



**CAPITAL GROUP
SIMPLE**

**CONSOLIDATED ANNUAL REPORT FOR THE PERIOD
FROM 1 JANUARY 2011 TO 31 DECEMBER 2011**

Warsaw, March 20, 2012

The content of the Annual Report of the SIMPLE Group

1. Pismo Prezesa Zarządu..... **Błąd! Nie zdefiniowano zakładki.**
2. Skonsolidowane sprawozdanie finansowe Grupy SIMPLE za rok 2011 **Błąd! Nie zdefiniowano zakładki.**
3. Sprawozdanie Zarządu z działalności Grupy SIMPLE za rok 2011. **Błąd! Nie zdefiniowano zakładki.**
4. Oświadczenia Zarządu Spółki SIMPLE SA o sprawozdaniu finansowym i audytorze **Błąd! Nie zdefiniowano zakładki.**
5. Oświadczenie Zarządu o stosowaniu zasad ładu korporacyjnego w Spółce SIMPLE S.A. w roku 2011 **Błąd! Nie zdefiniowano zakładki.**
6. Opinia i raport audytora z badania skonsolidowanego sprawozdania rocznego Grupy kapitałowej SIMPLE za rok 2011 **Błąd! Nie zdefiniowano zakładki.**

1. Letter of the President of the Management Board

Dear Sirs,

On behalf of the Management Board of SIMPLE S.A., which is a parent company in the Capital Group SIMPLE, I would like to present the results of Group achieved in 2011.

The year 2011 was a good year for the Group. The Group achieved the record-breaking revenues in the amount of 27,303 k PLN that in comparison to 2010 reflects the growth by more than 18.6 %. The financial results of the Group were also a record. The net profit in 2011 amounted to 2,618 k PLN that constitutes the increase by 38% in comparison to past year.

This increase was achieved basing in the organic development of the Parent Company-SIMPLE S.A., including: complete changes in organization and personnel of the Company, change of the style and method of the management, initiation of three effective sale channels for the products and services (headquarter, departments and network of partners).

The key element of growth was also two investment agreement concluded in 2011. Under the first agreement SIMPLE acquired the control block in Bazus Sp. z o.o. Company (73%), which produces the software for the high schools. Under the second investment agreement, the Company acquired from CRON Sp. z o.o. software of ERP class with the list of clients. Both agreements were financed from own funds.

The year 2011 was also the year when the picture of SIMPLE S.A. and the total Group was improved. It is reflected in the interest of investors.

We gained the prestige awards: Drogowskazy Cyfrowej Polski [Signs Posts of Digital Polska], Medal Europejski [European Medal], Gazeta Biznesu [Business Gazele] , Top Builder oraz Orły Polskiego Budownictwa [Eagles of Polis Construction].

In 2012, we will implement the quick development strategy by the further organic development and acquisition of the companies from IT market.

In order to obtain funds for this goal and the development of own products we already carried out the issue of shares for investors and the issue of subscription warrants convertible into shares for the preference shares' shareholders.

I would like to thank to all Shareholders of SIMPLE S.A. for trust. I would like to ensure about further, consequent development aimed at improvement of effectiveness and increase of the values of the SIMPLE Group.

With regards,
Bogusław Mitura

The President of the Management Board
of SIMPLE S.A.

2. Consolidated financial statement of the SIMPLE Group for 2011.

Pursuant to the Ordinance of the Council of Ministers dated 19 February 2009 on the current and periodic information provided by the issuers of securities and conditions of considering as equal the information required by the legal provisions of the non-member country (Dz. U. 2009 No. 33 item 259 as amended) the Management Board is obliged to cause the preparation of the annual financial statement reflecting the accurate and reliable property and financial standing of the SIMPLE S.A. Group for the period from 1 January 2011 to 31 January 2011 and the financial result for this period.

Pursuant to the best knowledge of the Management Board basing in the Group's documents, the consolidated financial statement for the 1st six months of the fiscal year 2011 was prepared in compliance with the binding accounting standards. It contains the real picture of the Group's development and achievements and the description of the basic risks and threats.

This document contains

2.1 General information

2.2 Consolidated Statement of Comprehensive Income

2.3 Consolidated Statement of Financial Condition

2.4 Consolidated Statement of Changes in Equity

2.5 Consolidated Statement of Cash-Flows

2.6 Additional Information

2.7 Notes to Financial Statement

2.1. GENERAL INFORMATION

1. Information on SIMPLE Group

SIMPLE S.A. is the parent company of the Group. The capital group includes the following companies:

Subsidiaries:

1. SIMPLE LOCUM SP. Z O.O. seated in Warsaw, ul. Bronisława Czecha 49/51. THE COMPANY SIMPLE S.A. on 24 March 2006 under the notary deed (Rep A No. 1726/06) in the presence of the Public Notary Urszula Statkiewicz-Wysocka established the new company under the name SIMPLE LOCUM. SIMPLE S.A. has a full control over this Company by acquisition of the shares in exchange for transfer of real estate as the contribution in a form of notary deed (Rep. A No. 1829/06) on 29.03.2006. The value of acquired shares is 2,669 k PLN. It has 100% of votes at the General Meeting.
2. SIMPLE CPS SP. Z O.O., seated in Warsaw, at Bronisława Czecha 49/51. The Company's activity started under the name SIMPLE INVEST SP. Z O.O. established on 25 October 1999 under the notary deed (Rep A No. 5653/99) in the Public Notary's Office in Warsaw in the presence of the Public Notary Anna Chełstowska. On 1 August 2002 the name of the company was changed into INVEST SL SP. Z O.O. under the notary deed (Rep A No. 6624/20025) in the Public Notary's Office in Warsaw in the presence of the trainee notary Wojciech Szczypkowski, the deputy of the Public Notary Dorota Kałowska. On 15 June 2004 the name of the company was changed into SIMPLE CPS SP. Z O.O. under the notary deed (Rep A No. 7373/2004) in the Public Notary's Office in Warsaw in the presence of the trainee notary Wojciech Szczypkowski, the deputy of the Public Notary Dorota Kałowska. The value of acquired shares pursuant to the purchase price is 30 k PLN. It has 100% of votes at the General Meeting. As of 31 December 2007 the impairment allowance was made amounting to 14 k PLN and the carrying amount of the shares is 16 k PLN.
3. Bazus Sp. z o.o., seated in Lublin ul. Wolska 11. The private partnership named HIGHCOM Spółka cywilna acting under the Articles of Association concluded on 9 April 1996, changed by the annexes dated: 12 March 1997, 30 August 1997 and 31 December 2010 between Hubert Daniel Abramiuk and Michał Paweł Abramiuk, was transformed under Art. 571 and subseq. in relation to Art. 551 of the Code of Commercial Companies into the limited liability company under the firm: Bazus Spółka z ograniczoną odpowiedzialnością.

Affiliates:

1. SOFTEAM SP. Z O.O. seated in Warsaw, ul. Łopuszańska 53, registered on 5 June 2001 in the District Court for the capital city of Warsaw in Warsaw, 20th Commercial Department of the National Court Register, under KRS number 0000013271. The value of acquired shares pursuant to the purchase price is 53 k PLN that constitutes 50.24% of the share capital.

2. SIMPLE SP. Z O. O. seated in Dąbrowa Górnicza ul. Cieplaka 19, registered on 24 December 2002 in the National Court Register under KRS number 0000108452 in the District Court in Katowice, Commercial Department of the National Court Register. The value of acquired shares pursuant to the purchase price is 9,7 k PLN. It holds 19.51% of votes at the General Meeting.

Business name of the Company is "SIMPLE" Spółka Akcyjna. The Company may use the brief name "SIMPLE" S.A. and the distinguishing graphic mark. The Company was registered in the Commercial Court for the Capital City of Warsaw in Warsaw, 13th Commercial Department, under KRS number: 0000065743.

Simple is a joint-stock company having the registered office in Warsaw. The country of the Company's registered office is the Republic of Poland.

The Company has been established and acts under the Polish law. The Company was established under the Code of Commercial Code and acts under the regulations of the Code of Commercial Companies, Articles of Association and regulations for the public companies. The main place of business activity is the registered office of the Issuer.

Registered office: ul. Bronisława Czecha 49/51 04-555 Warszawa.

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2. Financial Statement

Pursuant to the Ordinance of the Council of Ministers dated 19 February 2009 on the current and periodic information provided by the issuers of securities and conditions of considering as equal the information required by the legal provisions of the non-member country (Dz. U. 2009 No. 33 item 259 as amended) the Management Board is obliged to cause the preparation of the annual financial statement reflecting the accurate and reliable property and financial standing of the SIMPLE S.A. company for the period from 1 January to 31 December 2011 and the financial result for this period.

Pursuant to the best knowledge of the Management Board basing in the Group's documents, the consolidated financial statement for the 1st six months of the fiscal year 2011 was prepared in compliance with the binding accounting standards. It contains the real picture of the Group's development and achievements and the description of the basic risks and threats.

2.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	31.12.2011 000' PLN	31.12.2010 000' PLN
Revenues from sales	3	27 303	23 027
Cost of sales	4	(13 845)	(12 699)
Gross profit (loss)		13 458	10 328
Distribution expenses	4	(5 423)	(4 326)
Administration expenses	4	(4 894)	(3 371)
Net profit from sale		3 141	2 631
Other operating revenues	5	554	256
Other operating costs	6	(56)	(152)
Operating profit (loss)		3 640	2 735
Other financial income	7	95	76
Finance costs	8	(313)	(368)
Profit (loss) before tax		3 422	2443
Income tax	9	(696)	(553)
Deferred income tax		(63)	10
Net profit (loss)		2 663	1 900
Profits (loss) of NCI		(45)	0
Net profit/loss		2 618	1900
Other comprehensive income	10	0	0
Total other comprehensive income		0	0
Total comprehensive income		2 618	1 900
Earnings (loss) per share			
Basic		1,31	0,95
Diluted		1,31	0,95

2.3. CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	Note	31.12.201 1 000' PLN	31.12.201 0 000' PLN
Non-current assets			
Intangible assets	12	3 347	3 946
Property, plant and equipment	13	3 701	4 052
Goodwill	14	1 098	19
Long-term receivables	15	65	54
Investments in associates	16	63	63
Long-term accrued and deferred assets	17	1 372	197
		9 646	8 331
Current assets			
Inventories	18	349	52
Trade and other receivables	19	9 988	7 653
Short-term investments	20	1 236	2 108
Short-term accrued and deferred assets	21	171	521
		11 744	10 334
Total assets		21 390	18 665
Equity			
Share capital	23	2 001	2 004
Share premium	23	0	0
Own shares		0	(21)
Retained earnings		7 240	5 358
Net profit from fiscal period		2 618	1 900
		11 859	9 241
Capitals of non-controlled interests		119	0
Non-current liabilities and provisions			
Deferred tax provision	24	7	4
Provision for retirement and similar benefits	25	250	241
Other provisions	26	545	649
Borrowings	27	2 139	2 285
Financial lease liabilities	28	599	681
		3 540	3 860
Current liabilities			
Borrowings	29	94	158
Financial lease liabilities	28	371	279
Trade and other liabilities	30	3 721	3 092
Deferred revenue	30	1 686	2 035
		5 872	5 564

Total liabilities

21 390 18 665

2.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Own shares	Share premium	Profit distribution, dividend payment	Retained earnings	Total equity
	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN	000' PLN
1 January 2011	2 004	(21)	0	1 900	5 358	9 241
Total comprehensive income	0	0	0	0	2 618	2 618
Shares redemption	(3)	21	0	0	(18)	0
Dividend	0	0	0	0	0	0
Profit distribution	0	0	0	(1 900)	1 900	0
31 December 2011	2 001	0	0	0	9 858	11 859
1 January 2010	2 004	0	0	910	5 149	8 063
Total comprehensive income	0	0	0	0	1 900	1 900
Acquired treasury stocks	0	(21)	0	0	0	(21)
Dividend	0	0	0	(701)	0	(701)
Profit distribution	0	0	0	(209)	209	0
31 December 2010	2 004	(21)	0	0	7049	9 241

2.5. CONSOLIDATED STATEMENT OF CASH-FLOWS for the period

	31.12.2011 000' PLN	31.12.2010 000' PLN
Net profit (loss)	2 618	1 900
NCI profit	45	0
Amortization and depreciation	1 477	625
Interests paid	243	314
Gain (loss) on investment activity	(2)	52
Movements in provisions	(92)	(59)
Movement in inventories	(297)	(35)
Movement in receivables	(2 440)	(3 440)
Movement in short-term liabilities	533	1 646
Movements in accrued and deferred assets and liabilities	(319)	(145)
Net cash-flow from operating activities	1 766	858
Net cash-flows from investing activities		
Proceeds on sale of non-current assets	75	87
Investments proceeds	0	9
Payments to acquire non-current assets	(1 097)	(128)
Investments payments	(1 405)	(22)
Net cash from investing activities	(2 427)	(54)
Cash-flows from financing activities		
Purchase of own shares	0	(21)
Dividends and other payments to shareholders	0	(701)
Received borrowings	0	0
Repayment of borrowings	(209)	(276)
Payments for financial lease liabilities	(352)	(306)
Interest	(238)	(319)
Net cash-flows from financing activity	(799)	(1 623)
Net increase/ (decrease) in cash and cash equivalents	(1 460)	(819)
Cash and cash equivalents at the beginning of the period	2 491	2 704
Cash and cash equivalents at the end of the period	1 031	1 885

2.6. ADDITIONAL INFORMATION

Description of applied accounting principles

This financial statement contains information pursuant to the Ordinance of the Minister of Finance dated 19 February 2009 on the current and periodic information provided by the issuers of securities and conditions of considering as equal the information required by the legal provisions of the non-member country (Dz. U. 2009 No. 33 item 259 as amended).

The consolidated financial statement constituting a part of annual report was prepared pursuant to the International Financial Reporting Standards (IFRS) and the interpretations related to them announced in a form of the regulations of the European Commission.

The Group applies all International Standards of the Financial Reporting in preparing the financial statement. The transition date into IAS pursuant to IFRS 1 is 01.01.2005.

The financial statement was prepared at the concern going principle by the Group SIMPLE S.A. in foreseeable future.

Below there are presented the accounting principles applied to prepare this consolidated financial statement. These principles were applied in all presented periods.

Accounting principles

The financial statement of the Company was prepared in thousands of Polish zlotys, unless it is stated otherwise, basing on the records made in the accounting books of the Company, kept in compliance with the basic accounting principles.

- reliability
- correctness
- continuity
- completeness
- comparability
- proportionality of revenues and costs
- constancy of accounting principles

Property, plant and equipment

Other P,P&E including machinery, equipment, means of transport and other non-current assets are measured at the purchase prices or manufacturing costs, less the made accumulative amortization or depreciation write-offs and the impairment losses.

The non-current assets are depreciated by a straight line method, starting on the first month when the non-current assets is ready to use using the depreciation rates following the estimated economic life of the relevant non-current asset. The final value and the economic life of the non-current assets are verified at the end of each fiscal year.

If the final value of the non-current asset does not exceed 10% of its final value, it is missed at making depreciation charges.

The non-current assets available-for-sale are measured at lower of two values: carrying amount or fair value, less the costs related to sale.

The non-current assets are classified as held-for-sale if their carrying amount will be recovered rather as a result of transaction than their further use. This condition is deemed as to be met only when the sale transaction is very likely and the assets are available to be sold in its current condition. The classification of the assets held-for-sale assumes the intention of the Management Board to finish sale transaction within a year from the classification change.

Profit and losses arisen as a result of sale, liquidation or discontinuance of use the non-current assets are determined as the difference between the revenues from sale and net value of these non-current assets and are recognized in profit and loss.

Intangible assets

The intangible assets are measured at the purchase price or post-revaluation amount after revaluation of the intangible assets, less the depreciation or amortization charges and also impairment losses. The intangible assets are amortized by the straight-line method for the economic life period.

The **research and development works** manufactured at its own in a form of the computer programs/software within the period of incurring expenses, unless the criteria of the intangible assets specified in IAS 38 are met, are recognized as the accrued and deferred income and after completion as the intangible assets which are tested at least as of the end of period. The depreciation period of the R&D works is set basing on expected cash flows related to the sale of manufactured products.

Investments

Investment property is presented in the statement of financial position at the post-revaluation amount equal to the amount generated from the measurement to its fair value, made by the expert basing on the market principles as of the specified day of the measurement, less within next periods by depreciation charges. The measurements are made with frequency ensuring the lack of important discrepancies between the book value and fair value as of the end of the period, not less than once per fiscal year.

The Company includes its investments to the following categories:

- interests in the subsidiaries;
- financial assets available-for-sale;
- other financial assets.

The interests in the subsidiaries include the shares in the companies covered by the consolidation. The interests in the subsidiaries are measured at the purchase price adjusted by the impairment. The impairment allowances due to the interests in the subsidiaries are presented in the profit and loss statement as the revaluation of the financial assets.

Recoverable amounts of non-current assets

The PP&E, intangible assets and financial assets are verified regarding the impairment in case of events and changes which may cause this impairment.

The recoverable amounts are charged into the other operating costs within the period when this impairment occurred.

Inventories

The inventories include the goods, which are measured as of the end of period at the purchase price keeping the prudence principle after reduction by the recoverable amount. The allowances are made basing on the inventories turnover rate.

Trade and other receivables

The trade receivables are recognized at the payable amount less the recoverable amounts for the doubt receivables. Estimation of these amounts is made basing on collecting results, when achievement of full receivable amount is unlikely.

Cash and cash equivalents

The cash in the statement includes cash at hand and on bank accounts.

Provision for retirement and similar benefits

The Company establishes provisions for the employee benefits. The provisions are measured not less than as of the end of period at the reliable justified estimated value. Provisions for employee benefits include the retirement severance pays and leaves. As of the end of the period, the Company establishes the provisions for the current value of the retirement severance pays to which the employees are entitled to this date, with the division into short-term and long-term using the actuarial method. This provision charges the other operating costs. The provisions are released at the end of each reporting period by the value of performed pay-rolls corresponding to the obligations.

Provisions

The Company established the provisions in case when as a result of economic events there are some deferred obligations or these with the high probability to be the deferred obligations, which amount may be reliable estimated.

Liabilities

The liabilities are measured at payable amount. The long-term financial liabilities are measured at fair value of payments including discount.

Accrued and deferred liabilities

In order to keep the proportionality of revenues and costs the Company makes the accrued and deferred assets and liabilities, which refer as to the costs as revenues.

The Company maintains the deferred assets– they are costs for the next reporting period and expenses to the R&D works.

The Company maintains accrued assets- it is the amount of obligations for the relevant period resulting from the allowances made in favor of the entity.

The accrued and deferred assets and liabilities include in particular the equivalents of invoiced allowances, which will be performed in the next periods.

Revenues from sale of products, goods, materials and services

The net revenues from sale include the economic benefits arisen in the period as a result of the business activity of the entity, at the reliable value, resulting in increase of equity by increase of the assets or decrease of the liabilities in a manner other than shareholder's contribution. In particular, they are the revenues from sale of products, including services and the sale of goods and materials.

The revenues also include the due amounts for sold products and basic and auxiliary activity services and for sold materials and goods set basing on net price after adjustments by granted discounts and rebates.

The adjustments of the revenues from sale are included to the period when they were made.

Other operating revenues

The other operating income is the income related to the operating activity of the entity. They include:

- Gain on non-current assets and intangible assets
- Gain on liquidation of non-current assets
- Received compensations
- Release of provisions, which charged the operating costs at establishment
- Written-off, pass due and depreciated liabilities

Financial income

The income due to the interests charged to contractors, recognized at the date when the contractors pays.

The income from the interests to cash on bank accounts recognized at the date when the bank accepts the account.

Business activity expenses

The all costs of sale, marketing, administration and management incurred in the reporting period. The value of sold goods and materials at the purchase price in the reporting period.

Other operating costs

The other operating expenses are the expenses related to the operating activity of the entity.

They include:

- loss on non-current assets and intangible assets
- Paid penalties and compensations
- Established provisions
- Court proceeding costs

Finance costs

The costs due to paid interests are charged directly to the profit and loss statement in the period when they occurred. **Income tax**

The obligatory burdening of the result consists of:

- Corporate Income Tax (CIT)
- Deferred tax

The current tax burdening is calculated under the base of the financial results (the base of tax) of the relevant fiscal year. The tax profit (loss) differs from book profit (loss) because of excluding the revenues and costs which will never be a subject of taxation. The tax burdens of result are calculated basing on the basic tax rates binding in the relevant fiscal year.

Deferred income tax

The Company establishes provisions and assets due to deferred income tax because of arising the temporary differences between the assets and liabilities value presented in the books and their tax value. The assets due to deferred income tax are recognized if it is likely that the income to be taxed will be achieved which will enable to use the temporary differences. The assets due to deferred income tax are recognized also for the tax losses to be deducted in the next years, but only when it is likely that the income to be taxed will be achieved in future which will enable it use these tax losses. The Company does not establish the assets due to deferred income tax if the practicability of using them in the future is doubtful.

The liability due to deferred income tax is recognized by the liability method, due to temporary differences between the tax value of such assets and liabilities and their carrying amount presented in the financial statement. Both the amount of reserve and the assets due to deferred income tax were determined considering the tax rate applicable in the period when the provision/asset is established.

Earnings per share

The earnings per share for the each period are calculated by dividing the earnings for the relevant period by the number of shares in the relevant reporting period. The Company does not present diluted profit (loss) per one share.

Transactions in foreign currencies

The economic transactions expressed in foreign currencies causing the liabilities and receivables are recognized in the books at the average exchange rate published for the relevant currency by the National Bank of Poland.

The payment transactions expressed in the foreign currencies, as of the date of being made, are recognized at the purchase or sale exchange rate used by the bank, which serves the Company.

As of the end of the period the receivables and liabilities are recognized pursuant to the average exchange rate published for the relevant currency by the National Bank of Poland.

The exchange differences, concerning the settlements expressed in foreign currencies arisen as of the valuation date and during the payment date are classified to the financial costs or revenues.

Lease

The PP&E using under the financial lease agreements, which transfer all benefits and risk related to possessing to the Company, are recognized in the statement of financial position of the Company pursuant to the current value of minimum future lease payments. The lease fees are divided into reduction of unpaid liability balance and financial costs charged directly against the profit and loss.

2.7. NOTES TO FINANCIAL STATEMENT

Note 1. Selected financial data

The selected financial data contained in this report were translated into EURO pursuant to the following principles:

The items of assets and liabilities in the statement of financial position pursuant to the average exchange rate published by the National Bank of Poland as of the end of the period:

- As at 31.12.2011- 4.4168
- As at 31.12.2010- 3.9603

The items of the profit and loss statement and cash-flow statement pursuant to the average exchange rate translated as the arithmetic average of the exchange rates published by the National Bank of Poland as of the last day in the month of the relevant year:

- As at 31.12.2011- 4.1401
- As at 31.12.2010- 4.0044

Selected financial data translated into Euro:

	31.12.2011 000' PLN	31.12.2011 000' EUR	31.12.2010 000' PLN	31.12.2010 000' EUR
Statement of comprehensive income				
Net revenues from sale of products, goods and materials	27 303	6 595	23 027	5 750
Gross profit (loss) from sales	13 458	3 251	10 328	2 579
Operating profit (loss)	3 640	879	2 735	683
Gross profit (loss)	3 422	827	2 443	610
Net profit (loss)	2 618	632	1 900	474
Statement of financial condition Assets				
Non-current assets	9 646	2 184	8 331	2 104
Current assets	11 744	2 660	10 334	2 610
Total assets	21 390	4 844	18 665	4 714
Liabilities				
Equity	11 978	2 713	9 241	2 334
Liabilities and provisions for liabilities	9 412	2 131	9 424	2 380
Total liabilities	21 390	4 844	18 665	4 714
Statement of cash-flow				
Net cash-flow from operating activities	1 766	427	858	214
Net cash from investing activities	(2 427)	(586)	(54)	(13)
Net cash from financing activity	(799)	(193)	(1 623)	(405)
Cash at end of the period	1 031	249	1 885	471

Note 2 Geographical structure

The SIMPLE S.A. Group conducts its business activity in the field of software and sale of hardware and also renders related services. The only geographical sector is the sale within the country, which includes 100% of the Group's revenues.

