

UNION OF THE BALTIC CITIES

AUDITOR'S REPORT

for 2013

A. GENERAL INFORMATION

Union of the Baltic Cities was established in 1991. Registration of the Union at the Province Court of Gdańsk, XII Economic Department, National Court Register, Register of Associations and other Social and Professional Organisations under No. KRS: 0000005342. The Union's taxation identity number NIP is 583-10-66-139 and REGON is 190048545.

Around 100 cities from 10 Baltic Sea countries were associated in the Union of the Baltic Cities in 2013.

The objective of the Union of the Baltic Cities is to develop co-operation and exchange of information between members of the Union. The Union does not conduct business activity and is supported from members' dues. Income of the Union is tax-free.

The audit was performed by a chartered auditor - Jadwiga Zemło, No. 4615 of the register kept by National Board of Chartered Auditors in Warsaw, on the strength of contract No. 2/2015 of 1 April 2015, concluded between Usługi Księgowe - Bilans, of Gdańsk, and the Union of the Baltic Cities.

B. BOOKS

The books are kept by Stowarzyszenie Ekspertów Księgowych i Podatkowych Spółka z o.o. [Association of Chartered Auditors and Tax Experts, Co. Ltd.], of Gdańsk, ul. Aldony 17.

The chart of accounts was developed basing on the standard chart of accounts for social and professional organisations, associations and endowments, issued by the Association of Accountants of Poland.

The above said chart of accounts ensures the accounts being kept in compliance with the provisions of the Accounting Act of 29 September 1994 (Journal of Laws, No. 152, item

1323 from 2009). The rules contained in the chart of accounts are consistently adhered to.

The books are kept by means of a computer, using Symfonia – Finanse i Rachunkowość software. The records kept make it possible to obtain necessary data on incomes and costs and comply with the requirements set up in the Accounting Act. A statement of movement and balances on synthetic and analytical accounts being a basis for the drawing up of balance sheet and profit and loss account was made as on 31 December 2013.

Accounting documents are complete and adequate, checked from accounting and material point of view. The documents are stored correctly.

The closing balance sheet of the year 2012 was entered in the books as the opening balance sheet as on 1 January 2013. Denomination was carried out properly.

The loss for the year 2012, amounting to PLN 74 260,42 was booked to decrease the statutory fund.

C. FINANCIAL STATEMENT

Financial statement of the Union of the Baltic Cities includes:

- balance sheet as on 31 December 2013, on the assets and liabilities side showing the amount of PLN 552 518,90.
- profit and loss account for the period covering the time from 1 January to 31 December 2013, showing the profit amounting to PLN 71 194,08.
- additional information

The financial statement was prepared in accordance with provisions of the ordinance of the Minister of Finance of 15 November 2001, on detailed rules for the accounting of entities not conducting business activity (Journal of Laws No. 137, item 1539 of the year 2002 and No. 11, item 117 of the year 2003).

The audited year concerns the following 12 months of the year 2013 and the previous year concerns the following 12 months of the year 2012, and 12 following months of 2011.

Summary balance sheet for the period 2013-2011 (in thousands PLN)

Specification	State at the end of the year						Changes 2013/2012
	2013		2012		2011		
	Amount	%	Amount	%	Amount	%	%
1	2	3	4	5	6	7	8
<u>ASSETS</u>							
A. Fixed assets	0	0,00%	0	0,00%	0	0,00%	0,00%
B. Current assets	551	99,82%	509	99,41%	555	98,40%	108,25%
C. Short-term prepayments	1	0,18%	3	0,59%	9	1,60%	33,33%
Total	552	100,00%	512	100,00%	564	100,00%	107,81%
<u>LIABILITIES</u>							
A. Statutory funds	548	99,28%	477	99,16%	551	97,70%	114,88%
B. Accounts payable	4	0,72%	35	6,84%	13	2,30%	11,43%
Total	552	100,00%	512	100,00%	564	100,00%	107,81%

