulfil the requirements for independence in relation to all Group entities in the meaning of art. 56, sections 3 and 4 of the Act on Statutory Auditors and their Self-Regulation, Entities Authorised to Audit Financial Statements and on Public Oversight.

II. ANALYTICAL PART OF THE REPORT

1. Group financial data

1.1. Consolidated balance sheet

Assets	31 Dec 2013 PLN 000s	% share in balance sheet total	Restated data 31 Dec 2012 PLN 000s	% share in balance sheet total
Non-current assets				
Property, plant and equipment	23 816	9	25 337	9
Intangible assets	947	-	70	-
Investment properties	94 486	34	119 748	41
Loans issued	5 590	2	-	-
Other non-current assets	3 171	1	1 899	1
Deferred income tax assets	-	-	-	-
Available-for-sale non-current assets	1 246	1	1 365	-
Total non-current assets	128 256	47	148 419	51
Current assets				
Inventories	118 663	43	132 528	45
Income tax receivables	29	-	-	-
Trade and other receivables	20 973	8	9 771	3
Current investments	840	-	654	-
Cash and cash equivalents	4 299	2	1 665	1
Total current assets	144 804	53	144 618	49
Total assets	273 060	100	293 037	100

Equity and liabilities	31 Dec 2013 PLN 000s	% share in balance sheet total	Restated data 31 Dec 2012 PLN 000s	% share in balance sheet total
Equity				
Share capital	33 533	12	33 533	11
Supplementary capital	80 503	29	77 230	26
Retained losses	(53 188)	(19)	(30 675)	(10)
Equity attributable to owners of the parent	60 848	22	80 088	27
Non-controlling interests	(17)	-	-	-
Total equity	60 831	22	80 088	27
Liabilities				
Credit and loan liabilities	29 685	11	33 505	12
Bond liabilities	28 142	10	-	-
Finance lease liabilities	25 087	9	24 199	8
Provisions	69	-	5	-
Deferred income tax provision	-	-	1 431	1
Other liabilities	16 292	6	15 583	5
Total non-current liabilities	99 275	36	74 723	26
Credit and loan liabilities	29 925	11	26 445	9
Bond liabilities	1 118	1	27 620	9
Finance lease liabilities	546	-	1 105	1
Income tax liabilities	-	-	330	-
Trade and other payables	36 163	13	46 677	16
Provisions	4 513	2	1 259	-
Deferred revenue	40 689	15	34 790	12
Total current liabilities	112 954	42	138 226	47
Total liabilities	212 229	78	212 949	73
Total equity and liabilities	273 060	100	293 037	100

1.2. Consolidated statement of comprehensive income

	1 Jan – 31 Dec 2013 PLN 000s	% share in revenue from sales	1 Jan – 31 Dec 2012 PLN 000s	% share in revenue from sales
Continuing operations				
Revenue from sales	78 915	100	94 006	100
Cost of sales	(65 755)	(83)	(74 922)	(80)
Gross profit on sales	13 160	17	19 084	20
Selling costs	(5 148)	(6)	(9 596)	(10)
Administrative expenses	(6 931)	(9)	(7 634)	(8)
Other operating revenue	4 756	6	4 716	5
Other operating costs	(13 939)	(18)	(14 681)	(16)
Gain on investments	110	-	6 484	7
Loss on operating activities	(7 992)	(10)	(1 627)	(2)
Finance costs	(11 267)	(14)	(21 317)	(22)
Loss before tax	(19 259)	(24)	(22 944)	(24)
Income tax	19	-	(444)	(1)
Net loss on continuing operations	(19 240)	(24)	(23 388)	(25)
Net loss	(19 240)	(24)	(23 388)	(25)
Total comprehensive income	(19 240)	(24)	(23 388)	(25)

2. Analysis of the Group's financial data

	2013	Restated data 2012
1. Net sales margin		
$\frac{\text{Net profit} \times 100\%}{\text{Net revenue}}$	Negative value	Negative value
2. Return on equity		
$\frac{\text{Net profit} \times 100\%}{\text{Equity} - \text{net profit}}$	Negative value	Negative value
3. Return on assets	Negative value	Negative value
$\frac{\text{Net profit} \times 100\%}{\text{Total assets}}$		
4. Inventory turnover	506 days	485 days
$\frac{\text{Gross inventory} \times 365 \text{ days}}{\text{Net revenue}}$		
5. Receivables turnover		
$\frac{\text{Net trade receivables} \times 365 \text{ days}}{\text{Net revenue from sales}}$	20 days	17 days
6. Payables turnover		
$\frac{\text{Trade payables} \times 365 \text{ days}}{\text{Net revenue}}$	99 days	137 days
7. Debt ratio		
$\frac{\text{Liabilities and provisions for liabilities} \times 100\%}{\text{Total equity and liabilities}}$	77.7%	72.7%
8. Current ratio		
$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.3	1.0
9. Quick ratio	0.4	0.1
$\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities} - \text{deferred revenue}}$		

Profitability ratios are showing negative values due to the net losses recorded by the Group in consecutive years. The main factors behind the losses were as follows: decrease in revenue from sales, recognition of substantial provisions, particularly for legal risks resulting from on-going court cases involving the Group,

recognition of substantial impairment of assets, especially inventories and receivables, as well as interest costs on credit facilities and bonds.