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Revenues from sales		
- domestic	27 303	23 027
	27 303	23 027
Distribution expenses		
- domestic	(13 845)	(12 699)
	(13 845)	(12 699)
Profit from sale		
- domestic	13 458	10 328
	13 458	10 328

The Group SIMPLE distinguishes the branch sectors in the divisions into the revenues from sale of services and products and goods. The revenues from sale, costs and sale result pursuant to the branch sectors are as follows:

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Revenues from sales		
Sale of services and products	24 381	18 728
Sale of goods	2 922	4299
	27 303	23 027
Distribution expenses		
Distribution costs of products and services	(11 245)	(9 238)
Distribution costs of goods	(2 600)	(3 461)
	(13 845)	(12 699)
Profit on sale		
Profit on sale of services and products	13 136	9 490
Profit on sale of goods	322	838
	13 458	10 328

Note 3 Revenues from sales

The revenues from sale of Group are as follows:

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Revenues from sale of goods	24 381	18 728
Revenues from sale of services and products	2 922	4 299
	27 303	23 027

Note 4 Costs by category

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Amortization of non-current assets and intangible assets	1 482	625
Materials and energy consumption	899	750
Third party services	6 366	4 401
Taxes and fees	230	185
Remunerations/payrolls	10 536	9 130
Social insurances and other benefits	1 636	1 483
Other costs	413	361
Value of goods and materials sold	2 600	3 461
Total	24 162	20 396
including:		
Cost of sales	13 845	12 699
Distribution expenses	5 423	4 326
Administration expenses	4 894	3 371

Note 5 Other operating revenues

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Received subsidies	414	34
Released provisions	0	9
Proceeds on sale of non-current assets	2	0
Revenues from re-invoicing	84	142
Return of legal costs/Compensations	13	14
Other	41	57
Total	554	256

Note 6. Other operating costs

	31.12.2011 000' PLN	31.12.2010 000' PLN
Established provisions	12	37
Re-invoicing expenses	8	14
Paid compensations, legal fees	28	25
Loss in non-current assets	0	52
Other, including donations	8	24
Total	56	152

Note 7. Financial income

	31.12.2011 000' PLN	31.12.2010 000' PLN
Dividends	37	1
Achieved interests	58	75
Total	95	76

Note 8. Finance costs

	31.12.2011 000' PLN	31.12.2010 000' PLN
Interest on borrowings	3	50
Interest on bank credits	211	193
Interest on lease instalments	66	124
Exchange differences	33	1
Finance costs	313	368

Note 9. Income tax

As of 31.12.2011 the Company paid income tax in the amount of 696 k PLN.
Below there is income tax amount reconciliation in the profit and loss statement with the financial result:

	31.12.2011 000' PLN	31.12.2010 000' PLN
Profit before tax	3 422	2 443
Non taxable income	(459)	(50)
Costs constituting the tax deductible expenses	(1 128)	(1 043)
Costs not constituting the tax deductible expenses	1 716	1 412
Adjustment of the result from consolidation	35	64

The base to calculate the income tax	3 586	2 826
---	--------------	--------------

Note 10. Other comprehensive income

In the period covered by this financial statement for the period from 1 January 2011 to 31 December 2011 other comprehensive income was not recognized.

Note 11. Earnings per share

The basic earnings per share is calculated as the quotient of the earning attributable to the owners of the Group and the average weighted number of ordinary shares during the year.

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Profit (loss) per shareholders	2 618	1 900
Average weighted number of ordinary shares (in k pcs)	2 001	2 004
Basic earnings (loss) per share (in PLN per one share)	1,31	0,95

The Group does not present diluted earnings (loss) per share.

Note 12. Intangible assets

	Software and computer licenses 000' PLN	Costs of R&D works 000' PLN	Total 000' PLN
Balance at 1 January 2010			
Gross value	84	7 235	7 319
Current depreciation	(47)	(7 235)	(7 282)
Net book value	37	0	37
Fiscal year 2010			
Net book value at the beginning of the year	37	0	37
Increases	9	3 982	3 991
Amortization and depreciation	(16)	(66)	(82)
Net book value at the end of the year	30	3 916	3 946
Balance at 31 December 2010			
Gross value	93	3 982	4 075
Current depreciation	(63)	(66)	(129)
Net book value	30	3 916	3 946
Balance at 1 January 2011			
Gross value	93	3 982	4 075
Current depreciation	(63)	(66)	(129)
Net book value	30	3 916	3 946
Fiscal year 2011			
Net book value at the beginning of the year	30	3 916	3 946

Increases	217	0	217
Amortization and depreciation	(20)	(796)	(816)
Net book value at the end of the year	<u>227</u>	<u>3 120</u>	<u>3 347</u>

Balance at 31 December 2011

Gross value	310	3 982	4 292
Current depreciation	(83)	(862)	(945)
Net book value	<u>227</u>	<u>3 120</u>	<u>3 347</u>

The computer licenses and software are depreciated by the estimated life, which is average 2 to 5 years.

Note 13. Property, plant and equipment

	Lands and buildings 000' PLN	Technical equipment 000' PLN	Means of transport 000' PLN	Equipment and other non- current assets 000' PLN	Total 000' PLN
Balance at 1st January 2010					
Gross value	2 650	710	2 002	8	5 370
Depreciation	(179)	(545)	(908)	(3)	(1 635)
Net book value	<u>2 471</u>	<u>165</u>	<u>1 094</u>	<u>5</u>	<u>3 735</u>
Fiscal year 2010					
Net book value at the beginning of the year	2 471	165	1 094	5	3 735
Increases	0	194	874	0	1 068
Disposal	0	0	(376)	0	(376)
Amortization	(47)	(83)	(409)	(1)	(540)
Depreciation	0	0	165	0	165
Net book value	<u>2 424</u>	<u>276</u>	<u>1 348</u>	<u>4</u>	<u>4 052</u>
Balance at 31 December 2010					
Gross value	2 650	904	2 500	8	6 062
Current depreciation	(226)	(628)	(1 152)	(4)	(2 010)
Net book value	<u>2 424</u>	<u>276</u>	<u>1 348</u>	<u>4</u>	<u>4 052</u>
Balance at 1 January 2011					
Gross value	2 650	904	2 500	8	6 062
Depreciation	(226)	(628)	(1 152)	(4)	(2 010)
Net book value	<u>2 424</u>	<u>276</u>	<u>1 348</u>	<u>4</u>	<u>4 052</u>
Fiscal year 2011					
Net book value at the beginning of the year	2 424	276	1 348	4	4 052
Increases	0	61	326	0	387

Disposal	0	0	(307)	0	(307)
Amortization	(47)	(79)	(538)	(1)	(665)
Depreciation	0	0	234	0	234
Net book value	<u>2 377</u>	<u>258</u>	<u>1 063</u>	<u>3</u>	<u>3 701</u>

Balance at 31 December 2011

Gross value	2 650	965	2 519	8	6 142
Current depreciation	(273)	(707)	(1 456)	(5)	(2 441)
Net book value	<u>2 377</u>	<u>258</u>	<u>1 063</u>	<u>3</u>	<u>3 701</u>

As at 31 December 2011 the Company did not concluded any agreements obligating it to purchase P, P&E.

Note 14. Goodwill from consolidation

As at 31st December 2011 the goodwill from consolidation was presented in the statement on financial position. It is the valuation of the Company SIMPLE LOCUM SP. Z O.O. for the amount 19 k PLN. The goodwill is not amortized and will be a subject of impairment test and goodwill of Bazus Sp. z o.o. for the amount 1 079 k PLN.

Note 15. Non-current receivables.

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Receivables due to deposit	54	54
Receivables due to bid bonds	11	0
	<u>65</u>	<u>54</u>

Note 16. Shares and stocks in subsidiaries and other entities

SIMPLE S.A. is the parent company of the Group. The capital group includes the following companies:

Subsidiaries:

1. SIMPLE LOCUM SP. Z O.O. seated in Warsaw, ul. Bronisława Czecha 49/51. SIMPLE S.A. Company on 24 March 2006 under the notary deed (Rep A No. 1726/06) in the presence of the Public Notary Urszula Statkiewicz-Wysocka established the new company under the name SIMPLE LOCUM. SIMPLE S.A. has a full control over this Company by

acquisition of the shares in exchange for transfer of real estate as the contribution in a form of notary deed (Rep. A No. 1829/06) on 29.03.2006. The value of acquired shares is 2,669 k PLN. It holds 100% of votes at the General Meeting.

2. SIMPLE CPS SP. Z O.O. seated in Warsaw ul. Bronisława Czecha 49/51. The Company's activity started under the name SIMPLE INVEST SP. Z O.O. established on 25 October 1999 under the notary deed (Rep A No. 5653/99) in the Public Notary's Office in Warsaw in the presence of the Public Notary Anna Chełstowska. On 1 August 2002 the name of the company was changed into INVEST SL SP. Z O.O. under the notary deed (Rep A No. 6624/20025) in the Public Notary's Office in Warsaw in the presence of the trainee notary Wojciech Szczypkowski, the deputy of the Public Notary Dorota Kałowska. On 15 June 2004 the name of the company was changed into SIMPLE CPS SP. Z O.O. under the notary deed (Rep A No. 7373/2004) in the Public Notary's Office in Warsaw in the presence of the trainee notary Wojciech Szczypkowski, the deputy of the Public Notary Dorota Kałowska. The value of acquired shares pursuant to the purchase price is 30 k PLN. It holds 100% of votes at the General Meeting.

As at 31 December 2007 the recoverable amount was set for the amount 14 k PLN and the carrying amount of the shares is 16 k PLN.

3. Bazus Sp. z o.o., seated in Lublin ul. Wolska 11. The private partnership named HIGHCOM Spółka cywilna acting under the Articles of Association concluded on 9 April 1996, changed by the annexes dated: 12 March 1997, 30 August 1997 and 31 December 2010 between Hubert Daniel Abramiuk and Michał Paweł Abramiuk, was transformed under Art. 571 and subseq. in relation to Art. 551 of the Code of Commercial Companies into the limited liability company under the firm: Bazus Spółka z ograniczoną odpowiedzialnością.

Affiliates:

1. SOFTEAM SP. Z O.O. seated in Warsaw, ul. Łopuszańska 53, registered on 5 June 2001 in the District Court for the capital city of Warsaw in Warsaw, 20th Commercial Department of the National Court Register, under KRS number 0000013271. The value of acquired shares pursuant to the purchase price is 53 k PLN that constitutes 50.24% of the share capital.
2. SIMPLE SP. Z O. O.seated in Dąbrowa Górnicza ul. Cieplaka 19, registered on 24 December 2002 in the National Court Register under KRS number 0000108452 in the District Court in Katowice, Commercial Department of the National Court Register. The value of acquired shares pursuant to the purchase price is 9,7 k PLN. It holds 19.51% of votes at the General Meeting.

Note 17. Long-term accrued and deferred assets and liabilities

In the statement of financial position as at 31 December 2011 the assets due to deferred income tax in the amount 137 k PLN were generated. As at 31 December 2011 there were changes in the presentation of expenses for R&D works from the item "Short-term accrued

and deferred assets” to the item “Long-term accrued and deferred assets”. The amount of expenses is 1,235 k PLN as at the end of the period. The change of presentation did not affect the financial result and equity.

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Provision for retirement and similar benefits	9	7
Unpaid remunerations	89	128
Unpaid social insurance contributions	1	23
Provision for unused leaves	38	39
	137	197

	31.12.2011	31.12.2010
	000' PLN	000' PLN
R&D works expenses, beginning of period	382	4 325
Expenses for R&D works in the reporting period	853	40
Forwards of R&D works to intangible assets	0	(3 983)
	1 235	382

Note 18. Inventories

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Goods	349	52
	349	52

Note 19. Current receivables

Trade receivables		31.12.2011	31.12.2010
		000' PLN	000' PLN
Trade receivables		10 106	7 480
Write-down of entitlements		(218)	(218)
Net trade receivables		9 888	7 262

Short-term receivables with the payment term exceeding the end of period:

	31.12.2011	31.12.2010
	000' PLN	000' PLN
- Up to 1 month	3 147	2 315
- over 1 month to 3 months	3 304	2 597
- over 3 months to 6 months	441	532
- over 6 months to 1 year	682	455
- over 1 year	237	406
- overdue receivables	2 295	1 175
Gross total receivables	<u>10 106</u>	<u>7 480</u>
- Write-downs of entitlements	<u>(218)</u>	<u>(218)</u>
Net total receivables	<u>9 888</u>	<u>7 262</u>

Short-term overdue receivables with the division into receivables outstanding in the period:

	31.12.2011	31.12.2010
	000' PLN	000' PLN
- Up to 1 month	1 377	489
- over 1 month to 3 months	93	78
- over 3 months to 6 months	264	259
- over 6 months to 1 year	340	112
- over 1 year	221	237
Gross total receivables	<u>2 295</u>	<u>1 175</u>
- Write-downs of entitlements	<u>(218)</u>	<u>(218)</u>
Net total receivables	<u>2 077</u>	<u>957</u>

Other current receivables

Granted loans- employees of Simple S.A. - 3 k PLN

On 18 November 2010 Simple S.A. granted the loan for the employee in the amount of 10 k PLN for the period from 18 November 2010 to 30 June 2012. The interest rate for the loan was established as Wibor 3M plus margin 1%. As at 31 December 2011 the remained amount to be paid is 3 k PLN and it is the principal amount. The interests are paid on a regular basis pursuant to the schedule from the agreement.

31.12.2011	31.12.2010
000' PLN	000' PLN

Deposits and bid bonds	79	245
Granted loans	3	18
deductible VAT	18	145
Receivables from employees	0	1
	100	409

Note 20. Short-term investments

As at 31 December 2011 the Company presents the granted loans:

As at 31 December 2011 the Company presents the granted loans:

Cron Sp. z o. o. - 205 k PLN

It is outstanding amount of loan with due interest as oat 31 December 2011, where the principal amount is 200 k PLN and the accrued interests as at 31 December 2011 are 5 k PLN.

On 9 January 2009 SIMPLE S.A. concluded the Loan Agreement with CRON Sp. z o.o. in Warsaw, ul. Czerniakowska 209 room 402 for the amount 200 k PLN with the interest rate 10%

per year. The loan agreement is concluded for the period from 9 January 2009 to 31 March 2009. In the next periods, the following annexes extending the repayment period were concluded:

1. Annex No. 1 signed on 31 March 2009 extending the repayment period to 30 June 2009.
2. Annex No. 2 signed on 30 June 2009 extending the repayment period to 31 December 2009.
3. Annex No. 3 signed on 31 December 2009 extending the repayment period to 30 April 2010.
4. Annex No. 4 signed on 30 April 2010 extending the repayment period to 30 September 2010.
5. Annex No. 5 signed on 30 September 2010 extending the repayment period to 31 October 2011.
6. Annex No. 6 signed on 30 April 2011 extending the repayment period to 30 September 2012.

Total current financial assets

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Granted loans	205	223
	205	223

Cash and cash equivalents

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Cash at hand and at bank account	1 031	1 885
	1 031	1 885

Note 21. Short-term accrued and deferred assets

As at 31 December 2011 there were changes in the presentation of expenses for R&D works from the item "Short-term accrued and deferred assets" to the item "Long-term accrued and deferred assets". The change of presentation did not affect the financial result and equity.

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Deferred costs	156	139
	156	139

Note 22. Assets available-for-sale

As at the end of the period the Group does not have any non-current available-for-sale.

Note 23. Share capital

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Share capital issued and paid:		
Number of shares	2 001 149	2 003 904
Nominal value per one share	0,001	0,001
Nominal value of all shares	2 001	2 004

The all shares issued by the parent company SIMPLE S.A. are the ordinary shares without any preferences to contribute in the profit distribution.

Note 24. Deferred tax

As at 31 December 2011 the Group has presented the provision in the amount of 7 k PLN because of the temporary differences between the book and tax value of assets.

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Deferred tax	7	4
	7	4

Note 25. Employee benefits

The obligations due to employees benefits presented in the statement of financial position as at the end of period consist of:

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Long-term provision for deferred benefits due to retirement severance pays and similar	49	37
Provision due to leave benefits	201	204
	250	241

The amount of this obligation was determined in the following manner:

- The amount of the long-term provision for deferred benefits due to retirement severance pays and similar was measured by the actuary
- The amount of short-term provisions due to unused leave benefits is the amount of calculated equivalents for unused leaves to the end of period.

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Remunerations/payrolls	10 536	9 130
Social insurances	1 341	1 216
Benefits for employees	297	267
	12 174	10 613

Information on average employment of the person employed under the contract for employment and cooperation contracts.

	31.12.2011 000' PLN	31.12.2010 000' PLN
Services	58	54
Sales and marketing	25	25
Production	37	31
Others	23	21
	143	131

Note 26. Other provisions

	31.12.2011 000' PLN	31.12.2010 000' PLN
Costs of current period and deferred liabilities	65	108
Provision for liabilities due to taxes	15	113
Provision for remunerations	465	428
	545	649

Note 27 Non-current liabilities-borrowings

	31.12.2011 000' PLN	31.12.2010 000' PLN
Bank credits	2 130	2 182
Other credits	9	103
Total credits	2 139	2 285

The credit agreement of 7 April 2006 concluded with BPH S.A. by SIMPLE LOCUM Sp. z o.o. under §7 of the Agreement collateralized by:

-Ordinary mortgage in the amount 2,350,000.00 PLN securing the payment of the credit capital,

-Collateral mortgage to the amount 1,750,000.00 PLN securing the interests payment and other bank receivables following the Agreement,

-Assignment of receivables from the receivables insurance agreement (acc. to App. No. 2 to the agreement),

-The blank promissory note issued by the Borrower paid to the credit amount with the promissory note declaration (acc. to App. No. 3 to the agreement),

-Deposit in the amount 47,444 PLN set under the principles specified in the deposit agreement (acc. to App. No. 4 to the agreement),

-Declaration of the Borrower to be a subject of execution regarding the obligations following the Agreement (acc. to App. No. 2 to the agreement),

-Assignment of receivables from the current and future rent agreement of the areas located in the Real Estate (acc. to App. No. 6 to the agreement),

-Assignment of receivables from the bank account agreement kept on behalf of the Borrower (acc. to App. No. 7 to the agreement),

-Registered pledge (acc. to App. No. 8 to the agreement).

As of the end of period, the amount of unpaid credit is 2,130 k PLN.

SIMPLE S.A. took the credit towards Volkswagen Bank Polska S.A., which was intended for purchase of non-current assets. As of the end of the period, the amount of credit within the term of payment over twelve months is 9 k PLN.

Note 28. Current and non-current liabilities- financial lease

	31.12.2011 000' PLN	31.12.2010 000' PLN
Liabilities due to financial lease payable within:		
One year	425	327
Later than one year	661	752
	1 086	1 079
Deferred interests	(116)	(119)
Current value of deferred liabilities	970	960
Liability payable within 12 months- current liabilities	371	279
Liability payable over 12 months – non-current liabilities	599	681

Note 29. Current liabilities-borrowings

	31.12.2011 000' PLN	31.12.2010 000' PLN
Other borrowings	94	158
Total borrowings	94	158

On 4 August 2006 SIMPLE S.A. concluded the Overdraft credit agreement No. 270-1/10/RB/2006 with the bank PKO BP. It is a credit in polish zlotys, renewable as the credit limit in the amount 500 k PLN. It was granted for the period from 4 August 2006 to 3 August 2007. On 3 August 2007 the Annex No. 1 to the Agreement No. 270-1/10/RB/2006 of 4 August 2006 on prolongation of the agreement for the next year from 4 August 2006 to 3 August 2008. On 3 August 2008 the Annex No. 2 to the Agreement No. 270-1/10/RB/2006 of

4 August 2006 on prolongation of the agreement for the next year from 4 August 2006 to 3 August 2009. On 3 August 2009 the Annex No. 3 to the Agreement No. 270-1/10/RB/2006 of 4 August 2006 on prolongation of the agreement for the next year from 4 August 2006 to 3 August 2010. On 29 July 2010 the Annex No. 4 to the Agreement No. 270-1/10/RB/2006 of 4 August 2006 on prolongation of the agreement for the next year from 4 August 2006 to 3 August 2011. The credit amount remains unchanged in the amount 500 k PLN. The collateral of this agreement are the promissory notes for the amount 500 k PLN. On 2 August 2011 the Annex No. 5 to the Agreement No. 270-1/10/RB/2006 of 4 August 2006 on extension of the agreement for the next year from 4 August 2006 to 3 August 2012. As of the end of the period, the Company did not use the credit line.

On 11 October 2010 SIMPLE S.A. concluded the Overdraft credit agreement No. 43/038/10/Z/VK for the amount 400 k PLN with BRE S.A. bank. It is a credit in Polish currency. This Agreement was concluded for the period from 12 October 2010 to 6 October 2011. On 22 October 2011 SIMPLE S.A. concluded the Overdraft credit agreement No. 43/080/11/Z/VK for the amount 400 k PLN with BRE S.A. bank. It is a credit in Polish currency. This Agreement was concluded for the period from 12 October 2011 to 6 October 2012. The collateral for this Agreement is a blank promissory note. As of the end of the period, the Company did not use the credit line.

On 30 December 2010 SIMPLE S.A. entered into the Overdraft Agreement No. 102/2010 for the amount 300 k PLN with the Bank Polska Kasa Opieki S.A. in Warsaw. It is a credit in Polish currency. This Agreement was concluded for the period from 30 December 2010 to 29 December 2011. On 30 December 2011 SIMPLE S.A. entered into the Overdraft Agreement No. 1/102 for the amount 2010 k PLN with the Bank Polska Kasa Opieki S.A. in Warsaw. It is a credit in Polish currency. The credit payment date is 29.12.2012. The collateral for this Agreement is a blank promissory note. As of the end of the period, the Company did not use the credit line.

The Company took the credit towards Volkswagen Leasing Polska S.A., which was intended for purchase of non-current assets. As of the end of period the amount of credit within the term of payment to twelve months is 94 k PLN.

Note 30 Trade and other liabilities

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Trade liabilities towards other entities	1 428	1 210
Liabilities due to tax, customs, insurance and other liabilities	1 826	1 595
Liabilities due to remuneration	22	177
Other liabilities	445	0
Accrued and deferred liabilities	1 686	2 035
Total trade liabilities	5 407	5 017

Note 31. Remuneration paid to the Management Board and Supervisory Board of SIMPLE S.A.

	31.12.2011	31.12.2010
	000' PLN	000' PLN
<u>Management Board of SIMPLE S.A.</u>		
Bogusław Mitura	752	184
Paweł Zdunek	120	484
Przemysław Gnitecki	545	422
Michał Siedlecki	371	261
Dariusz Kacperczyk	0	10
Total	1 788	1361

Supervisory Board of Simple S.A.

	31.12.2011	31.12.2010
	000' PLN	000' PLN
Chairman of the Supervisory Board Adam Wojacki	26	0
Deputy Chairman of the Supervisory Board Józef Taran	54	54
Secretary of the Supervisory Board Andrzej Bogucki	54	50
Member of the Supervisory Board Paweł Zdunek	22	0
Member of the Supervisory Board Arkadiusz Karasiński	22	0
Member of the Supervisory Board Lada Adam	22	0
Chairman of the Supervisory Board Elżbieta Zybert	34	63
Member of the Supervisory Board Marta Adamczyk	22	42
Member of the Supervisory Board Jacek Kuroś	22	42
Total	278	251

	31.12.2011	31.12.2010
	tys. PLN	tys. PLN
<u>Management Board of SIMPLE LOCUM Sp. z o.o.</u>		
Regina Kuliś	48	39
Total	48	39
<u>Management Board of Simple CPS Sp. z o.o.</u>		
Regina Kuliś	0	0
Total	0	0
<u>Management Board of Bazus Sp. z o.o.</u>		
Abramiuk Hubert	92	0
Rafał Wnorowski	81	0
Total	173	0

Note 32. Contingent liabilities

As at 31 December 2011 the Group does not present any contingent liabilities for the court proceeding against the Group SIMPLE.

