Financial report for the period between January 1, 2016 and December 31, 2016

Prepared in accordance with the International Financial Reporting Standards

Ząbki, March 10, 2017

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1. INTRODUCTION TO J.W. CONSTRUCTION HOLDING S.A. FINANCIAL STATEMENT

1. GENERAL INFORMATION

J.W. Construction Holding S.A., hereinafter referred to as Company, is a joint-stock company with its registered office in Ząbki, Poland at 326 Radzymińska street, REGON id. no.: 010621332 was initially registered as Towarzystwo Budowlano-Mieszkaniowe Batory Sp. z o.o., a limited liability company, on March 7, 1994 under the number RHB 39782. On January 15, 2001 it was transformed into a joint-stock company and registered with the District Court for Warsaw under the number RHB 63464. On 16 July 2001 the Company changed its name to the current "J.W. Construction Holding S.A." and was entered into the National Court Register under number KRS 0000028142.

In accordance with the Polish Classification of Activities (Poland Klasyfikacja Działalności) the core business of the Company is the development and sale of own properties on its own account. The subject of the Company's activity is also conducting construction, design and support production as well as selling real estate, aggregates and hotel services.

As of December 31, 2016, the lifetime of the Company is unlimited. The business year of the Company is a calendar year, i.e. the period between January 1 and December 31

This financial statement was approved by the management of the company on March 10, 2017. If there are any significant changes to be disclosed, the financial statement may be amended after it is prepared prior to approval solely by the management of the company.

2. ADOPTED PRINCIPLES (POLICY) OF ACCOUNTING

Going concern basis and comparability of financial statements

J.W. Construction Holding S.A. assumes that it will operate as a going concern and that financial statements are comparable. As at the balance sheet date the company of J.W. Construction Holding S.A. did not find out any threats to the going concern assumption. The financial reporting is prepared in accordance with the historical cost convention. The financial information was not measured with any other method, which guarantees that the financial statements presented in the consolidated financial statements are comparable.

Declaration of unconditional compliance with IFRS

The financial statement of J.W. Construction Holding S.A. was prepared in accordance with the International Financial Reporting Standards, as approved by the European Union.
J.W. Construction Holding S.A. has assumed that besides accounting estimates, also a professional judgement of the management was significant for the financial statements.

Significant estimations and assumptions

Estimations and judgements are subject to periodic verification of the Company. When making estimations J.W. Construction Holding S.A. makes the following assumptions referring to the future;
- Estimation of impairment allowance. Impairment allowance is established taking account of expected risk connected with receivables and created collateral having impact on effective debt collection. Although the assumptions are made using the best knowledge, real results may be different than expected.
- Estimations connected with establishing deferred tax assets in accordance with IAS 12. Due to the highly volatile economy it may happen that real earnings and tax income are different than planned.
- Estimation of potential costs of fiscal and court proceedings pending against the parent company. When preparing the financial statements the opportunities and risks connected with pending proceedings are reviewed on a case by case basis, and provisions for potential losses are created accordingly. However, it is also possible that a court or a fiscal authority makes a judgement or issues a decision other than expected by the company and the created provisions may prove insufficient. .
- The company gains revenues from services supplied by the Issuer under contracts for a specified time. Services supplied by the Issuer are long-term ones and their term of performance is over six months.
- The fair value of the investment real estate is determined by independent, professional entities responsible for real estate valuation. The management board verifies the valuations of real estate by comparing them with similar market transactions and other investment real estate information that is possible to receive.

Merger of units

In 2016 the following mergers ocurred.
- J.W. Company Sp. z o.o. with its business seat in Ząbki, Poland,
- J.W. Company Spółka z ograniczoną odpowiedzialnością J.W.1 SKA with its business seat in Ząbki, Poland,
- J.W. Company Spółka z ograniczoną odpowiedzialnością J.W.2 SKA with its business seat in Ząbki, Poland,
- Lokum Sp. z o.o. with its business seat in Warsaw,
- J.W. 6 Sp. z o.o. with is business seat in Ząbki, Poland,

The merger took place in accordance with the articles 492 §1 section 1 of the Polish Code of Commercial Companies through the transfer of all the assets of the companies being taken over to the Issuer (merger through acquisition).

The effect of the application of new accounting standards and the changes in accounting policy

The principles (policy) of accounting that were used for preparation of this consolidated financial statement for 2016 are consistent with those used for preparation of the financial statement for the financial year of 2015, with the exception of changes described below.

