



**REPORT ON ACTIVITY OF  
THE SUPERVISORY BOARD OF HELIO S.A.  
IN THE BUSINESS YEAR 2009/2010**

By virtue of § 3 sec. 3 of the Regulations of the Supervisory Board of HELIO S.A. and art. 382 § 3 of the Commercial Companies Code, as well as being guided by a principle included in Chapter III item 1 of Good Practices of the Companies Quoted on Warsaw Stock Exchange, the Supervisory Board of HELIO S.A. with its registered premises in Wyględy, in the full composition, i.e.:

1. Jacek Kosiński – Chairperson of the Supervisory Board ,
2. Adam Wąsowicz – Deputy Chairperson of the Supervisory Board ,
3. Irena Gałan-Stelmaszczuk – Member of the Supervisory Board ,
4. Magdalena Kącka – Member of the Supervisory Board ,
5. Radosław Turski – Member of the Supervisory Board

presents hereinafter the report in writing prepared by the Board concerning the business year 2009/2010 from 1 July 2009 up to 30 June 2010, composed of:

1. the report on activity of the Supervisory Board taking into consideration operation of the Board committees, including assessment of the committees operation,
2. the brief assessment of the Company position, considering assessment system of internal audit and the system managing significant risk to the Company,
3. the opinion on the financial statement of HELIO S.A., the report on activity of the Management Board of HELIO S.A. for the business year 2009/2010, as well as the decision by the Company Management Board on way of division of the net profit of HELIO S.A. for the business year 2009/2010.

**1. Report on activity of the Supervisory Board taking into consideration operation of the Board committees, including assessment of such committees operation**

Members of the Supervisory Board were appointed for terms of five years, for joint terms of office by Resolution No. 1 of the Extraordinary General Meeting of Shareholders of "PH BONA" Sp. z o.o. (Ltd) of 18 July 2006 concerning transformation of the limited liability company into a joint stock company. Current composition of the Supervisory Board fulfils its functions from 25 August 2006, i.e. from a date of transformation of "PH BONA" Sp. z o.o. into HELIO S.A. After the date no changes have been introduced into the Board composition. The term of members of the Supervisory Board will expire on 25 August 2011. A member mandate of the Supervisory Board will expire on a day of approval by the General Meeting of Shareholders of financial statement for the business year ending on 30 June 2011.

The Supervisory Board of HELIO S.A. operates on the base of common binding regulations of law, the Company Statutes and the Regulations of the Supervisory Board. In the accounting year 2009/2010 the Supervisory Board convened three times at the sessions. All members participated in the sessions.

The Supervisory Board carried out periodical analyses of financial results reached by the Company. The Supervisory Board's meetings covered also the current position of the Company, the market conditions and the Company's forecast development, including the issue connected with the performance of the investment project, i.e. construction of the new warehouse-manufacturing-office complex in Brochów, which is the greatest investment in the Company's activity history. The Supervisory Board currently co-operated with the Management Board of the Company, and it was the successful cooperation. Due to the professional skills, Members of the Supervisory Board in relations with the Management Board were trying continuously to assist the Management Board with professional advice, what favourably impacted onto the current monitoring of the Company activity by the Board.

Considering the minimal number of members of the Company Supervisory Board required by the law as well as a size of the Company, none committees are separated in the Supervisory Board. Tasks of the committees were carried out by all members of the Board within a scope appropriate to the necessities, but additionally at one of this year meetings, the Supervisory Board provided a periodical review of efficiency of the Board's functioning and it resulted in the decision to continue the hitherto form of the Supervisory Board's activity.

Besides, at the sessions held in the business year 2009/2010, the Supervisory Board executed review of the internal audit and managing the risk, stating that the main risks in the Company were correctly identified, managed and disclosed, and therefore there is no need to introduce a function of the internal audit separated in the HELIO S.A. structure. The Board assessed affirmatively also effectiveness of the external audit process, including independency as well as fairness of the external auditor cooperating with the Company.

Last business year, the Supervisory Board, within its obligations, also selected an entity authorized to audit the Company's financial statements for a period of three succeeding financial years. Making a decision of the selection, the Supervisory Board took into consideration any and all aspects of co-operation with an auditor, an first of all independency, experience, time availability, supplementary consultancy within a scope of conducting account books, complexity of service, price accessibility as well as location nearness.