Effectiveness ratios did not change significantly from the previous year.

A year-on-year increase in the debt ratio results mainly from the net loss recorded.

A slight year-on-year improvement in liquidity ratios results mainly from a decrease in current liabilities, effected primarily through reclassification of bond liabilities from current liabilities to non-current liabilities, and their rollover in 2013.

Sales of the Group's inventories in the property development segment, which are presented in the balance sheet as current assets, are actually carried out over a period of time longer than 12 months from the balance sheet date due to the long duration of property projects. As at 31 December 2013 and 31 December 2012, the share of these inventories in total inventories was 95% and 94%, respectively. Considering this, in order to better depict the Group's financial liquidity, also analysed was the quick ratio, which does not include inventories and deferred revenue – presented under current liabilities but concerning payments received from the Group's clients that signed preliminary agreements on purchase of residential premises.

In 2013, the Group made substantial changes to the presentation of financial data, adequately restating the comparative data as at the end of the previous financial year. Given the fact that the financial data as at 31 December 2011 was not restated in the same manner, we were unable to analyse ratios as at that date, which would be calculated on the basis of data comparable with the 2012 and 2013 data. As a result, we are not presenting data concerning ratios for 2011.

III. DETAILED PART OF THE REPORT

1. Extent of the audit

The audit was carried out for the shareholders and Supervisory Board of Wikana S.A., having its registered office in Lublin at ul. Cisowa 11.

The consolidated financial statements comprise a consolidated balance sheet drawn up as at 31 December 2013, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the financial year January 1 to 31 December 2013, and notes to the consolidated financial statements.

There was no limitation in the extent of the audit, and the Parent's Management Board submitted and provided access to all declarations, explanations, documents and information requested by the auditor.

2. Basis for drawing up the consolidated financial statements

The consolidated financial statements were drawn up in accordance with International Accounting Standards, International Financial Reporting Standards and associated interpretations published in the form of European Commission regulations, and where not governed by such standards then appropriate to the requirements of the Polish Accounting Act and secondary legislation issued on its basis.

3. Group accounting principles and financial year

All entities within the Group, taking into consideration the error correction described in point I.2 of this report, consistently and diligently apply the unified adopted accounting principles (policy), as approved by the Parent's Management Board.

All entities within the Group prepared financial statements for the financial year 1 January to 31 December 2013.

4. Information on consolidation documentation

The Parent's Management Board provided complete and accurate consolidation documentation, including:

- the financial statements of all entities within the Group,
- lists of adjustments and exclusions necessary to draw up the consolidated financial statements, in particular: the acquisition value of shares in subsidiaries held by the Parent and the share of net assets of the subsidiaries corresponding to the Parent's share in these entities' ownership structure; intra-group settlements (receivables and payables) and intra-group transactions (revenue and costs) for the entities subject to consolidation; exclusions of unrealised results of the entities subject to consolidation, recognised as assets, and dividends,
- goodwill calculations.

5. Notes to the consolidated financial statements and report on the Group's operations

On the basis of the audit we found that, in all significant aspects, the notes to the consolidated financial statements, forming an integral part of these statements, and the Management Board report on the Group's operations, were drafted by the Group in a comprehensive and correct manner.

6. Information on the statutory auditor's opinion

As a result of the audit carried out on the Group's consolidated financial statements drafted as at and for the period ended 31 December 2013, we issued an unqualified opinion with the following supplementary explanation:

"Without raising reservations as to the correctness and accuracy of the audited consolidated financial statements, we point out the following:

1. As at 31 December 2013, the Group showed a balance of current liabilities of PLN 112 954 000 and low liquidity ratios. As described in note 33 (point "Liquidity risk"), the Parent's Management Board carried out an assessment of the risks and threats as to the Group's ability to continue as a going concern. In the light of this analysis, the further operations of the Group are dependent on, among others, achievement of the expected apartment sales, in volume and value terms, at the on-going development projects, sale of other assets and sufficient availability of financing from external sources. Based on the analysis, the financial statements were prepared by the Parent's Management Board on the assumption that the Group will continue as a going concern for at least the next 12 months from the date on which the financial statements were prepared.
2. The Group has infringed on the terms of credit agreements. Details are presented in note 26.
3. The Parent's Management Board corrected an error in the comparative data as at 31 December 2012. The correction is described in note 2 to the financial statements.
4. The consolidated financial statements cover also the financial statements of subsidiaries, which were not audited, however this is not in violation of the Polish Accounting Act. As regards the financial statements that were not audited, we applied audit procedures that allowed us to issue an opinion on the Group's consolidated financial statements."

[signature]

Statutory Auditor no. 10077

Krzysztof Wasilewski

Lead Statutory Auditor

conducting the audit

CSWP Audyt Spółka z ograniczoną odpowiedzialnością Sp. k.

Entity authorised to audit financial statements, entered into the list of authorised entities, no. 3767, held by the National Chamber of Statutory Auditors.

Warsaw, 26 May 2014