The same principles for the current and comparable periods have been utilized.

- **Changes resulting from the changes to IFRS**
  The following new or revised standards or interpretations issued by the International Accounting Standards Board or IFRS Interpretations Committee are in force since January 1, 2016:
- Changes to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Changes to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Changes to IAS 16 and IAS 41 *Agriculture: Bearer Plants*
- Changes to IAS 27: *Equity Method in Separate Financial Statements*
- Changes to IFRS 10, IFRS 12 and IAS 28: *Unit investment: an exception from consolidation*
- Changes to various standards resulting from the annual review of the International Accounting Standard (*Annual Improvements 2012-2014*)
- Changes to IAS 1: *Disclosure Initiative*

  Their adaptation did not affect the results of the Company's activity and financial situation, but resulted only in changes of applied accounting policy or, in some cases, in extending of the scope of required disclosures or terminology used.
  The main consequences of the application of new regulations:

  Changes to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

- Changes to IFRS 11 were published on 6 May 2014 and apply to annual periods beginning on or after January 1, 2016. The goal is to present detailed guidelines clarifying the accounting for the acquisition of interests in common activities that are undertaken. The changes require to apply rules identical to those used in the case of business combinations.
- The application of the changed standard has no significant influence on the Company's financial statements.
  Changes to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

- Changes to IFRS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* were published on 12 May 2014 and apply to annual periods beginning on or after January 1, 2016. The amendment provides additional clarification regarding allowed depreciation methods. The aim of the change is to indicate that the method of calculating amortisation of fixed assets and intangible assets based on revenues is not appropriate. However, in the case of intangible assets, this method can be used in certain circumstances.
  The application of the changed standard has no significant influence on the Company's financial statements.
  Changes to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

- Changes to IFRS 16 and 41 were published on 30 June 2014 and apply to annual periods beginning on or after January 1, 2016. The amendments bring bearer plants into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. The amendments also clarify that produce growing on bearer plants continues to be accounted for under IAS 41.

  The application of the changed standard has no significant influence on the Company's financial statements.

- Changes to IAS 27: *Equity Method in Separate Financial Statements*

  Changes to IAS 27 were published on 12 August 2014 and apply to annual periods beginning on or after January 1, 2016. The amendments restore the option to allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. The accounting option must be applied by category of investments.
  The application of the changed standard has no significant influence on the Company's financial statements.

  • Changes to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

Changes to IFRS 16 and 41 were published on 30 June 2014 and apply to annual periods beginning on or after January 1, 2016. The amendments bring bearer plants into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. The amendments also clarify that produce growing on bearer plants continues to be accounted for under IAS 41.
The application of the changed standard has no significant influence on the Company's financial statements.
• Changes to IAS 27: *Equity Method in Separate Financial Statements*
Condensed Consolidated Financial Statements for the period of 9 months finished on September 30, 2016. 6

Changes to IAS 27 were published on 12 August 2014 and apply to annual periods beginning on or after January 1, 2016. The amendments restore the option to allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements. The accounting option must be applied by category of investments.

The application of the changed standard has no significant influence on the Company's financial statements.
• Changes to IFRS 10, IFRS 12 and IAS 28: *Unit investment: an exception from consolidation*

Changes to IFRS 10, IFRS 12 and IAS 28 were published on 18 December 2014 and apply to annual periods beginning on or after January 1, 2016. Their aim is to clarify the requirements for accounting units of investment.

The Company has applied these changes at a date set by the European Union as the date of entry into force of this standard - i.e. 1 January 2016.
The application of the changed standard has no significant influence on the Company's financial statements.
• Changes to various standards resulting from the annual review of the International Accounting Standard (*Annual Improvements 2012-2014*)

On 25 September 2015, as a result of the conducted review of IFRS, minor changes were introduced into the 4 following standards:
- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. It adds specific guidance for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.,
- IFRS 7 *Financial Instruments: Disclosures*. Applicability of the amendments regarding offsetting financial assets and liabilities to condensed interim financial statements,
- IFRS 19 *Employee Benefits*, in terms of the currency of the high quality corporate bonds used in estimating the discount rate,
- IFRS 34 *Interim Financial Reporting*, in terms of clarification how to indicate that the disclosures required by paragraph 16A of IFRS 34 have been included elsewhere in the interim financial report.

