Annual Report 2013

PENTA INVESTMENTS LIMITED

PENTA

Contents

Partners


Jaroslav Haščák


Marek Dospiva


Jozef Oravkin


Eduard Maták


Iain Child

Corporate data

Corporate data of Penta Investments Limited

Company name:
PENTA INVESTMENTS LIMITED

Registration number:
109645

Legal form:
Private Company

Share capital as at 31 December 2013:
EUR 2,000,000

Number and class of shares as at 31 December 2013:
1,000,000 Ordinary Shares;
1,000,000 Redeemable Shares

Nominal value per share:
EUR 1 per ordinary share
EUR 1 per redeemable share

Principal activities:
Private Equity Fund; Holding and Trade of Investments in Shares and other Securities.

Registered office:
47 The Esplanade,
St Helier,
Jersey,
JE1 0BD

Date of incorporation:
13 December 2011

Auditor:
Deloitte LLP, Jersey, Channel Islands

Board of Directors:
Radoslav Zuberec
Frederick John Deacon
Sophie Small

Director's statement

Dear Shareholders and Business Partners,

It is with pleasure that I present the results of Penta Investments Limited for the financial year ended 2013. The Group grew by 6.8% from 2012 reaching a Net Asset Value ("NAV") of EUR 1,564 billion.

The Group's audited consolidated total assets increased by 2.8% to EUR 1,986 billion. The 2013 profit decreased from prior year by 32%, however we were still able to book a solid EUR 100 million profit.

There were further changes to the financial reporting process due to the early adoption of IFRS 10 Investment Entities (Amendments to IFRS 10, IFRS 12, and IAS 27) with effect from 1 January 2013. These amendments introduced an exception to the principle that all subsidiaries shall be consolidated and instead allows the Fund to measure its investments in particular subsidiaries at fair value through profit and loss. This better reflects the Group's reporting needs, further details on these changes are shown on page 5.

In 2013 the Group concentrated its focus on the development of existing companies in healthcare, retail, manufacturing, and banking in the Czech Republic, Germany, Poland and Slovakia. The Group's appetite for development of real estate projects grew in the Czech Republic, Poland and Slovakia. A number of administrative, retail and residential projects were under development or were newly launched in 2013.

The Group completed 5 acquisitions and 1 exit in 2013. The Group continued its effort in adapting its portfolio to the new market conditions resulting from the financial crisis and also the maturing business environment in Central Europe. The decision was taken to adopt an approach of a long-term value investor. The Group shall focus on companies or building platforms with EBITDA of EUR 50 million and above in its chosen and existing industries with longer term horizons of 10 years or more. This policy will lead to a portfolio with fewer but larger scale companies. The ratio between buy-outs and real estate projects moved slightly in comparison to previous years and it is expected this will move to an ideal ratio of 70:30 following the increased activity in real estate development during 2014.

The Group's asset value of its portfolio companies increased to EUR 6,5 billion

Penta is socially responsible for 30,000+ employees

During 2013 Martin Kusik, a co-founding partner of Penta, decided to end his active participation in its operations. He still remains a limited partner in Penta Investments Group Limited, the 100 % owner of the Fund. Martins' ownership will be gradually redeemed over 3 years.

We are aware of our social responsibility as the companies from our portfolio provide an essential source of income and social security to more than 30,000 employees. In 2013 EUR 110 million was paid in public social and healthcare insurance for our employees. In order to further maintain and develop business and prosperity for our companies and as well as their surrounding environment and stakeholders, Penta has invested EUR 120 million into developing and modernizing these companies.

I would like to thank all of our employees and business partners for their efforts and continuous support. I look forward to new challenges to overcome together and to achieving our goals as set.

Radoslav Zuberec
Director

Changes to Penta corporate strategy

Penta has been extremely successful acting opportunistically by identifying businesses that were under managed or that faced capital constraints to take them to their next level of development. Penta managed to add significant value to our portfolio companies by taking an aggressive hands on approach as project teams to unblock these limitations by providing capital to exploit growth and where necessary supplement management to accelerate decision making.

