FINANCIAL STATEMENT OF THE NG2 S.A.
FOR THE PERIOD
FROM 1 JANUARY 2010 TO 31 DECEMBER 2010

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GLOBAL INCOME STATEMENT

	Note number	period from 1 Jan 2010 to 31 Dec 2010	period from 1 Jan 2009 to 31 Dec 2009
Revenue from sale	5	998 665	883 565
Manufacturing cost of products, goods and services sold	6	(488 864)	(451 340)
Gross earnings from sale		509 801	432 225
Other operating revenue	21	9 908	12 485
Cost of sale	6	(388 205)	(336 104)
Cost of general management and administration	6	(5 697)	(3 403)
Other operating costs	21	(11 468)	(11 077)
Profit on operating activity		114 339	94 126
Financial revenue	21	421	674
Financial costs	21	(7 146)	(9 275)
Profit before tax		107 614	85 525
Income tax	22	(21 722)	(16 986)
Net profits		**85 892**	**68 539**
Other global income		-	-
Total global income		**85 892**	**68 539**
Earnings per share:			
basic and diluted	23	2,24 PLN	1,78 PLN

Due to the lack of minority shareholders, the net profit and global income is divided among the NG2 S.A. shareholders.

STATEMENT ON THE FINANCIAL STANDING

	Note number	As on 31 December 2010	As on 31 December 2009
Non-current assets			
Other intangible assets	8	506	933
Tangible fixed assets	7	186 689	147 491
Long-term investment	9	49 762	38 423
Long-term receivables	10	114	174
Deferred tax assets	18	3 989	1 512
Total tangible assets		**241 060**	**188 533**
Current assets			
inventory	11	237 455	233 662
Trade receivables and other receivables	10	89 623	61 012
Cash and cash equivalents	12	71 243	53 024
Total current assets		**398 321**	**347 698**
Total assets		**639 381**	**536 231**
Shareholders' equity			
Share capital	13	3 840	3 840
Reserve capital from the sale of shares above their nominal value	13	74 586	74 586
Other capitals	13	3 358	
Retained earnings	13	254 716	207 224
Total shareholders' equity		**336 500**	**285 650**
Long-term liabilities			
Long-term loans and bank loans	16	103 245	80 000
Liabilities under retirement payments and service anniversary awards	20	1 482	683
Long-term liabilities under financial leasing	14	47	105
Total long-term liabilities		**104 774**	**80 788**
Short-term liabilities			
Trade liabilities and other liabilities	14	140 086	122 452
Income tax liabilities	14	3 431	5 882
Short-term liabilities under financial leasing	14	62	73
Short-term loans and bank loans	16	43 261	39 980
Short-term provisions	19	2 890	1 406
Subsidies received	26	8 377	
Total short-term liabilities		**198 107**	**169 793**
Total liabilities		**639 381**	**536 231**

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Reserve capital from the sale of shares above their nominal value	Other capitals	Retained earnings	Total shareholders' equity
As on 1 January 2009	**3 840**	**74 586**	**-**	**178 118**	**256 544**
Error corrections				(1 033)	**(1 033)**
As on 1 January 2009	**3 840**	**74 586**	**-**	**177 085**	**255 511**
Results for the year				68 539	**68 539**
Other global income					
Total global income	**-**	**-**	-	**68 539**	**68 539**
Dividend disbursement				(38 400)	**(38 400)**
As on 31 December 2009	**3 840**	**74 586**	**-**	**207 224**	**285 650**

	Share capital	Reserve capital from the sale of shares above their nominal value	Other capitals	Retained earnings	Total shareholders' equity
As on 1 January 2010	**3 840**	**74 586**	**-**	**207 224**	**285 650**
Results for the year				85 892	**85 892**
Other global income			-		
Total global income	**-**	**-**	-	**85 892**	**85 892**
Dividend disbursement				(38 400)	**(38 400)**
Employee stock option plan - value of the benefit			3 358		**3 358**
As on 31 December 2010	**3 840**	**74 586**	**3 358**	**254 716**	**336 500**

CASH FLOW STATEMENT

	period from 1 Jan 2010 to 31 Dec 2010	period from 1 Jan 2009 to 31 Dec 2009
Gross profit (loss):	107 614	85 525
Adjustments:	(16 654)	40 117
Depreciation	18 453	14 816
Interest and share in profits (dividends)	(627)	(1 460)
Profit (loss) on investment activity	1 499	199
Cost of interest	4 923	7 149
Changes in provisions	2 283	(516)
Changes in inventory	(3 793)	(8 584)
Changes in receivables	(34 582)	22 235
Changes in short-term liabilities, other than loans and borrowings	17 786	24 874
Other adjustments	4 128	771
Income tax paid	(26 724)	(19 367)
Net operating cash flow	**90 960**	**125 642**
Investment cash flow		
Interest received	627	1 460
Subsidies received	8 377	
Proceeds from the sale of tangible assets	50	72
Proceeds from loans to third parties	(6 078)	(4 767)
Purchase of intangible assets	(50)	(46)
Purchase of tangible assets	(57 548)	(47 205)
Net investment cash flow	**(54 622)**	**(50 486)**
Financial cash flow		
Proceeds from incurring loans	66 506	134 980
Dividends and other disbursements to owners	(38 400)	(38 400)
Repayment of loans and borrowings	(39 980)	(119 648)
Payment of liabilities under financial leasing agreements	(68)	(231)
Interest paid	(6 177)	(7 149)
Net financial cash flow	**(18 119)**	**(30 448)**
Total cash flow	**18 219**	**44 708**
Net increase (decrease) in cash and cash equivalents	18 219	44 708
Cash and cash equivalents at the beginning of the period	**53 024**	**8 316**
Cash and cash equivalents at the end of the period	**71 243**	**53 024**

NOTES

1. GENEREAL INFORMATION

Company name:	NG2 Spółka Akcyjna
Company's registered Office:	Polkowice
Address:	ul. Strefowa 6, 59-101 Polkowice
Telephone:	+48 (76) 845 84 00
Fax:	+48 (76) 845 84 31
Email:	ng2@ng2.pl
Website:	www.ng2.pl
Registration:	District Court for Wrocławia-Fabryczna in Wrocław, 9th Commercial Division of the National Court Register,
KRS number:	0000211692
Regon (Statistical Number):	390716905
NIP (Tax Identyfication Number)	692-22-00-609
Przedmiot działalności:	The Company's primary corporate purpose according to the European Classification of Economic Activities is wholesale and retail trade of clothing and footwear (ECEA 51.42)..

NG2 S.A. has been listed on Giełda Papierów Wartościowych S.A. in Warsaw (Warsaw Stock Exchange) since 2004.

2. ACCOUNTING PRINCIPLES APPLIED

The major accounting principles used in preparing these consolidated financial statements are set out below. The principles were continuously applied in all the years presented.

2.1. Basis for preparation

The financial statements of the NG2 S.A. (hereinafter, the "Company") were prepared in accordance with the International Financial Reporting Standards approved by the European Union (IFRS approved by the EU), with IFRIC Interpretations and with the Accounting Act to the extent that applies to companies preparing their financial reports in accordance with the IFRS. The financial statements were prepared in accordance with the historical cost principle, with changes stemming from the revaluation of land and buildings, to a fair value level through the profit and loss statement.
The preparation of financial statements in accordance with the IFRS requires the use of certain considerable accounting estimates. It also requires that the Management Board make its own assessment as part of applying the accounting principles adopted by the Company. Material estimates of the Management Board are set out in note 4.
These statements were prepared on the assumption that the business activity will continue for at least twelve months. There is no indication of circumstances that would signify serious threats to the Company's continuation of its business activity.

New standard or interpretation not applied earlier

MSSF 3 (Z) „Business Combinations"

The revised IFRS 3 was published by the International Accounting Standards Board on 10 January 2008 and applies prospectively to business combinations with an acquisition date falling in the reporting period starting on 1 July 2009 or thereafter. The revisions provide for the option to select to enter minority shares at their fair value or at their share in the fair value of identified net assets, a reassessment of the shares held to date in the acquired entity to fair value with a reference to the profit and loss statement, and additional guidelines for the application of the acquisition method, including the treatment of transaction costs as a cost of the period in which they were incurred.

The Company has been applying the revised IFRS 3 since 1 January 2010. The effect of this revision on the financial statements is not material.

MSR 27 (Z) „Consolidated and Individual Financial Statements"

The revised IAS 27 was published by the International Accounting Standards Board on 10 January 2008 and applies to year-long periods starting from 1 July 2009 or thereafter. The standard requires that the results of transactions with minority shareholders are entered directly in the equity, as long as the current dominant entity maintains control over the entity in question. The standard also provides more details on the method of accounting for losses of control over the subsidiary in question, i.e. requires that the remaining shares be reassessed at fair value and that the difference is recorded in the profit and loss statement.

The Company has been applying the revised IAS 27 since 1 January 2010. The revision has no effect on the Company's financial statements.

Zmiany do MSR 39 „Financial Instruments: Recognition and Measurement" - "Eligible Hedged Items".

The amendment to IAS 39 "Eligible Hedged Items" was published by the International Accounting Standards Board on 31 July 2008 and applies to year-long periods starting from 1 July 2009 or thereafter.
The amendments explain the application, under special circumstances, of the principles specifying whether the hedged risk or a portion of cash flow meets the hedged items eligibility criteria. They also introduce provisions that prohibit listing inflation as a hedgeable component of a fixed-rate debt instrument. The amendments also prohibit including time value in unilaterally hedged risk, when options are treated as a hedging instrument.

The Company has been applying the amendment to IAS 39 since 1 January 2010. The revision has no effect on the Company's financial statements.

Improvements to IFRS 2009

On 16 April 2009, the International Accounting Standards Board published "Improvements to IFRS 2009", which amended 12 standards. The improvements contain amendments of the method of presentation, recording and valuation, as well as terminology and editorial changes. The majority of the amendments will apply to year-long periods starting from 1 January 2010.

The Company has been applying the improvements to IFRS in accordance with the transitional provisions. The revision has no effect on the Company's financial statements.

Improvements to IFRS 2008

In May 2009, the International Accounting Standards Board published "Improvements to IFRS 2008", which amended 20 standards, including IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", the amendment to which applies to year-long periods starting from 1 July 2009 or thereafter. The Group did not apply the previously included amendments concerning discontinued operations.

The Company has been applying the improvements to IFRS 5 since 1 January 2010. The revision has no effect on the Company's financial statements.