Note 33. Operating lease and rent agreements

Under the rent agreement, the Company SIMPLE S.A. uses the copy machine. The Company bears the monthly charges for the operation and service. In case of making copies in the amount exceeding the fixed charge the Company shall bear the additional costs pursuant to the price list from agreement.

Simple S.A. under the Rent Agreement from the subsidiary SIMPLE LOCUM Sp. z o.o. uses the building for business activity purposes. The agreement is concluded for non-specified period of time. Monthly rent rate is 20 k PLN.

Note 34. Events after the end of period

In the Management Board's opinion, there are no events after the end of period, which may affect the future results of the Group.

Note 35. Transactions with related entities

The list of subsidiaries and affiliates of SIMPLE S.A. is presented in the Note 16. In 2011 SIMPLE S.A. and the entities listed below entered into the presented transactions. The sale of goods, services to the related entities was carried out under the basic price list. Transactions were made basing on the market prices less the standard trade discounts.

	31.12.2011 000' PLN	31.12.2010 000' PLN
Revenues from sale of goods and services to related entities		
-from affiliates not covered by consolidation	3 677	2 955
Total revenues to related entities	3 677	2 955

	31.12.2011 000' PLN	31.12.2010 000' PLN
Purchase of goods and services from affiliates and subsidiaries		
- from subsidiaries covered by consolidation	254	250
- from affiliates not covered by consolidation	482	160
Purchase of goods and services from subsidiaries and affiliates	736	410

Any allowances for the doubt receivables from related entities were not made.

As at the end of period, the balances of settlements arisen as a result of sale and purchase of goods and services are as follows:

	31.12.2011 000' PLN	31.12.2010 000' PLN
Receivables from subsidiaries and affiliates due to:		
Deliveries and services	1 244	609
Receivables from subsidiaries and affiliates	1 244	609

	31.12.2011 000' PLN	31.12.2010 000' PLN
Liabilities to subsidiaries and affiliates due to:		
Deliveries and services	208	63
Loans	2 364	1 951
Liabilities to subsidiaries	2 572	2 014

Note 36. Issuance of securities made in the reporting period

In the reporting period, any issuance of the securities was not carried out.

[Note 37. Differences between financial results shown in the report and these previously expected.](#)

In 2011, the company SIMPLE S.A. did not publish any financial forecasts.

[Note 38. Agreement binding the members of the Management Board and Supervisory Board and related persons](#)

Pursuant to the information hold by SIMPLE S.A. as at 31.12.2011 the members of the Management Board and Supervisory Board or their spouses, relatives and kinsmen to the second generation, their adopted or adopting and other persons to who they are related personally did not have any unpaid advance payments, loans or other agreements obligation to any benefits in favour of the Company or its related entities and subsidiaries granted by the Company or its subsidiaries or related entities.

[Note 39. Other transactions with members of the Management Board and Supervisory Board](#)

On 20 July 2010 the lease agreement for the car was made by the President of the Management Board Bogusław Mitura and SIMPLE S.A., from 20th July for non-specified period of time.

On 1 October 2010, the agreement for using the number of the mobile phone of PLUS GSM for non-specified period of time is made between the President of the Management Board Bogusław Mitura and SIMPLE S.A.

On 6 June 2011 the car rent agreement for non-specified period of time is concluded between Simple S.A. and the Deputy President of the Management Board Przemysław Gnitecki.

[Note 40. Information on agreements concluded between the shareholders and insurance contracts](#)

As at the date of this report, the Management Board of the Group has no information on agreements between the shareholders.

Simple S.A. concluded for 2011 the Insurance Contract for 8 M against the Third Party Liability and Insurance Contract for the entire property of the Company.

In 2011 Simple Locum entered into the Insurance Contract for the real property and Insurance Contract for the entire property of the Company

[Note 41. Agreements, which may change the shareholding of the owners](#)

According to the information and knowledge of the Management Board of the Group SIMPLE there are no agreements which may cause the changes in the proportions of possessed shares by the current shareholders.

Note 42. Information on granted and received warranties and guarantees.

In the reporting period the Company did not grant and receive any warranties and guarantees.

On 30 December 2010 SIMPLE S.A. granted the aval to the subsidiary SIMPLE CPS Sp. z o.o. for the amount 77,500 PLN.

On 30 December 2010 Simple S.A. granted the performance guarantee for the agreement No. 48 10201042 0000 8396 0063 0897/2010 in favor of UHC Spółka z o.o., ul. Do Dysa 9, 20-149 Lublin. This guarantee is valid to 29 December 2013.

Note 43. Composition of the Capital Group

SIMPLE S.A. is the parent company of the Group. The consolidation, except of SIMPLE S.A. includes also subsidiaries. The data of the subsidiaries as of 31st December 2010 are as follows:

Entity's name	Registered office	Method of consolidation	Date of taking up control	Amount of shares acc. to purchase price	% of held capital and votes at
SIMPLE LOCUM	Warsaw	Full	2006	2 669	100%
SIMPLE CPS	Warsaw	Full	2006	30	100%
BAZUS SP. Z O.O.	Lublin	Full	2011	1 405	75,5%

SIMPLE S.A. holds shares in the Company SOFTEAM SP. Z O.O. The value of the shares at the purchase price is 53 k PLN that constitutes 50.24% of the share capital of the Company and 25.18% of votes at the General Meeting of Owners. This company is not a subject of consolidation because SIMPLE S.A. does not have any control over this Company and any influence on the financial policy of this Company. It is not entitled to appoint and recall the members of the management board or managing authority.

SIMPLE S.A. holds also shares in the Company SIMPLE SP. Z O.O. in Dąbrowa Górnicza. The value of the shares at the purchase price is 9.7 k PLN that constitutes 19.51% of the share capital of the Company and the same number of votes at the General Meeting of Shareholders. This company is not a subject of consolidation because SIMPLE S.A. does not have any control over this Company and any influence on the financial policy of this Company. It is not entitled to appoint and recall the members of the management board or managing authority.

Note 44. Information on paid dividend, in total and per share.

Pursuant to Art. 393 par. 1 and Art. 395 and 2 par. 1 of the Code of Commercial Companies, the General Meeting of Shareholders under the name SIMPLE S.A. by the Resolution No. 10 of the Ordinary General Meeting of the Company under the name SIMPLE S.A. of 27 June 2011 approved the financial statement for 2010 of Simple S.A.

Pursuant to Art. 395 and 2 par. 2 of the Code of Commercial Companies and under § 6 sec. 5 point c) of the Articles of Association, the Ordinary General Meeting of Shareholders of the Company under the name SIMPLE S.A. by the Resolution No. 13 of the Ordinary General Meeting of the Company under the name SIMPLE S.A. of 27 June 2011 stated to designate the Company's profit for the current year from 1 January 2010 to the 31 December 2010 in the amount 2,058,600.36 PLN to the supplementary capital of the Company.

Pursuant to Art. 393 par. 1 and Art. 395 & 2 item 1 of the Code of Commercial Companies, the Ordinary General Meeting of Shareholders of SIMPLE LOCUM Sp. z o.o. by the Resolution No. 3 of the Ordinary General Meeting of Simple Locum Sp. z o.o. of 29 June 2011 approved the financial statement for 2010.

Pursuant to Art. 395 and 2 item 2 of the Code of Commercial Companies, the Ordinary General Meeting of SIMPLE LOCUM Sp. z o.o. by the Resolution No. 5 of the Ordinary General Meeting of Shareholders of Simple Locum Sp. z o.o. of 29 June 2011 stated to cover the Company's loss for the current year from 1 January 2010 to the 31 December 2010 in the amount 92,320.63 PLN from the supplementary capital of the Company.

Pursuant to Art. 393 item 1 and Art. 395 & 2 item 1 of the Code of Commercial Companies, the Ordinary General Meeting of Shareholders of SIMPLE CPS Sp. z o.o. by the Resolution No. 3 of the Ordinary General Meeting of Simple CPS Sp. z o.o. of 29 June 2011 approved the financial statement for 2010.

Pursuant to Art. 395 and 2 item 2 of the Code of Commercial Companies, the Ordinary General Meeting of SIMPLE CPS Sp. z o.o. by the Resolution No. 5 of the Ordinary General Meeting of Shareholders of SIMPLE CPS Sp. z o.o. of 29 June 2011 stated to cover the Company's loss for the current year from 1 January 2010 to the 31 December 2010 in the amount 1,717.49 PLN from the share capital of the Company.

3. Report of the Supervisory Board on the business activity of SIMPLE Group for 2011

3.1. INFORMATION ON THE CAPITAL GROUP

The registered office of the parent company SIMPLE S.A. is located ul. Bronisława Czecha 49/51 in Warsaw. The legal form of the parent company is Spółka Akcyjna, established as a result of transformation of the Company SIMPLE z ograniczoną odpowiedzialnością under the notary deed prepared by the Public Notary Anna Chłestowska on 6 June 1997 (Rep. A-3549/97). The Company was registered in the National Court Register by the District Court for the capital city Warsaw, 13th Commercial Department, under KRS number 0000065743. The basic scope of the parent company's activity pursuant to the Classification of Polish Business Activity (PKD) is the activity in the field of software. The Company's activity belongs to IT.

SIMPLE S.A. has conducted its activity in the field of the IT and distribution of computer software since November 1988. It started its business activity as Spółka z ograniczoną odpowiedzialnością. In 1997 it changed its legal form into Spółka Akcyjna. It is a manufacturer of computer software for the entities of all sectors. The additional business activity is distribution of the computer hardware.

As at this report date the Group consists of:

- SIMPLE LOCUM SP. Z O.O. – 100%
- SIMPLE CPS SP. Z O.O. – 100%
- BAZUS SP. Z O.O. – 75,5%

1. SIMPLE LOCUM SP. Z O.O. seated in Warsaw, ul. Bronisława Czecha 49/51. SIMPLE S.A. Company on 24 March 2006 under the notary deed (Rep A No. 1726/06) in the presence of the Public Notary Urszula Statkiewicz-Wysocka established the new company under the name SIMPLE LOCUM. SIMPLE S.A. has a full control over this Company by acquisition of the shares in exchange for transfer of real estate as the contribution in a form of notary deed (Rep. A No. 1829/06) on 29.03.2006. The value of acquired shares is 2,669 k PLN. It holds 100% of votes at the General Meeting. The basic scope of activity of SIMPLE LOCUM SP. Z O.O. pursuant to the Classification of Polish Activity (PKD) is rental of real estate at its own account. SIMPLE LOCUM SP. Z O. O. is the owner of the office building in Warsaw, ul. Bronisława Czecha 49/51. The total building is rented for the needs of SIMPLE Group.

2. SIMPLE CPS SP. Z O.O. seated in Warsaw ul. Bronisława Czecha 49/51. The Company's activity started under the name SIMPLE INVEST SP. Z O.O. established on 25 October 1999 under the notary deed (Rep A No. 5653/99) in the Public Notary's Office in Warsaw in the

presence of the Public Notary Anna Chelstowska. On 1 August 2002 the name of the company was changed into INVEST SL SP. Z O.O. under the notary deed (Rep A No. 6624/20025) in the Public Notary's Office in Warsaw in the presence of the trainee notary Wojciech Szczyrkowski, the deputy of the Public Notary Dorota Kałowska. On 15 June 2004 the name of the company was changed into SIMPLE CPS SP. Z O.O. under the notary deed (Rep A No. 7373/2004) in the Public Notary's Office in Warsaw in the presence of the trainee notary Wojciech Szczyrkowski, the deputy of the Public Notary Dorota Kałowska. The value of acquired shares pursuant to the purchase price is 30 k PLN. As at 31 December 2007 the impairment allowance was made amounting to 14 k PLN and the carrying amount of the shares is 16 k PLN. SIMPLE S.A. holds 100% of votes at the General Meeting. The basic scope of activity of SIMPLE CPS SP. Z O.O. pursuant to the Classification of Polish Business Activity (PKD) is the editing activity in the field of software. The Company did not conduct any trade activity and did not issue any invoices in 2010.

3. Bazus Sp. z o.o., seated in Lublin ul. Wolska 11. The private partnership named HIGHCOM Spółka cywilna acting under the Articles of Association concluded on 9 April 1996, changed by the annexes dated: 12 March 1997, 30 August 1997 and 31 December 2010 between Hubert Daniel Abramiuk and Michał Paweł Abramiuk, was transformed under Art. 571 and subseq. in relation to Art. 551 of the Code of Commercial Companies into the limited liability company under the firm: Bazus Spółka z ograniczoną odpowiedzialnością.

The consolidation excludes the related entities:

- SOFTEAM SP. Z O.O. – 25,18%
- SIMPLE SP. Z O.O. – 19,51%

1. SOFTEAM SP. Z O.O. seated in Warsaw, ul. Łopuszańska 53, registered on 5 June 2001 in the District Court for the capital city Warsaw in Warsaw, 20th Commercial Department of the National Court Register, under KRS number 0000013271. On 29.06.2005 the name of the company was changed from SIMPLE EXPERNET SP. Z O.O. into present SOFTEAM SP. Z O.O. The value of taken up shares as at 30 June 2006, pursuant to the purchase price is 53 k PLN that constitutes 50.24% of the share capital and 25.18% of votes at the General Meeting of Shareholders.

2. SIMPLE SP. Z O.O. seated in Dąbrowa Górnicza ul. Cieplaka 19, registered on 24 December 2002 in the National Court Register under KRS number 0000108452 in the District Court in Katowice, Commercial Department of the National Court Register. The date of first registration was 31 May 1991 under the number RHB 6610. The value of taken up shares is 9.7 k PLN, that constitutes 19.51% of the share capital and the same amount of votes at the General Meeting of Shareholders.

In these companies SIMPLE S.A. holds less than half of votes together with other investors, is not able to manage the financial and operating policy of these entities under the Articles of Association or agreement, is not entitled to appoint and recall the members of the management board and does not hold the majority of votes and the Meetings of the Management Board or Supervisory Board.

Information on relationships between the legal predecessor and the issuer

SIMPLE SPÓŁKA AKCYJNA was established from transformation of Spółka z ograniczoną odpowiedzialnością basing on the statement on financial position prepared as of 11 June 1997 with the amount of 3.286 k PLN in assets and liabilities under the decision of the shareholders (basing on Art. 497 of the Commercial Code). Spółka Akcyjna which arose after transformation acquired all Assets and Liabilities of the previous company.

DESCRIPTION OF THE CHANGES IN THE ARTICLES OF ASSOCIATION OF THE PARENT COMPANY

The change of the Articles of Association, including adopting the resolutions on increasing or decreasing the share capital is the competence of the General Meeting under the principles specified in the Art. 430 and subsequent of the Commercial Companies Code including the provisions of the Acts on: public offering and the conditions for introducing the financial instruments to organized trading system and on public companies, on trading the financial instruments and on supervision on the capital market.

Pursuant to § 9 sec. 1 of the Articles of Association the resolution of the General Meeting on the changes in the Articles of Association are adopted by the majority of 3/4 votes.

DESCRIPTION OF GENERAL MEETING OPERATION AND ITS BASIC RIGHTS AND RIGHTS OF THE SHAREHOLDERS AS WELL AS THEIR EXECUTION.

The General Meeting is the highest entity in the Company. It operates pursuant to the law and principles specified by the Articles of Association as well as pursuant to the SIMPLE S.A. General Meeting Regulations accepted by the General Meeting, specifying the organization and course of such Meetings. The General Meeting of Shareholders is convened in an ordinary and extraordinary manner. The Ordinary General Meeting should take place within six months after every fiscal year ended. The Ordinary General Meeting is convened by the Management Board. The Extraordinary General Meeting is convened by the Management Board if needed, or under the request of the Supervisory Board or Shareholder representing at least one tenth of the share capital. Convening the Ordinary General Meeting should be performed within 14 days after the request. The application for convening the Extraordinary General Meeting of Shareholders should contain the issues, which should be introduced in the agenda. The General Meeting may be held and may adopt the resolutions without the formal convening, if the total capital is represented and nobody raises a veto regarding the convening or agenda. In case of veto regarding the convening the General Meeting the resolution may be adopted by the usual majority of votes regarding the convening the Extraordinary General Meeting. The resolutions of the General Meeting, except of other issues, specified by the Commercial Companies Code or Articles of Association, require:

- Considering and approving the report of the Management Board on the Company's business activity and the financial statement for the previous

fiscal year and granting the vote of acceptance to the Company's bodies for the discharge of their duties,

- Considering and approving the financial statement of the Capital Group of the Company in the terms of the Accounting Act,
- Decision on the profit distribution or loss coverage, to dispose or lease the company or its organized part and to establish the limited property right,
- To purchase or dispose the real estate or share in real estate of the value exceeding the amount of the Company's assets presented in the last audited statement of financial position, appointment and recalling the members of the Supervisory Board,
- Provisions considering claims of damage caused during the Company establishment, management or supervision,
- Changes in the Articles of Association,
- To increase or decrease the share capital,
- To establish and dismantle the special funds,
- To issue the shares convertible bonds or senior bonds,
- To set the remuneration for the members of the Management or Supervisory Board,
- To dissolve the Company,
- To elect the liquidators,
- Amortization/depreciation of shares and its conditions,
- To acquire the treasury shares in the case specified in the Art. 362 § 1 par. 2 of the Commercial Companies Code.

The Management Board should previously present the all issues brought to the General Meeting to the Supervisory Board. Shareholder or shareholders, who want to submit the request on the Company's matters to the General Meeting, should submit it in written to the Management Board, which will present it with its opinion to the Supervisory Board. The Supervisory Board is entitled to assess, at its own discretion, whether or not the relevant request of the Shareholder or Shareholders will be submitted to the agenda of the General Meeting, but the request submitted in the proper term by the shareholders holding jointly not less than one tenth of the share capital has to be included to the agenda of the nearest General Meeting. The Shareholders can participate in the General Meeting individually or by proxies. The power of attorney to participate in the General Meeting and to vote should be made in written or otherwise being invalid and should be attached to the minutes. The General Meeting is able to adopt the binding resolutions notwithstanding the number of presented shares and the amount of the capital, unless the provisions of the Commercial Companies Code or this Articles of Association state otherwise. The resolutions concerning the issue of shares, issue of convertible bonds and senior bonds, depreciation of shares, decrease of the share capital, disposal of the company or its organized part, changes of the Articles of Association and dissolving the Company are adopted under the majority of 3/4 votes. Other resolutions of the General Meeting of Shareholders are passed with an absolute majority of votes, and in cases where the Commercial Companies Code requires the qualified majority of votes, with the majority required by the Commercial Code. The

resolution on the change of the subject of the business activity adopted by the majority of 2/3 votes at the presence of the Shareholders presenting half of the share capital is effective and does not cause the obligation to buyout the shares of these Shareholders, which do not agree on that change.

The detailed course of the General Meeting is specified by the Regulations of the General Meeting, which is available on the website: www.simple.com.pl, in the folder Investor's relations.

MANAGEMENT BOARD OF THE PARENT COMPANY

The Management Board acts under the provisions of the Commercial Companies Code and the Articles of Association and the Regulations adopted by the Management Board. The Management Board manages the total business activity of the Company and represents the Company. The first Management Board is appointed for two years, and then for three years. Jointly two Members of the Management Board or the Member of the Management Board and proxy are entitled to submit the statements in the field of property rights and duties of the Company as well as to sign documents. The principles of the Management Board operation specifying the type of matters requiring the resolution are described in the Regulations adopted by the Management Board. Adopting the regulations and their change requires the presence of all Members of the Management Board and the majority of 3/4 votes. The resolutions of the Board are adopted by the absolute majority of votes. In case of equity of votes, the President's vote is decisive. The Management Board is entitled to take all decisions not reserved by the competences of other Company's bodies. The Management Board is obliged to manage the property and issues of the Company with due diligence required in the trading, comply with the law, regulations of this Articles and Resolutions adopted by the General Meeting and Supervisory Board within their competences.

The Management Board's meetings are convened by the President or substituting for the President the 1st Vice-President or Vice-President of the Management Board. The persons convening the meeting should inform the members of the Management Board on the meeting at least 3 days in advance in written or by e-mail. In case of emergency, the President or substituting for the President 1st Vice-President or Vice-President of the Management Board may order other way and term of notifying the Members on the date of the meeting.

Resolutions of the Management Board are passed by majority of votes. The Management Board is deemed as to be able to adopt the resolutions in case when although each member was efficiently notified on the meeting within the period of time enabling to be present, but the half of the total number of members is present on the meeting. The Management Board's meetings are held in the Company's registered office or in other place appointed by the President or Vice-President.

The Regulations of the Management Board determines in details the procedure for convening the Management Board's meetings, way of passing the resolutions including voting and making the minutes and the scope of matters for which the Management Board is entitled to pass the resolutions. Pursuant to the Regulations, the Management Board is obliged, within the period of time enabling to express the opinion on these documents, to

prepare and submit to the Supervisory Board the financial statement and report on business activity for the previous fiscal year.

The Regulations of the Management Board is available on the website of SIMPLE S.A.: www.simple.com.pl

As at 3 December 2010 the composition of the Supervisory Board and the Management Board of SIMPLE S.A. was as follows:

Bogusław Mitura	– President of the Management Board
Przemysław Gnitecki	– Vice President of the Management Board
Michał Siedlecki	– Vice President of the Management Board

In the period from 1 January 2011 to 31 December 2011 there have not been any changes in the composition of the Management Board of Simple CPS Sp. z o.o.

As at 31 December 2011 the composition of the Supervisory Board and the Management Board of SIMPLE S.A. was as follows:

Bogusław Mitura- President of the Management Board

PhD, Engineer.

A graduate of the Warsaw University of Technology- Institute of Organization and Management and the Doctor Studies at the Warsaw University of Technology in the field of the Organization and Management. Specialist in the field of designing the IT systems. Within 1979-1984 he worked in the industry, among others in the Scientific and Production Center for Small Aviation [Centrum Naukowo-Produkcyjne Samolotów Lekkich] and Machinery Industry Organization Institute [Instytut Organizacji Przemysłu Maszynowego], where he managed the IT projects. Within 1984-1996- scientific worker in the Institute of Organization and Management of Warsaw University of Technology and in the Faculty Organization and Economics of Enterprises of Warsaw University of Life Sciences. Within 1992-1994- Director and the Chief Executive in InterArms Sp. z o.o. Within 1994-2007 co-founder and Vice President of ABG S.A. Since 2007 the financial investor trading in IT market.

Przemysław Gnitecki- Vice President of the Management Board

He graduated the Mathematic and Information Faculty of Breslau University.

The course of the professional work:

1995-1997 MIS Sp. z o.o. - Employed as an analyst-programmer

1998-2000 Sycomex Polska- employed as an analyst- C/C++ programmer

2000-2001 Finexa Inc- employed as Java/Oracle Developer/Release Manager

2001-2005 ABG Sp. z o.o. - Employed as a main “architect”. He was the main “architect” and one of the main creators of IACS system- including the union funds directly to the farmers.

2005 – 2006 ABG S.A. - Employed as a Director of Professional Services
2006 – 2009 ABG S.A. - Employed as a CTO (Chief Technology Officer)
2007-2008- Innovation and Information Society (Research and Development Center of ABG)- he held a position of the President of the Management Board.
Since 2008 he holds a position of the Member of the Management Board Vedia S.A. (listed at NewConnect). He does not appear in the Polish Registry of Insolvent Debtors conducted under the Act on National Court Register.

