

Auditor's report

passion

teamwork

quality

clarity



Independent Auditor's report

on the annual financial statements of
Helio S.A.
with the registered office in Wyględy
for the period ended 30 June 2017



This document is a free translation of the report issued in Polish. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation to enhance understanding. The binding Polish original should be referred to in matters of interpretation.

INDEPENDENT AUDITORS' REPORT

To the General Meeting of Helio S.A.

Report on financial statements

Introduction

We have audited the accompanying financial statements of Helio S.A., with its registered office in Wyględy (ul. Stołeczna 26), which comprise introduction to the financial statements, balance sheet as at 30 June 2017, the profit and loss account, the statement of changes in equity, the statement of cash flows for the financial year then ended and the supplementary information and explanations, prepared in accordance with Accounting Act dated 29 September 1994 (Journal of Laws of 2016, item 1047 with amendments).

Responsibility of the Management Board and members of the Supervisory Board for the Financial Statements

The Management Board of Helio S.A. is responsible for the preparation of financial statements that give true and fair view in accordance with Accounting Act, its compliance with the applicable law and the statute, as well as the keeping of accounting books in accordance with the principles set out in this Act. The Management Board of the Company is also responsible for the internal control that it deems necessary to prepare a financial statement that is free from material misstatement, whether due to fraud or error.

In compliance with the Accounting Act, the Management Board of the Company and members of the Supervisory Board are obliged to ensure that the financial statements meet the requirements specified in Accounting Act.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with National Standards on Auditing, being International Standards on Auditing as adopted in Poland (resolution 2783/52/2015 dated 10 February 2015 of the National Board of Certified Auditors with amendments), hereinafter referred to as National Standards on Auditing, Act of 11 May 2017 on statutory auditors, audit firms and public oversight

(Journal of Laws of 2017, item 1089), hereinafter referred to as the Statutory Auditors Act and regulation 537/2014 of the European Parliament and Council of 16 April 2014 on the specific requirements for statutory audits of public interest entities, repealing the decision 2005/909/WE of the Commission (Official Journal of the EU, L 158, 27.05.2014, p. 77 and Official Journal of the EU L 170, 11.06.2014, p. 66), hereinafter referred to as Regulation 537/2014. Those standards and regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from significant distortions.

The purpose of the audit is to provide sufficient confidence as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report containing our opinion. The sufficient confidence is a high level of certainty, but does not guarantee that a study conducted in accordance with the above standards will always detect the existence of significant distortion. Distortions may arise as a result of fraud or error and are considered significant if it can reasonably be expected that individually or collectively they could influence the user's economic decisions taken on the basis of that financial statements. The risk of not detecting significant distortion resulting from fraud or other irregularities is greater than the risk of not detecting significant distortion resulting from the error, as it may include collusion, forgery, deliberate omission, misrepresentation or circumvention of internal control and may apply to any area of law and regulation, not only that directly affecting the financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selected procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In assessing this risk, we take into consideration internal control in terms of the preparation and fair presentation of the Company's financial statements in order to plan audit procedures that are appropriate under given circumstances and not to express an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Management Board of the Company, as well as evaluating the overall presentation of the financial statements.

The scope of the audit does not include assurance as to the future viability of the audited entity or the efficiency or effectiveness of the management of the entity's affairs by its management or any other governing body at present or in the future.

We believe that the audit evidence we have obtained is sufficient and appropriate to be the basis of our audit opinion.

According to the Act on statutory auditors, we are also required to include in our audit report an opinion whether the financial statements are consistent with the Company's legal regulations and statutes in terms of form and content and whether it has been prepared on the basis of properly maintained accounting records. We report on these matters based on the work undertaken in the course of the audit.

Significant risk of significant distortion

The significant risks of material misalignment are the risks we have identified as significant distortions, which, according to our judgment, require special consideration during the test.

These risks have been identified by us in the context of the audit of the financial statements as a whole and in the formulation of our opinion. We do not issue a separate opinion on the issues identified as significant risk of significant distortion.

Significant risk	Risk response
Concentration of sales to one recipient	
<p>During the audited period occurred a significant concentration of sales to one trading network.</p> <p>The Accounting Act requires the company to disclose in the financial statements the significant details and explanations necessary to present a clear and fair view.</p> <p>There is a qualitative risk for the statement that information about the concentration of sales and the scale of this concentration will not be disclosed in the financial statements.</p>	<p>We discussed the issue of concentration of sales and disclosures in the sales concentration report with the Management Board of the Company</p> <p>We have verified the scope of disclosure of the sales concentration disclosed in the financial statements, agreed presented data to the accounting records. We have considered whether this disclosure allows for a true and fair view of the financial statements.</p> <p>Disclosures on this issue are included in explanatory notes to the profit and loss account 14a i 15a.</p>
Significant risk	Risk response
Trading conditions with trade networks	
<p>Many contracts with retail chains and some contractors include, in addition to standard pricing and delivery terms, additional promotional and marketing provisions, volume of turnover, logistics activities related to deliveries to individual stores and other activities related to deliveries by the Company.</p> <p>As a result of these additional provisions, the Company transfers the economic benefits to the recipient. The value of the provided economic benefits represents a certain percentage of turnover or is quantified.</p>	<p>We discussed the issue of additional contractual provisions with the Management Board of the Company and persons responsible for the sale.</p> <p>We have analyzed agreements that include such provisions in order to understand how they are defined, the nature of services provided by the Company's contractor and the way in which the Company controls the moment of realization of a given service and its quality.</p> <p>Based on the detailed reliability procedures, we have verified the execution of the service for each additional provision to which the Company has confirmed their implementation.</p>

In compliance with the Accounting Act, the sale price is reduced by discounts, discounts and other similar reductions.