Revisions to IFRS 2 "Share-Based Payment"

The revisions to IFRS 2 were published by the International Accounting Standards Board on 18 June 2009 and apply to year-long periods starting from 1 January 2010 or thereafter.
The revisions specify the definition of share-based payments settled in cash within the capital group. The revisions define in detail the scope of IFRS 2 and regulate the joint application of IFRS 2 and other standards. The revisions incorporate in the standard issues settled previously in IFRIC 8 and IFRIC 11.

The Company has been applying the revisions to IFRS 2 since 1 January 2010. The revision has no material effect on the Company's financial statements.

IFRIC 15 "Agreements on the Construction of Real Estate"

IFRIC 15 was issued by the IFRS Interpretations Committee on 3 July 2008 and applies to year-long periods starting from 1 January 2010 or thereafter. The interpretation sets out general guidelines for assessing construction services agreements to determine whether their effects should be reflected in financial statements under IAS 11 Construction Contracts or IAS 18 Revenue. In addition, IFRIC 15 specifies at what point revenue from completing a construction service should be recognised.

The Company has been applying IFRIC 15 since 1 January 2010. The Management Board believes that the revision has no material effect on the Company's financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

IFRIC 16 was issued by the IFRS Interpretations Committee on 3 July 2008 and applies to year-long periods starting from 1 July 2009 or thereafter. The interpretation contains general guidelines as to determining whether there is a currency risk with respect to the functional currency of a foreign unit and the presentation currency for the purposes of the consolidated financial statements of the dominant entity. Furthermore, IFRIC 16 explains which entity in the capital group may report a hedging instrument as part of security for net investments in a foreign entity, and in particular, whether the dominant entity maintaining a net investment in a foreign entity must also maintain a hedging instrument. IFRIC 16 also explains how an entity should define items subject to reclassification from shareholders' equity to the profit and loss statement for both the hedging instrument and the item being hedged, when the entity disposes of the investment.

The Company has been applying IFRIC 16 since 1 January 2010. The Management Board believes that the revision has no material effect on the Company's financial statements.

IFRIC 17 "Distributions of Non-Cash Items to Owners"

IFRIC 17 was issued by the IFRS Interpretations Committee on 27 November 2008 and applies to year-long periods starting from 1 November 2009 or thereafter. This interpretation contains guidelines as to the moment of recognising dividend, dividend valuation and the recognition of the difference between dividend value and the balance sheet value of the assets being distributed.

The Company has been applying IFRIC 17 since 1 January 2010. The Management Board believes that the revision has no material effect on the Company's financial statements.

IFRIC 18 "Transfers of Assets from Customers"

IFRIC 18 was issued by the IFRS Interpretations Committee on 29 January 2009 and applies to year-long periods starting from 1 November 2009 or thereafter. This interpretation contains guidelines with respect to recognising transfers of assets from customers, namely, situations in which the definition of assets is fulfilled, identification of separately identifiable services (services rendered in return for asset transfers), recognition of revenue and recognition of cash received from customers.

The Company has been applying IFRIC 18 since 1 January 2010. The Management Board believes that the revision has no material effect on the Company's financial statements.

Standards, changes and interpretations of existing standards that are not in effect yet and were not previously applied by the Company:

Amendment to IAS 32 "Classification of Rights Issues"

The revisions to IFRS 32 "Classification of Rights Issues" were published by the International Accounting Standards Board on 8 October 2009 and apply to year-long periods starting from 1 February 2010 or thereafter.
The changes concern accounting for rights issues (rights, options, warrants), denominated in a currency other than the issuer's functional currency. The changes require that, when meeting specific requirements, rights issues be classified under shareholders' equity regardless of the currency in which the price of the right is denominated.

The Company will apply the amendment to IAS 39 as of 1 January 2011. The Management Board estimates that the change will not affect the Company's financial statements.

Amendment to IAS 24 "Related Party Disclosures"

The revisions to IAS 24 "Related Party Disclosures" were published by the International Accounting Standards Board on 4 November 2009 and apply to year-long periods starting from 1 January 2011 or thereafter.
The revisions simplify the requirements with respect to disclosures by parties related to public institutions and specify the definition of a related party.

The Company will apply the amendment to IAS 24 as of 1 January 2011. The Management Board estimates that the change will not affect the Company's financial statements materially.

IFRS 9 "Financial Instruments"

IFRS 9 "Financial Instruments" was published by the International Accounting Standards Board on 12 November 2009 and applies to year-long periods starting from 1 January 2013 or thereafter.
The standard introduces a single model stipulating only two classification categories: amortised cost and fair value. The IFRS 9 approach is based on a business model applied by an entity to manage assets and on arbitrary properties of financial assets. IFRS 9 also requires the application of a single model of valuating the depreciation of assets.

The Company will apply IFRS 9 as of 1 January 2013. The Management Board estimates that the change will not affect the Company's financial statements materially.

As on the date of preparing these consolidated financial statements, IFRS 9 has not yet been approved by the European Union.

Amendment to IFRS 1 "First-Time Adoption of IFRS"

The amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters" was published by the International Accounting Standards Board on 28 January 2010 and applies to year-long periods starting from 1 July 2010 or thereafter.
The amendment introduces additional exemptions for first-time IFRS adopters with regard to disclosures required under the IFRS 7 amendments issued in March 2009 with respect to fair value and liquidity risk.

The Company will apply the amendment to IFRS 1 as of 1 January 2011. The Management Board estimates that the change will not affect the Company's financial statements materially.

Amendment to IFRS "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters"

The amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters" was published by the International Accounting Standards Board in December 2010 and applies to year-long periods starting from 1 July 2010 or thereafter. The revision concerning severe hyperinflation creates an additional exclusion solely if an entity that was affected by severe hyperinflation resumes or undertakes to prepare its financial statements in accordance with the IFRS for the first time. The exclusion allows the entity to select the fair value of assets and liabilities and to use the fair value as the presumed cost of these assets and liabilities in the opening balance sheet in the first statement on the financial standing in accordance with the IFRS. The International Accounting Standards Board also amended IFRS 1 to exclude references to fixed date for one exception and one exclusion with reference to assets and financial liabilities. The first change requires that first-time IFRS adopters prospectively apply the requirements concerning removal from the IFRS balance sheet from the date of transition to IFRS and not from 1 January 2004. The second change concerns financial assets or liabilities reported at fair value at initial recognition when the fair value is determined using valuation methods due to the absence of an active market, and allows for the application of the guidelines prospectively, from the date of transition to the IFRS, rather than from 25 October 2002 or 1 January 2004. This means that first-time IFRS adopters do not have to determine the fair value of assets and financial liabilities prior to the date of transitioning to IFRS. IFRS 9 was also adjusted to these amendments.

The Company will apply the amendment to IFRS 1 as of 1 January 2012. The Management Board of the dominant entity believes that the change will not affect the Company's financial statements materially.
As on the date of preparing these consolidated financial statements, the amendment to IFRS 1 has not yet been approved by the European Union.

Improvements to IFRS 2010

On 6 May 2010, the International Accounting Standards Board published "Improvements to IFRS 2010", which amended 7 standards. The improvements contain amendments of the method of presentation, recording and valuation, as well as terminology and editorial changes. The majority of the amendments will apply to year-long periods starting from 1 January 2011.

The Company will apply the improvements to IFRS in accordance with the transitional provisions. The Management Board estimates that the change will not affect the Company's financial statements materially.
As on the date of preparing these consolidated financial statements, the Improvements to IFRS 2010 have not yet been approved by the European Union.

Amendment to IFRIC 14 "Prepayments of a Minimum Funding Requirement"

The amendment to IFRIC 14 was issued by the IFRS Interpretations Committee on 26 November 2009 and applies to year-long periods starting from 1 January 2011 or thereafter. The interpretation

contains guidelines with respect to recognising earlier payment of contributions to cover minimum funding requirements as assets in the paying entity.

The Company will apply the amendment to IFRIC 14 as of 1 January 2011. The Management Board estimates that the change will not affect the Company's financial statements materially.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC 19 was issued by the IFRS Interpretations Committee on 26 November 2009 and applies to year-long periods starting from 1 July 2010 or thereafter. The interpretation explains the accounting principles applied in circumstances where, as a result of renegotiation by an entity of the terms of its indebtment, a liability is extinguished through an issue of equity instruments addressed to the creditor. The interpretation requires the assessment of equity instruments at fair value and recognising the profit or loss in the difference between the book value of a liability and the fair value of an equity instrument.

The Company will apply IFRIC19 as of 1 January 2011. The Management Board believes that the change will not affect the Company's financial statements materially.

Amendment to IFRS 7 "Transfers of Financial Assets"

The amendment to IFRS 7 "Transfers of Financial Assets" was published by the International Accounting Standards Board in October 2009 and applies to year-long periods starting from 1 July 2011 or thereafter. The amendments require disclosures of additional information on the risk stemming from transfers of financial assets. They contain a requirement to disclose, by asset classes, type, balance sheet value and description of the risk and benefits concerning financial assets transferred to another entity, but remaining on the entity's balance sheet. It is also obligatory to disclose information that enables a User to learn the amount of the potential related liability and the relationship between the financial asset and the relevant liability. If financial assets have been removed from the balance sheet but the entity is still exposed to a certain risk and may obtain certain benefits associated with the transferred asset, it is also required to disclose information that makes it possible to understand the consequences of such a risk.

The Company will apply the amendment to IFRS 7 as of 1 January 2012. The above amendments will have no effect on the Company's financial statements.
As on the date of preparing these consolidated financial statements, the amendment to IFRS 7 has not yet been approved by the European Union.

Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"

The amendment to IFRS 2 was published by the International Accounting Standards Board in December 2010 and apply to year-long periods starting from 1 January 2012 or thereafter.
The changes concern the valuation of deferred tax liabilities and assets on investment property assessed at fair value under IAS 40 "Investment Property" and introduce a refutable presumption that the value of investment property may be fully recovered through sale. This presumption may be refuted if an investment property is maintained in a business model whose goal is to take advantage of substantially all economic benefits offered by the investment property during and not at the moment of sale.
SIC 21 "Income Tax - Recovery of Revalued Non-Depreciable Assets" pertaining to similar matters concerning non-depreciable assets, valued in accordance with the valuation model presented in IAS 16 "Property, Plant and Equipment", was incorporated in IAS 12 after excluding the guidelines pertaining to investment property assessed at fair value.

The Company will apply the amendment to IAS 12 as of 1 January 2012. The above amendments will have no effect on the Company's financial statements.

The standards and interpretations that entered into effect on 1 January 2010 did not materially affect the accounting principles applied by the Group, as a result of which the accounting principles applied

in the preparation of these annual financial statements correspond to the accounting principles applied in the preparation of the financial statements for the year ended on 31 December 2009 and described therein.