Summary profit and loss sheet for the period 2013-2011 (in thousands PLN)

Specification	Period (years)			Changes 2011/2010 %
	2013	2012	2011	
1	2	3	4	5
Income from statutory activities, dues	977	950	892	102,84%
Costs of execution of statutory tasks	707	748	959	94,52%
Profit/ loss from statutory activities	270	202	-67	133,66%
Management costs	268	298	293	89,93%
Other income	49	32	56	153,13%
Other costs	0	0	0	0,00%
Income from financial operations	20	9	138	222,22%
Costs of financial operations	0	35	38	0,00%
Gross profit/ loss	71	-74	-166	-95,95%

Total income	1 046	991	1 086	105,55%
Total costs	975	1 065	1 252	91,55%

D. ASSESSMENT OF THE CORRECTNESS OF THE BOOKS**1. Fixed Assets** include computer sets:

• original value	8 839,14 zł
• depreciation	8 839,14zł
• net value	0,00 zł

Balance correct;

2. Current assets comprise:

• short-term dues	43,44 zł
• short-term investments	551 403,08 zł
• Total	551 446,52 zł

The amount of cash follows from cash report 12/13 of 31.12.2013 and banking statement as of 31.12.2013, confirmed by the Bank. The bookings were made correctly.

3. Short-term prepayments	1 072,38 zł
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Concern costs of 2014

4. Funds comprise:

• statutory fund	477 003,39 zł
• cost surplus	71 194,08 zł
• Total	548 197,47 zł

The statutory fund was created properly from income surplus to the costs for the period of operation.

5. Short-term Liabilities:

• on the score of supplies, work and services	1 785,71 zł
• to the state budget	2 535,72 zł
• Total	4 321,43 zł

The balances are correct, accounted in 2014. Bookings were made correctly.

E. PROFIT AND LOSS ACCOUNT**1. Costs Borne**

• costs of execution of statutory tasks		706 978,03 zł
• management costs		267 853,08 zł
including: - external services	65 530,98 zł	
- consumption of materials and power	5 959,08 zł	
- remunerations	196 363,02 zł	
- other costs	0,00 zł	
• costs of financial operations		71,19 zł
• other costs		12,00 zł
Total costs		974 914,30 zł

The costs borne were booked correctly, concern 2013.

2. Income

• income from statutory activities		977 493,26 zł
including: - dues (fees)	977 493,26 zł	
- other statutory income	0,00 zł	
• income from financial operations		19 849,90 zł
• other income		48 765,22 zł
Total income		1 046 108,38 zł

The income received was booked correctly, concern 2013.

3. Profit on operation	71 194,08 zł
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Annual settlement on CIT-8 form was filed with the Fiscal Office.

F. SUMMARY OF THE AUDIT

Accounting of the Union of the Baltic Cities is kept in accordance with provisions of the Minister of Finance of 15 November 2001 for the rules of accountancy for the non-profit organisations (Journal of Laws No. 137, item 1539 of the year 2001 and No. 11, item 117 of the year 2003). Incomes and costs are correct, the principle of continuity is maintained and the financial result for 2013 is reflected truly and fairly.

The information presented is contained in 6 numbered pages. Each of the pages was marked with the auditor's name put next to the number of the page.

mgr Jadwiga Zemło
Biegły Rewident
numer ewidencyjny 4615

Usługi Księgowe- BILANS
80-328 Gdańsk, ul. Świerkowa 11/3
Nr ewidencyjny w KIBR 613

Gdańsk, 24.04.2015

BALANCE

made at 31.12.2013

(PLN)