Considering amendment of the regulations of the Polish Commercial Companies Code dated 5<sup>th</sup> December 2008, alteration of the Polish Classification of Economic Activities provided in the Ordinance of the Cabinet dated 24<sup>th</sup> December 2007 relating to the Polish Classification of Economic Activities (PCEA), as well as intending to improve regulation referring to the activity of the Supervisory Board, the Supervisory Board was also involved in readjustment of the Company's internal regulations. The performed works resulted *inter alia* in giving the positive opinion, to the General Meeting of Shareholders, of proposals of alterations in the Statute and the Regulations of the General Meeting of Shareholders, approval of alterations in the Regulations of the Company's Management Board, as well as elaboration of alterations in the Regulations of the Supervisory Board, afterwards submitted for acceptance by the General Meeting of Shareholders.

Moreover, in the reporting period the effect of the Supervisory Board' debate was also positive assessment of the financial statements as well as the Report of the Management Board of the Company's activities for the business year 2008/2009, including affirmative recommendation for the General Meeting of Shareholders, of the Management Board's proposal with regard to distribution of the profit.

The Supervisory Board appraises its acting affirmatively in the business year 2009/2010, as the actions undertaken by the Board allowed, in the Board's opinion, appropriate supervision over the Company's activity.

## **2. Brief assessment of the Company position, considering assessment system of internal audit and the system managing significant risk to the Company**

The Supervisory Board affirmatively appraises the Company's position, both regarding its position on the market and the results gained. In the business year 2009/2010 the Company reached record-breaking, in its history, revenues from sale, which amounted to a sum of thousand PLN 80,706. The increase of revenues from sale was associated with dynamic increase of obtained profits. In the business year 2009/2010 the Company produced net profit in a sum amounting to thousand PLN 8.280 what not only occurred to be record-breaking result in the history of the enterprise, as well as with correction of the last year record, as many as by 45%.

Taking the above into consideration, in the Board's opinion, in the financial year 2009/2010 the Company consequently and effectively realized the

adopted development strategy. Special attention is to pay the betterment of the sales margin obtained by the Company, what was opportune among other things to further increase of direct import of raw materials, stronger and stronger position of HELIO S.A. on the domestic market of nuts and dried fruits as well as significant utilization of hitherto prevailing production opportunities of the Company.

The stated development of the Company was also noticeable in non-financial aspects of the activity, including in the increased shares on the market, or the received prestige prizes (for example: Consumers' Golden Laurels 2010, or FMCG Pearl of the Market 2010 [Perła Rynku FMCG 2010]). The above facts cause that currently HELIO S.A. is one of the greatest importers and distributors of nuts and dried fruits in Poland, as well as undisputable leader in the category of poppy mixtures. The Company has signed agreements on co-operation with all greatest shopping nets in the country, and due to development of shopping structures the Company assumes further diversification of customers through activation of the traditional distribution channel, what in relatively short time should be also mirrored in further strengthening of the Company on the domestic market of nuts and dried fruits, as well as the increase of revenues from sales.

The consequence of the right and effective strategy of the Company development is permanent increase of demand for the Company's products. Taking the changes occurring on the market into consideration, HELIO S.A. systematically launches new products, adjusting the offer to changing requirements of the real world. Last financial year the Company launched on the market *inter alia* the new line of luxury HELIO GOLD nuts and dried fruits of snack type, successfully extended co-operation with shopping nets within a range of supplies of nuts and dried fruits assigned with brands of own nets, or added new assortment to the hitherto offer of products of the HELIO brand, as for example the Company was honoured in the PMCG Pearl of the Market for the best novelty of the last year in the category of additives for baking nuts and dried fruits – HELIO poppy mixture with nuts and dried fruits and honey in a small tin.

To ensure the sufficient supply relating to dynamically growing demand for the enterprise products, in the business year 2009/2010 the Management Board of HELIO S.A. undertook relevant investment actions. Then the Company was executing construction of the new production-warehouse plant in Brochów, as well as developing its earlier production infrastructure adding succeeding machines and devices/equipment. In the Supervisory Board's appraisal, the investment actions conducted by the Management Board were realized at compliance with full commitment as well as with extremely precision, and the delay in completion of the investment project results from the reasons independent on the Company.