The results speak for themselves as they have allowed Penta to grow to the size it is today. It is, however, very important to understand the context of this success;

- Market growth in our core markets until 2009 was extremely high (4-8% per annum) which allowed for relatively simple and blunt changes in businesses to have a dramatic effect on value;
- The size of businesses we were targeting where small to mid size and thus numerous targets were available;
- The depth of under management was in many cases significant;
- Due to the attractiveness of the central European region at this time, the appetite of buyers was significant and they were prepared to pay significant premiums for future growth and prepared to overlook many underlying weaknesses in the business they were targeting. There were many "strategic" buys.

Since 2009 the market landscape has changed dramatically and what has made us successful in the past will not make us successful going forward in "the New Normal" environment. We have had to adapt and in the last three years we have made fundamental necessary changes to our business model to respond to the new paradigm.

Penta Core Strategy Fundamentals:

We are now in a low growth, highly competitive business environment and consistent long term above average returns can only be produced if we organize ourselves to play to our strengths and consequently minimize our mistakes. This means;

- We focus on our core markets where we understand fundamental business drivers and have the ability to best react to unforeseen changes (e.g. legislative environment);
- We focus on industries / sectors where we have a developed understanding through experience of the underlying business drivers;

- We focus on projects where we are able to identify and attract superior management teams that are able to build best in class organizations and build sustainable competitive advantages in order to execute our given strategies for the investee companies.

This will naturally lead to us being much less opportunistic in our approach to new acquisitions in the Buyout division. We will continue to look for new platform investments, however, in order for them to be considered they will need to fulfill at least two of the three aforementioned criteria.

The final important overriding investment criteria is scale. We have identified this to mean that we will only consider a platform investment if we believe that it has the potential to reach at least €50 million EBITDA within a 2 to 3 year time horizon from acquisition.

The key reason for the scale parameter is focus and management;

- To be successful in today's environment only best in class performance will lead to success. Deploying our resources with a greater focus is a necessity and we are unable to do that over a large portfolio. Thus we are moving towards a smaller number of investee companies but of a larger scale; and
- A larger business also gives us a higher probability of attracting and retaining superior management teams that in turn give us a higher prospect of successful execution;

It is envisaged that over the medium term our portfolio will consist of approximately 8 to 10 businesses as a maximum.

Penta's portfolio companies currently provide more than 30,000 jobs, of which more than 600 new jobs have been created in 2013. In summary, the Group's new investment strategy will focus on larger companies within the CEE region with EBITDA of EUR 50 million or more. The holding period will increase to 10 years or longer and the number of portfolio companies will be gradually reduced.

Changes to Penta financial reporting

The Fund has early adopted "Investment Entities" (Amendments to IFRS 10, IFRS 12, and IAS 27), issued in October 2012 (the "amendments"), with effect from the current reporting period beginning on 1 January 2013.

These amendments introduced an exception to the principle that all subsidiaries shall be consolidated. The amendments define an investment entity and require a parent that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating those subsidiaries in its consolidated and separate financial statements.

On adoption, the Fund has determined that it meets the definition of an investment entity. In determining the Fund's status as an investment entity in accordance with IFRS 10, the Directors' considered the following:

raised

The Fund has raised funds from more than 1 investor with the aim to increase the value of the shareholders value at a minimum of 15%; and

generate

The Fund intends to generate capital and income returns from its investments which will, in turn, be distributed to the shareholders in accordance with the memorandum and articles of association; and

evaluate

The Fund evaluates its investment performance on a fair value basis, in accordance with the polices set out in these financial statements.

Although the Fund met all three defining criteria, the Directors have also assessed the business purpose of the Fund, the investment strategies for the investments, the nature of any earnings from the investments and the fair value models. The Directors made this assessment in order to determine whether any additional areas of judgement exist with respect to the typical characteristics of an investment entity versus a Company. The Directors determined that the Fund has more than one investment, has more than one investor and it has ownership interest in the form of equity. The ultimate beneficial owners of the Fund are also investors of Penta GP Limited and are key management personnel of Penta GP Limited and would be deemed related parties: we still consider that the 3 main criteria are met.

As a result, the Fund has changed its accounting policy with respect to its investment in its subsidiaries. The Fund also holds subsidiaries that are determined to be unconsolidated subsidiary investments. Unconsolidated subsidiary investments are measured at fair value through profit or loss and not consolidated in accordance with IFRS 10.

The Fund has subsidiaries that provide investment-related services or activities to other parties and in line with the standard it shall consolidate those subsidiaries in accordance with IFRS 10.