Michał Siedlecki-Vice-President of the Management Board,

He graduated the Faculty of Mechanics at Warsaw University of Technology in the Institute of Organization and Management.

Within 1983-1988 he was employed in the following companies:

1982-1987- Machinery Industry Organization Institute- as the senior assistant

1987-1988- "InterArms II" Sp. z o.o. as the system designer

Co-founder and shareholder, in the Company was employed as the Chief Designer of Systems.

Within 1992-1997 a member of the Management Board responsible for development.

After 1997 he came back to the position of the Chief Designer of Systems and handled with creation of the basic product of the company- SIMPLE SYSTEM V.

Since June 2006 he held a position of the Vice President of the Management Board of SIMPLE S.A. responsible for the development of SIMPLE products.

In December 2007 he was appointed for a position of the President of the Management Board.

From January to July 2009 he held a position of the Vice President of the Management Board of SIMPLE S.A. and from July 2007 to January 2010 he was an adviser of the Management Board.

APPOINTMENT AND RECALL OF THE PROXY OF THE PARENT COMPANY

In the period 01.01.2010 to 31.12.2011 the position of a proxy was held by Regina Kuliś.

THE DESCRIPTION OF THE PRINCIPLES CONCERNING APPOINTING AND RECALLING THE MEMBERS OF THE BOARD AND THEIR RIGHTS.

Pursuant to the Articles of Association and par. II of the Management Board's Regulations, the Management Board consists of 1 to 5 members, including the President, Vice-President and members. They are appointed for joint term of office, which lasts 3 years. Pursuant to § 15 sec. 1 item 2 of the Articles of Association of SIMPLE S.A. the Members of the Board are appointed and recalled by the Supervisory Board. Pursuant to the Articles of Association and the Management Board's Operation Regulations, the Management Board is entitled to take all decisions nor reserved by the competences of other Company's bodies. The Management Board is obliged to manage the property and issues of the Company with due diligence required in the trading, comply with the law, regulations of this Articles and Resolutions adopted by the General Meeting and Supervisory Board within their competences. The Regulations of the Management Board is available on the website of SIMPLE S.A.: www.simple.com.pl, folder Investor's relations.

The members of the Management Board are not entitled to take the decision on issuance or buyout of the shares.

SUPERVISORY BOARD OF PARENT COMPANY

The Supervisory Board acts under the provisions of the Commercial Companies Code, Articles of Associations and Regulations of the Supervisory Board. The Supervisory Board is composed of five to eight Members elected by the General Meeting. The members of the first Supervisory Board are appointed for 1 year. The next members are elected for the three years term of office. The seats of the Members of the Supervisory Board expire with the lapse of the term of office of the Supervisory Board, which composition was elected, as of the date of the General Meeting, approving the financial statement for the previous fiscal year of holding the position of the Member of the Supervisory Board. The Members of the Supervisory Board may be re-elected. The Supervisory Board elects the Chairman, Deputy Chairman and Secretary from among its members. The Members of the Supervisory Board may be only the natural persons.

The independent member of the Supervisory Board is the person meeting the following conditions:

- This person cannot be Simple related Entity, Entity related to the Parent company of Simple or subsidiary of Simple and the subsidiary of Simple in the meaning of the Act on trading the securities,
- This person cannot be relative or relative to the second degree of the Simple's employee or the Entity belonged to Simple.

The Chairman convenes the meetings of the Supervisory Board and he chairs the meeting, in case of his absence- Deputy Chairman. The meetings of the Supervisory Board are held at least one per quarter. The convening of the Supervisory Board's meeting from the Management Board's initiative may occur upon its request submitted to the Chairman or Deputy Chairman. In such case, the meeting of the Supervisory Board should be held at least within 14 days from the date of request. In the periods between the meetings of the Supervisory Board. The Chairman represents the Board towards the Management Board, and in case of his longer absence, the Deputy Chairman or other Member authorized by the Board perform this duty.

The resolutions of the Supervisory Board are valid when all members of the Board were notified on the date of the meeting in a manner specified by the Regulations. The Supervisory Board is entitled to adopt the important resolution in the presence at least 3/4 of elected composition of the Board. The resolutions of the Supervisory Board are passed by the absolute majority of votes present at the meeting and in case of equity of votes the vote of the Chairman is decisive.

The members of the Supervisory Board can participate in adopting the resolutions by voting in written or by the virtue of other member or using the communication at the distance.

The competences of the Supervisory Board include:

- Passing the regulation of work of the Supervisory Board,
- Appointing and recalling the President and other members of the Management Board,
- Constant supervision on the Company's business activity in all fields,
- Assessment of the report of the Management Board on business activity and financial statement for the previous year regarding the compliance with the records and documents as well as the actual state and the applications of the Board concerning the profit division or loss coverage and also submitting to the General Meeting of Shareholders the annual written statement on the results of such assessment,
- Determining the principles and amount of remuneration for the members of the Management Board,
- Expressing the opinion on requests and matters to be passes at the General Meeting,
- Suspending, because of important reasons, in the activity the particular or all members of the Board and also appointing the members of the Supervisory Board for the period not longer than 3 months, to temporary duties of the members of the Board, who are not able to perform their duties.
- Electing the statutory auditor to audit the annual statement on financial position,
- approving the annual financial plans.

In order to perform its duties the Supervisory Board is entitled to review all Company's documents and to require from the Management Board and employees the statements and explanations as well as to perform the revisions of the Company's property. The meetings of the Supervisory Board are held under the terms and manner specified in the Regulations of the Supervisory Board.

The Regulations of the Supervisory Board is available on the website of SIMPLE S.A.: www.simple.com.pl www.simple.com.pl

Within the period from 01.01.2010 to 31.01.2010 the Supervisory Board was composed of five persons:

- Elżbieta Zybert- Chairman of the Supervisory Board
- Józef Taran- Deputy Chairman of the Supervisory Board
- Andrzej Bogucki- Secretary of the Supervisory Board
- Marta Joanna Adamczyk- Member of the Supervisory Board
- Jacek Kuroś- Member of the Supervisory Board

Within the period from 01.01.2010 to 31.01.2010 the Supervisory Board was composed of five persons:

- Adam Wojacki- Chairman of the Supervisory Board
- Józef Taran- Deputy Chairman of the Supervisory Board
- Andrzej Bogucki- Secretary of the Supervisory Board
- Adam Leda -Member of the Supervisory Board
- Arkadiusz Karasiński- Member of the Supervisory Board
- Paweł Zdunek- Member of the Supervisory Board

COMPOSITION OF THE AUDITING COMMITTEE OF THE PARENT COMPANY

The Supervisor Board of SIMPLE S.A. appointed under the resolution No. VII/7/2011 on 8 December 2011 the Audit Committee with the following composition:

- Józef Taran
- Adam Leda
- Andrzej Bogucki

SHARES AND SHAREHOLDING STRUCTURE OF THE PARENT COMPANY

SIMPLE S.A. issued 2,003,904 shares of the nominal value 1.00 PLN, including 189 000 preference voting shares in proportion 1 to 5. In 2011 2,755 shares were redeemed and as a result as at the end of period 2,001,149 shares remained.

CHANGES IN THE BASIC MANAGEMENT PRINCIPLES OF THE PARENT COMPANY

The year 2010 was the next year of changes for SIMPLE Group aimed at increasing the efficiency of the Company's actions. The basic changes in the management principles were as follows:

- Implementation of the budgeting and settlements of the results achieved by the departments
- The change of the sale organization consisting in forwarding the responsibility for the sale results of manufactured products and provided services to the particular departments.
- The changes following the acquiring the major block of shares in Bazus Sp. z o.o.

3.2. CHARACTERISTIC OF BUSINESS ACTIVITY

Products and services of the Group

The basic subject of activity is the business activity in the field of production and sale of IT software for the enterprises of all sectors and the distribution of the computer hardware. SIMPLE LOCUM Sp. z o.o., being one of three subsidiaries deals with rental of real property at its own account. SIMPLE CPS Sp. z o.o. conducts the editing activity in the field of

software. Bazus Sp. o.o., acquired in 2011, specializes in creating the software supporting the management and administration of school operation.

The activity of the Capital Group focuses on implementation of dedicated systems supporting the management of enterprises. This offer includes the creation and sale of software, implementation, training and operation services, sale of hardware and IT, technical and business counselling. The Capital Group Simple addresses its offer mainly to medium and big enterprises using the own products or partner companies. The Company performs also the software upon the individual order. Solutions of the Capital Group Simple are flexible that allows to address them to enterprises of many branches.

The basic products and services offered by the Capital Group Simple are as follows:

ERP SOLUTIONS:

ERP Solutions are the Enterprise Resource Planning Systems. It is a group of integrated IT systems, collaborating by modules, which combine all traditional management and administrative functions in the enterprise.

ERP systems are used both in production enterprises of various types and non-production enterprises.

SIMPLE.ERP is a basic position in the offer. It is the integrated IT system providing the consistent and comprehensive service of economic process in the full scope of activity. It includes the processes taking place in:

- Enterprises with various profiles of activity (production, construction, services, trade);
- High schools;
- Medical units;
- Research institutes;
- Government units.

The important features of this system are openness and flexibility, which are result of application of commonly accepted standards and interfaces. This system integrates with any other branch solutions (e.g. systems in medical units, dean's office systems, production dedicated systems and industrial controlling systems) very easily. In 2011 the modernized version 6.0.c was introduced into the market providing many new functions and technological solutions. SIMPLE.ERP is fully compatible with the provisions and standards of accounting (including IAS). This system consists of many so called functional areas, where each is responsible for other aspect of enterprise operation. The functional areas available in SIMPLE.ERP are as follows: Finance and Accounting Simple.ERP, Non-current Assets Simple.ERP, Simple.ERP Goods Management, Personnel Simple.ERP, Production Process Simple.ERP and Simple.ERP Projects Budgeting. Simple.ERP is fully integrated with other products of the Capital Group's offer: SIMPLE.BI, SIMPLE.CRM, eSIMPLE.KARO HRMS and SIMPLE.APS

Finance and Accounting Simple.ERP

The functional area of Finance and Accounting Simple.ERP allowing to the direct access to the current financial data of the company is a perfect toll to manage the finances of the entity, integrating all financial data and information referred to the efficiency of realized business processes. It supports the accounting pursuant to the requirements of the updated legal regulations and the service of book records improving the efficiency of the accounting departments.

Non-current Assets Simple.ERP

The functional area Non-current Assets Simple.ERP enables the efficient support of the non-current assets management by the full control over the registration of all changes related to the assets and their history. Use of IT tools in the recording assets in terms of volume and value allows to reduce costs and to improve the assets management process.

Simple.ERP Goods Management

Simple.ERP Goods Management is a functional area supporting comprehensively all processes in various stages of goods management of the entity. It supports the purchase and sale processes: both domestic, export and intra EU and the management of own and third parties' warehouses. Its flexibility allows to reflect all business processes of the production, service and trade companies and the public sector enterprises in SIMPLE.ERP system. Simple.ERP Goods Management facilitates work of the companies acting in one location as well as multi-branch companies with a dispersed structure.

Personnel Simple.ERP

A functional area Personnel Simple.ERP provides the opportunity to keep in one place all information on employees required by the law as well as the internal needs of the company. These data may be static or be calculated by the definable algorithms. The flexible mechanism of defining, based on the recognized system of formulas are the power of this area. It is equipped with several options allowing to search persons, create the reports with their data as well as enter or import these data from external files in a very quick manner. This programme contains also the export data option tp the electronic banking programmes, ZUS, PFRON, revenues offices and to the individual employees, e.g. in a form of payment slip in an electronic form.

Production Process Simple.ERP

The functional area of Production Process Simple.ERP is designated to manage the processes related to the technical preparation, planning and performance of the production. It allows defining the production schedules, technological processes, production orders and production progress records. Production Process Simple.ERP is a tool ensuring the standardization of the production tasks (service of applicable technologies), detailed production planning, purchase of raw materials and materials planning, control and recording of the real course of production processes (order service) and the possibility to catch and control the manufacturing cost.

Project Budgeting Simple.ERP

Simple.ERP Project Budgeting is a functional area designated for the project managers and managers, supporting the processes of budgeting and settlement of project. Software of SIMPLE provides the updated information on the enterprise condition in a real time from many aspects. It is fully integrated with the software to manage the projects: Microsoft® EPM/MS Project. It is possible to track the results of the company and the reaction into the change from any place due to the controlling portal SIMPLE.BI.

SIMPLE is a recognized signs of wide family of IT solutions supporting the management of the following areas: finance, goods management, personnel, construction process, production, supply chain or relationships with clients. From more than 20 years SIMPLE S.A. has been providing the specialized services of integration of IT solutions and business consulting. The Company, basing on its own experience offers the solutions, which were created basing on the knowledge obtained from the several successful implementations of IT systems. These solutions include the specific requirements of the enterprises in the several branches allowing the efficient management in the stronger and stronger competition.

Under SIMPLE solutions there are three systems, based on the basic SIMPLE.ERP product, dedicated to the following branches: construction, production, medical, education and research institutes.

SIMPLE.BUD is a system, which was created under SIMPLE.ERP base and includes solutions dedicated to the construction companies. It supports the full service of contract performance process, starting from offer and cost valuation through budgeting, register of contracts and record of achievements to the controlling and final settlement of the investment. The rich set of solutions of SIMPLE.BUD system and experience gathered by the Company during the implementation of such solution cause that the Capital Group Simple expands its activity in the field of providing the IT solutions for construction companies with a success. Awarding European Medal to the Company in the 2010 contest edition is a proof of the high quality of the product SIMPLE.BUD.

SIMPLE.PROD is an extended system implemented in 2008 designated to support the production process operation with particular consideration of the operation of technology and production orders. The software in a real time provides the updated information on stocks, statuses of the production processes, current sales, purchase and finances. Due to the extended mechanisms of tracking a lot, providing the numbers of lots and series, numbers of laboratory tests, this system supports the quality management systems. SIMPLE.PROD improves the planning and settlement of production, calculation of normative costs and technical costs of manufacturing and making schedules of timework according to Just-in-Time idea. The solution of Simple S.A. is also helpful in customer's service and efficient monitoring of its needs and order's performance. In 2009 two more functions of production planning, product structure review and service of embedded technologies and settlement of timework in a real time have been added. Jointly 25 updates of the system implementing new functions and providing the compliance with the applicable year are issued per year. In the near future the SIMPLE.PROD system will be optimized regarding the schedule of production and the mechanism to automation of the production record will be added.

SIMPLE.MED is a software for the health care institutions designated to support the service of administrative part of the medical unit with particular consideration of the service of financial processes, control of costs, budgets and timework of employees. The possibility to define the schedule of works and finances supports the management of purchase and helps to define the terms of reference. The developed system of reporting enables the immediate access to information of any form for the authorized users. The application of innovative technologies enables the integration with medical service systems (white part) and due to this the complete integrated system including the total medial unit is received. The application of SIMPLE.MED enables the management of personnel in such manner that the employees are one integrated team, irrespectively of the held position: administrative, medical or technical. The solution of SIMPLE S.A. is integrated with the specialist system to serve the hospitals. CompyGroup Medical Polska Sp. z o.o. with the system CliniNET is the basic partner of SIMPLE S.A. in this field.

SIMPLE.EDU is an IT system created on the base of integration of SIMPLE.ERP modules and Bazus system produced by Bazus Sp. z o.o. incorporated to the Capital Group SIMPLE S.A.

SIMPLE.EDU is the IT system supporting comprehensively the management of school in the field of educational and administrative processes. This system has an advanced solutions designated to management of the school in the field of service of students and teachers, planning of lessons and their settlements, planning and performance of budgets, control of costs by faculties, types and kinds of studies, carried out research projects, grants and organizational units. The advanced mechanisms of accounting automats allow to settle the costs using the ratios or cost distribution list and to download the parameters from files or internal systems. The total solution is integrated and based on homogeneous work environment. The solution SIMPLE.EDU allows to gather and process information on

students in a efficient manner enabling the improvement of service quality. Thanks to the advanced analytic tools, which are necessary in the decision-taking process, the employees of the school receive the reliable data, when they want . The application of SIMPLE.EDU enables the management of personnel in such manner that the employees are one integrated team, irrespectively of the held position: educational, administrative, or technical.

The solution SIMPLE.EDU dedicated for education has been recognized as the best platform for High Schools and was awarded by Drogowskaz Cyfrowej Polski in category: Sollutions for Schools.

SIMPLE.ERP is the modern IT system supporting comprehensively the management of instutute in the field of science, educational and administrative processes. This system has the advanced solutions designated for management of institute in the field of purchase and demands services, settlement of projects and grants, planning and performance of budgets, cost control at the level of research projects, grants or organizational units. The advanced mechanisms of accounting automats allow to settle the costs using the ratios or cost distribution list and to download the parameters from files or internal systems. The total solution is integrated and based on homogeneous work environment.

APS SOLUTION:

SIMPLE.APS is an integrated tool supporting the work of production planners in the field of consumption of resources, materials and employees. It enables the work without Excel sheets and paper documents. The planning may be performed by several employees in the same time. The results of the work are displayed in the functional diagrams with the indication of bottlenecks to discover the possible conflicts earlier. The program automatically visualizes the effect of change of the input data on the performance of the current production tasks. SIMPLE.APS may be integrated with SIMPLE.ERP in a very simple manner. The additional advantage is the possibility to the use automatic data exchange from the production lines to the program. The benefits of SIMPLE.ASP are as follows improvement of the planning process, increase of revenues and decrease of costs due to optimized production and distribution processes and the possibility of more efficient management of future production of the plant

BUSINESS ANALYSES PLATFORM:

SIMPLE.BI is a solution dedicated not only for managers, but also all persons in the company, whose decisions affect the course of realized processes. It is aimed at provision of necessary information facilitating decision-taking process both strategic and operational. It is guaranteed by the developed mechanisms of data integration gathered in any domain system and the use of OLAP technology and data warehouse. SIMPLE.BI is many-sided, fully integrated platform of Business Intelligence class enabling the creation of classic reporting systems and the corporate solutions supporting the enterprise efficiency management as well. The fast and intuitive interface allowing to obtain desired information

very easily is a feature of this system. The full flexibility of the information presentation manner and the possibility to automate the reports distribution processes is an additional advantage. The free parameterization option allows to adjust SIMPLE.BI to the specific client's needs. The areas supported by SIMPLE.BI are as follows: reports, analyses, planning, budgeting and enterprise efficiency management.

CRM SOLUTIONS:

The Capital Group SIMPLE S.A. bases on the software from partner companies for supplying the solutions for management of customers relationships and management of sale processes. Depending on the needs of the clients, SIMPLE S.A. offers the following products:

- SIMPLE.CRM of Simple Sp. z o.o. from Dąbrowa Górnicza;
- Microsoft Dynamics CRM of Microsoft.

SIMPLE.CRM (Customer Relationship Management)- is an innovative software, which supports the widely-understood strategy of Management of Relationships with Customers on B2B market. The implementation of SIMPLE.CRM software allows to achieve the full efficiency of CRM business strategy in the company. This system allows identifying and assessing the most effective sources of winning the capital, improvement of document flow process, reduction of operation costs and allows to adjust better the offer to the individual needs of the client due to the extended analysis of database.

Microsoft Dynamics CRM 2011 is a fully integrated system to manage the relationships with the customers (CRM). It enables to create and save the clear image of relationships with the customer at every stage, starting from the moment of relationship establishment, through sale and to the post-sale care and service. This system was fully integrated with the popular Microsoft Office Outlook, it cooperates also with other applications of Microsoft Office and Office SharePoint Server 2007. Thank to the cooperation with the commonly used applications of Microsoft Office, Microsoft Dynamics CRM is very effective and flexible solution. The product is available for the user from the www browser, directly in Microsoft Outlook as independent application and also for mobile devices.

HUMAN RESOURCES MANAGEMENT SOLUTIONS:

eSIMPLE.KARO HRMS is a modern internet system supporting the HR management, equipped with many functions meeting the needs of HR departments, personal directors, executing staff and employees. The system automates the HR processes and implements the tool to the HR Management allowing to reduce the costs of HR Department. Moreover it supports the processes related to the recruitment of employees enabling to execute them in a quick and efficient manner. This solution is equipped with the function "workflow" (electronic flow of HR documents), which eliminates paper documents, reduces the time of information flow and introduces the control of their correctness and availability. The automatic functions provide the managers and employees with the proper information. eSIMPLE.KARO.HRMS system enables to reduce the paperwork of the employees affecting

the improvement of company's operation, identification of human capital and possible gaps in its potential and to increase the efficiency of the employees and the control over their results.

SUPPLY CHAIN MANAGEMENT SYSTEM:

In 2007 Simple S.A. was honoured with the subsidy for the performance of the project "IT System for SME to obtain the fixed economic position basing on the participation in supply chains" The result of this project is SIMPLE.SCM.

SIMPLE.SCM is the innovative system of supply chain management. It is an intelligent platform with the open architecture created on the base of modern technologies, where the key role is played by processes. It is classified also to EDI (Electronic Data Interchange) systems, which are aimed at the electronic interchange of data. The system SIMPLE.SCM is a solution for medium and big production, trade and service companies, which have the numerous and comprehensive business relationships with cooperators. The enterprises participating in the electronic data interchange may eliminate repeated checking of data introduction and to fast up and increase the accuracy of such information flow using SIMPLE.SCM. The important element is a safety of sending data therefore before they leave the system they are encoded by one of the strongest cryptographic algorithms available on the market- AES with 256 bites key. SIMPLE.SCM supports the trade processes between many companies and enables the electronic exchange of documents. From the beginning this system was created for the widely understood integration of various IT solutions. A very flexible architecture allows to add the dedicated processed fully adjusted to the company's needs.

DOCUMENT FLOW SYSTEMS:

The Capital Group Simple S.A. implemented to its offer the solutions in the field of electronic flow of documents. These solutions are based mainly on DocuSafe system of COM-PAN System Sp. z o.o., with which the Group Simple S.A. has a strict partner cooperation. The DocuSafe system is fully integrated with SIMPLE.ERP system.

DocuSafe is composed of several functional modules. Starting from the electronic archive of documents, through documents registration and flow system and ending at the document flow system supported by WorkFlow (DocuSafe WorkFlow), the relevant modules complement each other making the cohesive entirety. DocuSafe is a family of products, in which two groups were distinguished. The first group of products dedicated for the needs of public administration authorities. The products from this group include the requirements from the office instruction of Subject Files Index prepared by the Regional Analyses Institute from the Act on electronic signature of 18 September 2001 (Dz. U. of 2001, No. 130, item 1450 as amended) and other legal acts applicable for the public administration entities. The second group of products is dedicated for "business" clients and include the specific of the companies providing huge opportunities in the field of integration with external systems. The

products division into two groups provides the better meeting of various needs and expectations of our Clients.

IMPLEMENTATION SERVICES

The set of services of implementation including the analysis of the client's needs, software configuration, training and post-implementation care accompanies the software of ERP class of the Capital Group Simple. The Company extended the offered services with the business consultancy in the field of ICT infrastructure.

INDIVIDUAL SOLUTIONS:

The substantial and technological competences and experience gathered during the performance of many projects allow the Group SIMPLE S.A. to offer the individual solutions performed in the state of the art IT technologies to its clients. The Company wants to increase the share of the individual solutions for revenues.

3.3. ECONOMIC AND FINANCIAL STANDING OF THE GROUP

DESCRIPTION OF THE BASIC ECONOMIC AND FINANCIAL FIGURES

The balance sum of the Group SIMPLE as at 31 December 2011 is 21,4 M PLN. The share of non-current assets in the balance sum is 45 % and current assets 55 %. The item of intangible assets in the non-current assets increased by 599 k in comparison to December 2010 as a result of amortization of SIMPLE.SCM module. Property, plant and equipment reduced by 351 k PLN. The goodwill increased by 1,079 k PLN. The item of long-term accrued and deferred assets increased due to expenditures for the research and development works. The inventories in the current assets increased by 297 k PLN and there is an increase of receivables by 2,335 k PLN due to the increase of revenues from sale. The cash in the short-term investments decreased.