2.2. Reporting for operating segments

Identifying operating segments
Operating segments are presented consistently with internal reporting information supplied to the key operating body (KOB) - the management board of the dominant entity. Operating segments are divided into stores and franchise counterparts.

Identifying reporting segments
The identified operating segments (stores, business partners) are grouped into reporting segments as they meet the grouping criteria set out in IFRS 8. The NG2 S.A. defines two reporting segments in its business ("retail business", "franchise and other business") in accordance with IFRS 8 "Operating Segments". In the segments above, the NG2 S.A. conducts business activity, generating certain revenue and incurring costs. The results on segment activity are regularly reviewed by the KOB (persons making key operating decisions). Financial information about the identified segments is also available.

The "retail business" - "retail" segment
The *"retail business"* segment covers primarily the sale of footwear, shoe care products and small leather products. The NG2 S.A. carries out sales in its own locations in Poland and the Czech Republic, targeting retail customers. Retail sales are conducted via three chains: CCC, BOTI and QUAZI. The operating segment is each individual store operating in one of the chains and analysed individually by the KOB. Due to the similarity of the long-term average gross margins, and also due to the similar nature of the goods (among other things, footwear, shoe care products, small leather products), the method of distribution of goods and the types of customers (sale conducted in own stores and addressed to retail customers), the *"retail business"* segment covers financial information jointly for the CCC, BOTI and QUAZI chains, while the operating segments have been combined under IFRS 8, forming a reporting segment called "retail business".

The "franchise and other business" - "franchise and other" segment
The "franchise and other business" segment includes primarily the sale of footwear, shoe care products, small leather products and services, as well as the value of production sold (e.g. shoes). Sale is carried out through NG2 S.A. in Poland and it is addressed to Polish wholesale customers (primarily those conducting sale in the franchises of CCC and BOTI) as well as foreign wholesale customers. The operating segment is each individual customer operating in one of the chains and analysed individually by the KOB. Due to the similarity of long-term average gross margins, and also due to the similar nature of the goods (among other things, footwear, shoe care products, small leather products) and the services provided (reinvoicing transportation services), the method of distribution of the goods and the type of customers (sale targeting wholesalers), the *"franchise and other"* segment covers financial information for all business partners combined under IFRS 8, forming a reporting segment called "franchise and other business".

The accounting principles applicable to the operating segments are the same as the accounting policy principles under which the Companies from the NG2 S.A. prepare their financial statements. The Company assesses the performance of each segment on the basis of the profit or loss on operations before tax.

Other disclosures related to reporting segments.
The following items do not apply: earnings on transactions with other business segments of the same entity, the entity's share in the profit or loss of affiliated entities and joint ventures and material non-cash items other than depreciation.

2.3. Valuation of items denominated in foreign currencies

Functional currency and presentation currency

The items contained in the financial statements of the Company are valuated in the currency of the primary business environment in which the company operates ("functional currency"). The consolidated financial statements are presented in PLN, which is the Company's functional currency and its presentation currency.

Transactions and balances

Profits and losses on currency exchange differences, pertaining to loans and cash and cash equivalents, are presented in the global income statement under "revenue or financial cost". All other profits and losses on currency exchange differences are presented in the global income statement under "other net (losses)/profits".

2.4. Fixed assets

Fixed assets are presented at their purchase price or cost of manufacturing, less amortisation and potential depreciation. Land is not subject to depreciation.
Fixed assets under construction are presented in the statement on financial standing at their cost of manufacturing less any depreciation. Costs of external financing are capitalised and entered as appreciation of a fixed asset.

Depreciation of a fixed asset begins once it is deemed ready for use. It is carried out in accordance with the applicable rules. Depreciation is calculated using the linear method by assessing the life of an asset, which is as follows for the groups below:
- buildings - 10-40 years
- plants and equipment - 3-15 years
- means of transportation - 5-10 years
- other tangible assets - 5-10 years.

Fixed assets under financial lease were disclosed in the statement on financial standing in line with other fixed assets and are amortised on the same basis. The depreciation method and the period relating thereto are updated as on each balance sheet date.

2.5. Intangible assets

The Company applies the (historical) cost model to all items in a class: (initial) cost less amortisation and depreciation. The rules of depreciation of intangible assets are the same as the rules applicable to tangible assets.
It is assumed that the life of intangible assets does not exceed twenty years from the time each asset is fit for use. Depreciation of intangible assets is linear.
If there are occurrences or changes that indicate that the balance sheet value of intangible assets may not be recoverable, they are reviewed for potential depreciation.

2.6. Revaluation of non-financial assets

Depreciable assets are reviewed in terms of depreciation whenever any occurrences or changes in circumstances indicate that their balance sheet value may not be recoverable. The loss on depreciation is entered in the amount by which the balance sheet value of an asset surpasses its recoverable value. Recoverable value is the higher of: fair value of assets, less cost of sale or value in use. For the purpose of analysing depreciation, assets are grouped at the lowest level with respect to which there are identifiable cash flows (centres generating cash flows). Non-financial assets, other

than goodwill, with respect to which depreciation was previously declared, are assessed at each balance sheet date in terms of the occurrence of reasons to reverse the depreciation write-down.
As on each balance sheet date, the Company analyses assets related to its retail business for depreciation. The result on sales for each retail entity is also assessed by the Company. If an asset is found to be inefficient, the Company makes a depreciation adjustment in the amount of the investment outlays incurred, under operating costs.

2.7. Financial assets

The Company valuates its shares in subsidiaries at cost after deducting depreciation write-downs.

In addition to shares in subsidiaries, the Company classifies the following as financial assets:
- financial assets at fair value in the global income statement,
- loans and receivables,
- financial assets available for sale.

Profits and losses on financial assets included in assets recorded at fair value in the global income statement are entered in the global income statement in the period in which they arose.
Profits and losses on financial assets included in assets "available for sale" are entered in shareholders' equity, save for depreciation adjustments and those profits and losses on currency exchange differences that arise for cash assets. At the time of removing an asset included in assets "available for sale" from accounting records, the total profits and losses to date previously recorded under the capital are entered in the global income statement as profits and losses on the exclusion of investments into financial assets available for sale.

Loans and receivables and investments held to maturity are valued at amortised cost using an effective interest rate.

2.8. Revaluation of financial assets

As on each balance sheet date, financial assets are assessed for depreciation.

If there are reasons to expect a depreciation of the value of loans and receivables or investments held to maturity, valued at amortised cost, the adjustment amount is determined as the difference between the balance sheet value of the assets and the current value of estimated future cash flows discounted at the original effective interest rate for these assets (i.e. effective interest rate calculated as at the time of initial disclosure for assets based on a fixed interest rate and effective interest rate calculated as at the time of the most recent reassessment of assets based on a variable interest rate). Depreciation write-downs are included in the global income statement. A reversal of the write-down is entered if in subsequent periods the depreciation lessens and the lessening may be attributed to occurrences taking place after entering the write-down. As a result of a write-down reversal, the balance sheet value of financial assets cannot exceed the value of the amortised cost that would have been determined had the depreciation write-down not been entered. Write-down reversals are entered in the global income statement.

2.9. Inventory

Inventory is disclosed at the cost of purchase (or cost of manufacturing) or the net sale price, whichever is lower.
If the circumstances that resulted in a decrease in the value of inventory disappear, a reverse operation is carried out, i.e. a reinstatement of the value of the inventory.
The following are entered in the global income statement:
- book value of inventory sold in the period in which revenue from sale was recognised,
- the amount of depreciation adjustment to the net sale price in the period in which the adjustment was made.

Inventory adjustments adjust the prime cost of sale.
The FIFO method is applied to the consumption of all inventory of a similar kind and purpose.

2.10. Trade receivables

Trade receivables are amounts payable by customers for goods sold or services rendered in the course of a company's ordinary business. If the receivables are expected to be collected within one year, receivables are classified as current assets. Otherwise, they are entered as tangible assets.
Trade receivables are initially disclosed at fair value, and then assessed at the adjusted purchase price (amortised cost), using the effective interest rate method, and decreased by depreciation write-downs.

2.11. Cash

Cash and cash equivalents include cash in the petty cash fund, bank deposits payable on demand, other short-term high-liquidity investments with an initial maturity date of up to three months and overdraft facilities. Overdraft facilities are presented in the statement on financial standing as part of short-term loans under short-term liabilities.

2.12. Equity

Equity is entered in accounting records and categorised by type, in accordance with the applicable laws and the provisions of the statute.
Types of equity:

- base (share) capital of the dominant entity is entered at the value set out in the statute and registered in the court register.
- reserve capital established from the surplus remaining after the sale of shares above their nominal value, less the cost of their issue,
- retained earnings, established as a result of distribution of the financial result, undistributed financial result and net profit (loss) for the period covered by the financial statements,
- other capital - established on the basis of the introduced employee stock option plan.

2.13. Trade liabilities

Trade liabilities are liabilities to pay for goods and services acquired from suppliers in the course of normal business. Trade receivables are classified as short-term liabilities if the payment date falls within one year (or, in the course of normal business, if it is longer). Otherwise, such liabilities are entered as long-term.
Trade liabilities, in their initial disclosure, are entered at fair value, and at a later time, they are entered at the adjusted purchase price (amortised cost), using the effective interest rate method.

2.14. Loans and borrowings

Loans and borrowings are entered at their purchase price corresponding to the fair value of obtained cash, less the expenditures related to obtaining loans or borrowings. Interest and commissions on loans are entered in the global income statement under debit, with the exception of interest and commissions pertaining to the financing of assets.

2.15. Current and deferred income tax

Mandatory liabilities of the result comprise current tax (CIT) and deferred tax.
Current tax liability is calculated on the basis of the tax result for the reporting period. Tax burden is calculated on the basis of tax rates applicable in a given tax year.
Deferred tax is calculated as a tax payable or refundable in the future on the differences between the balance sheet values of assets and liabilities and their corresponding tax values used to calculate the taxable base.

Deferred income tax provisions
Deferred tax provisions are established in the amount of income tax to be paid in the future in connection with transitional differences, i.e. differences that will result in an increase in the taxable base in the future. The amount of such provisions is determined taking into account income tax rates applicable in the year in which the tax obligation arises.

Deferred tax assets
Deferred income tax assets are determined in the amount of the sum designated to be deducted from income tax in connection with negative transitional differences that will cause a reduction of the taxable base and deductible tax loss, determined taking into account the prudency principle.

The Company presents the net amount of the asset and deferred tax provisions.