The judgment is required to assess whether these additional provisions are part of the sale price or whether it is a service provided by those contractors to the Company.

There is a risk that additional provisions that reduce the sale price will not be presented as a decrease in sales revenue.

We have analyzed the financial statements of the companies supplying for retail chains and the financial statements of retail chains in order to determine the method of determining revenues or determining the value of the sold goods in the case of such additional provisions.

These issues are disclosed in explanatory notes to profit and loss accounts 15a, 15b and 16a and in additional explanatory note 17.

Opinion on the financial statement

In our opinion, the financial statement of Helio S.A.:

- give true and fair view of the financial position of Helio S.A. as of 30 June 2017, its financial performance and cash flows for the year then ended in accordance with Accounting Act and applied accounting policies,
- has been prepared, in all material respects, to the form and content, in accordance with the Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the laws of a non-member state, hereinafter referred to as the current and periodical information regulation, and with the provisions of statutes of the Company.
- has been prepared based on the properly, in all material respects, kept accounting records in accordance with the Accounting Act.

Report on other legal and regulatory requirements

Other information included in the annual report

Other information includes financial and non-financial information other than the financial statements and the audit report. The Management Board is responsible for these other information. Our opinion on the financial statements does not include these other information and, unless otherwise stated in the Report on other legal and regulatory requirements, we do not express any form of assurance about such other information. In addition, the scope of our work and the nature of our assurances are only as described.

Report on activities

The annual report contains a report on the Company's activities for the financial year ended 30 June 2017. The Management Board of the Company is responsible for preparing and submitting a statement on the application of corporate governance in this report. The Management Board and members of the Supervisory Board are responsible for ensuring that the report on activities complies with the requirements of the regulation on current and periodic information and the requirements of the Accounting Act.

As required by the Act on statutory auditors and the regulation on current and periodic information, we are obliged to formulate an opinion, whether the information contained in the report on activities and the statement on the application of corporate governance take into account the provisions of the regulation and, as regards the activity report, also the Accounting Act and are consistent with the information contained in the financial statement. In addition, we are required to make a statement whether, according to our knowledge about the Company and its environment obtained during the audit, we have identified significant distortions in the business report and, if so, indicate what they consist of.

We have read the activity report and the statement on the application of corporate governance. We have analyzed whether they contain the information required by law and we have verified that the information contained therein is consistent with the information contained in the financial statements. When reviewing the activity report, we have considered, based on our knowledge of the Company and its surroundings, whether it contains significant distortions.

Opinion on report on activities

In our opinion, based on the work undertaken in the course of the audit, the accompanying report on the activities discloses, in all material respects, information required by provisions of the regulation on current and periodic information and by the Article 49 of the Accounting Act and this information is consistent with information in the audited financial statements.

In the light of the knowledge and understanding of the Company and its environment obtained during the course of the audit we have not identified material misstatements in the report on the activities.

Opinion on the corporate governance statement

The Management Board of the Company and members of the Supervisory Board are responsible for preparing a corporate governance statement in accordance with the law.

In connection with the audit of the financial statements, it was our duty to review the corporate governance statement that constitutes a separate section of report on activities.

In our opinion, based on the work carried out in connection with the audit of the financial statements, in the statement of corporate governance the Company concluded the information specified in paragraph 91 par. 5 pt. 4 a, b, g, j, k and l of the regulation on current and periodic information. The information indicated in paragraph 91, par. 5, pt. 4 c-f, h and i of this regulation contained in the statement on the application of corporate governance comply with the applicable regulations and information contained in the financial statement.

Information and statements required by Regulation 537/2014

Independence

During the audit, the statutory auditor and PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k. remained independent of the audited company within the meaning of the Act on Statutory Auditors, Regulation 537/2014 and the principles of professional ethics adopted by resolutions of the National Council of Statutory Auditors.

Services which are not statutory audit

Neither we nor any member of the PKF network has provided, directly or indirectly, for the Company, within the Union any prohibited services indicated in art. 5 sec. 1 of Regulation 537/2014 in the periods indicated in this regulation.

Appointment of an audit company and an uninterrupted completion of an order

We were selected to audit the Company's financial statements by a resolution of the Supervisory Board dated 6 November 2015. The financial statements of the Company as a unit of financial interest are constantly reviewed by our company, taking into account the extension of the order and re-appointment, for another 10 years.

Consistency of the opinion on the financial statement with the audit committee's supplementary report

Our opinion on the financial statements is consistent with the supplementary report for the Audit Committee, which we are obliged to submit on the basis of Regulation 537/2014.

Beata Biolik-Przybyłowska

Statutory Auditor no 11858

Key Statutory Auditor

On behalf of PKF Consult Spółka z ograniczoną odpowiedzialnością Sp. k.
audit firm number 477

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Warsaw, 30.10.2017