

FINANCIAL DOCUMENTS

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UNION OF THE BALTIC CITIES

AUDITOR'S REPORT

for 2005

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.

100 cities from 10 Baltic Sea countries were associated in the Union of the Baltic Cities in 2005.

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. 3/2007 of 05 March 2007, 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. 76, item 694 from 2002). 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 5,00 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 2005.

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 2004 was entered in the books as the opening balance sheet as on 1 January 2005. Denomination was carried out properly.

The benefit for the year 2004, amounting to PLN 191 811,56 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 2005, on the assets side showing the amount of PLN 593 181,31
- profit and loss account for the period covering the time from 1 January to 31 December 2005, showing the profit amounting to PLN 180 475,98
- 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 2005 and the previous year concerns the following 12 months of the year 2004.

Summary balance sheet for the period 2003-2005 (in thousands PLN)

Specification	State at the end of the year						Changes 2005/2004
	2003		2004		2005		
	Amount	%	Amount	%	Amount	%	%
1	2	3	4	5	6	7	8
<u>ASSETS</u>							
A. Fixed assets	0	0,0%	4	0,8%	3	0,5%	75,0%
B. Current assets	581	100,0%	474	99,2%	590	99,5%	124,5%
Total	581	100,0%	478	100,0%	593	100,0%	124,1%
<u>LIABILITIES</u>							
A. Statutory funds	188	32,4%	379	79,3%	560	94,4%	147,8%
B. Accounts payable	393	67,6%	99	20,7%	33	5,6%	33,3%
Total	581	100,0%	478	100,0%	593	100,0%	124,1%

Summary profit and loss sheet for the period 2003-2005 (in thousands PLN)

Specification	Period (years)			Changes 2005/2004
	2003	2004	2005	
1	2	3	4	5
Income from statutory activities, dues	1 786	2 653	1 055	39,77%
Costs of execution of statutory tasks	1 836	2 112	648	30,68%
Profit/ loss from statutory activities	-50	541	407	75,23%
Management costs	253	288	192	66,67%
Income from financial operations	195	78	32	41,03%
Costs of financial operations	43	140	67	47,86%
Gross profit/ loss	-151	191	180	94,24%
Total income	1 981	2 731	1 087	39,80%
Total costs	2 132	2 540	907	35,71%

D. Assessment of the Correctness of the Books**1. Fixed Assets** include computer sets;

• original value	47 190,94 zł
• depreciation	44 184,00 zł
• net value	3 006,94 zł

In 2005 r. purchase of computer set; balance correct;

2. Current assets comprise:

• short-term dues	- zł
• short-term investments	590 174,37 zł
• Total	590 174,37 zł

The amount of cash follows from cash report No. 12/05 of 31 December 2005, and banking statement as of 31 December 2005 confirmed by the Bank. The bookings were made correctly.

3. Funds comprise:

• statutory fund	379 445,75 zł
• income surplus	180 475,98 zł
• Total	559 921,73 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	30 436,18 zł
• to the state budget	1 712,40 zł
• others	1 111,00 zł
• Total	33 259,58 zł

The balances are correct, accounted in 2006. Bookings were made correctly.

E. Profit and Loss Account**1. Costs Borne**

• costs of execution of statutory tasks		647 959,21 zł
• management costs		191 954,19 zł
including: - external services	43 479,55 zł	
- consumption of materials and power	10 639,98 zł	
- remunerations	133 883,78 zł	
- other costs	3 950,88 zł	
• costs of financial operations		66 656,85 zł
• Total costs		906 570,25 zł

The costs borne were booked correctly, as it pertains to the year 2005.

2. Income

• income from statutory activities		1 055 483,19 zł
including: - dues (fees)	894 987,04 zł	
- other statutory income	160 496,15 zł	
• income from financial operations		31 563,04 zł
• Total income		1 087 046,23 zł

The income received was booked correctly, as it pertains to the year 2005.

3. Profit on operation	180 475,98 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 18 November 2001 for the rules of accountancy for the non-profit organisations (Journal of Laws No. 137, item 1539 of the year 2002 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 2005 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.

Gdańsk, 18.04.2007

Chartered Auditor
(signature and stamp)

Usługi Księgowe - BILANS
(stamp)

UNION OF THE BALTIC CITIES

AUDITOR'S REPORT

for 2006

A. General Information

Union of the Baltic Cities was established in 1991. Registration of the Union at the Province Court of Gdansk, 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.

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B. Books

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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 2005 was entered in the books as the opening balance sheet as on 1 January 2006. Denomination was carried out properly.

The benefit for the year 2005, amounting to PLN 180 475,98 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 2006, on the assets side showing the amount of PLN 799 818,29
- profit and loss account for the period covering the time from 1 January to 31 December 2006, showing the profit amounting to PLN 235 453,14
- 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 2006 and the previous year concerns the following 12 months of the year 2005.