2.16. Employee benefits

In the reporting period, the Company pays contributions for the mandatory public retirement plan, depending on the amount of gross remuneration disbursed, in accordance with the applicable laws. The public plan is financed on the pay-as-you-go principle, i.e. the Company is required to pay contributions in the amount defined as a percentage of the applicable remuneration and only when they are payable, and if it no longer employs the persons covered by the system, it will not be required to pay any additional benefits. The public plan is a defined retirement plan. The cost of contributions is entered in the global income statement in the same period as the remuneration associated therewith, under item "Cost of remunerations and employee benefits".
The Company determines provisions for future retirement benefits and service anniversary awards on the basis of actuarial valuation.
Under the terms of the collective bargaining agreement, a group of employees is entitled to service anniversary awards depending on the length of service. Eligible employees receive a one-off amount, which, after 10 years of service, is the equivalent of 100 per cent of their monthly salary base, after 15 years of service, is the equivalent of 150 per cent of their monthly salary base, after 20 years of service, is the equivalent of 200 per cent of their monthly salary base, and after 25 years of service, is the equivalent of their monthly salary base.
Retiring employees are entitled to a one-off benefit in the amount of a one-month salary.
The Company recognises provisions for unused employee holiday. The value of the provisions is calculated as a product of the number of unused vacation days and the average pay per day in the Company.
The Company recognises provisions for bonuses due for the financial period and payable after the end of the financial year. The value is determined after the end of the financial year.
The Company establishes provisions for the instituted "Incentive Scheme" (employee stock options). Costs are entered in the statement of global income under "costs of management and administration". The scheme value is determined on the basis of actuarial valuation.

2.17. Provisions

The Company establishes provisions for anticipated returns and complaints.
The amount of the provisions should be the most accurate possible estimate of the outlays required to fulfil the requirement as on the balance sheet date. Estimates of the financial performance and result are made based on the judgment of the company's management, supported by previous experience in similar transactions and, in some cases, independent experts' reports.
The amount of provisions is verified as on each balance sheet date and adjusted to reflect the current most accurate estimate. If it is no longer likely that an outflow of funds carrying economic benefits will be necessary to meet the requirement, provisions are eliminated.
Provisions for anticipated returns and complaints are established as an estimated determination of the average level of returns on the basis of historical data.
After carrying out calculations for several periods and on the basis of the Company's experience, in order to simplify the estimates, the average ratio of complaints for previous periods is calculated. The variable defining possible returns of products sold, on which the value of potential complaints is based, is the amount of revenue obtained from sales in the period in question.
In subsequent periods appropriate provision adjustments are made through an increase or liquidation, depending on the revenue from sale being generated.

2.18. Recognising revenue

Revenue from sale is recognised at fair value of the payment for the sale of goods and services received or payable in a normal course of the Company's business. Revenue is disclosed after deducting value-added tax, returns, rebates and discounts.

Revenue from sale includes revenue from the sale of goods, products and services generated as part of day-to-day business activity (i.e. revenue from the sale of goods, product, ready-made products after rebates, VAT and other sales taxes.

Revenue from the sale of goods - wholesale
The Company sells footwear and leather accessories on the wholesale market in Poland and abroad. In Poland, these products are sold on the basis of franchise agreements. Revenue from sale is disclosed once material risk factors and benefits of having the goods have been transferred to the business partner. The business partner takes over any and all risks related to the aging of the goods and after-sales service for retail customers.

Revenue from the sale of goods - retail
The Company sells footwear and leather accessories through a chain of its own stores located in Poland. Revenue from sale is disclosed at the time of selling goods to the customer. Retail sale is typically carried out in cash or using credit cards. The Company has a thirty-day return policy. In order to estimate the amount of returns and to establish provisions therefor, experience to date is used.

Revenue from the sale of services
The Company is a party to agreements concerning the lease and sublease of premises used for retail business. Sublease agreements are concluded with companies cooperating with the Company on the basis of franchise agreements. Therefore, the Company reinvoices the cost of lease to the business partner operating at a given location. In its financial statements, the Company discloses the value of revenue, less the value of costs related to the type of revenue. Revenue from sale is recognised for the period to which the lease or sublease pertains.

2.19. Leasing

As on the date of commencement of leasing, the Company recognises financial leasing in the balance sheet as assets and liabilities in amounts equal to the fair value of the item, as calculated on the date of commencement of the leasing or in amounts equal to the current value of minimum leasing fees, as calculated on the date of commencement of the leasing, if it is lower than its fair value. When calculating the current value of minimum leasing fees, the discount rate is the leasing interest rate, if it can be calculated. Otherwise, the lessor's marginal interest rate is applied. The lessor's initial direct costs increase the amount recognised as an asset.
Operating lease - cost of lease. Operating lease is a type of lease where a significant portion of the risk and benefits of ownership is shared by the financing party. Payments made under operating lease are entered directly in the global income statement using the linear method during the term of the lease agreement. The discounts received from the financing parties are recognised in the global income statement in the same way as an integral part of all the leasing fees. Operating lease applies primarily to leasing commercial spaces. The costs are recognised in the global income statement under "Cost of sale".

2.20. Dividend

Dividend payments to the Issuer's shareholders are recognised as a liability in the Company's financial statements in the period in which they were approved by the Issuer's shareholders.

2.21. Income from subsidies

If the Company receives a subsidy for the purchase or manufacture of tangible assets, it is entered in the Company's accounting records at the time of receipt or substantiation of its receipt in the future (e.g. receiving a letter of intent) as a deferred revenue. Subsidies classified as deferred revenue gradually increase other revenue, in parallel to amortisation and depreciation on tangible assets financed from these sources.

3. MANAGING FINANCIAL RISK

The type of activity conducted by the Company carries various risks: The Management Board finds the main risks to be:

- Currency risk. Due to the fact that NG2 S.A. generates the majority of their revenue in PLN, and the majority of their costs is incurred in foreign currencies, the exchange rates of USD and EUR (practically the entire imports are denominated in these currencies, as is a considerable portion of leases) will affect the cost structure, and the potential change of supply sources and recording currency exchange differences in the income statement. As the Chinese market is the primary supply market for the NG2 S.A., the exchange rate of the Chinese currency to world's major currencies is also very important. Its appreciation may affect import terms. Some of the cost of exchange rate fluctuations may be transferred to customers, but the Company does not use other hedging instruments to protect itself against exchange rate fluctuations. In the long term, consistent exchange rate fluctuations would have a material effect on the Company's financial performance.

- Interest rate risk. The Company is exposed to the risk of interest rate changes in relation to the loan agreements concluded. The loans are subject to a variable interest rate based on WIBOR. Interest rate increases will affect the amount of interest on loans and interest on liabilities under lease and term deposits, where the effect is insignificant.

  The Company does not use hedging instruments that would mitigate the effect of changes in cash flows resulting from interest rate fluctuations on the Company's financial performance.
  The Company is exposed to the following types of interest rate risk:
  - Cash flow risk (variable interest rate) - loans.

- Financial liquidity risk - prudent management of financial liquidity presumes maintaining sufficient resources of cash and cash equivalents as well as availability of continued funding through guaranteed credit line funds.

- Credit risk - this risk derives from the uncertainty as to whether and when amounts due will be repaid. Wholesale also includes deferred payment sale, which exposes the Company to the risk of financing customers. To remain a leader on the footwear market, NG2 S.A. uses the sales credit feature, which enhances the company's appeal to wholesalers. The age structure of receivables is presented in note 9. Other sale is carried out in cash. Hence, the credit risk in this regard is negligible. Available cash is deposited only in bank accounts and term deposits of renowned Polish banks. The Company held term deposits in highly-rated established banks.

Details are set out in note 25.

Managing capital risk

The Company's objective in managing capital risk is to protect the Company's ability to continue its activity so that shareholder return and benefits for other stakeholders may be generated and so that the best possible capital structure may be maintained for the purpose of reducing its cost.
To maintain or adjust capital structure, the Company may change the amount of dividends declared to be disbursed to shareholders, return equity to shareholders, issue new shares or sell assets to reduce debt.
Like other companies in the industry, the Company monitors its equity using the debt ratio. The ratio is calculated as a proportion of net debt to the total value of equity. Net debt is calculated as a sum of loans (including current and long-term loans disclosed in the balance sheet), less cash and cash equivalents. The total value of equity is calculated as shareholders' equity disclosed in the balance sheet together with net debt.

The Company's debt ratios as on 31 December 2010 and 31 December 2009 are as follows:

	31.12.2010	31.12.2009
Total loans (note 15)	146 506	119 980
Less cash and cash equivalents	71 243	53 024
Net debt	75 263	66 956
Total shareholders' equity	336 500	285 650
Invested capital	411 763	352 606
Debt ratio	**18,3%**	**19,0%**

The debt ratio decrease results from the increase in shareholders' equity caused by the net profit distribution for 2009 and the level of net profit for 2010. The level of change in the ratio was anticipated by the Company.

4. MATERIAL MANAGEMENT ESTIMATES

Employee benefits

The Company prepares valuations of liabilities under retirement and pension benefits as well as service anniversary awards. The valuations are prepared using actuarial methods on the basis of a number of assumptions. The assumptions used when determining the net cost (income) for the benefits include the discount rate. Any changes to the assumptions will affect the budget value of the liabilities under employee benefits. Details of the calculation are set out in note 20.

Operating segments

Details of the analysis and assessment of the operating segments are set out in note 2.2.

Depreciation of non-financial assets

Once a year, the Company examines tangible assets for depreciation in accordance with the accounting policy set out in note 2.6. For assets pertaining to each store, as cash-generating centres, operating for at least two years and showing negative results, an analysis of the current value of future cash flows is carried out on the basis of current budgets. Thus-obtained value is compared to the value of assets and if a shortage is identified, depreciation is entered. In the period of twelve months ending on 31 December 2010 and 31 December 2009, no write-downs were recognised according to the information provided in note 7.

Employee stock options

The Company prepares a valuation of the benefits due to employees participating in the "Incentive Scheme" concerning employee stock options. The Scheme will be carried out after the end of 2012, and the value of payments to employees will depend on the number of participants. The estimated number of participants is 44. Details are set out in note 17.