Prior Year Comparatives

The prior year non statutory financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") with the exception of consolidation of subsidiary undertakings as required by IAS 27 Consolidated and Separate Financial Statements. For the year ended 31 December 2013 the Fund is consolidating those entities that provide investment related services or activities and are measuring unconsolidated subsidiary investments at fair value through profit or loss.

For the year ended 31 December 2012, the Statement of Financial Position is prepared on the same basis as the current year and the Statement of Comprehensive Income is the non statutory audited as it has been deemed there are no material differences from preparing it in accordance with IFRS 10.

Qualification

The Fund is a first time adopter of full IFRSs. The year ended 31 December 2013 financial statements are the first annual financial statements in which the Fund adopts IFRSs, by an explicit and unreserved statement in those financial statements of compliance with IFRSs. Management has not included the disclosures required by IFRS 1 – First-Time Adoption of International Financial Reporting Standards which constitutes a departure from International Financial Reporting Standards.

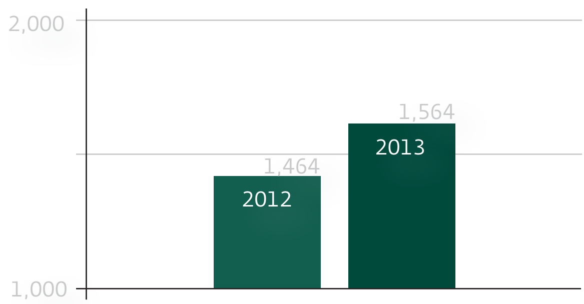
As Management have not included the disclosures required by IFRS 1 – First-Time Adoption of International Financial Reporting Standards the auditors have issued a qualified audit opinion.

Financial highlights

Consolidated Equity Attributable to Shareholders

1,564

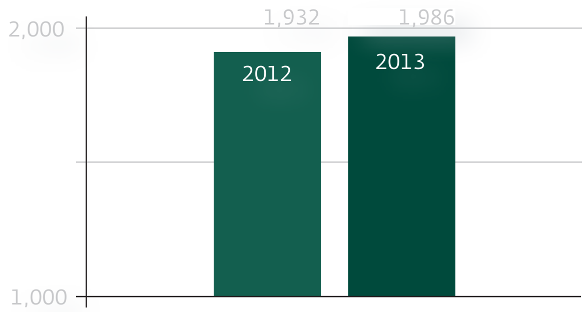
(in EUR million)



Consolidated Total Assets

1,986

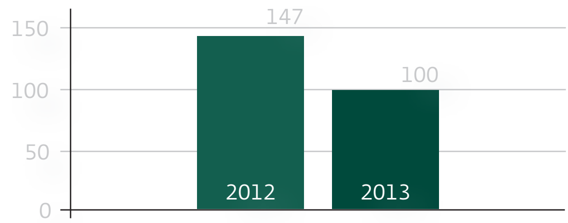
(in EUR million)



Consolidated profit attributable to shareholders

100

(in EUR million)



2013 Activity

In 2013 the Group concluded acquisitions of 5 new businesses and exited 1. The Group focused on its development projects, many of which have entered the construction phase. Our teams continued to work on exit strategies from the companies which are no longer considered core or strategic investments.

Acquisitions

1| Apteka Mediq

2| Partner Pharma

3| EMC Instytut Medyczny

4| Nemocnice a polikliniky

5| Slovany

1-2|

The Group expanded its pharmacy chain in Poland through the acquisition of Mediq Pharmacies operated by ACP Pharma. The transaction was carried out in close co-operation with Neuca S.A. and was successfully completed in April 2014. The completion of this deal increases the Group's holding to 300 pharmacies, building up an essential base in the Polish pharmacies market and elevating Dr. MAX to the second largest player in the market. This position has been further strengthened by the acquisition of Partner Pharma. The Group has started to focus on the proper consolidation of this newly created larger scale pharmacy chain which shall bring its customers a much broader variety of services and benefits.

3 |

After years of involvement in the hospital segment in Slovakia the Group entered the Polish market by acquiring a major stake in EMC, a company listed on the Warsaw Stock Exchange, through a public tender. EMC is the largest owner of hospitals and out-patient clinics in Poland. The acquisition is a part of a long term strategy focused on organic growth and active consolidation of the hospital services market.