Specification	Balance at 31.12.2013	Balance at 31.12.2012
<i>1</i>	<i>2</i>	<i>3</i>
<u>ASSETS</u>		
A . Fixed assets	0,00	0,00
I. Intangible assets		
II. Tangible assets	0,00	0,00
III. Long-term receivables		
IV. Long-term investments		
V. Long-term prepayments and deferred costs		
B. Current assets	551 446,52	509 040,93
I. Stock	0,00	0,00
II. Short-term receivables	43,44	0,00
III. Short-term investments	551 403,08	509 040,93
1. Short-term financial assets	551 403,08	509,00
2. Other short-term investments		
C . Short-term prepayments and deferred costs	1 072,38	2 795,16
TOTAL ASSETS	552 518,90	511 836,09
<u>LIABILITIES</u>		
A. Shareholds' Funds	548 197,47	477 003,39
I. Statutory fund	477 003,39	551 263,81
II. Revaluation reserve		
III. Net profit/ loss for the period of one year	71 194,08	-74 260,42
1. Profit	71 194,08	
2. Loss (negative amount)		-74 260,42
B. Liabilities and provisions	4 321,43	34 832,70
I. Long-term liabilities concerning credits and loans		
II. Short-term liabilities and special funds	4 321,43	34 832,70
1. Credits and loans		
2. Other liabilities	4 321,43	34 832,70
3. Special funds		
III. Provisions for liabilities		
IV. Deferred operations	0,00	0,00
1. Deferred incomes	0,00	0,00
2. Other deferred operations		
TOTAL LIABILITIES	552 518,90	511 836,09

PROFIT AND LOSS ACCOUNT
for the period from 01.01.2013 to 31.12.2013
(comparison)

Specification	Amount in PLN Current Financial Year	Amount in PLN Previous Financial Year
1	2	3
A . Income from statutory operation	977 493,26	950 106,87
I. Gross dues (according to the statute)	977 493,26	950 106,87
II. Other income (in line with the statute)	0,00	0,00
B. Costs of the statutory activities	706 978,03	747 817,19
C. Financial result on statutory operation (A-B)	270 515,23	202 289,68
D. Management costs	267 853,08	298 387,21
1. Consumption of materials and energy	5 959,08	3 107,73
2. Other services	65 530,98	102 474,17
3. Taxes and charges	0,00	0,00
4. Fees	196 363,02	192 788,31
5. Amortisation	0,00	0,00
6 Other	0,00	17,00
E. Other income (not mentioned in lines A and G)	48 765,22	32 365,84
F. Miscellaneous (not mentioned in lines B, D and H)	12,00	0,00
G. Financial income	19 849,90	8 894,32
H. Financial costs	71,19	19 423,05
I. Gross financial result (C-D+F+G+H)	71 194,08	-74 260,42
J. Extraordinary benefits and losses	0,00	0,00
I. Extraordinary benefits (amount in plus)	0,00	0,00
II. Extraordinary losses (amount in minus)	0,00	0,00
K. Financial result (I+J)	71 194,08	-74 260,42

UNION OF THE BALTIC CITIES

AUDITOR'S REPORT

for 2014

A. GENERAL INFORMATION

Union of the Baltic Cities was established in 1991. Registration of the Union at the Province Court of Gdańsk, XII Economic Department, National Court Register, Register of Associations and other Social and Professional Organisations under No. KRS: 0000005342. The Union's taxation identity number NIP is 583-10-66-139 and REGON is 190048545.

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The objective of the Union of the Baltic Cities is to develop co-operation and exchange of information between members of the Union. The Union does not conduct business activity and is supported from members' dues. Income of the Union is tax-free.

The audit was performed by a chartered auditor - Jadwiga Zemło, No. 4615 of the register kept by National Board of Chartered Auditors in Warsaw, on the strength of contract No. 2/2015 of 1 April 2015, concluded between Usługi Księgowe - Bilans, of Gdańsk, and the Union of the Baltic Cities.

B. BOOKS

The books are kept by Stowarzyszenie Ekspertów Księgowych i Podatkowych Spółka z o.o. [Association of Chartered Auditors and Tax Experts, Co. Ltd.], of Gdańsk, ul. Aldony 17.

The chart of accounts was developed basing on the standard chart of accounts for social and professional organisations, associations and endowments, issued by the Association of Accountants of Poland.

