

FINANCIAL DOCUMENTS

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3. UBC membership fees 2010-2011

UNION OF THE BALTIC CITIES

AUDITOR'S REPORT

for 2007

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.

Over 100 cities from 10 Baltic Sea countries were associated in the Union of the Baltic Cities in 2007.

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. 2/2009 of 05 April 2009, 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 2007.

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 2006 was entered in the books as the opening balance sheet as on 1 January 2007. Denomination was carried out properly.

The benefit for the year 2006, amounting to PLN 235 453,14 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 2007, on the assets and liabilities side showing the amount of PLN 753 797,95
- profit and loss account for the period covering the time from 1 January to 31 December 2007, showing the loss amounting to PLN 75 545,44
- 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 2007 and the previous year concerns the following 12 months of the year 2006, and 12 following months of 2005.

Summary balance sheet for the period 2007-2005 (in thousands PLN)

Specification	State at the end of the year						Changes 2007/2006
	2007		2006		2005		
	Amount	%	Amount	%	Amount	%	%
1	2	3	4	5	6	7	8
<u>ASSETS</u>							
A. Fixed assets	1	0,13%	2	0,30%	3	0,50%	50,00%
B. Current assets	753	99,87%	798	99,80%	590	99,50%	94,36%
Total	754	100,00%	800	100,00%	593	100,00%	94,25%
<u>LIABILITIES</u>							
A. Statutory funds	720	95,49%	795	99,40%	560	94,40%	90,57%
B. Accounts payable	34	4,51%	5	0,60%	33	5,60%	680,00%
Total	754	100,00%	800	100,00%	593	100,00%	94,25%

Summary profit and loss sheet for the period 2007-2005 (in thousands PLN)

Specification	Period (years)			Changes 2007/2006
	2007	2006	2005	%
1	2	3	4	5
Income from statutory activities, dues	948	968	1055	97,93%
Costs of execution of statutory tasks	729	511	648	142,66%
Profit/ loss from statutory activities	219	457	407	47,92%
Management costs	269	228	192	117,98%
Income from financial operations	24	56	32	48,00%
Costs of financial operations	49	50	67	98,00%
Gross profit/ loss	-75	235	180	-31,91%
Total income	972	1024	1087	94,92%
Total costs	1047	789	907	132,70%

D. Assessment of the Correctness of the Books

1. Fixed Assets include computer sets;

- original value 47 190,94 zł
- depreciation 46 761,36 zł
- **net value 429,58 zł**

Balance correct;

2. Current assets comprise:

- short-term dues 293,25 zł
- short-term investments 753 075,12 zł
- **Total 753 368,37 zł**

The amount of cash follows from cash report No. 12/07 of 31 December 2007, and banking statement as of 31 December 2007 confirmed by the Bank. The bookings were made correctly.

3. Funds comprise:

- statutory fund 795 374,87 zł
- cost surplus - 75 545,44 zł
- **Total 719 829,43 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	32 430,69 zł
• to the state budget	1 537,83 zł
• Total	33 968,52 zł

The balances are correct, accounted in 2008. Bookings were made correctly.

E. Profit and Loss Account

1. Costs Borne

• costs of execution of statutory tasks		728 428,08 zł
• management costs		269 194,22 zł
including: - external services	131 030,56 zł	
- consumption of materials and power	2 483,59 zł	
- remunerations	134 391,39 zł	
- other costs	1 288,68 zł	
• costs of financial operations		49 474,10 zł
• other costs		0,22 zł
• Total costs		1 047 096,62 zł

The costs borne was booked correctly, concerning 2007.

2. Income

• income from statutory activities		947 572,22 zł
including: - dues (fees)	947 572,22 zł	
- other statutory income	0,00 zł	
• income from financial operations		23 742,77 zł
• other income		236,19 zł
• Total income		971 551,18 zł

The income received was booked correctly, concerning 2007.

3. Loss on operation	-75 545,44 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 2007 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.

Chartered Auditor
(signature and stamp)

mgr Jadwiga Zemło

*Biegły Rewident
numer ewidencyjny 4615/2555*

Usługi Księgowe - BILANS
(stamp)

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

Gdańsk, 08.05.2009

UNION OF THE BALTIC CITIES

AUDITOR'S REPORT

for 2008

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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 2008. 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 2007 was entered in the books as the opening balance sheet as on 1 January 2008. Denomination was carried out properly.

The loss for the year 2007, amounting to PLN 75 545,44, 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 2008, on the assets and liabilities side showing the amount of PLN 1 029 171,25
- profit and loss account for the period covering the time from 1 January to 31 December 2008, showing the profit amounting to PLN 229 771,58
- 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 2008 and the previous year concerns the following 12 months of the year 2007, and 12 following months of 2006.