4 |

In December 2013, an agreement to purchase the 100 % ownership of a private company, Nemocnice a polikliniky, was reached with its owners. The company operates 3 hospitals in the Slovakian towns of Rimavska Sobota, Banska Stiavnica and Ziar nad Hronom. The transaction was subject to the approval of the Slovakian Antimonopoly Office and the acquisition was finalized in 2014. Penta plans to operate these hospitals through its own hospital chain, Svet Zdravia, which already operates 6 regional hospitals in Slovakia.

5 |

The Group acquired the new residential project Slovany, and aims to build hundreds of new apartments near Bratislava downtown. The construction is expected to start in the second half of 2014.

2013 Activity

Exits

1	MediClinic

1 |

The Group sold MediClinic, a Czech private provider of primary health care, at the end of 2013. The sale was part of the portfolio shake up as Penta wanted to focus on large scale projects with higher potential of growth.

Real Estate

1	Florentinum
2	Waltrovka
2	Nova Terasa

1 |

In October 2013, our flagship administrative and retail development project in Prague, Florentinum was successfully completed. The development has an ambition to breathe new life into the Florenc area in the centre of Prague. The project won several awards for architecture excellence, for the best office project of the year as well as the Environmentally, Socially and Suitable Award. Florentinum became a seat of Czech Penta in 2014.

2 |

At the end of 2013 the Group started the first phase of Waltrovka plot development, the construction of the Aviatica offices. Waltrovka is a brownfield zone located in Prague, where Penta plans to develop a new neighborhood including administrative, residential, retail and communal areas.

3 |

The Group completed the first phase of the project developing a lucrative part of the city in the neighborhood of the historical centre of Slovakian's second largest city Kosice. 164 flats in total were built in this phase.

Financial Results

Summary Consolidated Statement of Comprehensive income for the year ended 31 December 2013

(EUR '000)	31-Dec-13	31-Dec-12
Dividend income	54,475	-
(Loss)/gain on sale of financial investments	(3,136)	15,290
Other net changes in fair value of financial assets through profit or loss	100,345	234,590
Unrealised gain/(loss) on other investments at fair value through profit or loss	284	(32,577)
Total net income	**151,968**	**217,303**
Management fee	(21,150)	(22,278)
Transactions costs	-	(6,896)
Legal and professional fee	(3,628)	(6,321)
Impairment losses of receivables, net of reversals	9,061	-
Carried interest charge	(22,191)	(18,866)
Other operating expenses	(424)	(6,792)
Total operating expenses	**(38,332)**	**(61,153)**
Operating gain	**113,636**	**156,150**
Interest expense, net	(9,152)	(9,965)
Other income, net	(1,881)	973
Total other loss, net	**(11,033)**	**(8,992)**
Profit before tax	**102,603**	**147,158**
Income tax	(2,652)	-
Profit after tax	**99,951**	**147,158**
OTHER COMPREHENSIVE INCOME		
Exchange difference on translating foreign operations	5	-
Total comprehensive income	**99,956**	**147,158**

Summary Consolidated Statement of Financial Position as at 31 December 2013

(EUR '000)

	31-Dec-13	31-Dec-12
ASSETS		
Non Current Assets		
Financial assets at fair value through profit or loss	1,633,809	1,461,120
Property and equipment	310	272
Intangible assets	1,064	594
Loan receivables	83,432	64,169
Other assets	255	72
Deferred tax	-	2,500
	1,718,870	**1,528,727**
Current Assets		
Financial assets at fair value through profit or loss	1,500	-
Loan receivables	70,319	160,065
Other assets	5,491	6,594
Carried interest clawback	-	776
Trade and other receivables	6,081	10,389
Cash and cash equivalents	183,711	225,029
	267,102	**402,853**
TOTAL ASSETS	**1,985,972**	**1,931,580**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	2,000	2,000
Share premium	803,286	803,286
Retained earnings and other reserves	758,626	658,670
Total equity	**1,563,912**	**1,463,956**
Non-current liabilities		
Carried interest	34,991	25,861
Borrowings	144,807	174,975
Provisions	10,859	19,961
Other liabilities	3,247	32,095
Trade and other creditors	1,471	-
	195,375	**252,892**
Current liabilities		
Borrowings	213,181	209,526
Provisions	8,760	-
Other liabilities	461	562
Trade and other creditors	4,283	4,644
	226,685	**214,732**
Total liabilities	**422,060**	**467,624**
TOTAL EQUITY AND LIABILITIES	**1,985,972**	**1,931,580**