5. INFORMATION ON BUSINESS SEGMENTS

Jan-Dec 2010	Retail business	Franchise and other business	Unassigned items	Total
Revenue from sale, of which	854 408	144 257	-	998 665
- obtained in Poland	*854 408*	*144 257*	-	*998 665*
- obtained outside of Poland	-	-	-	-
Prime cost of sale	(388 974)	(99 890)	-	(488 864)
Gross earnings from sale	**465 434**	**44 367**	**-**	**509 801**
Cost of sales and management	(383 029)	(11 459)	586	(393 902)
Balance of other earnings and operating costs	(3 488)	1 928	-	(1 560)
Operating profit	**78 917**	**34 836**	**586**	**114 339**
Balance of earnings and financial costs	(5 423)	(1 302)		(6 725)
Profit before tax	**73 494**	**33 534**	**586**	**107 614**

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Income tax			(21 722)	(21 722)
Net profit				**85 892**
Net profit disclosed in the consolidated statement of global income				***85 892***
Assets	372 653	105 090	161 638	639 381
Earnings from interest			304	304
Cost of interest	(3 936)	(987)	-	(4 923)
Depreciation	(13 538)	(2 232)	(2 683)	(18 453)

Jan-Dec 2009	**Retail business**	**Franchise and other business**	**Unassigned items**	**Total**
Revenue from sale, of which	749 115	134 450	-	883 565
- obtained in Poland	*749 115*	*134 450*	-	*883 565*
- obtained outside of Poland	-	-	-	-
Prime cost of sale	(357 288)	(94 052)	-	(451 340)
Gross earnings from sale	391 827	40 398	-	432 225
Cost of sales and management	(331 784)	(7 802)	79	(339 507)
Balance of other earnings and operating costs	(2 021)	3 429	-	1 408
Operating profit	58 022	36 025	79	94 126
Balance of earnings and financial costs	(6 716)	(1 885)	-	(8 601)
Profit before tax	51 306	34 140	79	85 525
Income tax			(16 986)	(16 986)
Net profit				68 539
Net profit disclosed in the consolidated statement of global income				***68 539***
Assets	322 466	83 578	120 187	536 231
Earnings from interest	-	-	553	553
Cost of interest	(5 613)	(916)	(620)	(7 149)
Depreciation	(11 088)	(1 074)	(2 654)	(14 816)

Disclosure of information concerning the entity.

The company NG2 S.A. discloses information about the revenue from the sale of products and services to external customers as part of reporting segments. A group of similar products (i.e. footwear, shoe care products, accessories) are presented in the retail and franchise segment (due to the minor share of the sale of goods other than footwear, they are not disclosed individually). Therefore, the company NG2 S.A. does not disclose individually any information about the revenue from the sale of products and services to external customers.

In the financial statement the Company does not present information about fixed assets other than financial instruments, assets from deferred tax income, in categorized regions because the listed assets are located on the territory of the country in which the head office of the Company is located.

The company NG2 S.A. does not disclose in the statements any information about key customers due to the fact that the revenue from its individual external customers does not exceed ten per cent of the revenue of the company NG2 S.A..

6. COSTS BY TYPE

	31 Dec 2010	31 Dec 2009
Depreciation of fixed assets and intangible assets	18 453	14 816
Consumption of materials and energy	19 389	22 661
Cost of lease	140 296	124 070
Cost of outsourced services	46 535	36 459
Taxes and fees	3 803	3 046
Cost of salaries	115 112	107 198
Cost of employee benefits	22 728	21 153
Cost of promotion and advertising	11 632	7 248
Other costs	14 511	2 870
Changes in prepayments and accruals	1 443	(14)
Prime cost of sale of goods	488 864	451 340
Total	**882 766**	**790 847**

7. TANGIBLE FIXED ASSETS

	Land, buildings and structures	Plants and equipment	Means of transporta tion	Other	Fixed assets under constructi on	Total
GROSS VALUE						
As on 1 January 2010	**138 563**	**21 430**	**9 027**	**7 848**	**10 441**	**187 309**
Increases due to:	19 248	815	1 816	1 278	55 643	78 800
-investments in third-party facilities	0	-	-	-	18 753	18 753
- investments completed - transfer	19 169					19 169
- own investment outlays	79	-	-	-	36 890	36 969
-purchases	-	815	937	1 278	-	3 030
- disclosures/revaluations			879			879
Decreases due to:	2 636	11	476	71	19 169	22 363
-liquidation	1 757	8	-	66	-	1 831
-sale	-	-	476	-	-	476
-other	879	3	-	5	-	887
-investments completed - transfer	-	-	-	-	19 169	19 169
As on 31 December 2010	**155 175**	**22 234**	**10 367**	**9 055**	**46 915**	**243 746**
AMORTISATION AND DEPRECIATION						
As on 1 January 2010	**27 047**	**3 972**	**5 050**	**3 749**	**-**	**39 818**
Depreciation for the period from 1 Jan to 31 Dec	12 648	2 640	1 538	1 413	-	18 239
Decreases due to sale or liquidation	493	8	453	46	-	1 000
As on 31 December 2010	**39 202**	**6 604**	**6 135**	**5 116**	**-**	**57 057**
NET VALUE						
As on 1 January 2010	**111 516**	**17 458**	**3 977**	**4 099**	**10 441**	**147 491**
As on 31 December 20102010	**115 973**	**15 630**	**4 232**	**3 939**	**46 915**	**186 689**

	Land, buildings and structures	Plants and equipment	Means of transport ation	Other	Fixed assets under constructi on	Total
GROSS VALUE						
As on 1 January 2009	**109 642**	**6 024**	**7 385**	**6 625**	**13 954**	**143 630**
Changes due to currency exchange	29 705	15 899	2 019	1 296	40 392	89 311

Table continues on page 23

Increases in the period from 1 Jan to 31 Dec	784	493	377	73	43 905	45 632
As on 31 December 2009	**138 563**	**21 430**	**9 027**	**7 848**	**10 441**	**187 309**
AMORTISATION AND DEPRECIATION						
As on 1 January 2009	**16 867**	**2 812**	**3 762**	**2 730**	**-**	**26 171**
Depreciation for the period from 1 Jan to 31 Dec	10 400	1 482	1 628	1 082	-	14 592
Decreases due to sale or liquidation	220	322	340	63	-	945
As on 31 December 2009	**27 047**	**3 972**	**5 050**	**3 749**	**-**	**39 818**
NET VALUE						
As on 1 January 2009	**92 775**	**3 212**	**3 623**	**3 895**	**13 954**	**117 459**
As on 31 December 2009	**111 516**	**17 458**	**3 977**	**4 099**	**10 441**	**147 491**

The value of depreciation was disclosed In the cost of sale.
The Company did not make write-downs with respect to fixed assets under construction.

Tangible fixed assets securing loans	31 Dec 2010	31 Dec 2009
Ordinary mortgage over property up to the value of	208 250	90 000

Plants and technical equipment used under financial lease agreements where the Company is the lessee	31 Dec 2010	31 Dec 2009
Outlays on fixed assets under financial lease	423	423
Accumulated depreciation	(282)	(232)
Net book value	**141**	**191**

8. INTANGIBLE ASSETS

	Patents and licences	Trade marks	Total
GROSS VALUE			
As on 1 January 2010	**1 326**	**360**	**1 686**
Increases in the period from 1 Jan to 31 Dec	50	-	50
Decreases in the period from 1 Jan to 31 Dec	-	360	360
As on 31 December 2010	**1 376**	**0**	**1 376**
AMORTISATION			
As on 1 January 2010	**659**	**94**	**753**
Depreciation in the period from 1 Jan to 31 Dec	214	-	214
Adjustment of depreciation in the period from 1 Jan to 31 Dec	(3)	(94)	(97)
As on 31 December 2010	**870**	**0**	**870**
NET VALUE			
As on 1 January 2010	**667**	**266**	**933**
As on 31 December 2010	**506**	**0**	**506**

	Patents and licences	Trade marks	Total
GROSS VALUE			
As on 1 January 2009	**1 283**	**357**	**1 640**
Increases in the period from 1 Jan to 31 Dec	43	3	46
Decreases in the period from 1 Jan to 31 Dec	-	-	-
As on 31 December 2009	**1 326**	**360**	**1 686**

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AMORTISATION			
As on 1 January 2009	**437**	**93**	**530**
Depreciation in the period from 1 Jan to 31 Dec	222	1	223
Adjustment of depreciation in the period from 1 Jan to 31 Dec	-	-	-
As on 31 December 2009	**659**	**94**	**753**
NET VALUE			
As on 1 January 2009	**846**	**264**	**1 110**
As on 31 December 2009	**667**	**266**	**933**

9. LONG-TERM INVESTMENTS

Investments in subsidiaries	31 Dec 2010	31 Dec 2009
Shares In non-listed companies	49 762	38 423

Long-term financial investment include shares in subsidiaries

Company Name	Company headquarters	Country	Book value of shares 31 Dec 2010	31 Dec2009
CCC Factory Sp. z o.o.	Polkowice	Poland	15 233	15 036
CCC Boty Czech s.r.o.	Prague	Czech Republic	26 099	15 078
NG2 Suisse s.a.r.l	Zug	Switzerland	892	-
Continental Trust Fund no. 968	USA	USA	7 538	8 309
Razem:			**49 762**	**38 423**

On 30 April 2010 the Company acquired shares in a newly created subsidiary NG2 Suisse with its registered office in Switzerland. The subsidiary's business objective is trademarks management.

Changes in write-off from financial asset impairment

	31.12.2010	31.12.2009
At beginning of period	2 418	1 647
a) increase	771	771
As to the end of the period	**3 189**	**2 418**

The Company's shares in the subsidiaries non listed on the stock market, the basic financial data of the subsidiaries and the value of the shares were as follows.

	Shareholder value	Assets	Liabilities	Revenues	Profit/ Loss	Shares held (%)
CCC Factory Sp. z o.o.	15 233	118 445	11 862	96 684	11 917	100 %
CCC Boty Czech s.r.o.	26 099	34 827	27 822	67 213	(5 306)	100 %
Kontynentalny Fundusz Powierniczy nr 968	7 538	7 538	-	-	-	100 %
NG2 Suisse s.a.r.l	892	268 693	367	13 404	2 425	100 %

10. TRADE AND OTHER RECEIVABLES

	31 Dec 2010	31 Dec 2009
Trade receivables, including:	59 131	50 733
-related entities	20 737	26 233
-other entity	38 394	24 500
Prepayments for deliveries	27 816	7 811
Other current receivables	1 251	726
Prepayments and accruals	1 425	1 742
Intrest on loan	-	-
Total	**89 623**	**61 012**

Average time of receivables execution amounts 35 days. Statutory interest accrues after the maturity date The Company made a revaluation write-off for the balance of receivables amounting to PLN 878,000. Revaluation write-offs for receivables are entered in the costs of sales item.