Summary balance sheet for the period 2008-2006 (in thousands PLN)

Specification	State at the end of the year						Changes 2008/2007
	2008		2007		2006		
	Amount	%	Amount	%	Amount	%	%
1	2	3	4	5	6	7	8
<i>ASSETS</i>							
A. Fixed assets	0	0,00%	1	0,13%	2	0,30%	0,00%
B. Current assets	1029	100,00%	753	99,87%	798	99,80%	136,65%
Total	1029	100,00%	754	100,00%	800	100,00%	136,47%
<i>LIABILITIES</i>							
A. Statutory funds	950	92,32%	720	95,49%	795	99,40%	131,94%
B. Accounts payable	79	7,68%	34	4,51%	5	0,60%	232,35%
Total	1029	100,00%	754	100,00%	800	100,00%	136,47%

Summary profit and loss sheet for the period 2008-2006 (in thousands PLN)

Specification	Period (years)			Changes 2008/2007
	2008	2007	2006	%
1	2	3	4	5
Income from statutory activities, dues	957	948	968	100,95%
Costs of execution of statutory tasks	651	729	511	89,30%
Profit/ loss from statutory activities	306	219	457	139,73%
Management costs	265	269	228	98,51%
Income from financial operations	189	24	56	385,71%
Costs of financial operations	0	49	50	0,00%
Gross profit/ loss	230	-75	235	-306,67%
Total income	1146	972	1024	117,90%
Total costs	916	1047	789	87,49%

D. Assessment of the Correctness of the Books

1. *Fixed Assets* include computer sets;

• original value	47 190,94 zł
• depreciation	47 190,94 zł
• net value	0,00 zł

Balance correct;

2. *Current assets* comprise:

• short-term dues	0,00 zł
• short-term investments	1 029 171,25 zł
• Total	1 029 171,25 zł

The amount of cash follows from cash report No. 12/08 of 31 December 2008, and banking statement as of 31 December 2008 confirmed by the Bank. The bookings were made correctly.

3. *Funds* comprise:

• statutory fund	719 829,43 zł
• income surplus	229 771,58 zł
• Total	949 601,01 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	77 388,75 zł
• to the state budget	2 181,49 zł
• Total	79 570,24 zł

The balances are correct, accounted in 2009. Bookings were made correctly.

E. Profit and Loss Account

1. *Costs Borne*

• costs of execution of statutory tasks		651 287,46 zł
• management costs		265 425,12 zł
including: - external services	108 622,60 zł	
- consumption of materials and power	5 049,16 zł	
- remunerations	151 323,78 zł	
- other costs	429,58 zł	
• costs of financial operations		2,62 zł
• other costs		83,00 zł
• Total costs		916 798,20 zł

The costs borne was booked correctly, concerning 2008.

2. *Income*

• income from statutory activities		957 143,76 zł
including: - dues (fees)	957 143,76 zł	
- other statutory income	0,00 zł	
• income from financial operations		189 374,32 zł
• other income		51,70 zł
• Total income		1 146 569,78 zł

The income received was booked correctly, concerning 2008.

3. Profit on operation	229 771,58 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 2008 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.

Chartered Auditor
(signature and stamp)

Usługi Księgowe - BILANS
(stamp)

mgr Jadwiga Zemło

*Biegły Rewident
numer ewidencyjny 4615/2555*

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

Gdańsk, 08.05.2009

Annex 1

BALANCE
made at 31.12.2008
(PLN)

Specification	Balance at 31.12.2008	Balance at 01.01.2008
<i>1</i>	<i>2</i>	<i>3</i>
<u>ASSETS</u>		
A . Fixed assets	0,00	429,58
I. Intangible assets		
II. Tangible assets	0,00	429,58
III. Long-term receivables		
IV. Long-term investments		
V. Long-term prepayments and deferred costs		
B. Current assets	1 029 171,25	753 368,37
I. Stock	0,00	0,00
II. Short-term receivables	0,00	293,25
III. Short-term investments	1 029 171,25	753 075,12
1. Short-term financial assets	1 029 171,25	753 075,12
2. Other short-term investments		
IV. Short-term prepayments and deferred costs		
TOTAL ASSETS	1 029 171,25	753 797,95
<u>LIABILITIES</u>		
A. Shareholds' Funds	949 601,01	719 829,43
I. Statutory fund	719 829,43	795 374,87
II. Revaluation reserve		
III. Net profit/ loss for the period of one year	229 771,58	-75 545,44
1. Profit	229 771,58	
2. Loss (negative amount)		-75 545,44
B. Liabilities and provisions	79 570,24	33 968,52
I. Long-term liabilities concerning credits and loans		
II. Short-term liabilities and special funds	79 570,24	33 968,52
1. Credits and loans		
2. Other liabilities	79 570,24	33 968,52
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	1 029 171,25	753 797,95

Annex 2

B A L A N C E
made at 31.12.2007
(PLN)