General Information

The consolidated financial statements of Penta Investment Limited (the"Fund") and its subsidiaries ("the Group") for the year ended 31 December 2013 were authorized for issue by the Board of Directors of the Fund on 3 April 2014. The Fund was incorporated in Jersey on 13 December 2011 as a private limited liability company in accordance with the provisions of Companies (Jersey) Law 1991.

The Group is ultimately controlled by Penta Investment Group Limited (formerly Penta Holding Limited), which holds 100% of the shares of the Fund.

Summary of significant accounting policies

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Auditing Standards Board (IASB).

The consolidated Financial Statements have been prepared on a historical cost basis except for the Financial Assets and Financial Liabilities that are valued at fair value through profit or loss. The consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand (EUR'000), except when otherwise indicated.

The year ended 31 December 2013 financial statements are the first annual financial statements in which the Fund adopts IFRSs, by an explicit and unreserved statement in those financial statements of compliance with IFRSs. Management has not included the disclosures required by IFRS 1 – First-Time Adoption of International Financial Reporting Standards which constitutes a departure from International Financial Reporting Standards.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries as at 31 December 2013. Control is achieved when the Fund is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Fund controls an investee if and only if the Fund has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Fund obtains control over the subsidiary and ceases when the Fund loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Fund gains control until the date the Fund ceases to control the subsidiary.

Under Article 105(11) of the Companies Jersey Law 1991 the directors of a holding company need not prepare separate financial statements (ie. Company only financial statements) if consolidated accounts for the company are prepared, unless required to do so by the member of the company by ordinary resolution. The members of the Company had not passed a resolution requiring separate financial statements and, in the Directors opinion, the company meets the definition of a holding company. As permitted by law, the Directors have elected not to prepare separate financial statements.

GOING CONCERN

After review of the current available cash flow projections, including expected timing of investments and acquisitions and financing and given the nature of the Fund and its investments, the Directors have, at the time of approving the financial statements, a reasonable expectation that the Fund has adequate resources to continue its operational existence for the foreseeable future.

For this reason, they continue to adopt the going concern basis in preparing the financial statements.

INVESTMENT ENTITY AND CONSOLIDATION

A) Investment Entity

The Fund has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- the Fund has obtained funds for the purpose of providing investors with professional investment management services;
- the Fund's business purpose, which was communicated directly to the investors, is investing for capital appreciation and investment income; and
- the investments are measured and evaluated on a fair value basis.

B) Subsidiary

The Fund has subsidiaries that provide investment-related services or activities to other parties and in line with the standard it shall consolidate those subsidiaries in accordance with IFRS 10. The following subsidiaries of the Fund are consolidated:

Entity	Country of incorporation	Nature of business	Percentage ownership 2013	2012
Penta Investments Limited	Cyprus	Management Company/ Funding vehicle	99.999%	99.999%
Penta Investments Cyprus Limited	Cyprus	Management Company	100%	-
Penta Funding, a.s.	Slovak Republic	Funding vehicle	100%	100%
Penta Funding CR, a.s.	Czech Republic	Funding vehicle	100%	100%
Penta Funding Public, s.r.o.	Slovak Republic	Funding vehicle	100%	100%
Jacksville s.r.o.	Slovak Republic	Funding vehicle	100%	100%
Gratio Holdings Limited	Cyprus	Material subsidiary	99.788%	99.188%
Penta Investments B.V.	Netherlands	Management Company	100%	100%

The non-controlling interest of Gratio and Penta Investment Limited, Cyprus are held by a third party and is considered immaterial to the Group and therefore are not disclosed in the financial statements.