Past-due (gross) trade receivables, by receivables outstanding for:

	31 Dec 2010	31 Dec 2009
a) up to 1 month	1 126	3 372
b) 1-3 months	150	3 513
b) 3-6 months	5 407	4 050
d) more than 6 months	593	3 134
trade receivables, total, past-due	**7 276**	**14 069**
e) write-downs on the value of past-due trade receivables	878	1 427
(Net) trade receivables, total, past-due	**6 398**	**12 642**

Changes in write-downs on short-term receivables:

	31 Dec 2010	31 Dec 2009
As at the beginning of the period	1 427	1 390
a) increase	238	586
b) decrease (due to)	787	549
Utilisation	-	-
Liquidation	787	549
Write-downs on the receivables as at the end of the period	**878**	**1 427**

Write-downs on receivables are established on the basis of an age analysis
The value of depreciation write-downs on financial assets was debited to the cost of sale for the current period. The value of past-due payments not covered by write-downs in 2010 is negligible. The value of the write-down was estimated on the basis of the Company's previous experience.
The Company believes that the past-due receivables not covered by the write-down will be repaid by its business partners.

Trade receivables (currency structure)

	31 Dec 2010	31 Dec 2009
a) in PLN	37 556	16 301
b) in foreign currencies (as per the currencies and converted to PLN))	21 575	34 432
- USD	192	2 801
- converted to PLN	571	7 927
- EUR	30	407
- converted to PLN	118	1 980
- CZK	132 192	157 822
- converted to PLN	20 886	24 525

Total short-term receivables	**59 131**	**50 733**

Long-term receivables:

	31 Dec 2010	**31 Dec 2009**
Long-term prepayments and accruals	114	174
Total	**114**	**174**

11. INVENTORY

	31 Dec 2010	**31 Dec 2009**
Goods	241 164	233 942
Capitalised cost of packaging	110	216
Write-down on the value of inventory	(3 819)	(496)
Total	**237 455**	**233 662**

Changes in write-downs on inventory	**31 Dec 2010**	**31 Dec 2009**
As at the beginning of the period	496	594
a) increases	3 400	-
b) decreases	77	98
Write-downs on inventory as at the end of the period	**3 819**	**496**

The value of established and liquidated write-downs on inventory was entered as adjustment of the prime cost of sale for the period.
Due to the on-going liquidation of sub-par goods in the course of the financial year, the level of goods that met the criteria for write-downs has increased. Therefore, the value of the write-down has increased compared to previous years.
On the basis of loan agreements, pledges were established over inventory. The value of the pledges as on the balance sheet date in PLN 215 million (as on 31 December 2009: PLN 205 million).

12. CASH

	31 Dec 2010	**31 Dec 2009**
Cash in the bank and petty cash fund	5 623	7 668
Short-term deposits	65 620	45 356
Total	**71 243**	**53 024**

Funds in bank accounts and cash comprise cash held by the Company and short-term bank deposits with a maturity date of up to three months. The book value of these assets corresponds to their fair value.

13. CAPITAL

Share capital	**Number of shares**	**(of which ordinary**	**Nominal value per**	**Base capital**
As on 31 December 2009	38 400 000	31 700 000	0,10 PLN	3 840
As on 31 December 2010	38 400 000	31 750 000	0,10 PLN	3 840

All issued shares have been paid for in full.
Pursuant to the resolution of the Management Board of NG2 S.A. of 20 January 2010, 50,000 preferred shares were converted to ordinary bearer shares. Prior to the above date, the number of ordinary bearer shares was 31,700,000 (RB 7/2010).

The number of preferred register shares is 6,650,000. The preference pertains to voting rights, in that each preferred share carries two votes. Shareholders have the right of first refusal with respect to the purchase of registered preferred shares for sale.

The list of shareholders holding at least 5 per cent of the overall number of shares at the Issuer's General Meeting, as on the submission date of the annual report, is set out in the table below:

Shareholder	Number of shares held (quantity)	Percentage share in the share capital	Number of votes at the General Meeting (quantity)	Percentage share in the overall number of votes at the General Meeting
Dariusz Miłek, of which:	15 360 000	40,00	20 110 000	44,64
-directly,	*4 750 000*	*12,37*	*9 500 000*	*21,09*
-indirectly through a subsidiary, Luxprofi S.a.r.l.	*10 610 000*	*27,63*	*10 610 000*	*23,55*
Leszek Gaczorek	3 010 000	7,84	4 760 000	10,57
ING OFE	2 477 486	6,45	2 477 486	5,50
PIONEER Investment Management	3 271 877	8,52	3 271 877	7,26
PKO TFI	2 350 500	6,12	2 350 500	5,22

As on the date of preparing the 2010 statements, NG2 S.A. did not have any information about any other shareholders holding at least 5 per cent of the votes at the General Meeting.

Reserve capital from the sale of shares above their nominal value	value
As on 31 December 2009	74 586
As on 31 December 2010	74 586

Other capitals	value
As on 31 December 2009	-
Employee stock option plan - value of the benefit	3 358
As on 31 December 2010	**3 358**

Retained earnings	value
As on 31 December 2009	207 224
profit distribution	85 892
Dividend disbursement	(38 400)
As on 31 December 2010	**254 716**

14. TRADE AND OTHER LIABILITIES

Short-term liabilities	31 Dec 2010	31 Dec 2009
Trade liabilities, including	108 018	93 739
-related entities	66 407	54 126
-other entity	41 611	39 613
Liabilities under customs duty and taxes, of which:	13 952	17 364
- liabilities under VAT	7 676	11 323
- liabilities under customs duty	2 844	1 302
- liabilities under CIT	2 018	4 549
Liabilities towards employees	13 042	12 640
Other liabilities	8 505	4 591
Total	**143 517**	**128 334**

Liabilities denominated in foreign currencies are valued as on the balance sheet date in accordance with the average exchange rate for each currency announced by the National Bank of Poland as on the balance sheet date. Currency exchange differences on balance sheet valuation are entered under other costs or operating revenue, respectively.

Trade liabilities (currency structure).

	31.12.2010	31.12.2009
a) in PLN	102 517	88 598
b) in foreign currencies (as per the currencies and converted to PLN))	5 501	5 141
- USD	455	923
- converted to PLN	1 349	2 632
- EUR	1 025	592
- converted to PLN	4 059	2 431
- CZK	589	2
- converted to PLN	93	0
- CHF	0	26
- converted to PLN	0	78
Total *short – term trade liabilities*:	**108 018**	**93 739**

a. Liabilities under financial lease

Minimum payments on account of operating lease	31 Dec 2010	31 Dec 2009
Liabilities under financial lease Payable within:	109	178
-one year	62	73
-one to five years	47	105
-more than five years	-	-
Total	**109**	**178**
Minus future interest:		
Current value of future liabilities	**109**	**178**
Less amounts due within twelve months (entered under short-term liabilities)	62	73
Liabilities payable in the period after twelve months	47	105

The company use office equipment under financial lease agreements with the purchase option.
Future minimum leasing fees do not differ significantly from the current value of minimum leasing fees.
All liabilities under leasing are denominated in the Polish zloty.

15. MINIMUM VALUE OF FUTURE PAYMENTS UNDER OPERATING LEASE

The anticipated payments under operating lease without the option of early termination are as follows:

	31 Dec 2010	31 Dec 2009
-up to 1 year	113 839	113 184
-1-5 years	455 356	452 736
-more than 5 years	227 678	226 368
Total	**796 873**	**792 288**

In the case of multiple stores (especially those located at shopping centres), lease fees have two components: a fixed fee and a conditional fee based on the store's revenue. The conditional fee usually corresponds to 5-7 per cent of the store's revenue.

The Company is also a party to subleasing agreements, which follow the principles of operating lease. Revenue from subleasing fees on the terms of operating lease for the period of twelve months of 2010 and 2009 is as follows:

	31 Dec 2010	31 Dec 2009
Revenue from operating subleasing	11 616	16 447

16. LOANS AND BORROWINGS

Long-term loans	31 Dec 2010	31 Dec 2009
Long-term bank loan	103 245	80 000

Short-term loans	31 Dec 2010	31 Dec 2009
Overdraft facility	43 261	39 980

Total loans and borrowings	**146 506**	**119 980**

As on 31 December 2010

Name of the Bank	Name of the entity	Type of loan	Limit	Amount utilised	Date of expiry	Financial terms
Bank Handlowy w Warszawie SA	Revolving	30 000	30 000	09 March 2011	WIBOR + margin	Capped mortgage; Pledge over inventory
Bank Handlowy w Warszawie SA	Overdraft facility	29 000	13 261	08 March 2011	WIBOR + margin	
BRE Bank SA	Overdraft facility	30 000	0	03 January 2013	WIBOR + margin	Capped mortgage
BRE Bank SA	Investment	30 000	4 352	30 December 2016	WIBOR + margin	Capped mortgage
ING Bank Śląski SA	Revolving	50 000	50 000	29 January 2012	WIBOR + margin	Capped mortgage; Pledge over inventory
PKO BP SA	Overdraft facility	50 000	48 893	27 October 2013	WIBOR + margin	Pledge over inventory
Warunki finansowe zaciągniętych kredytów nie odbiegają istotnie od warunków rynkowych.						

Name of the Bank	Name of the entity	Type of loan	Limit	Amount utilised	Date of expiry	Financial terms
Bank Handlowy w Warszawie SA	Guarantee cap	5 000	927	04 July 2011	commission	Capped mortgage; Pledge over inventory
Bank Handlowy w Warszawie SA	Paylink card limit	7 000	1 003	30 December .2011	WIBOR + margin	Surety
BRE Bank SA	Guarantee cap	13 500	11 640	30 April 2012	commission	Hipoteka umowna łączna kaucyjna
Societe Generale	Guarantee cap	12 000	11 849	unspecified	commission	none
BZ WBK SA	Guarantee cap	12 000 tys. PLN 6 000 tys. EUR	8 570 tys. PLN 3 688 tys. EUR	31 March 2011	commission	Pledge over inventory

As on 31 December 2009

Name of the Bank	Name of the entity	Type of loan	Limit	Amount utilised	Date of expiry	Financial terms
Bank Handlowy w Warszawie SA	Revolving	55 000	50 000	09 March 2011	WIBOR + margin	Capped mortgage; Pledge over inventory
Bank Handlowy w Warszawie SA	Overdraft facility	40 000	0	09 March 2010	WIBOR + margin	
Bank Millennium SA	Overdraft facility	20 000	0	22 September 2010	WIBOR + margin	Pledge over inventory
ING Bank Śląski SA	Revolving	50 000	50 000	29 January 2012	WIBOR + margin	Pledge over inventory
PKO BP SA	Overdraft facility	20 000	19 980	01 September 2010	WIBOR + margin	Pledge over inventory
Warunki finansowe zaciągniętych kredytów nie odbiegają istotnie od warunków rynkowych.						