The above said chart of accounts ensures the accounts being kept in compliance with the

provisions of the Accounting Act of 29 September 1994 (Journal of Laws, No. 152, item 1323 from 2009). The rules contained in the chart of accounts are consistently adhered to.

The books are kept by means of a computer, using Symfonia – Finanse i Rachunkowość software. The records kept make it possible to obtain necessary data on incomes and costs and comply with the requirements set up in the Accounting Act. A statement of movement and balances on synthetic and analytical accounts being a basis for the drawing up of balance sheet and profit and loss account was made as on 31 December 2014.

Accounting documents are complete and adequate, checked from accounting and material point of view. The documents are stored correctly.

The closing balance sheet of the year 2013 was entered in the books as the opening balance sheet as on 1 January 2014. Denomination was carried out properly.

The profit for the year 2013, amounting to PLN 71 194,08 was booked to increase the statutory fund.

C. FINANCIAL STATEMENT

Financial statement of the Union of the Baltic Cities includes:

- balance sheet as on 31 December 2014, on the assets and liabilities side showing the amount of PLN 806 412,70.
- profit and loss account for the period covering the time from 1 January to 31 December 2014, showing the profit amounting to PLN 154 363,93.
- additional information

The financial statement was prepared in accordance with annex 4 to the Accounting Act of 29 September 1994 for micro entities not conducting business activity (consolidated text Journal of Laws, from 2013, item 330 as amended).

The audited year concerns the following 12 months of the year 2014 and the previous year concerns the following 12 months of the year 2013, and 12 following months of 2012.

Summary balance sheet for the period 2014-2012 (in thousands PLN)

Specification	State at the end of the year						Changes 2014/2013
	2014		2013		2012		
	Amount	%	Amount	%	Amount	%	%
1	2	3	4	5	6	7	8
<u>ASSETS</u>							
A. Fixed assets	0	0,00%	0	0,00%	0	0,00%	0,00%
B. Current assets	806	100,00%	552	100,00%	512	100,00%	146,01%
Total	806	100,00%	552	100,00%	512	100,00%	146,01%
<u>LIABILITIES</u>							
A. Statutory funds	702	87,10%	548	99,28%	477	93,16%	128,10%
B. Accounts payable	104	12,90%	4	0,72%	35	6,84%	2600,00 %
Total	806	100,00%	552	100,00%	512	100,00%	146,01%

Summary profit and loss sheet for the period 2014-2012 (in thousands PLN)

Specification	Period (years)			Changes 2014/2013 %
	2014	2013	2012	
1	2	3	4	5
Income from statutory activities, dues	1 077	977	950	110,24%
Including; change in product	19	0	0	0
Costs of execution of statutory tasks	639	707	748	90,38%
Profit/ loss from statutory activities	438	270	202	162,22%
Management costs	312	268	298	116,42%
Other income	9	49	32	18,37%
Other costs	0	0	0	0,00%
Income from financial operations	19	20	9	95,00%
Costs of financial operations	0	0	19	0,00%
Gross profit/ loss	154	71	-74	216,90%

Total income	1 105	1 046	991	105,64%
Total costs	951	975	1 065	97,54%

D. ASSESMENT OF THE CORRECTNESS OF THE BOOKS

- **Fixed Assets** include computer sets:

• original value	10 987,72 zł
• depreciation	10 987,72 zł
• net value	0,00 zł

Balance correct;

2. Current assets comprise:

• short-term dues	43,44 zł
• short-term investments	787 089,74 zł
• short-term prepayments	19 279,52 zł
• Total	806 412,70 zł

The amount of cash follows from cash report 12/14 of 31.12.2014 and banking statement as of 31.12.2014, including accrued interest on deposits in the amount of PLN 897,48 confirmed by the Bank. The bookings were made correctly.

3. Funds comprise:

• statutory fund	548 197,47 zł
• cost surplus	154 363,93 zł
• Total	702 561,40 zł

The statutory fund was created properly from income surplus to the costs for the period of operation.