The Fund also holds subsidiaries that are determined to be unconsolidated subsidiary investments. Unconsolidated subsidiary investments are measured at fair value through profit or loss. The following direct subsidiaries of the Fund are measured at fair value through profit and loss and we are showing the Fund percentage holding and the Group's percentage holding:

Entity	Country of incorporation	FUND percentage ownership		GROUP percentage ownership	
		2013	2012	2013	2012
AB Facility Holdings Limited	Cyprus	100%	100%	100%	100%
Bohacky Holdings Limited	Cyprus	100%	100%	100%	100%
Bookzz Holdings Limited	Cyprus	100%	100%	100%	100%
Bory Mall Holdings Limited	Cyprus	100%	100%	100%	100%
Bubenec Holding B.V.	Netherlands	95%	95%	100%	100%
Carnibona Holdings Limited	Cyprus	100%	100%	100%	100%
Cerezian Holdings Limited	Cyprus	100%	100%	100%	100%
Denda Beheer B.V.	Netherlands	95%	95%	100%	100%
Digital Park Holdings Limited	Cyprus	100%	100%	100%	100%
Dovera Holdings Limited	Cyprus	100%	100%	100%	100%
Equinox Investments B.V.	Netherlands	100%	100%	100%	100%
Fortbet Holdings Limited	Cyprus	100%	100%	100%	100%
Fortunor Trading Limited	Cyprus	100%	100%	100%	100%
Gehring Holdings Limited	Cyprus	100%	100%	100%	100%
Gimborn Holdings Limited	Cyprus	99.900%	99.900%	99.900%	99.900%
Glebi Holdings Plc	Cyprus	99.977%	99.977%	99.996%	99.996%
Hodonin B.V.	Netherlands	95%	95%	100%	100%
Iglo Holdings Limited	Cyprus	100%	100%	100%	100%
Kaufstein B.V.	Netherlands	95%	95%	100%	100%
Kure Limited	Cyprus	96%	100%	100%	100%
Lorea Investments Limited	Cyprus	99.999%	99.999%	99.999%	99.999%
Miggasto Holdings Limited	Cyprus	99.167%	99.091%	99.167%	99.091%
Paroplyn Holdings Limited	Cyprus	100%	100%	100%	100%
Smichov Development B.V.	Netherlands	95%	-	100%	-
Svet Zdravia Holdings Limited	Cyprus	99.901%	99.901%	99.901%	99.901%
Venetsalo Holdings Limited	Cyprus	100%	100%	100%	100%
Vodochody Holdings Limited	Cyprus	100%	100%	100%	100%
Walago Holdings Limited	Cyprus	100%	100%	100%	100%
Ymma Holding B.V.	Netherlands	95%	-	100%	-
ZSNP Holdings Limited	Cypus	100%	100%-	100%	100%

The following indirect subsidiaries of the Fund are measured at fair value through profit and loss and are material to the Group:

Entity	Country of incorporation	Percentage ownership	
		2013	2012
PRIMA BANKA SLOVENSKO, a.s.	Slovak Republic	96.012%	94.594%
PRIVATBANKA, a.s.	Slovak Republic	100%	100%

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INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF PENTA INVESTMENTS LIMITED

We have examined the summary financial statements on pages 15 and 16 contained within the Annual Report of Penta Investments Limited for the year ended 31 December 2013 which comprise the Summary Consolidated Statement of Comprehensive Income and Summary Consolidated Statement of Financial Position.

This report is made solely to the company's members, as a body, in accordance with the terms of our letter of engagement with the company dated 2 September 2014. Our work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, for our audit report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Annual Report (which includes the summary financial statements) and the supplementary material.

Our responsibility is to report to you our opinion on the consistency of the summary financial statements contained within the Annual Report with the full annual financial statements.

We also read the other information contained in the Annual Report as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the company's full annual financial statements describes the basis of our opinion on those financial statements, the Annual Report and the Directors' Report.

Opinion

In our opinion, the summary financial statements contained within the Annual Report are consistent with the full annual financial statements for the year ended 31 December 2013.

We have not considered the effects of any events between the date on which we signed our report on the full annual financial statements (7 April 2014) and the date of this statement.

Qualified opinion on the group's full financial statements

Our report on the group's full financial statements was modified in relation to the company not complying with IFRS 1 First-Time Adoption of International Financial Reporting Standards disclosure requirements and with IFRS 10 Consolidated Financial Statements requirements for company performance statements. The full modified audit report is reproduced on pages 21 and 22.

