

Wikana S.A.

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

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

The Company's Management Board and members of the Supervisory Board or other supervisory body are required to ensure that the financial statements and report on the Company'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 financial statements and express an opinion on whether they are compliant with the Company'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 Company.

The Company's 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 these financial statements. Our opinion pertains only to the financial statements for the financial year ended 31 December 2013.

We audited the 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 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 Company, and examination – primarily on a test basis – of the evidence supporting the figures and disclosures in the financial statements, together with an overview of the financial statements.

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

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

- a) give a true and accurate view of all information significant for assessment of the Company's financial situation and asset position as at 31 December 2013, as well as its financial results for the 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 Company, which impact the content of financial statements.

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

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 S.A.'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 Company, 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.

The Management Board report on the Company'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 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 S.A.

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 Company

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

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

1.2. Economic activities of the Company

In accordance with the Company'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 Company's operations

The Company 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 Company changed its name to Masters S.A. On 20 January 2003, the Company 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 Company changed its name to Wikana S.A. The District Court in Lublin, 11th Commercial Division, registered the merger on 13 March 2009. The Company 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. Registration for tax and statistical purposes

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

1.5. Share capital

As at 31 December 2013, the Company'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	100.0%	

** Entity controlled by Adam Buchajski. Moreover, Adam Buchajski directly holds 3.13% of shares in the Company. 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 Company's General Meeting and constitutes 62.49% of votes.*

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

1.6. Management Board

The Company's Management Board performs management functions.

As at 31 December 2013, the Company'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 Company'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.

2. Information on financial statements for the preceding year

The Company's 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 financial statements, we point out that:

- 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 Company’s General Meeting of 29 June 2013 approved the financial statements for the preceding year and decided to allocate the previous year’s net profit, amounting to PLN 3 272 608.11, to the Company’s supplementary capital.

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

The Company’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 financial statements is the agreement of 3 February 2014. The decision on selection of a statutory auditor was taken through a resolution of the Company's Supervisory Board of 31 January 2014.

The time frame for audit of the financial statements at the Company'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 Company's financial statements fulfil the requirements for independence in relation to all Company 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. Company 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	318	-	640	1
Intangible assets	431	-	41	-
Investment properties	9 278	7	11 481	9
Loans issued	7 834	6	5 282	4
Other non-current investments	10 191	8	16 893	14
Other non-current assets	2 162	2	-	-
Deferred income tax assets	-	-	85	-
Non-current assets held for sale	1 246	1	1 365	1
Total non-current assets	31 460	24	35 787	29
Current assets				
Inventories	54 755	41	52 121	42
Trade and other receivables	33 359	25	24 417	20
Current financial assets	13 262	10	10 328	8
Cash and cash equivalents	349	-	541	1
Total current assets	101 725	76	87 407	71
Total assets	133 185	100	123 194	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	25	33 533	27
Supplementary capital	61 225	46	57 952	47
Retained earnings (losses)	(52 625)	(40)	(37 304)	(30)
Total equity	42 133	31	54 181	44
Liabilities				
Provisions	3	-	6	-
Bond liabilities	28 142	21	-	-
Other non-current liabilities	788	1	34	-
Total non-current liabilities	28 933	22	40	-
Credit and loan liabilities	22 294	17	15 032	12
Bond liabilities	1 118	1	27 620	23
Trade and other payables	16 262	12	5 819	5
Provisions	4 147	3	247	-
Deferred revenue	18 298	14	20 255	16
Total current liabilities	62 119	47	68 973	56
Total liabilities	91 052	69	69 013	56
Total equity and liabilities	133 185	100	123 194	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	25 296	100	24 598	100
Cost of sales	(22 421)	(89)	(22 260)	(90)
Gross profit on sales	2 875	11	2 338	10
Selling costs	(710)	(2)	(3 040)	(12)
Administrative expenses	(3 712)	(15)	(3 643)	(15)
Other operating revenue	812	3	2 964	12
Other operating costs	(6 896)	(27)	(8 856)	(36)
Gain on investments	4 786	19	6 741	27
Loss on operating activities	(2 845)	(11)	(3 496)	(14)
Finance costs	(9 118)	(36)	(36 523)	(149)
Loss before tax	(11 963)	(47)	(40 019)	(163)
Income tax	(85)	(1)	2 715	11
Net loss on continuing operations	(12 048)	(48)	(37 304)	(152)
Net loss	(12 048)	(48)	(37 304)	(152)
Total comprehensive income	(12 048)	(48)	(37 304)	(152)

2. Analysis of the Company'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. Debt ratio		
$\frac{\text{Liabilities and provisions for liabilities} \times 100\%}{\text{Total equity and liabilities}}$	68.4%	56.0%
5. Current ratio		
$\frac{\text{Current assets}}{\text{Current liabilities}}$	1.6	1.3
6. Quick ratio		
$\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities} - \text{deferred revenue}}$	1.1	0.7

Profitability ratios are showing negative values due to the net losses recorded by the Company in consecutive years. The main factors behind the loss in the audited year were as follows: recognition of substantial provisions, particularly for legal risks resulting from on-going court cases involving the Company, recognition of substantial impairment of assets, especially interests in subsidiaries, as well as interest costs on bonds.

A year-on-year increase in the debt ratio results mainly from the net loss recorded, alongside an increase in credit and bond liabilities and trade payables.

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

Sales of the Company's inventories, 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. Considering this, in order to better depict the Company'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 Company's clients that signed preliminary agreements on purchase of residential premises.

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

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

2. Company accounting system

Based on the audit, we have concluded that, in all aspects significant for the financial statements, the Company:

- holds the documentation required in art. 10 of the Polish Accounting Act,
- taking into consideration the error described in point I.2 of this report, consistently and diligently applies the adopted accounting principles (policy) approved by the Company's Management Board,
- holds correct documentation relating to commercial transactions,
- maintains its accounts in a reliable, correct and verifiable manner, and the entries made in the accounts are linked to source documents, as well as the financial statements;
- takes adequate steps to limit access to data and the computer systems used for data processing;
- completed an inventory of assets and equity and liabilities in accordance with the requirements of the Polish Accounting Act, the results of which were correctly included in the accounts;
- ensures appropriate protection of accounting documentation, accounting records and financial statements.

The aim of our audit was not to express a comprehensive opinion on the accounting system, although on the basis of procedures applied we did not discover significant irregularities concerning this system that were not subsequently rectified and that could have a significant impact on the audited financial statements as a whole.

3. Notes to the financial statements and report on the Company's operations

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

4. Information on the statutory auditor's opinion

As a result of the audit carried out on the Company's 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 financial statements, we point out the following:

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 S.A.'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 Company, 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."

[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