The changes apply mostly to annual periods beginning on or after 1 January 2016. The company estimates that the application of the revised standards does not substantially impact the Company's financial statements, with the exception for the amendment to IAS 34, which might result in additional disclosures in the Company's interim financial statements.
• Changes to IAS 1: *Disclosure Initiative*

On 18 December 2014, as a part of a larger initiative to improve the presentation and disclosure in financial reports, an amendment to IAS 1 was published. The changes are designed to further encourage entities to use professional judgement in determining what information to disclose in their financial statements. For instance, the changes clarify that including irrelevant information may reduce the usefulness of strictly financial disclosures. In addition, the amendment states that entities shall use professional judgement in determining at what point and in what order to present information when disclosing financial information.
These amendments are accompanied by changes to IAS 7 Statement of Cash Flows, which increases the disclosure requirements regarding cash flow from financial activities, cash and cash equivalents. (details below).

The company estimates that the application of the revised standards does not substantially impact the Company's financial statements.

- **Changes made independently by the Company**

The company did not make any presentation adjustments to comparable data for the year 2015 and/or as of December 31, 2105.

Not effective standards (New standards and interpretations)

In this financial statement, the Company did not decide of an earlier use of published standards or interpretations before their effective date.
The following standards and interpretations were issued by the IFRS Interpretations Committee and IFRIC and not yet entered into force on the balance sheet date::

- IFRS 9 *Financial Instruments*

This new standard was published on July 24, 2014 and is applicable towards annual periods starting from January 1, 2018 or later. The purpose of this standard to arrange in order the classification of financial assets and introduction of a unified approach towards the assessment of the loss of value regarding all financial instruments. This standard also introduces a new hedge accounting model in order to unify the principles for presentation of risk management information in financial statements. Company shall apply the modified standard in the scope of introduced changes from January 1, 2018. On the day on which this financial statement was prepared it was not possible to convincingly assess the influence of the application of this standard. Company started the analysis of the introduction of this new standard.

- IFRS 14 *Regulatory Deferral Accounts*

This new standard was published on January 30, 2014 and is applicable to annual periods starting on January 1, 2016 or later. It has a transitory character due to conducted work on the part of IFRS regarding the regulation of how operations shall be settled in new conditions of price regulations. This standard introduces new principles of presentation of assets and liabilities due to transactions with regulated prices when an entity decides to adopt IFRS. Company shall adopt the new standard from January 1, 2016. Adoption of the new standard has no influence on Company financial statement.

- IFRS 15 *Revenue from contracts with customers*

This new unified standard was published on May 28, 2014 and is applicable towards annual reports starting on January 1, 2017 or later and its earlier application is permitted. This standard establishes new framework for presentation of revenue and involves principles that shall replace the majority of guidelines in the scope of presentation of existing revenue currently found in IFRS, in particular in IFRS 18 Revenue, IFRS 11 Construction service contract and the interpretations related thereto. On the day of preparation of the foregoing financial statement, it is not feasible to prepare a convincing assessment of the influence of application of this new standard. The Company has initiated the analysis of the consequences of the introduction of this new standard.

- IFRS 16 *Leasing*

This new standard was published on January 13, 2016 and apples to annual period starting on January 1, 2019 or later. Its earlier application is allowed (on the condition of the parallel application of the IFRS 15). This standard replaces current regulations regarding leasing (e.g. IFRS 17) and drastically changes the approach towards lease agreements of various character. It makes leaseholders disclose assets and liabilities in balance sheets that relate to lease agreements no matter their type. As of the day of the preparation of the financial statement it is not possible to reliably assess the effect of the application of this new standard. The company started the analysis of the effects of the application of this new standard.

- Changes to ISFR 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Changes to ISFR 10 and IAS 28 were published on 11 September 2014 and apply to annual periods beginning on or after 1 January 2016(the date of entry into force has now been deferred without indicating the start date). The changes refer to the accounting aspect of transactions in which a dominating unit loses control over an affiliated unit that is not a business in accordance with the definition in IRFS 3 “Merger of Units” by way of sale of all or part of units in an affiliated unit to another affiliated unit or a common enterprise presented by the ownership right method.
The Company will apply the amendments no earlier than the date set by the European Union as the date of entry into force of this standard. Currently, the European Commission has decided to postpone the formal procedure for the approval of this standard
As of the date of preparation of the foregoing financial statement it is not possible to assess convincingly the effect of the application of the new standard.