Summary balance sheet for the period 2006-2004 (in thousands PLN)

Specification	State at the end of the year						Changes 2006/2005
	2006		2005		2004		
	Amount	%	Amount	%	Amount	%	%
1	2	3	4	5	6	7	8
<u>ASSETS</u>							
A. Fixed assets	2	0,3%	3	0,5%	4	0,8%	66,7%
B. Current assets	798	99,8%	590	99,5%	474	99,2%	135,3%
Total	800	100,0%	593	100,0	478	100,0%	134,9%
<u>LIABILITIES</u>							
A. Statutory funds	795	99,4%	560	94,4%	379	79,3%	142,0%
B. Accounts payable	5	0,6%	33	5,6%	99	20,7%	15,2%
Total	800	100,0%	593	100,0	478	100,0%	134,9%

Summary profit and loss sheet for the period 2006-2004 (in thousands PLN)

Specification	Period (years)			Changes 2006/2005
	2006	2005	2004	
1	2	3	4	5
Income from statutory activities, dues	968	1 055	2 653	91,75%
Costs of execution of statutory tasks	511	648	2 112	78,86%
Profit/ loss from statutory activities	457	407	541	112,29%
Management costs	228	192	288	118,75%
Income from financial operations	56	32	78	175,00%
Costs of financial operations	50	67	140	74,63%
Gross profit/ loss	235	180	191	130,56%
Total income	1 024	1 087	2 731	94,20%
Total costs	789	907	2 540	86,99%

D. Assessment of the Correctness of the Books**1. Fixed Assets** include computer sets;

• original value	47 190,94 zł
• depreciation	45 472,68 zł
• net value	1 718,26 zł

Balance correct.

2. Current assets comprise;

• short-term dues	- zł
• short-term investments	798 100,03 zł
• Total	798 100,03 zł

The amount of cash follows from cash report No. 12/06 of 31 December 2006, and banking statement as of 31 December 2006 confirmed by the Bank. The bookings were made correctly.

3. Funds comprise;

• statutory fund	559 921,73 zł
• income surplus	235 453,14 zł
• Total	795 374,87 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	976,00 zł
• to the state budget	2 490,57 zł
• others	976,85 zł
• Total	4 443,42 zł

The balances are correct, accounted in 2007. Bookings were made correctly.

E. Profit and Loss Account**3. Costs Borne**

• costs of execution of statutory tasks		510 579,16 zł
• management costs		227 750,26 zł
including: - external services	68 302,50 zł	
- consumption of materials and power	14 855,30 zł	
- remunerations	143 260,78 zł	
- other costs	1 331,68 zł	
• costs of financial operations		50 243,76 zł
• Total costs		788 573,18 zł

The costs borne were booked correctly, as it pertains to the year 2006.

4. Income

• income from statutory activities		968 289,93 zł
including: - dues (fees)	930 187,93 zł	
- other statutory income	38 102,00 zł	
• income from financial operations		55 736,34 zł
• other income		0,05 zł
• Total income		1 024 026,32 zł

The income received was booked correctly, as it pertains to the year 2006.

3. Profit on operation	235 453,14 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 18 November 2001 for the rules of accountancy for the non-profit organisations (Journal of Laws No. 137, item 1539 of the year 2002 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 2006 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.

Gdańsk, 18.04.2007

Chartered Auditor
(signature and stamp)

Usługi Księgowe - BILANS
(stamp)

BALANCE
Made at 31.12.2005

Specification	Balance at 01.01.2005	Balance at 31.12.2005
<i>1</i>	<i>2</i>	<i>3</i>
<u>ASSETS</u>		
A . Fixed assets	4 295,62	3 006,94
I. Intangible assets		
II. Tangible assets	4 295,62	3 006,94
III. Long-term receivables		
IV. Long-term investments		
V. Long-term prepayments and deferred costs		
B. Current assets	473 613,86	590 174,37
I. Stock	0,00	0,00
II. Short-term receivables	5 718,87	0,00
III. Short-term investments	467 894,99	590 174,37
1. Short-term financial assets	467 894,99	590 174,37
2. Other short-term investments		
IV. Short-term prepayments and deferred costs		
TOTAL ASSETS	477 909,48	593 181,31
<u>LIABILITIES</u>		
A. Shareholds' Funds	379 445,75	559 921,73
I. Statutory fund	187 634,19	379 445,75
II. Revaluation reserve		
III. Net profit/ loss for the period of one year	191 811,56	180 475,98
1. Profit	191 811,56	180 475,98
2. Loss (negative amount)		
B. Liabilities and provisions	98 463,73	33 259,58
I. Long-term liabilities concerning credits and loans		
II. Short-term liabilities and special funds	98 463,73	33 259,58
1. Credits and loans		
2. Other liabilities	98 463,73	33 259,58
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	477 909,48	593 181,31