Name of the Bank	Name of the entity	Type of loan	Limit	Amount utilised	Date of expiry	Financial terms
Bank Handlowy w Warszawie SA	Guarantee cap	20 000	8 657	17 October 2010	commission	Capped mortgage; Pledge over inventory
Bank Handlowy w Warszawie SA	Paylink card limit	7 000	5 687	unspecified	WIBOR + margin	Surety
Societe Generale SA	Guarantee and letter of credit cap	10 000	0	unspecified	commission	none
Alior Bank	Guarantee and letter of credit cap	5 000	0	unspecified	commission	none

17. SHARE BASED PAYMENTS

The Company has a scheme providing benefits in the form of shares, settled on equity instruments. Under the scheme, the Company receives employee services as remuneration for equity instruments (stock options) of the Company's dominant entity. The fair value of the employee services received in return for awarding the options is recorded as a cost. The total amount to be recognised as cost is determined by reference to the fair value of the options awarded:
- taking into account any market terms;
- without taking into account any conditions related to seniority or non-market conditions for acquiring rights (for example, profitability of sales, purposes related to an increase of sales or the prescribed period of mandatory employment at the entity);
- without taking into account any conditions not related to acquiring rights (for instance, the requirement to maintain the instruments obtained, binding on employees).

Non-market conditions are included in the assumptions regarding the anticipated number of options on which rights may be acquired. The total cost is recorded throughout the period of acquiring the rights until 31 December 2010, which is a period during which all of the prescribed conditions for acquiring the rights are to be met. As at the end of each reporting period, the Company the estimates of the expected number of options, to which rights will be acquired as a result of meeting the non-market requirements for acquiring rights, are reviewed The Company presents the effect of the possible review of the initial estimates in the profit and loss statement, together with the appropriate adjustment of shareholders' equity. Once options are exercised, the Company's dominant entity issues new shares. Funds received after deducting all costs that may be directly allocated to the transaction will increase the share capital (nominal value) and the share premium upon the exercise of the options.

The granting by the Company of options for its equity instruments to employees of the Group's subsidiaries is treated as a capital contribution. The fair value of the received employee services, calculated by reference to the fair value of the date of the grant, is to be recorded throughout the period of acquiring the rights in the form of an increase of the balance of investments into subsidiaries together with a corresponding increase in shareholders' equity.

18. DEFFERED TAX

The items below are the main items under deferred tax provisions and assets entered by the Company and the changes thereof in the current and preceding reporting period. Under IAS 12, in its financial statements, the Company discloses net deferred tax provisions and assets.

Deferred tax provisions	31 Dec 2010	31 Dec 2009
Accelerated tax depreciation	242	351
Interest computed	7	42
Deferred tax provisions	**249**	**393**

Deferred tax assets	31 Dec 2010	31 Dec 2009
Costs after the balance sheet date	1 931	329
Provisions for liabilities	1 604	995
Depreciation of assets	690	564
Other	13	17
Deferred tax assets	**4 238**	**1 905**

The Company has identified all the assets on which deferred income tax should be recognised.

19. PROVISIONS

Provisions for warranty repairs	1 Jan 2010 to 31 Dec 2010	1 Jan 2010 to 31 Dec 2010
As on 1 January	**1 406**	**1 697**
Establishment of provisions during the year	1 941	288
Liquidation of the provisions	457	579
Utilisation of the provisions		-
As on 31 December	**2 890**	**1 406**
Provisions for up to 1 year	2 890	1 406
Provisions for more than 1 year	-	-

The Company establishes provisions for anticipated warranty repairs of goods sold in the last financial year, on the basis of the level of warranty repairs and returns reported in previous years.

20. EMPLOYMENT AND EMPLOYEE BENEFITS

The table below presents information about employment (including the Management Board):

Number of employees	31 Dec 2010	31 Dec 2009
Administrative employees	315	311
Employees at stores	4 274	3 905
Employees in warehouses	317	451
Total	**4 906**	**4 667**

Cost of employment	31 Dec 2010	31 Dec 2009
Salaries	115 112	107 198
Social security contributions	19 484	18 220
Other employee benefits	3 244	2 933
Total	**137 840**	**128 351**

Provisions for employee benefits

The actuarial assumptions adopted in the valuation presume a discount rate of 5.5 per cent (5.75 per cent in 2009) and an expected employee turnover rate of 25.0 per cent per year (17.55 per cent in 2009).

Provisions for employee benefits	1 Jan 2010 to 31 Dec 2010	1 Jan 2010 to 31 Dec 2010
As on 1 January	683	**909**
Establishment of provisions during the year	799	-
Liquidation of the provisions	-	226
Utilisation of the provisions	-	-
As on 31 December	**1 482**	**683**
Provisions for more than 1 year	1 482	683

21. OPERATING AND FINANCIAL REVENUE AND COSTS

Other operating revenue	1 Jan 2010 to 31 Dec 2010	1 Jan 2010 to 31 Dec 2010
Profit on currency exchange differences	1 993	1 414
Interest received	480	658
Liquidated provisions	98	3 408
Inventory surplus	4 170	2 397
Other operating revenue	3 167	4 608
Total	**9 908**	**12 485**

Other operating costs	1 Jan 2010 to 31 Dec 2010	1 Jan 2010 to 31 Dec 2010
Loss on the sale of tangible assets	1 236	199
Establishment of provisions	569	1 697
interest	78	301
Inventory shortages	6 419	6 027
Other operating costs	3 166	2 853
Total	**11 468**	**11 077**

Financial revenue	1 Jan 2010 to 31 Dec 2010	1 Jan 2010 to 31 Dec 2010
Revenue from interest on the current account and other	304	553
Other financial revenue	117	121
Total	**421**	**674**

Financial costs	1 Jan 2010 to 31 Dec 2010	1 Jan 2010 to 31 Dec 2010
Interest on loans and borrowings	4 912	7 129
Interest on financial leases	11	20
The surplus of foreign exchange losses over gains	121	211
Write-off from financial assets impairment	771	771
Commissions paid	485	360
Other financial costs	846	784
Total	**7 146**	**9 275**

22. INCOME TAX

Income tax	31.12.2010	31.12.2009
Profit before tax	107 614	85 525
Tax at the 19 per cent rate	20 447	16 250
Tax effect of expenditure other than operating expenditure	3 752	(707)
Current income tax	24 199	15 543
Deferred tax	(2 477)	1 443
Income tax	**21 722**	**16 986**

Under the applicable laws, the Tax Office may audit the Company's tax filings for a period of five years. Therefore, the Company may incur an additional tax burden together with penalties and interest. Due to the fact that as on the balance sheet date, the audit procedure conducted by the Fiscal Supervision Office has not been completed for the year 2007, the Company may incur an additional tax liability of PLN 387,000 together with applicable interest.

23. EARNINGS PER SHARE

Earnings	31 Dec 2010	31 Dec 2009
Net profit for the year for the purpose of calculating earnings per share to be distributed among the shareholders of the dominant entity	85 892	68 539
Earnings disclosed for the purpose of calculating the value of diluted earnings per share	**85 892**	**68 539**
Number of shares issued	**31 Dec 2010**	**31 Dec 2009**
Average weighted number of shares disclosed for the purpose of calculating the value of ordinary earnings per share	38 400 000	38 400 000
Average weighted number of ordinary shares disclosed for the purpose of calculating the value of diluted earnings per share	**38 400 000**	**38 400 000**

Earnings per share	31 Dec 2010	31 Dec 2009
Ordinary	2,24 PLN	1,78 PLN
Diluted	2,24 PLN	1,78 PLN

In the reporting period, there were no events affecting the value of diluted profit.

24. DIVIDEND

	rok 2010	rok 2009
Value of dividend disbursements	38 400	38 400
Value per 1 share	1,00 PLN	1,00 PLN

25. FINANCIAL INSTRUMENTS

Financial instruments by type:
Assets according to the balance sheet

Loans and receivables	
31 December 2010	
Long-term	**49 876**
Investments in subsidiary undertakings	49 762
Loans and receivables	114
Short-term	**131 799**
Receivables other than prepayments	60 556
Cash and cash equivalents	71 243
Total	**181 675**

Table continues on page 34.

31 December 2010	
Long-term	**38 604**
Investments in subsidiary undertakings	38 432
Loans and receivables	174
Short-term	**105 499**
Receivables other than prepayments	52 475
Cash and cash equivalents	53 024
Total	**144 103**

Liabilities according to the balance sheet

Other financial liabilities	
31 December 2010	
Long-term	**103 292**
Loans and borrowings	103 245
Liabilities under financial lease	47
Short-term	**172 888**
Loans and borrowings	43 261
Liabilities under financial lease	62
Trade liabilities and other non-tax liabilities	129 565
Total	**276 180**
31 December 2009	
Long-term	**80 105**
Loans and borrowings	80 000
Liabilities under financial lease	105
Short-term	**151 022**
Loans and borrowings	39 980
Liabilities under financial lease	73
Trade liabilities and other non-tax liabilities	110 969
Total	**231 127**

Currency risk

If currency exchange rates denominated in the twelve-month period ended on 31 December 2010 had been 5 per cent higher/lower, the profit for that period would have been PLN 11,742,000 lower/higher (in the twelve-month period ended 31 December 2009: PLN 12,286,000).

Interest rate risk

Exposure to the interest rate risk applies financial instruments as set out below:

Variable interest rate instruments	31 Dec 2010	31 Dec 2009
Financial liabilities		
Loans and borrowings	146 506	119 980
Total	**146 506**	**119 980**

If currency exchange rates denominated in the Polish zloty in the twelve-month period ended on 31 December 2010 had been 1 percentage point higher/lower, the profit for that period would have been PLN 1,465,000 lower/higher (in the twelve-month period ended 31 December 2009: PLN 1,200,000).

Financial liquidity risk

The table below contains an analysis of the Company's financial liabilities that will be settled in the net amount in the appropriate age brackets, based on the time remaining until the lapse of the contractual maturity date as on the balance sheet date. The amounts set out in the table are contractual, non-discounted cash flows.