Summarizing the Company's achievements in the prior year, the Supervisory Board affirmatively responses to the elements of the Company development strategy, under performance and covered by the schedule provided by the Management Board in the Report of the Management Board on activity of HELIO S.A. in the business year 2009/2010. In the opinion of the Supervisory

Board, execution of the assumptions made by the Management Board, should ensure further dynamic development of the Company, not only in the coming business year, but in subsequent perspective, as well.

#### Assessment of the internal audit system

The Supervisory Board carries out periodical reviews of the internal audit system. Though a unit liable for internal audit is not arranged, in the opinion of the Board the internal audit system as praiseworthy. At the same time, the Supervisory Board accords with the Management Board's opinion, that considering relatively small size and a simple organizational structure of the Company, establishing additional audit section is not justifiable. As, it would involve occurrence of additional, significant costs.

Taking the above into consideration, function of internal audit is included into scope of responsibilities of heads of particular organizational units. The Management Board monitors correctness of fulfilment of audit functions. Within the system there operate also other supplementary procedures, established among the others, in order to examine incurred costs/expenses, to ensure correctness of manufacturing processes, or suitable communication/information circulation in the Company. Elimination of redundant costs is ensured for example through the system of acknowledgements required on various decisive levels before placing orders, or making payments. Correctness of manufacturing process operation, beside Production Chiefs is inspected by the Quality Control Department established under implemented standards of the HACCP system, as well as yearly external audit. Procedure to prepare financial statements and other reports is based on suitable job organization, including the scope of reporting defined in details, circulation of confidential data and transparent division of responsibilities provided for all participants in the process. The Company holds accounting books in computer system, access to computer resources is restricted with qualifications assigned to authorized employees.

#### Assessment of managing system of risk significant to the Company

The Supervisory Board executes periodical reviews of the system managing risk significant to the Company and on such base the Board provided the affirmative assessment. Considering the volume of conducted activity, in the Company there is lack of separated unit responsible for managing the risk, the tasks of such unit are fulfilled directly by the Management Board, defining particular areas of risk and coming involved in monitoring of the risks. In the opinion of the Supervisory Board, within the scope of conducted policy of managing the risk, the areas of risk have been identified correctly and in exhaustive way. At the same time, the Board provides positive opinion on the Company's actions purposing to minimize the risks in concern.

### **3. Opinion on the financial statement of HELIO S.A., the report on activity of the Management Board of HELIO S.A. for the business**

**year 2009/2010, as well as the decision by the Company  
Management Board on way of division of the net profit of HELIO  
S.A. for the business year 2009/2010**

After getting acquainted with the contents of the Company financial statement for the financial year 2009/2010 as well as the report of the Management Board on the Company's activity for the business year 2009/2010, and the opinion and the report of the expert auditor performing examination/audit of the financial statements, the Supervisory Board states that the referred statements have been prepared in compliance with the books and documents, the regulations in force, and in a way reflecting firmly the real position of the Company.

The Supervisory Board, taking into consideration the dynamic development of the Company, including the increasing demand for the working capital resulting from the increasing scale of the enterprise economic activity, as well as finalization of the investment works in Brochów, considers as the justifiable the proposal of the Company's Management Board relating to purpose the net profit gained by the Company in the 2009/2010 business year amounting to PLN 8,280,478.40 (say: eight million two hundred and eighty thousand four hundred and seventy eight Polish złotych forty groszes) against the supplementary capital of the Company.

Taking the above into consideration the Supervisory Board recommends the Annual General Meeting of the Shareholders:

- a. to approve the Company financial statement for the business year 2009/2010,
- b. to approve the report of the Management Board on the Company's activity for the business year 2009/2010,
- c. to accept the proposal of Management Board relating to purpose the net profit gained by the Company in the 2009/2010 business year amounting to PLN 8,280,478.40 (say: eight million two hundred and eighty thousand four hundred and seventy eight Polish złotych forty groszes) against the supplementary capital of the Company,
- d. to give the vote of acceptance to the members of the Company Management Board for accomplishing their duties in the business year 2009/2010.

Wyględy, 20 November 2010 .

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Jacek Kosiński  
Chairperson of the Supervisory Board

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Deputy Chairperson of the  
Supervisory Board

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Irena Gałan-Stelmaszczuk  
Member of the Supervisory Board

Magdalena Kačka  
Member of the Supervisory Board

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Radosław Turski  
Member of the Supervisory Board