4. Short-term Liabilities:

• on the score of supplies, work and services	101 241,27 zł
• to the state budget	2 610,03 zł
• Total	103 851,30 zł

The balances are correct, accounted in 2015. Bookings were made correctly.

E. PROFIT AND LOSS ACCOUNT**1. Costs Borne**

• costs of execution of statutory tasks		638 687,52 zł
• management costs		312 416,23 zł
including: - external services	59 438,86 zł	
- consumption of materials and power	1 848,29 zł	
- remunerations	248 980,50 zł	
- depreciation	2 148,58 zł	
• costs of financial operations		0,00 zł
• other costs		0,00 zł
Total costs		951 103,75 zł

The costs borne were booked correctly, concern 2014.

2. Income

• income from statutory activities		1 077 145,98 zł
including: - dues (fees)	1 057 866,46 zł	
- change in product	19 279,52 zł	
• income from financial operations		19 225,58 zł
• other income		9 096,12 zł
Total income		1 105 467,68 zł

The income received was booked correctly, concern 2014.

3. Profit on operation	154 363,93 zł
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Annual settlement on CIT-8 form was filed with the Fiscal Office.

F. SUMMARY OF THE AUDIT

Accounting of the Union of the Baltic Cities is kept in accordance with the Accounting Act of 29 September 1994 for micro entities not conducting business activity (consolidated text Journal of Laws, from 2013, item 330). Incomes and costs are correct, the principle of continuity is maintained and the financial result for 2014 is reflected truly and fairly.

The information presented is contained in 6 numbered pages. Each of the pages was marked with the auditor's name put next to the number of the page.

mgr Jadwiga Zemło

Biegły Rewident

numer ewidencyjny 4615

Usługi Księgowe- BILANS

80-328 Gdańsk, ul. Świerkowa 11/3

Nr ewidencyjny w KIBR 613

Gdańsk, 24.04.2015

BALANCE

made at 31.12.2014

(PLN)

Specification	Balance at 31.12.2014	Balance at 31.12.2013
<i>1</i>	<i>2</i>	<i>3</i>
<u>ASSETS</u>		
A . Fixed assets including:	0,00	0,00
- Fixed assets	0,00	0,00
B. Current assets including:	806 412,70	552 518,90
- Stock	0,00	0,00
- Receivables	43,44	43,44
TOTAL ASSETS	806 412,70	552 518,90
<u>LIABILITIES</u>		
A. Shareholds' Funds	702 561,40	548 197,47
- Basic fund	548 197,47	47 700,39
- Payments due for share capital (negative value)	0,00	0,00
B. Liabilities and provisions including:	103 851,30	4 321,43
- Provisions for liabilities	0,00	0,00
- Liabilities concerning credits and loans	0,00	0,00
TOTAL LIABILITIES	806 412,70	552 518,90

PROFIT AND LOSS ACCOUNT
for the period from 01.01.2014 to 31.12.2014
(comparison)

Specification	Amount in PLN Current Financial Year	Amount in PLN Previous Financial Year
1	2	3
A . Income from basic operation including	1 077 145,98	977 493,26
short-term prepayments	19 279,52	0,00
B. Costs of the statutory activities	951 103,75	974 831,11
I. Amortisation	2 148,58	0,00
II. Consumption of materials and energy	1 848,29	5 959,08
III. Remunerations, social insurance, other	248 980,50	196 363,02
IV. Other costs	698 126,38	772 509,01
C. Other incomes and profits	28 321,70	68 615,12
Revaluation of assets	0,00	0,00
D. Other costs and loss	0,00	71,19
Revaluation of assets	0,00	0,00
E. Income tax	0,00	12,00
F. Total net financial result (A-B+C-D-E)	154 363,93	71 194,08
I. Surplus of revenues over costs (positive value)	154 363,93	71 194,08
II. Surplus of costs over revenue (negative value)		