The maturity structure of short- and long-term loans and borrowings as on 31 December 2010 and 31 December 2009 is presented in the tables below:

2010	loan payments	interest and other charges	Total
up to 1 year	43 261	5 728	48 989
1-2 years	103 245	437	103 682
2-5 years	-	-	-
more than 5 years	-	-	-
Total	**146 506**	**6 165**	**152 671**

2009	loan payments	interest and other charges	Total
up to 1 year	39 980	3 088	43 068
1-2 years	30 000	1 831	31 831
2-5 years	50 000	2 204	52 204
more than 5 years	-	-	-
Total	**119 980**	**7 123**	**127 103**

Credit risk
The maximum credit risk exposure is set out in the table below:

	31 Dec 2010	31 Dec 2009
Shares in subsidiary	49 762	38 432
Trade receivables and other receivables	60 556	52 475
Cash and cash equivalents	71 243	53 024
Total	**181 561**	**143 931**

The age structure of receivables by maturity date together with information about write-downs on receivables is set out in note 10.
The Company's main financial asset are funds in bank accounts, cash, trade receivables and other receivables, which represent the maximum credit risk exposure in relation to financial assets. The Company's credit risk is primarily attributed to trade receivables.
The amounts disclosed in the balance sheet are net amounts, taking into account write-downs on the value of questionable receivables, estimated by the Management Board of the Company on the basis of previous experience and their assessment of the current business environment. These receivables concern customers working long-term with the Company and, in the Company's opinion, the risk in this regard is negligible.
Credit risk associated with financial instruments is limited due to the fact that the parties to the transactions are banks with high credit scores received from international rating agencies. The Company does not have a significant concentration of credit risk. The risk is distributed among a large number of partners and customers. Credit risk associated with financial instruments with respect to cash and cash equivalents is limited due to the fact that the parties to the transactions are banks with high credit scores.
The ratings of the credit institutions (PKO BP SA, BZ WBK SA, Bank Handlowy SA) received from Moody's Investors Service have not changed compared to 2009.
The Company does not have a significant concentration of credit risk.

26. SUBSIDY

In 2010, the Company obtained a subsidy for the financing of tangible assets from the Polish Agency for Enterprise Development. The Company requested a subsidy under the Innovative Economy Programme in connection with the project of constructing a high storage warehouse located in Polkowice.
For the duration of the project, the following performance bond was established:
- blank promissory note with a blank promissory note agreement,
- security for the amount of the subsidy, corresponding to the amount of the highest tranche of the advance in the form of a bank guarantee.

27. TRANSACTIONS WITH RELATED PARTIES

	31 Dec 2010	31 Dec 2009
Subsidiaries:		
CCC Factory Sp. z o.o.:		
Sale to an affiliate	380	89
Purchase from an affiliate	96 550	102 375
Receivables from an affiliate		-
Liabilities towards an affiliate	64 942	54 126
CCC Boty s.r.o.:		
Sale to an affiliate	38 764	29 478
Purchase from an affiliate	1 029	995
Receivables from an affiliate	20 886	26 233
Liabilities towards an affiliate	93	-
NG2 Suisse s.a.r.l. :		
Sale to an affiliate	-	-
Purchase from an affiliate	11 560	-
Receivables from an affiliate	-	-
Liabilities towards an affiliate	1 223	-
Subsidiaries of a member of the management board:		
MGC INWEST Sp. z o.o.:		
Sale to an affiliate	-	108
Purchase from an affiliate	-	-
Receivables from an affiliate	-	-
Liabilities towards an affiliate	-	-
Libra Project Sp. z o.o.:		
Sale to an affiliate	-	-
Purchase from an affiliate	70	108
Receivables from an affiliate	-	-
Liabilities towards an affiliate	-	6
ASTRUM Sp. z o.o.		
Sale to an affiliate	15	-
Purchase from an affiliate	105	
Receivables from an affiliate	-	-
Liabilities towards an affiliate	43	-
CUPRUM ARENA MGC INWEST Sp. z o.o. S.k.		
Sale to an affiliate	1	30
Purchase from an affiliate	821	910
Receivables from an affiliate	-	-
Liabilities towards an affiliate	1	86

The transactions with related parties were concluded on market terms.

Remuneration of management board members

Name and surname	Position	Gross remuneration for 2010	Gross remuneration for 2009
Dariusz Miłek	President of the Management Board	450 000 PLN	450 000 PLN
Lech Chudy	Vice-President of the Management Board	59 200 PLN	355 200 PLN
Mariusz Gnych	Vice-President of the Management Board	473 600 PLN	355 200 PLN
Piotr Nowjalis	Vice-President of the Management Board	473 600 PLN	355 200 PLN
Total		**1 456 400 PLN**	**1 515 600 PLN**

Remuneration of supervisory board members

Name and surname	Position	Gross remuneration for 2010	Gross remuneration for 2009
Henryk Chojnacki	Chairman of the Supervisory Board	24 000 PLN	24 000 PLN
Rafał Chwast	Member of the Supervisory Board	18 000 PLN	18 000 PLN
Wojciech Fenrich	Member of the Supervisory Board	18 000 PLN	9 143 PLN
Martyna Kupiecka	Member of the Supervisory Board	18 000 PLN	18 000 PLN
Paweł Tamborski	Member of the Supervisory Board	18 000 PLN	18 000 PLN
Marek Wiza	Member of the Supervisory Board	-	8 929 PLN
Razem		**96 000 PLN**	**96 072 PLN**

In 2010, the Company and Mr. Rafał Chwast concluded an agreement for the provision of IT organisation consulting services. The agreement was concluded for a fixed term from 1 January 2010 to 31 December 2010. The remuneration for the performance of the agreement was set at PLN 11,000 net per month, increased by the applicable VAT.
Management and Supervisory Board members do not collect any fee for their positions with the Company NG2 S.A., other than the salaries set out above.

28. CONTINGENT ASSETS AND LIABILITIES

Contingent assets and liabilities	31 Dec 2010	31 Dec 2009
I. Contingent assets	**34 800**	**40 450**
From other entities (on account of)	34 800	40 450
- guarantees and warranties received	34 800	40 450
II. Contingent liabilities	**70 949**	**64 038**
To other entities (on account of)	70 949	64 038
- customs bonds	22 500	22 500
- other forms of security	30 221	30 268
- security extended	18 228	11 270

Customs bonds provide a security for the repayment of customs receivables due to the Company's operation of customs warehouses, and their maturity date is 17 June 2011.
Other guarantees secure property leases and their maturity date is 30 April 2012.

The security granted is related to the Paylink overdraft facility opened with Bank Handlowy for franchise customers and the loan security for subsidiaries. Their maturity dates are unspecified.

Under the long-term loan agreement concluded with BRE Bank S.A., the Company was required to maintain the operating margin on the level set out in the agreement. The Company did not meet this requirement in the reporting period. As on the balance sheet date, the Company did not use the overdraft facility extended to it by BRE Bank SA, but used PLN 4,352,000 under an investment loan.

29. INFORMATION ABOUT THE FEE OF THE ENTITY AUTHORISED TO AUDIT FINANCIAL STATEMENTS

On 2 July 2010, the Company and PricewaterhouseCoopers Sp. z o.o. concluded an agreement on the review of the individual and consolidated financial statements for the first half-year of 2010 and 2011, and the audit of the annual individual and consolidated financial statements prepared as on 31 December 2010 and 31 December 2011. The net fee for the above services is PLN 130,000 for each audited financial year (of which: PLN 57,000 – for the review of the financial statements, PLN 73,000 – for the audit of the financial statements).
Furthermore, the agreement concerns conducting limited review procedures for NG2 Suisse S.a.r.l. for the period from 1 January to 30 June 2010 (net fee: PLN 25,000) and from 1 January to 30 June 2011 (net fee: PLN 15,000).
In addition, in 2010, PricewaterhouseCoopers Sp. z o.o. provided tax advisory services to the dominant entity. The net fee for these services was PLN 66,000.
In 2009, the entity reviewing the individual and consolidated financial statements for the first half-year of 2009 and auditing the individual and consolidated financial statements prepared as on 31 December 2009 was also PricewaterhouseCoopers Sp. z o.o. Under the agreement of 8 June 2009, the net fee for the above services was PLN 122,000 (of which: PLN 52,000 - for the review of the financial statements, PLN 70,000 - for the audit of the financial statements).

30. OCCURRENCES AFTER THE BALANCE SHEET DATE

On 8 February 2011, NG2 S.A. signed an annex to the loan agreement of 30 January 2009, concluded with ING Bank Śląski S.A. with its registered office in Katowice. The annex increases, as of 8 February 2011, the amount of the revolving loan to PLN 70,000,000.

On 1 March 2011, NG2 S.A. signed annexes to revolving loan and overdraft facility agreements with Bank Handlowy with its registered office in Warsaw. The annexes change the loan amounts and the loan repayment dates. In the overdraft facility agreement, the value of the loan was agreed at PLN 50,000,000, while in the revolving loan agreement, the value of the loan was agreed at PLN 36,000,000. The final date of repayment of both loans was set as 27 February 2013. Other provisions of the agreement were not materially amended and do not vary from prevailing market terms for these types of agreements.

On 28 March 2011, amendments were made to the bank guarantee agreement concluded by NG2 SA with BRE Bank SA with its registered office in Warsaw. The amendment concerned the date of expiry of the guarantee. The current date of expiry of the guarantee was agreed to be 31 December 2012.

31. ADJUSTMENT OF PREVIOUS REPORTING PERIODS

The Company adjusted its reporting periods as set out below:

Title	Adjustment of previous reporting periods	31.12.2009	
		Db	Ct
Compensation of provisions for liabilities	Other operating revenue	7 720	
	Other operating costs		7 720

32. EXPLANATION OF THE DIFFERENCES IN THE POSITIONS OF CERTAIN ASSETS AND LIABILITIES DISCLOSED IN THE CONSOLIDATED STATEMENT ON FINANCIAL STANDING AND THE CONSOLIDATED CASH FLOW STATEMENT

	As on 31 December 2010	As on 31 December 2009	Balance sheet change	CF change	difference
Liabilities	**143 517**	**128 334**	**15 183**	**17 786**	**(2 603)**
-adjustment to include the change in investment liabilities					(78)
-adjustment to include income tax					(2 525)

The financial statements were approved for publication by the Management Board of the Company on 21 April 2011 and signed on behalf of the Management Board by:

SIGNATURE OF THE PERSON RESPONSIBLE FOR KEEPING ACCOUNTING RECORDS		
Edyta Banaś	Head of Accounting	
SIGNATURES OF ALL MANAGEMENT BOARD MEMBERS		
Dariusz Miłek	President of the Management Board	
Mariusz Gnych	Vice-President of the Management Board	
Piotr Nowjalis	Vice-President of the Management Board	

Polkowice, 21 April 2011