Deloitte LLP

Deloitte LLP
Chartered Accountants
St Helier, Jersey
Date: 29 September 2014

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENTA INVESTMENTS LIMITED

We have audited the financial statements of Penta Investments Limited for the year ended 31 December 2013 which comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for Qualified Opinion

Non application of IFRS 1 – First-Time Adoption of International Financial Reporting Standards

Penta Investments Limited is a first time adopter of full IFRSs. The year ended 31 December 2013 financial statements are the first annual financial statements in which the Penta Investments Limited adopts IFRSs, by an explicit and unreserved statement in those financial statements of compliance with IFRSs. Management has not included the disclosures required by IFRS 1 – First-Time Adoption of International Financial Reporting Standards which constitutes a departure from International Financial Reporting Standards.

Comparative figures in the Consolidated Statement of Comprehensive Income and Consolidated Cash flow Statement

Penta Investments Limited has adopted IFRS 10 'Consolidated financial statements', as amended. Penta Investments Limited meets the definition of an investment entity as set out within IFRS 10. Its investments are stated at fair value as at 31 December 2013 and 31 December 2012 for comparative purposes. We were unable to satisfy ourselves of the fair value of investments as at 1 January 2012 under IFRS 10.

Because of the significance of the above matter in relation to the results of the Group's operations for the year to 31 December 2012 we are not in a position to, and do not, express an opinion on the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2012.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENTA INVESTMENTS LIMITED

Qualified opinion on financial statements
In our opinion the financial statements:

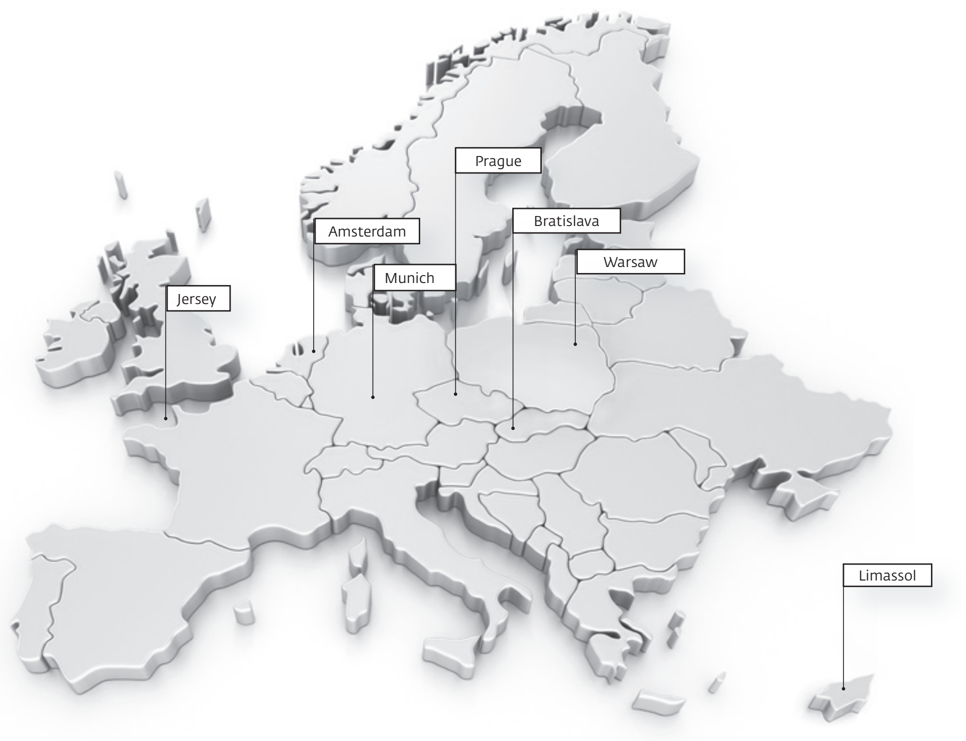
- except for the effects of the matter described in the Basis for Qualified Opinion paragraph give a true and fair view of the state of the group's affairs as at 31 December 2013 and of the group's profit for the year then ended;
- except for the effects of the matters described in the Basis for Qualified Opinion have been properly prepared in accordance with IFRSs as issued by the IASB; and
- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Gregory Branch, BSc, FCA
for and on behalf of Deloitte LLP
Chartered Accountants
St Helier, Jersey
Date: 7 April 2014

Contacts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