Specification	Balance at 31.12.2007	Balance at 01.01.2007
<i>1</i>	<i>2</i>	<i>3</i>
<u>ASSETS</u>		
A . Fixed assets	429,58	1 718,26
I. Intangible assets		
II. Tangible assets	429,58	1 718,26
III. Long-term receivables		
IV. Long-term investments		
V. Long-term prepayments and deferred costs		
B. Current assets	753 368,37	798 100,03
I. Stock	0,00	0,00
II. Short-term receivables	293,25	0,00
III. Short-term investments	753 075,12	798 100,03
1. Short-term financial assets	753 075,12	798 100,03
2. Other short-term investments		
IV. Short-term prepayments and deferred costs		
TOTAL ASSETS	753 797,95	799 818,29
<u>LIABILITIES</u>		
A. Shareholds' Funds	719 829,43	795 374,87
I. Statutory fund	795 374,87	559 921,73
II. Revaluation reserve		
III. Net profit/ loss for the period of one year	-75 545,44	235 453,14
1. Profit		235 453,14
2. Loss (negative amount)	-75 545,44	
B. Liabilities and provisions	33 968,52	4 443,42
I. Long-term liabilities concerning credits and loans		
II. Short-term liabilities and special funds	33 968,52	4 443,42
1. Credits and loans		
2. Other liabilities	33 968,52	4 443,42
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	753 797,95	799 818,29

Annex 3

PROFIT AND LOSS ACCOUNT
for the period from 01.01.2008 to 31.12.2008
(comparison)

1	Amount in PLN Current (2008) Financial Year	Amount in PLN Previous (2007) Financial Year
1	2	3
A . Income from statutory operation	957 143,76	947 572,22
I. Gross dues (according to the statute)	957 143,76	947 572,22
II. Other income (in line with the statute)	0,00	0,00
B. Costs of the statutory activities	651 287,46	728 428,08
C. Financial result on statutory operation (A-B)	305 856,30	219 144,14
D. Management costs	265 425,12	269 194,22
1. Consumption of materials and energy	5 049,16	2 483,59
2. Other services	108 622,60	131 030,56
3. Taxes and charges	0,00	0,00
4. Fees	151 323,78	134 391,39
5. Amortisation	429,58	1 288,68
6. Other	0,00	0,00
E. Other income (not mentioned in lines A and G)	51,70	236,19
F. Miscellaneous (not mentioned in lines B, D and H)	83,00	0,22
G. Financial income	189 374,32	23 742,77
H. Financial costs	2,62	49 474,10
I. Gross financial result (C-D+F+G+H)	229 771,58	-75 545,44
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)	229 771,58	-75 545,44

PROFIT AND LOSS ACCOUNT
for the period from 01.01.2007 to 31.12.2007
(comparison)

Specification	Amount in PLN Current (2007) Financial Year	Amount in PLN Previous (2006) Financial Year
1	2	3
A . Income from statutory operation	947 572,23	968 289,93
I. Gross dues (according to the statute)	947 572,23	930 187,93
II. Other income (in line with the statute)	0,00	38 102,00
B. Costs of the statutory activities	728 428,08	510 579,16
C. Financial result on statutory operation (A-B)	219 144,15	457 710,77
D. Management costs	269 194,22	227 750,26
1. Consumption of materials and energy	2 483,59	14 855,30
2. Other services	131 030,56	68 302,50
3. Taxes and charges	0,00	0,00
4. Fees	134 391,39	143 260,78
5. Amortisation	1 288,68	1 288,68
6. Other	0,00	43,00
E. Other income (not mentioned in lines A and G)	236,19	0,05
F. Miscellaneous (not mentioned in lines B, D and H)	0,22	0,00
G. Financial income	23 742,77	55 736,34
H. Financial costs	49 474,10	50 243,76
I. Gross financial result (C-D+F+G+H)	-75 545,43	235 453,14
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)	-75 545,43	235 453,14

UBC MEMBERSHIP FEES 2010-2011

inhabitants	UBC fee	D, DK, FIN, N, S				EST, LAT, LIT, PL, RUS			
		cities	discount	fee EUR	income	cities	discount	fee EUR	income
-10 000	600	1	10%	540	540	8	40%	360	2 880
-25 000	1 200	5	10%	1 080	5 400	14	40%	720	10 080
-50 000	2 400	10	10%	2 160	21 600	9	40%	1 440	12 960
-100 000	3 250	21	10%	2 925	61 425	8	40%	1 950	15 600
-200 000	3 900	6	10%	3 510	21 060	5	40%	2 340	11 700
-500 000	5 800	8	10%	5 220	41 760	5	40%	3 480	17 400
500 000 -	7 250	2	10%	6 525	13 050	3	40%	4 350	13 050
Σ					164 835				83 670
				TOTAL	248 505				