BALANCE
Made at 31.12.2006

Specification	Balance at 31.12.2006	Balance at 01.01.2006
<i>1</i>	<i>2</i>	<i>3</i>
<u>ASSETS</u>		
A . Fixed assets	1 718,26	3 006,94
I. Intangible assets		
II. Tangible assets	1 718,26	3 006,94
III. Long-term receivables		
IV. Long-term investments		
V. Long-term prepayments and deferred costs		
B. Current assets	798 100,03	590 174,37
I. Stock	0,00	0,00
II. Short-term receivables	0,00	0,00
III. Short-term investments	798 100,03	590 174,37
1. Short-term financial assets	798 100,03	590 174,37
2. Other short-term investments		
IV. Short-term prepayments and deferred costs		
TOTAL ASSETS	799 818,29	593 181,31
<u>LIABILITIES</u>		
A. Shareholds' Funds	792 374,87	559 921,73
I. Statutory fund	556 921,73	379 445,75
II. Revaluation reserve		
III. Net profit/ loss for the period of one year	235 453,14	180 475,98
1. Profit	235 453,14	180 475,98
2. Loss (negative amount)		
B. Liabilities and provisions	4 443,42	33 259,58
I. Long-term liabilities concerning credits and loans		
II. Short-term liabilities and special funds	4 443,42	33 259,58
1. Credits and loans		
2. Other liabilities	4 443,42	33 259,58
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	796 818,29	593 181,31

PROFIT AND LOSS ACCOUNT
for the period from 01.01.2005 to 31.12.2005
(comparison)

Specification	Amount in PLN Previous (2004) Financial Year	Amount in PLN Current (2005) Financial Year
1	2	3
A. Income from statutory operation	2 652 904,10	1 055 483,19
I. Gross dues (according to the statute)	1 078 262,61	894 987,04
II. Other income (in line with the statute)	1 574 641,49	160 496,15
B. Costs of the statutory activities	2 111 760,19	647 959,21
C. Financial result on statutory operation (A-B)	541 143,91	407 523,98
D. Management costs	287 505,73	191 954,19
1. Consumption of materials and energy	7 543,92	10 639,98
2. Other services	130 595,46	43 479,55
3. Taxes and charges	0,00	0,00
4. Fees	136 002,30	133 883,78
5. Amortisation	0,00	3 835,68
6 Other	13 364,05	115,20
E. Other income (not mentioned in lines A and G)	0,00	0,00
F. Miscellaneous (not mentioned in lines B, D and H)	0,00	0,00
G. Financial income	78 056,62	31 563,04
H. Financial costs	139 883,24	66 656,85
I. Gross financial result (C-D+F+G+H)	191 811,56	180 475,98
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)	191 811,56	180 475,98

PROFIT AND LOSS ACCOUNT
for the period from 01.01.2006 to 31.12.2006
(comparison)

Specification	Amount in PLN Current (2006) Financial Year	Amount in PLN Previous (2005) Financial Year
1	2	3
A. Income from statutory operation	968 289,93	1 055 483,19
I. Gross dues (according to the statute)	930 187,93	894 987,04
II. Other income (in line with the statute)	38 102,00	160 496,15
B. Costs of the statutory activities	510 579,16	647 959,21
C. Financial result on statutory operation (A-B)	457 710,77	407 523,98
D. Management costs	227 750,26	191 954,19
1. Consumption of materials and energy	14 855,30	10 639,98
2. Other services	68 302,50	43 479,55
3. Taxes and charges	0,00	0,00
4. Fees	143 260,78	133 883,78
5. Amortisation	1 288,68	3 835,68
6 Other	43,00	115,20
E. Other income (not mentioned in lines A and G)	0,05	0,00
F. Miscellaneous (not mentioned in lines B, D and H)	0,00	0,00
G. Financial income	55 736,34	31 563,04
H. Financial costs	50 243,76	66 656,85
I. Gross financial result (C-D+F+G+H)	235 453,14	180 475,98
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)	235 453,14	180 475,98

UBC MEMBERSHIP FEES 2008-2009

Fees 2008

inhabitants	D, DK, FIN, N, S			EST, LAT, LIT, PL, RUS			
	cities	fee	income	cities	discount	fee	income
- 10 000	1	600	600	7	45 %	330	2 310
- 25 000	4	1 200	4 800	13	45 %	660	8 580
- 50 000	9	2 400	21 600	9	45 %	1 320	11 880
- 100 000	20	3 250	65 000	8	45 %	1 788	14 304
- 200 000	5	3 900	19 500	5	45 %	2 145	10 725
- 500 000	8	5 800	46 400	5	45 %	3 190	15 950
500 000 -	3	7 250	21 750	3	45 %	3 988	11 964
Σ			179 650				75 713
		TOTAL	255 363				

Fees 2009

inhabitants	D, DK, FIN, N, S			EST, LAT, LIT, PL, RUS			
	cities	fee	income	cities	discount	fee	income
- 10 000	1	600	600	7	40 %	360	2 520
- 25 000	4	1 200	4 800	13	40 %	720	9 360
- 50 000	9	2 400	21 600	9	40 %	1 440	12 960
- 100 000	20	3 250	65 000	8	40 %	1 950	15 600
- 200 000	5	3 900	19 500	5	40 %	2 340	11 700
- 500 000	8	5 800	46 400	5	40 %	3 480	17 400
500 000 -	3	7 250	21 750	3	40 %	4 350	13 050
Σ			179 650				82 590
		TOTAL	262 240				