The non-current assets amount to 9.6 M PLN including:

- 34.70 % intangible assets
- 38.36 % property, plant and equipment
- 11.38% Goodwill
- 0.67% long-term receivables
- 0.65 % investments in related entities and subsidiaries
- 14.24% long-term deferred and accrued assets

The current assets amount to 11.8 m PLN including:

- 2.97 % stocks of goods
- 85.05 % trade liabilities
- 10.52 % cash and cash equivalents

- 1.46 % deferred and accrued assets

The equity of the Group constitutes 56% of the balance sum, long-term liabilities 16.55% and short-term liabilities 27.45% of the balance sum.

The long-term liabilities decreased by 320 k PLN in comparison to December 2010. Provisions decreased by 92 k PLN , in particular for the leave benefits of the employees. The liabilities due to the long-term borrowings decreased by 146 k PLN in comparison to the same period of last year that was caused by the repayment of borrowings. The item of lease payables decreased by 82 k PLN as a result of lease repayment. The credits taken for the fleet decreased by 64 k PLN, but the item of lease increased 92 k PLN. The trade liabilities increased by 629 k PLN as a result of the increase of the tax liabilities and trade liabilities and other liabilities. There was the decrease of the accrued and deferred liabilities as a result of settlement of the received subsidy.

The long-term liabilities amount to 3.5 M PLN including:

- 22.66% provisions
- 60.42% borrowings
- 16.92 % due to lease

The short-term liabilities amount to 5.8 k PLN including:

- 1,60% borrowings
- 6.32 % due to lease
- 63.37 % other liabilities
- 28.71% accrued and deferred liabilities

Finally, the balance sum increased by 2,725 M PLN in comparison to the comparable period of the past year.

STATEMENT OF COMPREHENSIVE INCOME

In 2011, the Group presented the increase of the revenues from sale by 4.2 M PLN in comparison to the comparable period of the past year. The costs of sale were higher by 1.1 M PLN that connects with the increase of revenues from sale. The general administrative expenses slightly increased by 1,097 k PLN. The result of operating activity of the Group presents the profit in the amount 3.6 M PLN in comparison to the profit 2.7 M PLN from the comparable period of the past year. The net result of the Company for 2011 is higher by 718 M PLN in comparison to 2010.

FINANCIAL RESOURCES MANAGEMENT OF SIMPLE S.A. GROUP

The Group SIMPLE manages the financial liquidity and supervises the situation of receivables and liabilities on a current basis. It makes all endeavours to meet the taken financial obligations timely and at the same aims at reducing the costs. It does not have any

overdue amounts in liabilities due to deliveries, taxes and other liabilities. It is of a good financial standing and there are not any threats in fulfilment of liabilities.

SECURING THE RISK OF LIQUIDITY

The current liquidity of the Capital Group is monitored on a current basis. The liquidity analysis bases on specification of the planned revenues and expenses related to the current business activity, investments expenses and other inflows and payments occurring occasionally. The company's liquidity forecast bases on the data from the financial and accounting system and budget plans. The amounts of available assets under the facilities are a subject of analysis and control. Within forecasting and management of liquidity the control includes all changes in the Group's property.

RATIOS

The table below presents some of ratios characterizing the financial condition of the Group SIMPLE as at 31 December 2011 and comparable period of 2010.

Item	Ratio	Method of calculation	2011	2010
1	Return on net assets	$\frac{\text{Net result} \times 100}{\text{Revenues from sales}}$	9,59 %	8,25 %
2	Return on sales	$\frac{\text{Sales result} \times 100}{\text{Revenues from sales}}$	11,50 %	11,43 %
3	Return on net property	$\frac{\text{Net result} \times 100}{\text{Total assets}}$	12,24 %	10,18 %
4	Return on equity	$\frac{\text{Net result} \times 100}{\text{Equity}}$	22,08	20,56
5	Current liquidity	$\frac{\text{Current assets}}{\text{Short-term liabilities}}$	2,81	2,93
6	Cash liquidity	$\frac{\text{Cash}}{\text{Short-term liabilities}}$	0,25	0,53

Net profitability and return on sales ratios show how more profit is carried by the one zlotys in sales.

The financial results show that there are not any assumptions showing the threat for the continuance of the business activity and for performance of the liabilities.

SALES IN 2011

The year 2011 was a good year for the Group. The Group achieved the record-breaking revenues in the amount of 27,303 k PLN that in comparison to 2010 reflects the growth by

more than 18.6 %. The financial results of the Group were also a record. The net profit in 2011 amounted to 2,618 k PLN that constitutes the increase by 37.8% in comparison to last year.

ASSESSMENT OF INVESTMENTS PERFORMANCE

The planned acquisitions of the IT companies from the market are the essential investment goal for 2012.

These investments will be financed mainly from the funds obtained from the planned issue of shares and partially from the own funds.

At present SIMPLE S.A. carries out the issue of shares with the pre-emptive right and issue of subscription warrants convertible into the shares for the preference shareholders. In 2012 the revenues from the issue will amount approx. 4.5 M PLN. These funds will be designated to the acquisition.

The very good financial results of SIMPLE Group in 2011 allowed to accumulate the financial funds, which will be used for planned investment and internal project connected with the change of the system architecture and development of their functionalities.

The Management Board does not see any significant threats related to the performance of investments.

SIGNIFICANT AGREEMENTS FOR THE GROUP

The agreements concluded during the operating activity of the Capital Group of the Issuer, which are significant because of their subject of matter or amount of remuneration:

The sub contracting agreement concluded between SIMPLE S.A. as the subcontractor and "Consortia" Sp. z o.o., having its registered office in Warsaw (KRS No. 0000400009) as the Contractor, concluded in Warsaw on 7 October 2011, which came into force in connection with concluding the agreement between "Consortia" Sp. z o.o., having its registered office in Warsaw (KRS No. 0000400009) as the Contractor and Wojewódzki Szpital Specjalistyczny in Wrocław as the Employer on 20 December 2011; this agreement No. 731 of 20 December 2011 is co-financed with the funds of the European Regional Development Fund within the framework of the Operational Programme Innovative Economy, Priority II Infrastructure of R&D sphere, Action 3.2 Investment related to development of the IT infrastructure for science and the subject of matter of this agreement is the delivery and implementation of systems supporting the administration and science activity and the system supporting analyses and monitoring of the science and medical and management processes with the supply of data gathering infrastructure.

The subject of matter of this Agreement is the performance of the services related by execution and supply of the software (including but not limited to ERP system and budget module) as well as the services related to guarantee services and Service Level Agreement (SLA) for five years. The Issuer shall be entitled to receive the remuneration in the amount of

4,450,000.00 PLN net due to the rendered services. Simple S.A. shall be obliged to pay the following contractual fines for the Contractor:

1. In case of termination of the Agreement by the Contracting Party due to the fault of the Issuer, being a subcontractor- in the amount of 20% of the remuneration due to Simple S.A.;
2. In case of breach the confidentiality clause- in the amount of 10% of due remuneration, except for the situation, when the Contractor is not obliged to pay the contractual fine to the Contracting Party;

Irrespective of the payment of the contractual fines, Simple S.A. may be obliged to pay the compensation, if the incurred loss exceeds the amount of contractual fines. The Agreement was concluded a subject to the condition precedent to have the Contractor and Contracting Party conclude the agreement, which was concluded on 15 December 2011.

The criterion of recognition of this agreement as the significant is its value.

The Agreement concluded between Simple S.A. and CRON Spółka z ograniczoną odpowiedzialnością on 15 September 2011. Under this agreement Cron transferred into SIMPLE S.A. the author's economic rights to the products CRON PLUS and CRON DOS and granted SIMPLE S.A. the exclusive right to provide IT services for the Cron's clients. Owing to the granting of the aforementioned rights SIMPLE S.A. undertook to pay the remuneration including the initial fee in the amount 210,000.00 PLN net, which was settled by the mutual deduction of receivables under the agreement concluded between the Parties on 23 November 2011. Moreover, SIMPLE S.A. as the remuneration for the granted rights under this Agreement undertook to pay the additional remuneration in the amount dependent on the level of sale of Products and Services.

The criterion to recognize this agreement as significant is its subject of matter and the contractor.

Confidentiality Agreement of 30 August 2011 between Simple S.A. and ISH Informatika Kft, having its registered office in Budapest as the Disclosing Party. The subject of matter of this agreement is to regulate the principles of disclosure for the confidential information disclosed by the Disclosing Party to Simple S.A. regarding cooperation of the Parties in the field of IT systems for health care sector. The cooperation between parties is connected with the planned implementation of IT systems and products of the Disclosing Party under the name eMedSolutions HIS, HISCOM middleware, Mobile CIS system and legal protection into the Polish medical services market. Under this Agreement Simple S.A. is obliged to apply the same safety measures to the confidential information disclosed by the Disclosing Party which are applied to its own confidential information. The responsibility of Simple S.A. for breach of the provisions of the Agreement depends on the value of damage incurred by the Disclosing Party directly as a result of proven fault of Simple S.A. The disputes resulting from this Agreement, the parties are obliged to solve in amicable manner

and in case this method is ineffective, the competent entity to resolve such dispute shall be Hungarian Commercial Chamber, having its registered office in Budapest.

The criterion of recognition of this agreement as the significant is its subject of matter.

The Agreement concluded on 24 May 2011 between Simple S.A. and KIM Sp. z o.o in Warsaw as the Employer. The amount of this agreement was 1,177,500.00 PLN (say: one million one hundred seventy seven thousand five hundred zlotys) net, i.e. 1,448,352.00 PLN gross (say: one million four hundred forty eight thousand three hundred fifty two zlotys). The subject of the mentioned Agreement is the delivery and implementation of the Integrated IT Management System of ERP class. The total amount of this agreement is 1,177,500.00 PLN net (say: one million one hundred seventy seven thousand five hundred zlotys) is the sum of the Product value in the total amount PLN 465,140.00 PLN net and the value of the implementation services in the amount of 712,360.00 PLN net.

Pursuant to § 8 sec. 4 of the Agreement, the responsibility of SIMPLE due to lost benefits of the User is excluded. SIMPLE is responsible for the real losses of the User. This Agreement specifies also the limitation of the responsibility of SIMPLE due to its performance to the amount of full remuneration specified in § 4 sec. 2 of the Agreement (total amount of the subject of matter). Validity, interpretation and performance of the Agreement shall be supervised and interpreted pursuant to the proper provisions of the Civil Code and Act on copyrights and relative rights of 4 February 1994 and the Parties of this Agreement are subordinated to the jurisdiction of the common court, having jurisdiction over the registered office of SIMPLE. As a performance bond, the User shall retain the part of the remuneration for performance of works in the particular stages, but the parties agreed that the retaining of the part of the remuneration for the particular stages cannot exceed 10% of the total remuneration of this Agreement, provided that the total retained remuneration cannot exceed 100,000 PLN gross. The retained parts of the remuneration for performance of works in the particular stages shall be immediately returned in the nominal amount upon the final acceptance of the implementation under the Agreement confirmed by signing the Final Acceptance Protocol within 7 days. The order of the implementation works and their performance exceeding the scope specified in the Implementation Works Specification shall not be a reason to retain the payment and suspend the Final Acceptance.

The criterion of recognition of this agreement as the significant is its value.

The Agreement No. ZP/DK-06/11 concluded on 16 May 2011 in Częstochowa between Simple S.A. and Częstochowa University of Technology in Częstochowa. The subject of matter of this Agreement is the delivery and implementation of the Integrated IT Management System for Częstochowa University of Technology of ERP class with the documents flow. This Agreement was concluded as a result of selecting SIMPLE S.A. in the contract award procedure. The time of performance of the subject of matter was agreed in the schedule of works-deadlines - finances, but it cannot be later than 31 August 2012. The remuneration for performance of the subject of matter of the Agreement shall be paid in parts

for performance of the particular stages of the Agreement:” for performance of the initial analysis- the remuneration shall not exceed 5% of the remuneration, for implementation of the systems according to the schedule of works-deadlines- finances prepared and accepted- the remained part of the remuneration. Simple S.A. granted 24 months guarantee for supplied software, starting from the acceptance of the subject of matter stated in the protocol. Irrespectively of the granted guarantee, Simple S.A. ensures so called Technical Assistance within 36 months starting from the date of the final acceptance of the subject of matter. In case of the delay caused by the SIMPLE S.A. and failure to provide the subject of matter to the Employer within the deadline specified in the Agreement, the Company shall pay the Employer the contractual fine in the amount of 0.1% of the gross contractual price for each day of delay, maximum 15% of the gross contractual price. In case the agreement is terminated from the reasons attributable to Simple S.A., the Company shall pay the Employer the contractual penalty in the amount of 15% of the gross contractual price. The Employer may claim the compensation under the general conditions, if the mentioned damage exceeds the amount of the contractual penalty. Simple S.A. undertook to conclude the third party liability insurance agreement due to failure to perform or improper performance of the subject of matter on the amount of 1,000,000.00 PLN.

The criterion to recognize the above agreement as significant is its value- the remuneration for performance of the total Subject of Matter is 1,707,240 PLN gross.

The Partner Agreement No. 110/PAR/2011 concluded on 20 April 2011 between Simple S.A. and LWS Soft Spółka z ograniczoną odpowiedzialnością, hereinafter referred to as the Partner. The subject of matter of this Agreement is to determine the cooperation principles in the field of publicizing (distribution, implementation and service) of Simple S.A. products and conducting any and all related activities, including all activities aimed at advertising of products and identification of the potential clients. Under this Agreement the Partner is authorized to sale the Products of Simple S.A. After Simple S.A. accepts the order submitted by the Partner, Simple S.A. shall grant the Final Customer’s Licence. Simple S.A. undertakes to perform the orders of the partner for the products within 3 days after acceptance. The Partner shall receive an gratuity in a form of discount due to sale of license and service care. The Partner shall receive from Simple S.A. a copy of the product without the right to use it and without acquiring any copyrights, always in its own name and on its own account. The Partner shall receive from Simple S.A. an authorization to provide the Final Customer’s Licence to use the software. The User shall receive the right to use the software exclusively for its own needs, under the conditions specified in the Final Customer's Licence. The Parties shall cooperate in implementation works and in other services provided to the User under the mutual consent. The Partner is obliged to pay Simple S.A. for the product and service care, within deadlines specified in the Discount Table, the payment shall be made into the Simple S.A.'s account, irrespectively of the settlements between the Partner and the User. In case any Party breaches the major provisions of the agreement, in particular the non-competition or copyrights clauses, the other Party shall be entitled to terminate this Agreement with an immediate effect. This Agreement is concluded on non specified period of time. Each Party is entitled to terminate this Agreement upon prior three months notice.

The criterion to recognize this Agreement as significant is its subject of matter and amount of orders performed under this agreement.

The Agreement No. U/06/NU/2011 concluded on 1 February 2011 in Lublin between Simple S.A. (as Leader of Consortium) in the Consortium with Michał Abramiuj and Hubert Abramiuk running the business activity under the name HIGHCOM spółka cywilna (at present Bazus Sp. z o.o.) and University of Life Sciences in Lublin. This Agreement was concluded as a result of selecting the Contractor in the contract award procedure. The subject of matter of this Agreement is to develop, implement and update of the IT software (OZSZU) that is the base of the Integrated School Management System (ZSZU), supporting the administration and didactic process of the Employer, and granting the basic licence of OZSZU and licence to OZSZU and supply of other licenses to use ZSZU as well as the training services in the field of use, operation and development of ZSZU and the guarantee package services for OZSZU and the Financial and Accounting System and maintenance of ZSZU. The Performance Deadlines for the particular stages of the Agreement are specified as follows: Stage I – performance of the Pre-Implementation Analysis and granting the licence to 10.02.2011, Stage II- Development and Implementation of OZSZU and implementation of the results of the Pre-Implementation Analysis, Installation, Integration, Conversion and Trainings to 1.12.2012, Stage III - performance of Post-Implementation Analysis to 31.03.2012, Stage IV- Implementation of the results of Post-Implementation Analysis to 31.10.2012. Simple S.A. granted the Employer the 24 months manufacturer's guarantee for the Financial and Accounting System from the date of commencement and ensures the service care for the Financial and Accounting System from the end of the manufacturer's guarantee to 31 December 2017. Simple S.A. granted the Employer the guarantee for OZSZU in the period from the commencement of each Module and their acceptance under the Partial Acceptance Protocol to 31 December 2017, but not shorter than 5 years from the date of the Final Acceptance Protocol. Simple S.A. paid the performance security in cash in the amount of 5% of the gross contract price, i.e. 202,950.00 PLN, whereas 30% of the paid security is designated to the possible claims due to the guarantee for defects and 70% of this amount is designated as the performance bond. The Parties agreed that 70% of the paid security shall be returned upon the acceptance of the Subject of Matter i.e. upon the Final Acceptance Protocol is signed and 30% of the security shall be returned not later than 15 days after the expiry of the guarantee for defects. Simple S.A. is obliged to pay the Employer the following contractual penalties: for delay in performance of the relevant Stage, specified in the Schedule of development and implementation:

- contractual penalty in the amount of 0.3% of the total net price for the performance of the relevant Stage, for each started day of delay; For delay in performance of the subject of matter in a part referred to update/supply of new financial and accounting system in the agreed deadlines

- Contractual penalty in the amount of 3% of the contract price (gross remuneration of Simple S.A.);

- For delay in removing the major defects

- the contractual fine in the amount 0.1% of the total net remuneration for the performance of the relevant Stage, for each started day of delay, counted from the deadline specified by the Employer to remove the defects discovered during the acceptance;

For delay in removing the minor defects
- the contractual fine in the amount 0.05% of the total net remuneration for the performance of the relevant Stage, for each started day of delay, counted from the deadline specified by the Employer to remove the defects discovered during the acceptance;
For delay in removing the Failure
- the contractual fine in the amount 0.1% of the net remuneration of the Agreement for each started 24 hours of delay;
For delay in removing the Error
- the contractual fine in the amount 0.1% of the net remuneration of the Agreement for each started 24 hours of delay;
For delay in removing the Defect
- the contractual fine in the amount 0.05% of the net remuneration of the Agreement for each started day of delay;
For delay in taking the activities in the field of service assistance
- the contractual fine in the amount of 0.05% of the remuneration for the performance of the contract For delay in OZSZYU development activities
- the contractual fine in the amount 0.05% of the net remuneration of the Agreement for each started day of delay;
For delay in OZSZU update to regulations of the law which are not the internal regulations of the Employer
- the contractual fine in the amount 0.05% of the remuneration of the Agreement for each started day of delay;
For delay in OZSZU update to the Employer's internal regulations
- the contractual fine in the amount 0.05% of the remuneration of the Agreement for each started day of delay;
For termination of the agreement from the reasons attributable to Simple S.A.
- - the contractual fine in the amount of 10% of the remuneration for the performance of the contract.

The criterion to recognize the above agreement as significant is its value- the remuneration for performance of the total Subject of Matter is 3,300,000.00 PLN net.

SUMMARY OF THE SIGNIFICANT AGREEMENTS OTHER THAN AGREEMENTS CONCLUDED IN THE USUAL BUSINESS ACTIVITY OF THE ISSUER, WHERE THE COMPANY OF THE CAPITAL GROUP OF ISSUER IS A PARTY

On 8 July 2011 Simple S.A. and BAZUS Sp. z o.o. (Lender) concluded the loan agreement, under which the Lender granted Simple S.A. the loan in the amount of 200,000 PLN. Simple S.A. is obliged to return the received loan to 9 July 2012 with the due interest in the amount of 6 % per year. The Borrower is entitled to terminate the Agreement keeping the one month notice.

The above agreement was recognized as significant because of the subject of matter (loan agreement) and the relationships between the Parties.

On 28 November 2011 Simple S.A. and Simple Locum Sp. z o.o. (Lender) concluded the loan agreement, under which the Lender granted Simple S.A. the loan in the amount of 300,000 PLN. Simple S.A. is obliged to return the received loan to 27 November 2012 with the due interest in the amount of 6 % per year.

The above agreement was recognized as significant because of the subject of matter (loan agreement) and the relationships between the Parties.

Lease agreements:

Simple S.A. under its business activity presents the trend to conclude the lease agreements instead of purchase the non-current assets such as vehicles or other machinery. For historical data Simple S.A. concluded 19 lease agreements, from which as at the date of a Prospectus approval, 10 are in force, the subject of matter of these agreements are vehicles used for business purposes by the employees of Simple S.A., but also the telephone exchange and air conditioning equipment. The following entities are included to the lessors of the Capital Group Simple:

- Pekao Leasing Sp. z o.o.
- ORIX Polska S.A.,
- Volkswagen Leasing Polska Sp. z o.o.,
- BRE Leasing Sp. z o.o.,
- Mikrotech S.A.,
- IMPULS-Leasing Polska Spółka z o.o..

Other agreements:

To the date 20 October 2011 Simple S.A. concluded the agreement with KPMG Tax M. Michna sp. k., having its registered office in Warsaw, which subject of matter is to provide the legal consultancy services for the Simple S.A. Under the agreement, the company KPMG Tax M. Michna sp.k. is obliged to:

- Perform the analysis of employment structure in Simple S.A.,
- Secure the structures by the individual interpretation of tax provisions of the Minister of Finances in the field of opportunity to apply 50% of the tax deductible expenses in the described scenario,
- Implement the effective employees payroll system.

The remuneration of KPMG Tax M. Michna sp. k for performance of the aforementioned services is 25,000 PLN net. The agreement is performed basing on the template General Conditions for Tax Counseling Services applied by KPMG Tax M. Michna.

On 23 November 2011 Simple S.A. and CRON Sp. z o.o., having its registered office in Warsaw, concludes the agreement on settlement of mutual receivables, under which the part of mutual receivables was deducted from the receivables held by the parties. The paragraph 1 sec. 1 specifies the undue receivables of CRON Sp. z o.o. towards Simple S.A. following the agreement of 15 September 2011 (item a) initial fee, item b) additional remuneration and item c) remuneration for consultancy and sec. 2 of the agreement specifies the required receivables of Simple S.A. towards CRON Sp. z o.o. under the loan agreement of 9 January 2009 item a) loan and item b) interest and unpaid VAT invoices (item c) remuneration and item d) interest. Pursuant to par. 1 the receivables of CRON Sp. z o.o. indicated in item a)

had been deducted from the receivables of Simple S.A. towards CRON Sp. z o.o. indicated in the item c) and d). Pursuant to sec. 3 par. 1 of the Agreement, the receivables remained upon deduction shall be paid to 20 January 2012 and that happened. The amount of receivables attributable to Simple S.A. and deducted as a result of this agreement amounted to 258,300 PLN, and the difference in the amount 1,302.88 was returned by Simple S.A. in the mentioned term. Provided that the above compensation settlements are effective, the parties waived other mutual claims, except for the claims specified in par. 1 sec. 1 item c), sec. 2 item a) and b) and receivables specified in par. 1 sec. 3.

The significant agreements of the Capital Group Simple includes also the shares purchase agreements in Bazus Sp. z o.o., having its registered office in Lublin, which are described in details in item 5.2.1 of the Prospectus in the section Capital Investments.

TAKEN OR TERMINATED AGREEMENTS ON CREDITS AND LOANS

Described in the Note 27 and 29.

GRANTED LOANS

Described in the Note 19 and 20.

PROCEEDS FROM ISSUE

In the reporting period, any issuance of the securities was not carried out.

THE FACTORS AFFECTING THE ACHIEVED RESULTS

The sale increase of the Group was achieved basing in the organic development including: complete changes in organization and personnel of the Group's companies, change of the style and method of the management, initiation of three effective sale channels for the products and services (headquarter, departments and network of partners). The results of these changes may be observed in Q4 2010, which was the record quarter in the Group's history. In 2010 there was a dynamic growth of new licenses of SIMPLE.ERP system by more than 77%.. It results in the increase of the revenues from the services and service cares. This growth was achieved in all key sectors, to which the offer of SIMPLE S.A. is addressed.

3.4. DESCRIPTION OF THE SIGNIFICANT RISKS AND THREATS WITH SPECIFICATION TO WHAT EXTENT THE ISSUER IS EXPOSED TO THEM

The key threat and risk factors related to the SIMPLE S.A. development in the context of prospects are as follows:

RISK OF STAFF

During the economic uncertainty, there is a growth of interest of the competitive companies with highly qualified employees. IT companies, for which the key production factor is staff,

are exposed to the loss of the key specialists. Enterprises penetrate the labour market and the employees also are active in the labour market. Such situation causes the increase of remuneration and as a consequence the decrease of profitability of the business activity. The Group creates the attractive work conditions for employees as well as profitable motivation systems.

RISK OF SYSTEM IMPLEMENTATION

The IT system receivers limit the funds for investments because of the uncertain macroeconomic situation. However, this kind of business activity does not allow to reduce the requirements for the IT systems. The risks mentioned above in the unfavourable situation stake on supplier. It often has to meet the increasing client's needs during the implementation, and sometimes to change the assumptions or reduce the remuneration. The present economic processes are more and more comprehensive and thus without the proper knowledge it is easy to implement the system unfavourable for the client and this as a consequence may lead to decrease of the recognition of the Capital Group Simple and the necessity to make modifications. In addition, the recipients want to treat their IT systems suppliers as business advisors and require the increase of economic efficiency after installing the IT solutions. There is a risk that without the proper analyses such needs can be unsatisfied. The efficiency of implementations is one of the goals of the Capital Group Simple. The implementation divisions have many levels of implementation methodology where analytic errors are reduced. The processes of business analyses were introduced at the initial presentation level.

RISK OF POSSIBLE DELAYS IN NEW PRODUCTS AND SERVICES

ERP class systems have to be complex in full, meeting the client and his surrounding's needs. The IT systems supplier cares of extending the offer, introducing new functionalities and ensuring the data integrity. However, the competition and client's need are still more and more. There is a risk that new products corresponding to the present needs of the clients will be introduced later than competitors and that the market will be won by the other suppliers causing the decrease of the revenues from sales. It is also connected with the intensity of research and development works of the Capital Group Simple and the availability of union funds to perform the extensions or improvements. The Group SIMPLE S.A. relied on the products quality increasing the quality services as well as automation of test processes. The specialist for analyses and solution design were employed as well as selection of product manager started.

RISK FOLLOWING THE SHORT LIFE OF PRODUCTS

The innovativeness and tempo of implementation of new products in IT branch causes the necessity of regular update of the current products, adjusting them to the changing platforms and implementation of new products. The lack of sufficient technological background and the high-qualified staff may cause the delays in updating and implementation of new products causing the decrease of attractiveness of the Capital Group Simple's offer. It may lead to the decrease of the revenues from sales and the amount of generated profit. The

Capital Group Simple reduces this risk by increasing the number of high-qualified employees and designating the financial funds for the research and development works.

RISK OF THREAT TO THE SAFETY OF IT SYSTEMS OF THE CAPITAL GROUP OF THE ISSUER

The proper performance of the IT system is exposed to misfortunes (hardware failure, power supply failure, no telecommunication connection, flood, fire), dangerous of unauthorized access to the confidential data, physical burglary and the operation of the harmful software in a form of among others computer viruses and Trojan horses which may cause the improper operation of the system or the impossibility to use them.

The Capital Group shall make all endeavours and uses the state of the art IT technologies, available on the market, to ensure the operation of the systems in undisturbed and safe manner. However there is a risk related to misfortunes and improper operation (denying the basic safety principles), damage of hardware, loss or interception of the important data by unauthorized persons causing the possible damages referred to the lost of the trade secrets.

RISK RELATED TO SEASONALITY AND IRREGULARITY OF REVENUES

The seasonality of the IT branch is characteristic for the generated revenues from sales. The period of intensified turnover is the fourth quarter of the calendar year, but the lowest revenues from sale are generated in the first quarter. This fact may cause the periodical disturbance of the presented financial results of the Capital Group Simple and the decrease of financial liquidity causing the necessity to use the borrowed funds. The Capital Group limits the risk related to the seasonality by the proper management of the stocks, research works and expenses for marketing.

RISK OF DEPENDENCE ON KEY SUPPLIERS

The Capital Group Simple during its operating activity uses the hardware and software from external suppliers. There is a risk that the loss of one of key suppliers may cause disturbances in the supplies and the inability to provide the client with the specific final product. The Company reduced the risk by maintaining the good relationships with the key partners. One more factor limiting the risk is the cooperation with more number of suppliers, among whom the major unit share in the amount of delivered goods in the first half of 2011 amounted to 21% of the value of purchased goods.

RISK OF DEPENDENCE ON KEY CLIENTS/CUSTOMERS

There is a risk that the Capital Group Simple focusing on few major customers will become dependent on them causing the possibility of the rapid decrease of revenues from sales in case the contact with one of them is lost. The business activity of Simple Group relies on the recognition of the client's needs, preparation and implementation of the system and then the service care. The stages bringing the highest revenues from the single customer is the stage of preparation and implementation of the product. In this connection the risk of dependency on the key customers by the regular winning the next clients is reduced. **Moreover, the service care corresponds to 33% revenues from sales (in 2010) and the diversification of the clients in this segment of activity is big enough that the risk of dependency on the key customers is minimized.**

RISK OF THE ISSUER'S INVESTMENT FAILURE

The parent entity of the Capital Group Simple, in December 2010 took decision on acquisition of 100% of shares in the company BAZUS Sp. o.o. This acquisition is performed in five stages within 2011—2012. BAZUS Sp. z o.o. is a manufacturer of BAZUS system supporting the management and administration of the full operation of high schools. The Simple Group integrated BAZUS system with own solutions and started the sale of product under the brand name SIMPLE.EDU. So there is a risk that new product will not achieve the planned market share and will not bring the expected revenues and profits covering the costs of acquisition. The Capital Group Simple tries to minimize this risk by continuous improvement of the original product by adding new functionalities and taking care about the promotion of SIMPLE.EDU. The effect is obtaining the title of the best platform for High Schools and the award Drogowskaz Cyfrowej Polski in the category: Solutions for Schools.

RISK FACTORS RELATED TO SURROUNDING, IN WHICH THE ISSUER CONDUCTS ITS ACTIVITY

RISK OF THE EFFECT OF THE MACROECONOMIC SITUATION ON THE RESULTS OF THE CAPITAL GROUP

The financial standing of the Capital Group Simple depends on the economic situation in Poland and in the world. The IT market is deemed as very sensitive to any variations of the economy. The factors affecting the financial standing of the Capital Group Simple are first above all the major macroeconomic ratios such as: GDP growth tempo, inflation level, unemployment rate, amount of personal income of population, fiscal and monetary policy of the country as well as the consumption and investment level change. These factors affect the level of orders in IT branch significantly. Although Poland keeps the constant economic growth tendency there is a risk that the economic stagnation on the world's markets affect negatively the domestic economy. Such situation may result in limitation of investment decisions and in waiting for economic situation improvement. Therefore, it may mean the decrease of new sales as well as achieving lower margins on sales of the current products: services, subscriptions and service care. The Capital Group counteracts this by market diversification, adjusting the product to the individual customer's needs as well as assistance in obtaining the investment funds in a form of funding, leasing and Union grants.

RISK OF CHANGES IN LEGISLATION AND INSTABILITY OF TAX SYSTEM

The often changes of legislation in Poland are a threat to the business activity of the Capital Group Simple. These changes refer to including but not limited to regulations and interpretation of tax regulations, trade law regulations and labour law regulations. The change of regulations into the unfavourable for the Capital Group Simple may cause the increase of costs of business activity and affect its financial results. Uncertainty of future changes difficult also the assessment of the effects of future events and the process of taking the strategic decisions. The entering into force new regulations may be also connected with among others interpretation issues, inconsistent judgment of courts and infavourable interpretations accepted by the public authorities (including tax authorities). The Capital Group monitors the projects of changes in regulations on a current basis and takes the business decisions considering the planned changes.

RISK OF TECHNOLOGICAL CHANGES IN THE BRANCH AND DEVELOPMENT OF NEW PRODUCTS

IT market is characterized by the fast technological development. It is necessary to perform the continuous research and development works in order to implement the state of the art technologies and keeping up with the shortened product life in comparison to other branches. Keeping the market position and development require significant investments. Although the Company has the research and development division dealing with implementation of the updated solutions to the existing products and creating new, own concepts, there is a risk that so innovative solutions appear on the market that the products of the Capital Group Simple will become unattractive and will not generate the expected gain. There is also a risk that research and development works on the new technological solutions will not bring the expected results and this will cause the difficulties in recovery of incurred investment expenses. The Capital Group Simple monitors the market on a current basis in the field of development of new technologies and products and the possibility to use them. Additionally the company maintains the commercial relationships with the customers in order to know better the needs and to adjust its products to the client. The use of union funds supporting the development works is also included in the plans of the company.

RISK OF BRANCH CONSOLIDATION

There is a risk of intensification of consolidation processes aimed to strengthen the market position of several biggest entities. The biggest companies aim at acquisitions in order to expand the client database and to acquisition of unique solutions applied by the acquired entities. This process limits the development of small and medium enterprises on IT market and may lead to loss of market position by the Capital Group and as a consequence to decrease of revenues from sales.

RISK OF INCREASE OF COMPETITION

The intensified competitive activities on IT market may have a negative influence on the financial standing and achieved results of the Capital Group Simple. Facilitated transborder activity related to the membership in the European Union causes the necessity of intensified competing with not only domestic, but also foreign entities. The domestic entities are the biggest competitors for the Capital Group Simple, because of better understanding of the Polish IT market. Moreover, there is a risk of irrelevant prediction of the future needs of the clients or outrunning in the research and development works and winning the market by other suppliers. Due to the fact that the research and development works are a long-term process, the planned technologies include the demand of the market for several years. These risks are reduced also by employment of qualified staff, application of modern technologies and the possibility of individual adjustment of the product to the client's needs. Moreover, the Capital Group Simple maintains good relationships with its clients and prepares the products for new branches expanding the present sale markets.

RISK OF INCREASE OF FINANCING COSTS

The enterprises requiring the borrowed funds to the further development are financed mainly by bank credits or issue of corporation bonds. The crisis, appeared in 2008 and 2009 on the world's markets, caused among others deterioration of the possibility to gain the debt

financing including the increase of the costs of financing, decrease of exchange rates on stock exchanges and the increase of the exchange rate risk. There is a common consideration that so called "second wave" of crisis is coming. In the United States of America and some other EU countries such as Greece, Italy and Spain there is a debt problem and at the same the unemployment increases and economy slows down. There is a risk that Poland, despite of stable condition of the public finances will be affected by the second wave of crisis in a form of depreciation of the Polish currency, decrease of consumption and increase of aversion to risk related to the increased costs of borrowed funds. The higher costs of borrowed funds are also the limitation for obtaining the capital from third parties.

PROCEEDINGS AT COURT

As at 31 December 2011 there is a proceeding against Technic Systems, 05-092 Łomianki, ul. Brukowa 10A, for the amount 302 k PLN. The next hearing will be in April 2012.

EMPLOYEES' PROGRAMS CONTROL SYSTEM

In the reporting period for 2011 the Capital Group SIMPLE did not realize any employee' programs.

Description of the basic features of the internal control and risk management in relation to the process of preparing the financial statements and consolidated financial statements applied in the issuer's company.

The Group has an internal control system, which enables the efficient and reasonable flow of financial and non-financial information between the particular organizational units of the Company. The Financial Director, responsible for finance, performs the substantial supervision on the process of preparing the financial statement and periodic reports. The efficiency of the internal control system and risk management in the financial reporting process is ensured by:

- 1) Internal regulations system including, but not limited to:
 - a) Organizational structure adjusted to the needs of the Company's business activity, setting:
 - b) Rules of mutual communication between the organizational units,
 - c) scope of activities, rights and responsibilities of the relevant units,
 - d) positions and persons,
- 2) Documents for the accounting policy prepared pursuant to:
 - a) Accounting Act in the field of measurements of assets and liabilities and presentation of the financial statements
 - b) the requirements of the International Accounting Standards,
 - c) other regulations and internal orders
- 3) The books are kept using the IT system, which has the recommendation of the Accountant Association in Poland. The IT system provides the clear division of

competences and automatic control of the access to resources as well as full documentation of transactions performed by particular persons.

4) The all accounting evidences control and their handling procedure ensuring their correctness in terms of its factual content and integrity and accounting.

5) Audit and verification of the financial statement by the independent statutory auditor.

a) The election of the statutory auditor is made by the Supervisory Board under the selection of offers among the recognized auditing companies.

CHARACTERISTIC OF THE POLICY OF THE CAPITAL GROUP'S DEVELOPMENT DIRECTIONS

In 2012, we plan the further dynamic development of the Capital Group. The sources of our development are as follows:

- 1 Organic development related to ERP class systems,
- 2 Achieving and developing new competences (dedicated systems, consulting),
- 3 Acquisition of the companies from IT market.

The purpose of the acquisition is to acquire moderate IT companies having the complementary products and technologies in comparison to SIMPLE. It allows achieve new products and technologies and winning new markets and clients. As a result it expands the offer of the Company. In 2012 we plan to acquire 2-3 companies.

In 2011 we expect the further development and sale increase in all channels: headquarter and branch offices and in the partners network.

The important elements of this growth are the development of the products and technologies, improvement of the software production process and services for the clients.

The important tool to assess the operation of the organizational unit will be the budgeting system to be implemented from 2011. It improves the process of planning and allows to improve the efficiency of the company's operation.

CHARACTERISTIC OF ASSETS AND LIABILITIES STRUCTURE OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN THE ASPECTS OF LIQUIDITY OF THE CAPITAL GROUP.

The assets and liabilities are the component with similar economic content, measured at the same currency. They reflect the condition and structure of the property and indicated the funding sources. They are the base to calculate the rates, they characterize the liquidity and profitability.

Assets	At the end of		Structure in %		Dynamics in %
	2011	2010	2011	2010	2011/2010
Non-current assets	9646	8331	45,10	44,63	115,78

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Intangible assets	3347	3946	15,65	21,14	84,82
Property, plant and equipment	3701	4052	17,30	21,72	91,34
Goodwill	1098	19	5,13	0,10	5 778,95
Long- term receivables	65	54	0,30	0,29	120,37
Investments in related entities	63	63	0,29	0,34	100,00
Long-term accrued and deferred assets	1372	197	6,41	1,06	696,45
Current assets	11744	10334	54,90	55,37	113,64
Inventories	349	52	1,62	0,28	671,15
Trade and other receivables	9988	7653	46,69	41,00	130,51
Cash and cash equivalents	1236	2108	5,78	11,29	58,63
Short-term accrued and deferred assets	171	521	0,80	2,79	32,82
Total assets	21390	18665	100,00	100,00	114,60

Liabilities	At the end of		Structure in %		Dynamics in %
	2011	2010	2011	2010	1,00
Equity	11978	9241	56,00	49,51	129,62
Share capital	2001	2004	9,35	10,74	99,85
Share premium	-	-			
Retained earnings	9858	7258	46,09	38,89	135,82
Long-term liabilities and provisions	3540	3860	16,55	20,68	91,71
Provision due to the deferred income tax	7	4	0,03	0,02	175,00
Provision for retirement and similar benefits	250	241	1,17	1,29	103,73
Other provisions	545	649	2,55	3,48	83,98
Borrowings	2139	2285	10,00	12,24	93,61
Financial lease liabilities	599	681	2,80	3,65	87,96
Current liabilities	5872	5564	27,45	29,81	105,54
Borrowings	94	158	0,45	0,86	59,49
Financial lease liabilities	371	279	1,73	1,49	132,97
Trade and other liabilities	3721	3092	17,40	16,57	120,34
Deferred revenue	1686	2035	7,88	10,90	82,85
Total liabilities	21390	18665	100,00	100,00	114,60

Statement of profit and loss-specification	At the end of		Dynamics in %
	2011	2010	2011/2010
Deferred revenue	1686	2035	82,9
Revenues from sales	27303	23027	118,6
Cost of sales	-13845	-12699	109,0
Gross profit (loss)	13458	10328	130,3

Distribution expenses	-5424	-4326	125,4
Administration expenses	-4895	-3371	145,2
Gross profit (loss) from sales	3139	2631	119,3
Other operating revenues	557	256	217,6
Other operating costs	-55	-152	36,2
Operating profit (loss)	3640	2735	133,1
Other financial income	95	76	125,0
Finance costs	-313	-368	85,1
Profit (loss) before tax	3422	2443	140,1
Income tax	-696	-553	125,9
Deferred income tax	-63	10	-630,0
Net profit (loss)	2663	1900	140,2
Other comprehensive income	0	0	0,0
Total other comprehensive income	0	0	0,0
Total comprehensive income	2618	1900	137,8

IMPORTANT EVENTS AFFECTING THE BUSINESS ACTIVITY AND FINANCIAL RESULTS OF THE CAPITAL GROUP IN THE FISCAL YEAR OF TO AFFECT IN THE NEXT YEAR

In the reporting period there were not any factors on events which affected the result of the Group.

DESCRIPTION OF THE STRUCTURE OF THE MAIN CAPITAL DEPOSITS OR MAIN CAPITAL INVESTMENTS MADE WITHIN THE CAPITAL GROUP IN THE RELEVANT FISCAL YEAR

In 2011 the Group did not deposit any cash on the bank deposits and did not gain any interest.

DESCRIPTION OF IMPORTANT OFF-BALANCE SHEET ITEMS

In the reporting period there were not any off-balance sheet items in the Group.

Agreement with the entity authorized to audit the financial statements

SIMPLE S.A.

On 29 July 2010 the agreement with the entity authorized to audit financial statements DORADCA Auditors Sp. z o.o. seated in Gdańsk, ul. Grunwaldzka 212, KRS No.

0000087341, District Court in Gdańsk-Północ, 7th Commercial Department of the National Court Register, share capital in the amount 50,000.00 PLN, NIP No. 586-001-74-39 was concluded in order to audit and review financial statements. The agreement include the audit of financial statements (individual and consolidated) prepared pursuant to the state as at 31.12.2010 pursuant to the International Accounting Standards and the accounting books as well as review of financial statements (individual and consolidated) prepared pursuant to the state as at 30.06.2010 pursuant to the International Financial Reporting Standards.

The remuneration for the Contractor is the total amount 25,000.00 PLN (say: twenty seven thousands 00/100), including:

- Review of the individual financial statement- 5,400.00 PLN,
- Review of the consolidated financial statement- 4,600.00 PLN,
- audit of the individual financial statement- 8,500.00 PLN,
- audit of the consolidated financial statement- 6,500.00 PLN.

In August 2010, the Company SIMPLE S.A. paid the remuneration for DORADCA Auditors Sp. z o.o., ul. Grunwaldzka 212, 80-226 Gdańsk in the amount of 3,660.00 PLN for:

-Certification of SIMPLE.ERP system in the field Finances and Accounting and SIMPLE.ERP PERSONEL system (HR and payrolls)

On 30 May 2011 the agreement with the entity authorized to audit financial statements DORADCA Auditors Sp. z o.o. seated in Gdańsk, ul. Grunwaldzka 212, KRS No. 0000087341, District Court in Gdańsk-Północ, 7th Commercial Department of the National Court Register, share capital in the amount 50,000.00 PLN, NIP No. 586-001-74-39 was concluded in order to audit and review financial statements. The agreement include the audit of financial statements (individual and consolidated) prepared pursuant to the state as at 31.12.2011 pursuant to the International Accounting Standards and the accounting books as well as review of financial statements (individual and consolidated) prepared pursuant to the state as at 30.06.2011 pursuant to the International Financial Reporting Standards.

The remuneration for the Contractor is the total amount 25,000.00 PLN (say: twenty seven thousands 00/100), including:

- Review of the individual financial statement- 5,400.00 PLN,
- Review of the consolidated financial statement- 4,600.00 PLN,
- audit of the individual financial statement- 8,500.00 PLN,
- audit of the consolidated financial statement- 6,500.00 PLN.

SIMPLE CPS SP. ZO.O.

On 23 February 2011, SIMPLE CPS Sp. z o.o., seated in Warsaw (04-555) ul. Bronisława Czecha 49/51, entered to the National Court Register under the number 0000135425, NIP 9521824056 entered into the agreement with the entity authorized to audit financial statements DORADCA Auditors Sp. z o.o. seated in Gdańsk, ul. Grunwaldzka 212, KRS No.

0000087341, District Court in Gdańsk-Północ, 7th Commercial Department of the National Court Register, share capital in the amount 50,000.00 PLN, NIP 586-001-74-39 in order to audit and review financial statements. The scope of the agreement includes the audit of the financial statement prepared as at 31.12.2010 pursuant to the International Accounting Standards and the accounting books of the entity.

- The remuneration for the Contractor for performance of the tasks mentioned in § 1 is set as the amount 2,500.00 PLN (say: two thousands five hundred zlotys) plus VAT.

On 30 May 2011, SIMPLE CPS Sp. z o.o., seated in Warsaw (04-555) ul. Bronisława Czecha 49/51, entered to the National Court Register under the number 0000135425, NIP 9521824056 entered into the agreement with the entity authorized to audit financial statements DORADCA Auditors Sp. z o.o. seated in Gdańsk, ul. Grunwaldzka 212, KRS No. 0000087341, District Court in Gdańsk-Północ, 7th Commercial Department of the National Court Register, share capital in the amount 50,000.00 PLN, NIP 586-001-74-39 in order to audit and review financial statements. The scope of the agreement includes the audit of the financial statement prepared as at 31.12.2011 pursuant to the International Accounting Standards and the accounting books of the entity.

- The remuneration for the Contractor for performance of the tasks mentioned in § 1 is set as the amount 2,500.00 PLN (say: two thousands five hundred zlotys) plus VAT.

SIMPLE LOCUM SP. ZO.O.

On 23 February 2011, SIMPLE Locum Sp. z o.o., seated in Warsaw (04-555) ul. Bronisława Czecha 49/51, entered to the National Court Register under the number 0000254352, NIP 9521991452 entered into the agreement with the entity authorized to audit financial statements DORADCA Auditors Sp. z o.o. seated in Gdańsk, ul. Grunwaldzka 212, KRS No. 0000087341, District Court in Gdańsk-Północ, 7th Commercial Department of the National Court Register, share capital in the amount 50,000.00 PLN, NIP 586-001-74-39 in order to audit and review financial statements. The scope of the agreement includes the audit of the financial statement prepared as at 31.12.2010 pursuant to the International Accounting Standards and the accounting books of the entity.

- The remuneration for the Contractor for performance of the tasks mentioned in § 1 is set as the amount 4,500.00 PLN (say: four thousands five hundred zlotys) plus VAT.

On 30 May 2011, SIMPLE Locum Sp. z o.o., seated in Warsaw (04-555) ul. Bronisława Czecha 49/51, entered to the National Court Register under the number 0000254352, NIP 9521991452 entered into the agreement with the entity authorized to audit financial statements DORADCA Auditors Sp. z o.o. seated in Gdańsk, ul. Grunwaldzka 212, KRS No. 0000087341, District Court in Gdańsk-Północ, 7th Commercial Department of the National Court Register, share capital in the amount 50,000.00 PLN, NIP 586-001-74-39 in order to audit the financial statement. The scope of the agreement includes the audit of the financial statement prepared as at 31.12.2011 pursuant to the International Accounting Standards and the accounting books of the entity.

- The remuneration for the Contractor for performance of the tasks mentioned in § 1 is set as the amount 4,500.00 PLN (say: four thousands five hundred zlotys) plus VAT.

On 8 March 2012, Bazus Sp. z o.o., seated in Lublin (20-411) ul. Wolska 11, entered to the National Court Register under the number 0000384116 , NIP 9461572590 entered into the agreement with the entity authorized to audit financial statements DORADCA Auditors Sp. z o.o. seated in Gdańsk, ul. Grunwaldzka 0000087341, KRS No. 50.000,00, District Court in Gdańsk-Północ, 7th Commercial Department of the National Court Register, share capital in the amount 50,000.00 PLN, NIP 001-74-39- in order to audit the financial statement. The scope of the agreement includes the audit of the financial statement prepared as at 31.12.2011 pursuant to the International Accounting Standards and the accounting books of the entity.

- The remuneration for the Contractor for performance of the tasks mentioned in § 1 is set as the amount 5,000.00 PLN (say: four thousands five hundred zlotys) plus VAT.

For the Management Board of the Parent Company of SIMPLE GROUP:

**President of the Management Board
Board**

**Vice President of the Management
Board**

Bogusław Mitura

Przemysław Gnitecki

Michał Siedlecki

4. Representations of the Management Board on the financial statement and the auditor

The Management Board of SIMPLE states that pursuant to its best knowledge, the annual financial statement for 2011 and the comparable data were prepared pursuant to the applicable accounting principles and reflect in the true and reliable and clear manner the property and financial situation of the Company and its financial result and that the annual Management Report contains the true image of development and achievements and condition of the Company, including the description of the basic threats and risks.

The Management Board of SIMPLE S.A. declares that the entity authorized to audit the financial statements DORADCA Auditors Sp. z o.o., performing the audit of the annual financial statement for 2011 was selected pursuant to the law and that this entity and the statutory auditors, performing this financial statement's audit met the requirements to express the independent opinion on the audited annual financial statement according to the applicable provisions and professional standards.

21-03-2011 Bogusław Mitura- President of the Management Board

.....

20-03-2012 Przemysław Gnitecki- Vice President of the Management Board

.....

20-03-2012 Michał Siedlecki-Vice-President of the Management Board,

.....

5. STATEMENT OF THE MANAGEMENT BOARD ON APPLYING THE CORPORATE GOVERNANCE PRINCIPLES IN THE COMPANY SIMPLE S.A. IN 2011

5.1. INDICATION OF THE CORPORATE GOVERNANCE PRINCIPLES, WHICH ISSUER APPLIES AND THE PLACE WHERE THEY ARE AVAILABLE FOR PUBLIC.

In the fiscal year 2011, the Company applied the corporate governance principles covered by the document titled "CODE OF BEST PRACTICES OF WSE LISTED COMPANIES" adopted under the Resolution No. 12/1170/2007 of the WSE Council on 4th July 2007, which full text is placed on the website: www.simple.com.pl in the folder *Investor's relations*, excluding the principles presented in the par. 2 hereof. The full text of the principles of corporate governance is available for public on the Company's website.

5.2. INFORMATION, TO WHAT EXTENT THE ISSUER WITHDREW FROM THESE PRINCIPLES AND EXPLANATION OF THE REASONS.

The Management Board of SIMPLE SA, in connection with coming into force as of 1 January 2008 the the Code of Best Practices for WSE Listed Companies implemented basing on the Resolution of the WSE Board dated 4 July 2007 published the information on corporate governance principles not to be applied by the Issuer in a fixed manner:

1. Item I.1 states that "the Company should enable on-line broadcasts of General Meetings over the Internet, record General Meetings, and publish the recordings on the company website."

The Company does not apply this principle. Justification is presented in par. 5.

2. Item I.9 states that "WSE recommends to public companies and their shareholders that they ensure a balanced proportion of women and men in management and supervisory functions in companies, thus reinforcing the creativity and innovation of the companies' economic business."

The Company does not apply this recommendation referring to the composition of the Management Board.

3. Item II.2 states that "A company should publish its website in English, at least to the extent described in section II item 1 This principle should be applied not later than on 1 January 2009."

On its website the Company publishes current, quarterly and annual reports translated into English. Having regard to the present shareholding structure of SIMPLE S.A. and taking into consideration the current scope of its activity, the Company did not see justification to incur the additional costs related to this principle with the reference to the other information specified in section II. item 1 The Company will take some actions to implement this principle in future.

5. Item IV.10 states that „A company should enable its shareholders to participate in a General Meeting using electronic communication means through:

- 1) real-life broadcast of General Meetings,
- 2) real-time bilateral communication where shareholders may take the floor during a General Meeting from a location other than the General Meeting,
- 3) exercise their right to vote during a General Meeting either in person or through a plenipotentiary.”

This principle is not observed by the Company. The costs related to providing the technical infrastructure enabling the on-line broadcast of the General Meeting are too high. All information related to convening and process of the General Meeting are published by the Company in a form of Current Reports using ESPI system and the information are published on the website in the folder “Investor’s Relations”.

5.3. DESCRIPTION OF THE BASIC FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT IN RELATION TO THE PROCESS OF PREPARING THE FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS APPLIED IN THE ISSUER’S COMPANY.

The Company has an internal control system, which enables the efficient and reasonable flow of financial and non-financial information between the particular organizational units of the Company. The Financial Director, responsible for finance, performs the substantial supervision on the process of preparing the financial statement and periodic reports. The efficiency of the internal control system and risk management in the financial reporting process is ensured by:

1. Internal regulations system including, but not limited to:

a) Organizational structure adjusted to the needs of the Company’s business activity, setting:

Rules of mutual communication between the organizational units,

b) scope of activities, rights and responsibilities of the relevant units,

positions and persons,

c) Documents for the accounting policy prepared pursuant to:

Accounting Act in the field of measurements of assets and liabilities and presentation of the financial statements

the requirements of the International Accounting Standards,

d) other regulations and internal orders

2. The books are kept using the IT system, which has the recommendation of the Accountant Association in Poland. The IT system provides the clear division of competences and automatic control of the access to resources as well as full documentation of transactions performed by particular persons.

3. The control of all accounting evidences and their handling procedure ensuring their correctness in terms of its factual content and integrity and accounting.

5. Audit and verification of the financial statements by the independent statutory auditor. The election of the statutory auditor is made by the Supervisory Board under the selection of offers among the recognized auditing companies.

5.4. LIST OF SHAREHOLDERS HOLDING, DIRECTLY OR INDIRECTLY, THE SIGNIFICANT BLOCK OF SHARES

The owners holding at least 5% of general number of votes at the General Meeting of SIMPLE S.A. As at the date of this report, pursuant to the information held by the Management Board.

Item	Name	Number of shares	Interest in the share capital (%)	Number of votes	Interests of votes at the General Meeting (%)
1	Bogusław Mitura	316.693	15,80	696.693	25,24
2	Cron Sp. z o.o.	558.088	27,85	597.288	21,64

Changes in shareholding structure and share preferences (options) of the members of the Supervisory Board.

Item	Name	Number of shares as of 28.10.2011	Number of shares as of 20.03.2011
1	Adam Wojacki	0	0
2	Józef Taran	0	0
3	Andrzej Bogucki	0	0
4	Arkadiusz Karasiński	0	0
5	Adam Leda	0	0
6	Paweł Zdunek	0	0

Changes in shareholding structure and share preferences (options) of the members of the Management Board.

Item	Name	Number of shares as of 28.10.2011	Number of shares as of 20.03.2012
1	Bogusław Mitura	316 693	316 693
2	Przemysław Gnitecki	0	0
3	Michał Siedlecki	80 000	80 000

5.5. INDICATION OF THE HOLDERS OF ANY SECURITIES WITH THE SPECIAL CONTROL RIGHTS WITH THEIR DESCRIPTION.

The securities with the special control rights towards the Company do not exist.

5.6. INDICATION OF ALL LIMITATIONS REGARDING THE VOTING RIGHT EXECUTION.

Any limitations of the voting rights are not allocated to the shares of the Company. Pursuant to Art. 3 of the Articles of Association the registered shares of A1 series in the amount of 189.000 carry the right to five votes each at the General Meeting. The other shares carry the one voting right at the General Meeting.

5.7. INDICATION OF ALL AND ANY LIMITATIONS CONCERNING TRANSFER OF THE OWNERSHIP FOR THE ISSUER'S SECURITIES.

The shares of the Company have any limitation regarding transferring the ownership.

5.8. DESCRIPTION OF THE PRINCIPLES OF APPOINTING AND RECALLING THE MEMBERS OF THE BOARD AND THEIR RIGHTS, IN PARTICULAR THE RIGHT TO TAKE A DECISION ON ISSUE OR BUY-OUT OF SHARES.

Pursuant to the Articles of Association and item II of the Management Board's Regulations, the Management Board consists of 1 to 5 members, including the President, Vice-President and members. They are appointed for the joint term of office, which lasts 3 years. Pursuant to § 15 sec. 1 item 2 of the Articles of Association of SIMPLE S.A. the Members of the Board are appointed and recalled by the Supervisory Board. Pursuant to the Articles of Association and the Management Board's Operation Regulations, the Management Board is entitled to take all decisions nor reserved by the competences of other Company's bodies. The Management Board is obliged to manage the property and issues of the Company with due diligence required in the trading, comply with the law, regulations of this Articles and Resolutions adopted by the General Meeting and Supervisory Board within their competences. The Regulations of the Management Board is available on the website of SIMPLE S.A.: www.simple.com.pl, folder Investor's relations.

The members of the Management Board are not entitled to take the decision on issuance or buyout of the shares.

5.9. DESCRIPTION OF THE CHANGES IN THE ARTICLES OF ASSOCIATION

The change of the Articles of Association, including adopting the resolutions on increasing or decreasing the share capital is the competence of the General Meeting under the principles specified in the Art. 430 and subsequent of the Commercial Companies Code including the provisions of the Acts on: public offering and the conditions for introducing the financial instruments to organized trading system and on public companies, on trading the financial instruments and on supervision on the capital market.

Pursuant to § 9 sec. 1 of the Articles of Association the resolution of the General Meeting on the changes in the Articles of Association are adopted by the majority of 3/4 votes.

5.10. DESCRIPTION OF GENERAL MEETING OPERATION AND ITS BASIC RIGHTS AND RIGHTS OF THE SHAREHOLDERS AS WELL AS THEIR EXECUTION.

The General Meeting is the highest entity in the Company. It operates pursuant to the law and principles specified by the Articles of Association as well as pursuant to the SIMPLE S.A. General Meeting Regulations accepted by the General Meeting, specifying the organization and course of such Meetings. The General Meeting of Shareholders is convened in an ordinary and extraordinary manner. The Ordinary General Meeting should take place within six months after every fiscal year ended. The Management Board convenes the Ordinary General Meeting of Shareholders. The Extraordinary General Meeting is convened by the Management Board if needed, or under the request of the Supervisory Board or Shareholder representing at least one tenth of the share capital. Convening the Ordinary General Meeting should be performed within 14 days after the request. The request on convening the General Meeting should include the issue to be resolved. The General Meeting may be held and may adopt the resolutions without the formal convening, if the total capital is represented and nobody raises a veto regarding the convening or agenda. In case of veto regarding the convening the General Meeting the resolution may be adopted by the usual majority of votes regarding the convening the Ordinary General Meeting. The resolutions of the General Meeting, except of other issues, specified by the Commercial Companies Code or Articles of Association, require:

- To consider and approve the report of the Management Board on the Company's business activity and the financial statement for the previous fiscal year and granting the vote of acceptance to the Company's bodies for the discharge of their duties,
- To consider and approve the financial statement of the Capital Group of the Company in the terms of the Accounting Act,
- to take a decision on the profit distribution and loss coverage,
- to dispose or lease the company or its organized part and to establish the limited property right,
- To purchase or dispose the real estate or share in real estate of the value exceeding the amount of the Company's assets presented in the last audited statement of financial position,
- To appoint and recall the member of the Supervisory Board,
- to decide on considering claims of damage caused during the Company establishment, management or supervision,
- Changes in the Articles of Association,
- To increase or decrease the share capital,
- To establish and dismantle the special funds,
- To issue the shares convertible bonds or senior bonds,
- To set the remuneration for the members of the Management or Supervisory Board,
- To dissolve the Company,

- To elect the liquidators,
- To redeem shares and its conditions,
- To acquire the treasury shares in the case specified in the Art. 362 § 1 par. 2 of the Code of Commercial Companies.

The Management Board should previously present the all issues brought to the General Meeting to the Supervisory Board. Shareholder or shareholders, who want to submit the request on the Company's matters to the General Meeting, should submit it in written to the Management Board, which will present it with its opinion to the Supervisory Board. The Supervisory Board is entitled to assess at its own discretion whether or not the relevant request of the Shareholder or Shareholders will be submitted to the agenda of the General Meeting, but the request submitted in the proper term by the shareholders holding jointly not less than one tenth of the share capital has to be included to the agenda of the nearest General Meeting. The Shareholders can participate in the General Meeting individually or by proxies. The power of attorney to participate in the General Meeting and to vote should be made in written or otherwise being invalid and should be attached to the minutes. The General Meeting is able to adopt the binding resolutions notwithstanding the number of presented shares and the amount of the capital, unless the provisions of the Commercial Companies Code or this Articles of Association state otherwise. The resolutions concerning the issue of shares, issue of convertible bonds and senior bonds, depreciation of shares, decrease of the share capital, disposal of the company or its organized part, changes of the Articles of Association and dissolving the Company are adopted under the majority of 3 votes. Other resolutions of the General Meeting of Shareholders are passed with an absolute majority of votes, and in cases where the Commercial Companies Code requires the qualified majority of votes, with the majority required by the Commercial Code. The resolution on the change of the subject of the business activity adopted by the majority of 2/3 votes at the presence of the Shareholders presenting half of the share capital is effective and does not cause the obligation to buyout the shares of these Shareholders, which do not agree on that change.

The detailed course of the General Meeting is specified by the Regulations of the General Meeting, which is available on the website: www.simple.com.pl, in the folder Investor's relations.

5.11. THE COMPOSITION AND ITS CHANGES DURING THE LAST FISCAL YEAR AND DESCRIPTION OF THE ACTIVITY OF MANAGING, SUPERVISING AND ADMINISTRATING ENTITIES AND THEIR COMMITTEES.

Management Board

The Management Board acts under the provisions of the Commercial Companies Code and the Articles of Association and the Regulations adopted by the Management Board. The Management Board governs the overall business activity of the Company and represents the Company outside. The first Management Board is appointed for the period two years, then for three years periods of time.

Jointly two Members of the Management Board or the Member of the Management Board and proxy are entitled to submit the statements in the field of property rights and duties of the Company as well as to sign documents. The Management Board's principles specifying in particular the type of matters requiring the Management Board's resolution will be determined by the Regulations adopted by the Management Board. Adopting the regulations and their change requires the presence of all Members of the Management Board and the majority of 3/4 votes. The resolutions of the Management Board are passed by the absolute majority of votes. In case of equity of votes, the President's vote is decisive. The Management Board is entitled to take all decisions not reserved by the competences of other Company's bodies. The Management Board is obliged to manage the property and issues of the Company with due diligence required in the trading, comply with the law, regulations of this Articles and Resolutions adopted by the General Meeting and Supervisory Board within their competences.

The Management Board's meetings are convened by the President or substituting for the President the 1st Vice-President or Vice-President of the Management Board. The persons convening the meeting should inform the members of the Management Board on the meeting at least 3 days in advance in writing or by e-mail. In case of emergency, the President or substituting for the President 1st Vice-President or Vice-President of the Management Board may order other way and term of notifying the Members on the date of the meeting.

Resolutions of the Management Board are passed by majority of votes. The Management Board is deemed as to be able to adopt the resolutions in case when although each member was efficiently notified on the meeting within the period of time enabling to be present, but the half of the total number of members is present on the meeting. The Management Board's meetings are held in the Company's registered office or in other place appointed by the President or Vice-President.

The Regulations of the Management Board determines in details the procedure for convening the Management Board's meetings, way of passing the resolutions including voting and making the minutes and the scope of matters for which the Management Board is entitled to pass the resolutions. Pursuant to the Regulations, the Management Board is obliged, within the period of time enabling to express the opinion on these documents, to prepare and submit to the Supervisory Board the financial statement and report on business activity for the previous fiscal year.

The Regulations of the Management Board is available on the website of SIMPLE S.A.: www.simple.com.pl

Composition of the Management Board in 2010

The composition of the Management Board from 01.01.2010 to 20.07.2010 was as follows:

- Paweł Zdunek- the President of the Management Board
- Przemysław Gnitecki- Vice President of the Management Board
- Michał Siedlecki-Vice-President of the Management Board,

The composition of the Management Board from 20.07.2010 to 31.12.2011 was as follows:

- Bogusław Mitura- President of the Management Board
- Przemysław Gnitecki- Vice President of the Management Board

- Michał Siedlecki-Vice-President of the Management Board,

Supervisory Board

The Supervisory Board acts under the provisions of the Commercial Companies Code, Articles of Associations and Regulations of the Supervisory Board. The Supervisory Board is composed of five to eight Members elected by the General Meeting. The members of the first Supervisory Board are appointed for 1 year. The next members are elected for the three years term of office. The seats of the Members of the Supervisory Board expire with the lapse of the term of office of the Supervisory Board, which composition was elected, as of the date of the General Meeting, approving the financial statement for the previous fiscal year of holding the position of the Member of the Supervisory Board. The Members of the Supervisory Board may be re-elected. The Supervisory Board elects the Chairman, Deputy Chairman and Secretary from among its members. The Members of the Supervisory Board may be only the natural persons.

The independent member of the Supervisory Board is the person meeting the following conditions:

- This person cannot be Simple related Entity, Entity related to the Parent company of Simple or subsidiary of Simple and the subsidiary of Simple in the meaning of the Act on trading the securities,
- This person cannot be relative or relative to the second degree of the Simple's employee or the Entity belonged to Simple.

The Chairman convenes the meetings of the Supervisory Board and he chairs the meeting, in case of his absence- Deputy Chairman. The meetings of the Supervisory Board are held at least one per quarter. The convening of the Supervisory Board's meeting from the Management Board's initiative may occur upon its request submitted to the Chairman or Deputy Chairman. In such case the meeting of the Supervisory Board should be held at least within 14 days from the date of request. In the periods between the meetings of the Supervisory Board the Chairman represents the Board towards the Management Board, and in case of his longer absence, the Deputy Chairman or other Member authorized by the Board perform this duty.

The resolutions of the Supervisory Board are valid when all members of the Board were notified on the date of the meeting in a manner specified by the Regulations. The Supervisory Board is entitled to adopt the important resolution in the presence at least 3/4 of elected composition of the Board. The resolutions of the Supervisory Board are passed by the absolute majority of votes present at the meeting and in case of equity of votes the vote of the Chairman is decisive.

The members of the Supervisory Board can participate in adopting the resolutions by voting in written or by the virtue of other member or using the communication at the distance.

The competences of the Supervisory Board include:

- Passing the regulation of work of the Supervisory Board,
- Appointing and recalling the President and other members of the Management Board,
- Constant supervision on the Company's business activity in all fields,
- Assessment of the report of the Management Board on business activity and financial statement for the previous year regarding the compliance with the records and documents as well as the actual state and the applications of the Board concerning the profit division or loss coverage and also submitting to the General Meeting of Shareholders the annual written statement on the results of such assessment,
- Determining the principles and amount of remuneration for the members of the Management Board,
- Expressing the opinion on requests and matters to be passes at the General Meeting,
- Suspending, because of important reasons, in the activity the particular or all members of the Board and also appointing the members of the Supervisory Board for the period not longer than 3 months, to temporary duties of the members of the Board, who are not able to perform their duties.
- Electing the statutory auditor to audit the annual statement on financial position,
- approving the annual financial plans.

In order to perform its duties the Supervisory Board is entitled to review all Company's documents and to require from the Management Board and employees the statements and explanations as well as to perform the revisions of the Company's property. The meetings of the Supervisory Board are held under the terms and manner specified in the Regulations of the Supervisory Board.

The Regulations of the Supervisory Board is available on the website of SIMPLE S.A.: www.simple.com.pl

Composition of Supervisory Board in 2010:

Within the period from 01.01.2010 to 31.01.2010 the Supervisory Board was composed of five persons:

- Elżbieta Zybert- Chairman of the Supervisory Board
- Józef Taran- Deputy Chairman of the Supervisory Board
- Andrzej Bogucki- Secretary of the Supervisory Board
- Marta Joanna Adamczyk- Member of the Supervisory Board
- Jacek Kuroś- Member of the Supervisory Board

In the period from 27 June to 31 December 2011 the composition of the Supervisory Board was as follows:

- Adam Wojacki- Chairman of the Supervisory Board
- Józef Taran- Deputy Chairman of the Supervisory Board
- Andrzej Bogucki- Secretary of the Supervisory Board
- Arkadiusz Karasiński- Member of the Supervisory Board
- Adam Leda -Member of the Supervisory Board
- Paweł Zdunek -Member of the Supervisory Board

Composition of the Audit Committee

The Supervisor Board of SIMPLE S.A. under the resolution No. VII/7/2011 on 8 December 2011 appointed the Audit Committee with the following composition:

- Adam Leda
- Józef Taran
- Andrzej Bogucki

Recalling and appointment of proxies

In the period 01.01.2011 to 31.12.2011 the position of a proxy of SIMPLE S.A. was held by Regina Kuliś.

Proceedings in progress before the court, entity competent for the arbitrage proceeding or public administration entity.

In 2011 there were not any proceedings in progress before court, entity competent for arbitrage proceeding or public administration entity, which amount constitutes at least 10% of Issuer's equity.

STATEMENT OF THE MANAGEMENT BOARD ON APPLICATION THE CORPORATE GOVERNANCE WAS ACCEPTED BY THE MANAGEMENT BOARD ON 21.03.2011 AND SIGNED BY ALL MEMBERS:

20-03-2012 Bogusław Mitura- President of the Management Board

.....

20-03-2012 Przemysław Gnitecki- Vice President of the Management Board

.....

20-03-2012 Michał Siedlecki-Vice-President of the Management Board,

.....

6. Opinion and report of the statutory auditor from the audit of the annual financial statement of the Group SIMPLE for 2011

**AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENT
OF SIMPLE S.A. FOR 2011 Bronisława Czecha 49/51, Warsaw**

Warsaw, March 2012

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OPINION OF AN INDEPENDENT STATUTORY AUDITOR

**for the General Meeting of SIMPLE S.A. seated in Warsaw ul. Bronisława Czecha
49/51**

- I. We carried out the audit of the attached consolidated financial statement of the Capital Group SIMPLE S.A. seated in Warsaw, ul. Bronisława Czecha 49/51, consisting of:
 - 1) The consolidated financial statement prepared as for 31 December 2011, which assets and liabilities present the same amount 21.390 k PLN,
 - 2) The consolidated statement on comprehensive income for the fiscal year ending on 31 December 2011 presenting the total comprehensive income in the amount of 2.618 k PLN,
 - 3) The consolidated changes in equity for the fiscal year ending on 31 December 2011 presenting the increase of consolidated equity by the amount of 2.618 k PLN,
 - 4) The consolidated cash flows statement for the fiscal year ending on 31 December 2011 presenting the increase of the net pecuniary assets by the amount 1.460 k PLN,
 - 5) Additional information to the consolidated financial statement on applied accounting principles and other explanatory information.

The Management Board of SIMPLE S.A. is responsible for preparation of the financial statement and the business report to be consistent with the applicable regulations. The Management Board and the members of the Supervisory Board of SIMPLE S.A. are obliged to ensure that the consolidated financial statement and the report on business activity comply with the requirements stipulated in the Accounting Act of 29 September 1994 (Dz. U. of 2009, No. 152, item 1223 as amended), hereinafter referred to as the Accounting Act and International Financial Reporting Standards, which were approved by the European Union and other applicable regulations.

Our task was to audit and present our opinion on conformity with the applicable accounting rules (policy) of this consolidated financial statement, and if it presents reliably and clearly, in all the aspects, the property and financial situation, as well as the financial result of the Capital Group and on the correctness of the accounting books constituting the basis to prepare it.

II. The audit of the consolidated financial statement has been conducted according to:

Provisions of:

- 1) Chapter 7 of the Accounting Act,
- 2) the national standards of financial audit, issued by the National Chamber of Statutory Auditors in Poland,
- 3) International Standards of Auditing

These regulations impose the obligation to observe the ethic principles and to plan and to carry out the audit so that to obtain the reasonable certain that the financial statement and accounting books being the base for it are free from any discrepancies.

The audit of the consolidated financial statement was planned and carried out so that to achieve the rational certainty allowing to express the opinion on this financial statement. In particular the audit included checking the correctness of accounting standards and important estimates applied by the related entities and reviewing – mostly in the random way- the bases from which these amounts and numbers and information included in the consolidated statement follows and also the entire assessment of this consolidated statement.

We are convinced that obtained evidences are the sufficient base to issue an opinion.

III. In our opinion, the attached consolidated financial statement of the Capital Group SIMPLE S.A.:

- a) Presents in reliable and clear manner the financial and property condition of the Capital Group as for 31.12.2011, the financial result and cash-flows for fiscal year ending on this date,
- b) Was prepared in compliance with the International Accounting Standards, International Financial Reporting Standards and related interpretations announced in a form of Ordinances of the European Commission and in the scope not regulated by these Standards, pursuant to the requirements of the Accounting Act and executive regulations,
- c) Is compliant with the regulations applicable for the Capital Group affecting the content of the consolidated financial statement.

IV. The report on business activity of the Capital Group includes, in all material aspects, information mentioned in Art. 49 sec. 2 of the Accounting Act and of the Ordinance of the Minister of Finances dated on 19th February 2010 on the current and periodic information provided by the issuers of securities and conditions of considering as equal the information required by the legal provisions of the non-member country (Dz.U. U. No. 33 of 2010, item 259 as amended) and they are compliant with the information included in the consolidated financial statement.

Statutory auditor:

The entity entered into the list of entities authorized to audit under the number of 913:

Anna Wiszejko, entered to the list of Statutory auditors under the number 10030

DORADCA Auditors Sp. z o.o.
80-266 Gdańsk
ul. Grunwaldzka 212

REPORT SUPPLEMENTING THE OPINION FROM AUDIT OF THE CONSOLIDATED
FINANCIAL STATEMENT OF THE CAPITAL GROUP SIMPLE S.A.

for the fiscal year ending on 31.12.2011

I. GENERAL PART

Data identifying the Capital Group

Name of the Capital Group

Capital Group SIMPLE S.A.

Seat office of the Parent Entity

ul. Bronisława Czecha 49/51
04-555 Warszawa

Legal base of activity

The company was entered into the National Court Register under KRS number 0000065743, kept by the District Court for the Capital City of Warsaw, 13th Commercial Department of the National Court Register on 26.11.2001

Tax identification number (NIP): 113-00-22-578

Statistical number (REGON): 012642634

Share capital

The equity as at 31.12.2009 amounted to 1.859 k PLN.

The share capital of the Parent Entity as at 31 December 2009 pursuant to National Court Register amounted to 2.001 k PLN and was divided into 2.001 k shares with the nominal value 1.00 PLN each.

The entities covered by the consolidated financial statement

Pursuant to the state as at 31 December 2010 the following entities belonging to the Capital Group were covered by the consolidation:

Parent entity:

- SIMPLE S.A.

Related entities included to the full method

of consolidation :

- SIMPLE LOCUM Sp. z o.o.
- SIMPLE CPS Sp. z o.o.

- Bazus Sp. z o.o.

Information on entities belonging to the Capital Group

Item	Entity's name	Registered office	Characteristic of the company	Interest of SIMPLE S.A. in the share capital
1	SIMPLE S.A.	Warsaw ul. Bronisława Czecha 49/51	Parent company	-
2	SIMPLE LOCUM Sp. z o.o.	Warszawa ul. Bronisława Czecha 49/51	Subsidiary	100,00%
3	SIMPLE CPS Sp. z o.o.	Warszawa ul. Bronisława Czecha 49/51	Subsidiary	100,00%
4	Bazus Sp. z o.o.	Lublin ul. Wolska 11	Subsidiary	75,50%

The entities not covered by the consolidated financial statement

Pursuant to the state as at 31 December 2011 the following entities belonging to the Capital Group were not covered by the consolidation:

- SOFTEAM Sp. z o.o. seated in Warsaw, ul. Łopuszańska 53 - 25.18% of interest in the share capital,
- SIMPLE Sp. z o.o. seated in Dąbrowa Górnicza, ul. Cieplaka 19-19.51% of interest in the share capital.

These entities are not a subject of consolidation because the SIMPLE S.A. has less than half of votes together with other investors. Pursuant to the statement of the Management Board SIMPLE S.A. is not able to manage the financial and operating policy of these entities under the Articles of Association or agreement, is not entitled to appoint and recall the members of the management board and does not held the majority of votes at the Meetings of the Management Board or Supervisory Board.

Subject of activity

Entity's name	Subject of activity
SIMPLE S.A.	<ul style="list-style-type: none"> • Activity in the fields of production and sale of IT software for companies of all sectors, • Distribution of the computer hardware.
SIMPLE LOCUM Sp. z o.o.	<ul style="list-style-type: none"> • -Rent of the real estate on its own account
SIMPLE CPS Sp. z o.o.	<ul style="list-style-type: none"> • Editing activity in the field of software
Bazus Sp. z o.o.	<ul style="list-style-type: none"> • Activity in the fields of production and sale of IT software for companies of all sectors, • Distribution of the computer hardware.

The compositions of the management boards in the companies covered by the consolidation as for 31.12.2011

Name	Management Board
SIMPLE S.A.	Bogusław Mitura- President of the Management Board, Przemysław Gnitecki- Vice President of the Management Board, Michał Siedlecki- Vice President of the Management Board
SIMPLE LOCUM Sp. z o.o.	Regina Kuliś-President of the Management Board,
SIMPLE CPS Sp. z o.o.	Regina Kuliś-President of the Management Board,
Bazus Sp. z o.o.	Hubert Abramiuk – President of the Management Board, Rafał Wnorowski - Vice President of the Management Board

Data identifying the Parent Company

Name of entity, legal form and address of seat office:

SIMPLE S.A. seated in Warsaw (04-555) ul. Bronisława Czecha 49/51.

Legal base of activity

The company was entered into the National Court Register under KRS number 0000065743, kept by the District Court for the Capital City of Warsaw, 13th Commercial Department of the National Court Register on 26.11.2001

Tax identification number (NIP): 113-00-22-578

Statistical number (REGON): 012642634

Equity

The equity as at 31.12.2011 amounted to 11.859 k PLN.

The share capital amounted to 2.001 k PLN and was divided into 2.001 k shares with the nominal value 1.00 PLN each.

The Shareholders of the Company holding at least 5% of votes at the General Meeting of SIMPLE S.A. were as follows:

Shareholder	Number of votes	Interest in total number of shares	Number of votes	Interests of votes at the General Meeting
Bogusław Mitura	316.693	15,80%	696.693	25,24%
CRON Sp. z 0.0.	558.088	27,85%	597.288	21,64%

Management Board of the Company

Bogusław Mitura	President of the Management Board
Przemysław Gnitecki	Vice President of the Management Board
Michał Siedlecki	Vice President of the Management Board

Supervisory Board of the Company

Adam Wojacki	Chairman of the Supervisory Board
Józef Taran	Deputy Chairman of the Supervisory Board
Andrzej Bogucki	Secretary of the Supervisory Board
Arkadiusz Karasiński	Member of the Supervisory Board
Adam Leda	Member of the Supervisory Board
Paweł Zdunek	Member of the Supervisory Board

Chief Accountant

Regina Kuliś

Information on method of consolidation and audit of financial statements

Method of consolidation

The consolidated financial statement of the Capital Group SIMPLE S.A. was prepared as at 31.12.2009 using the full consolidation method.

Financial statements of the companies belonging to the Capital Group

Company's name	Date as at the statement was prepared	Period covered by the statement	Balance sum in k PLN	Revenues from sales in k PLN	Financial result in k PLN
SIMPLE S.A.	31.12.2011	1 January to 31 December 2011	21.406	26.943	2.615
SIMPLE LOCUM Sp. z o.o.	31.12.2011	1 January to 31 December 2011	4.745	251	-62
SIMPLE CPS Sp. z o.o.	31.12.2011	1 January to 31 December 2011	36	258	-2
Bazus Sp. z o.o.	31.12.2011	1 January to 31 December 2011	761	1.140	87

The audits of the individual financial statements of the entities belonging to the capital group

The financial statements of the entities covered by the financial statement were prepared as at the same date as the financial statement of the parent entity i.e. as for 31.12.2011.

These statements were a subject of audit by the statutory auditor.

Company's name	Auditing entity	Reg. No. of the entity	Statutory auditor	Reg. No. of the statutory auditor	Type of issued opinion	Date of issued opinion
SIMPLE S.A.	DORADCA Auditors Sp. z o.o. Gdańsk	913	Anna Wiszejko	10030	No reservations	20.03.2012
SIMPLE LOCUM Sp. z o.o.	DORADCA Auditors Sp. z o.o. Gdańsk	913	Anna Wiszejko	10030	No reservations	20.03.2012
SIMPLE CPS Sp. z o.o.	DORADCA Auditors Sp. z o.o. Gdańsk	913	Anna Wiszejko	10030	No reservations	20.03.2012
Bazus Sp. z o.o.	DORADCA Auditors Sp. z o.o. Gdańsk	913	Anna Wiszejko	10030	No reservations	20.03.2012

Information on the financial statement for the previous fiscal year and profit division

The financial statement for 2010 was audited by the statutory auditor Anna Wiszejko, entered to the list of statutory auditors under the number 10030 acting on behalf of DORADCA Auditors Sp. z o.o. in Gdańsk- the entity entered to the list of the entities authorized to audit the financial statements under the number 913. This statement had no reservations.

The financial statement for 2010 was approved under the Resolution No. 15 of the Ordinary General Meeting of the Company under the name SIMPLE S.A. of 27 June 2011.

Pursuant to the law, the financial statement with required appendices was published in the Monitor Polski B No. 2262 of 18 November 2011 and submitted to the Register Court on 12 July 2011.

Data identifying the statutory auditor (entity authorized to audit financial statements)

The audit of the consolidated financial statement of the Capital Group SIMPLE S.A. was carried out by DORADCA Auditors Sp.z o.o. seated in Gdańsk, ul. Grunwaldzka 212, the entity entered to the list of entities authorized to audit under the number 913. The audit was carried out under the agreement of 30.05.2011. The audit was preceded by the review of the financial statement for first six months of 2011. The selection of the auditor was made by the Supervisory Board on 28 May 2011.

DORADCA Auditors Sp. z o.o. is an entity independent from the companies belonging to the Capital Group SIMPLE S.A. and meets the conditions to express neutral and independent opinion on the financial statement pursuant to Art. 56 of the Act of 7 May 2009 on the Statutory Auditors and Their Self-Regulation, entities authorized to audit financial statements

and on public supervision. (Dz. U. 2009 No. 77, item 649 as amended), in witness whereof the Management Board submitted the statement on independency.

The statutory auditor Anna Wiszejko meets all requirements specified in Art. 56 of the Act of 7 May 2009 on the Statutory Auditors and Their Self-Regulation, entities authorized to audit financial statements and on public supervision. (Dz. U. 2009 No. 77, item 649 as amended) to express neutral and independent opinion on the financial statement, in witness whereof she submitted the proper statement.

Scope of activities and responsibility

This report was prepared for the General Meeting of SIMPLE S.A. and refers to the consolidated financial statement of the Company, composed of: The consolidated financial statement prepared as for 31 December 2011, which assets and liabilities present the same amount 21.390 k PLN, The consolidated statement on comprehensive income for the fiscal year ending on this day presenting the total comprehensive income in the amount of 2,618 k PLN, The consolidated statement of changes in equity for the fiscal year ending on this day presenting the increase of consolidated equity by the amount of 2,618 k PLN, The consolidated statement of cash-flows for the fiscal year ending on this day presenting the increase of the net pecuniary assets by the amount 1.460 k PLN, and additional information to the consolidated financial statement on applied accounting principles and other explanatory information.

The Capital Group prepares the consolidated financial statements pursuant to the International Standards of Financial Reporting, which were recommended by the European Union.

The Management Board of Parent Entity is responsible for preparing and reliable presentation of this consolidated financial statement and accuracy of the accounting books pursuant to the International Financial Reporting Standards, which were accepted by the European Union and other applicable regulations.

The entity's Management Board and the members of the Supervisory Board are obliged to ensure that the financial statement and the report on business activity comply with the requirements stipulated in the Accounting Act.

Our task was, basing on carried audit, to express the opinion and to prepare the report on this individual financial statement and the correctness of the accounting books being a base for it.

Data availability and Management Board statement

The audited entity made required data, information and explanations available for the statutory auditor. The Management Board of the parent company submitted the statement on complete recognition of the data in the accounting books and presenting all contingent liabilities as well as informing on important events, which occurred after the end of the period.

II. DETAILED PART

The assessment of the accounting system and internal control

Accounting policy

The accounting principles of the Capital Group SIMPLE S.A. are compliant with the International Accounting Standards and International Financial Reporting Standards.

The Capital Group has updated approved by the Management Board of the parent entity documents describing the accepted accounting policy, where the principles for assets and liabilities measurement and financial result were specified.

The correctness and reliability of consolidation information

The consolidation documents are the base to prepare the consolidated financial statement. It was prepared pursuant to the Ordinance of the Minister of Finances of 25th September 2009 on detailed principles of preparing the consolidated financial statements of the capital groups by the entities other than banks and insurance companies and reinsurance companies (Dz. U. No 169, item 1327).

The consolidation documents are sufficient to prepare the consolidated financial statement. The consolidation documents include in particular:

- Financial statements of the entities belonging to the capital group,
- Adjustments and consolidation exemption of the financial statements covered by the consolidation,
- Calculation of the negative goodwill of subsidiaries,
- Description of measurement principles applied in the capital group.

Exemptions and consolidation adjustments

The exemptions and consolidation adjustments were carried out pursuant to the applicable regulations. They are in particular:

- Balances of the settlements between the companies belonging to the capital group were confirmed, agreed and excluded in the consolidated balance sheet in a proper manner,
- Revenues and costs of activity were correctly reduced by the transactions between the capital group's entities,
- Profits due to sale inside the capital group were excluded in the consolidated profit and loss account,
 - The elimination of the share capitals of the subsidiaries was carried out in a proper manner.

III. FINANCIAL ANALYSIS

Statement of financial condition

ASSETS	31.12.2010		31.12.2011	
	k PLN	k	k PLN	structure
Non-current assets		PLN		
Property, plant and equipment	4.052	21,7%	3.701	17,3
Intangible assets	3.946	21,1%	3.347	%
Goodwill of subsidiaries	19 63	0,1%	1.098	15,6
Shares and stocks in related entities	54	0,3%	63 65	%
Long- term receivables	19	0,3%	1.372	5,1%
Long-term accrued and deferred assets	7	1,1%		0,3%
Total non-current assets	8.331	44,6%	9.646	450,13% 6,4%
Current assets				
Inventories	52	0,3%	349	1,6%
Trade and other receivables	7.653	41,0%	9.988	46,7%
Krótkoterminowe aktywa finansowe	223	1,2%	205	1,0%
Cash	1.885	10,1%	1.031	4,8%
Accrued and deferred assets	521	2,8%	171	0,8%
Total current assets		55,4%		54,9%
	10.334		11.744	
TOTAL ASSETS	18.665	100,0%	21.390	100,0%

LIABILITIES	31.12.2010		31.12.2011	
	k PLN	structur e	k PLN	structu re
Equity				
Share capital	2.004	10,7%	2.001	9,4%
Own shares	-21	-0,1%	0,00	0,0%
Retained earnings	5.358	28,7%	7.240	33,8%
Profit	1.900	10,2%	2.618	12,2%
Total equity	9.241	49,5%	11.859	55,4%
	0	0%	119	0,6%
Capitals of non-controlled interests				
Long-term liabilities				
Borrowings	2.285	12,2%	2.139	10,0%
Provisions	894	4,8%	802	3,7%
Other long-term liabilities	681	3,6%	599	2,8%
Total long-term liabilities	3.860	20,7%	3.540	16,5%
Short-term liabilities				
Borrowings	158	0,8%	94	0,4%
Trade liabilities and others	3.371	18,1%	4.092	19,1%
Accrued and deferred liabilities	2.035	10,9%	1.686	7,9%
Total short-term liabilities	5.564	29,8%	5.872	27,5%
TOTAL LIABILITIES	18.665	100,0%	21.390	100,0%

Statement of comprehensive income

	01.01.2010 ~ 31.12.2010	Interest in revenues from sales	01.01.2011 ~ 31.12.2011	Interest in revenues from sales
	k PLN		k PLN	
Revenues from sales	23.027	100,0%	27.303	100,0%
Cost of sales	-12.699	-55,1%	-13.845	-50,7%
Gross profit from sales	10.328	44,9%	13.458	49,3%
Distribution expenses	-4.326	-18,8%	-5.423	-19,9%
Administration expenses	-3.371	-14,6%	-4.894	-17,9%
Other operating revenues	256	1,1%	554,00	2,0%
Other operating costs	-152	-0,7%	-56,00	-0,2%
Profit from operating activities	2.735	11,9%	3.640	13,3%
Finance income	76	0,3%	95,00	0,3%
Finance costs	-368	-1,6%	-313,00	-1,1%
Profit before tax	2.443	10,6%	3.422	12,5%
Income tax	-543	-2,4%	-759,00	-2,8%
Net profit	1.900	8,3%	2.663	9,7%
Components of other comprehensive income	0	0,0%	0	0,0%
Profits (loss) of NCI	0	0,0%	-45,00	-0,2%
TOTAL COMPREHENSIVE INCOME	1.900	8,3%	2.618	9,6%

Analysis of changes in last three years of business activity of the Capital Group

The table below presents the basic amounts characterizing the business activity of the Capital Group within 2009-2011 (data in k PLN).

Category	2009	2010	2011	Change 2010- 2009	Change 2011- 2010
Balance sums	15.641	18.665	21.390	3.024	2.725
Non-current assets	4.113	8.331	9.646	4.218	1.315
Current assets	11.528	10.334	11.744	-1.194	1.410

Trade receivables	4.078	7.262	9.887	3.184	2.625
Equity	8.063	9.241	11.859	1.178	2.618
Liabilities and provisions for liabilities	7.578	9.424	9.531	1.846	107
Trade liabilities	333	1.210	1.426	877	216
Revenues from sales	17.549	23.027	27.303	5.478	4.276
Operating activities costs	16.474	20.396	24.162	3.922	3.766
Profit on sales	1.075	2.631	3.141	1.556	510
Gross result	1.150	2.443	3.422	1.293	979
Net result	910	1.900	2.618	990	718

Ratio analysis

The table below presents the key ratios characterizing the financial and property condition of Capital Group SIMPLE S.A. within 2009-2011.

Ratio	Method of calculation	2009	2010	2011
Return on net assets	$\frac{\text{Net result} * 100}{\text{Revenues from sales}}$	5,19%	8,25%	9,59%
Return on sales	$\frac{\text{Sales result} * 100}{\text{Revenues from sales}}$	6,13%	11,43%	11,50%
Return on net assets majątku	$\frac{\text{Net result} * 100}{\text{Total assets}}$	5,82%	10,18%	12,23%
General return on sales Own	$\frac{\text{Net result} * 100}{\text{Equity}}$	11,29%	20,56%	22,07%
Current liquidity	$\frac{\text{Current assets}}{\text{Current liabilities}}$	6,4	2,93	2,81
High liquidity	$\frac{\text{Current assets-Inventories}}{\text{Current liabilities}}$	6,39	2,91	2,72

Cash liquidity	Cash	1,5	0,53	0,25
	Current liabilities			
Obrotowość należności handlowych w dniach	Average state of trade receivables * 365	72	90	181
	Revenues from sales			
Turnover ratio of trade liabilities in days	Average state of liabilities *365	29	33	49
	Materials and energy consumption + third party's services + Amount of goods and materials sold			
Turnover ratio of inventories	Average inventories * 365	10	7	56
	Value of goods and materials sold			
Book value per one share	Equity Number of shares	4,03	4,61	5,92
Profit per one share	Net result Number of shares	0,45	0,95	1,31
Structure of assets	Fixed assets * 100	35,68%	80,62%	82,14%
	Current assets			
Property financing structures	Equity Total assets	51,55%	49,51%	55,44%
Liabilities to property ratio	Borrowing capitals Total assets	48,45%	50,49%	44,56%
Sustainability of financing (%)	Equity+ Long-term provisions and liabilities	285,14%	157,26%	159,64%
	Non-current assets			

The year 2010 was the special year for the Group among last three years. The Capital Group noted the increase of the revenues from sales by 5,478 k PLN that caused the increase of the result from sales by 1,556 k PLN. The year 2011 brought next increases of sale by 4,276 k PLN and the result on sale by 510 k PLN.

The profitability ratios illustrate the relation of the achievements to other economic categories. They inform on return on property and equity.

The return on net assets and sale ratio illustrates how much of profit or loss brought one zloty of sale in the particular years.

The return on property ratio indicates how much of profit or loss brought one zloty of the Capital Group's property.

The return on equity ratio informs on the amount of the profit worked out by one zloty invested by the equity's owner.

The liquidity ratios are used to assess the entity's capacity to pay the current liabilities on time. Lowering the level of turnover ratios below the stipulated level says that the entity lost the capacity to pay the liabilities on time. The increase of the turnover ratios over the recommended level may prove that the current assets are frozen, that lowers the achievable return on equity.

The liquidity ratios decreased in 2011. Their amounts at the end of 2011 significantly exceed the recommended levels, which are as follows, for current liquidity ratio- 1.5 – 2.0, and high liquidity ratio 1.0-1.2. The slight difference between the current liquidity ratio and high liquidity ratio results from the relatively low amount of inventories in comparison to the level of other current assets of the Capital Group.

The cash liquidity ratio at the end of 2011 indicates that as for the balance day the Capital Group was able to repay 25% of its short-term liabilities.

The level of the turnover ratio of the trade receivables amounting to 181 days in 2011 means that the Capital Group is able to perform its receivables in six months period of time. This ratio significantly increased in 2011 that may be deemed as unfavorable.

The turnover ratio of liabilities in 2011 amounts to 49 days. Its amount shows that the Capital Group SIMPLE S.A. pays its obligation during one and half month.

The book value per one share specifies the property of the Capital Group, which is not burdened by the liabilities, per 1 share.

Calculates assets structure ratio indicates the high flexibility of the Capital Group's property in the analyzed period- if this ratio exceeds 100% means that the property is immobilized.

The property to liabilities ratio and corresponding financing structure ratio informs that in 2011 the business activity of the Capital Group was financed in 45% by the liabilities and thus 55% of the Capital Group's property was covered by equity.

The sustainability of financing structure ratio set at the end of 2011 informs that the gold balance rule was met which says that the fixed assets should be financed by equity increased by long-term liabilities.

The ratio analysis shows that the business activity carried out in 2011 by the Capital Group SIMPLE S.A. was profitable. The liquidity ratios set at the end of 2011 exceeded the stipulated levels. The turnover ratios remained at the good level. The financing structure ratios inform that the business activity of the Capital Group is financed by equity in 55%. All these assumptions allow stating that there is no risk for going concern principle.