- Changes to IAS 12: *Disclosure of assets due to deferred income tax due to unrealized losses*

Changes to IAS 12 were published on January 19, 2016 and apply to annual periods starting on January 1, 2017 or later. Their goal is to make requirements more precise regarding the disclosure of assets due to deferred tax regarding financial debt instruments assessed in fair value.

The Company expects that the application of the changed standards shall have no influence on Company’s financial statement.

- Changes to IAS 7: *Disclosure Initiative*

- Changes to IAS 7 were published on 29 January 2016 and apply to annual periods beginning on or after 1 January 2017. The aim was to increase the scope of information provided to users of financial statements about entity's financing activities through additional disclosure of changes in the value of liabilities related to financing activities of an entity.

The Company expects that the application of the changed standards shall have no influence on Company’s financial statement, except for the change of scope of disclosures presented in the financial statements

- Clarifications to IFRS 15: *Revenue from Contracts with Customers*

  Clarifications to IFRS 15 were published on 12 April 2016 and apply to annual periods beginning on or after 1 January 2018(according to the date of application of the whole standard). The aim of the changes was to clarify doubts arising from during the pre-implementation analysis regarding : performance obligation , the use of standard guidelines on the identification of the client / agent , and revenue from licensing intellectual property , and finally transition periods at initial adoption of the new standard.

The Company expects that the application of the changed standards shall have no influence on Company’s financial statements

- Clarifications to IFRS 15 were published on 12 April 2016 and apply to annual periods beginning on or after 1 January 2018(according to the date of application of the whole standard). The aim of the changes was to clarify doubts arising from during the pre-implementation analysis regarding : performance obligation , the use of standard guidelines on the identification of the client / agent , and revenue from licensing intellectual property , and finally transition periods at initial adoption of the new standard.

The Company expects that the application of the changed standards shall have no influence on Company’s financial statemen during the pre-implementation analysis regarding : performance obligation , the use of standard guidelines on the identification of the client / agent , and revenue from licensing intellectual property , and finally transition periods at initial adoption of the new standard.

The Company expects that the application of the changed standards shall have no influence on Company's financial statemen

- Changes to IFRS 2*: Classification and Measurement of Share-based Payment Transactions*

Changes to IFRS 2 were published on 20 June 2016 and apply to annual periods beginning on or after 1 January 2018. The aim was to clarify the method of accounting for certain types of payment transactions based on shares.

The Company expects that the application of the changed standards shall have no influence on Company's financial

- Changes to IFRS 4: Application of IFRS 9 "*Financial instruments*" in IFRS 4 "*Insurance contracts*" published on September 12, 2016.

  The changes apply to annual periods beginning on or after 1 January 2018.

  The Company expects that the application of the changed standards shall have no influence on the Company's financial statement.

They apply to annual periods starting on January 1, 2018 or later.

The company expects that the application of a changed standard shall have no effect of the financial statement of the company.

- Changes to various standards resulting from an annual review of the International Financial Reporting Standards (*Annual Improvements 2014-2016*)

On December 8, 2016 as a result of a conducted review of IFRS the three minor adjustments to three standards were introduced:

- IFRS 1 *Interim Financial Reporting* regarding the deletion of a few discharged responsibilities with respect to the said standard that no longer apply,

- IFRS 12 *Disclosure of interests in other entities* with respect to rendering information disclosure requirements more precise with reference to held interests regardless or whether they are treated as interests earmarked for sale, transfer as dividend.

- IFRS 28 *Investment in associates and common enterprises* with respect to the moment during which entities having an investment character (venture capital, for instance) may decide as to the way the assets in associates and common enterprises are valuated in their fair value, and not with the equity method.

The company expects that the application of the changed standards shall have no significant effect on the financial statement of the company.

- IFRIC 22 *Foreign currency transactions and advance consideration*

The new interpretation was published on December 8, 2016 and applies to annual periods starting on January 1, 2018 or later. The goal of the interpretation is to indicate a transaction date for the goals of proper fixing a transaction exchange rate (for conversions) when an entity pays or receives an advance in a foreign currency.

The company shall be applying a new interpretation since January 1, 2018.

As of the day on which this financial statement was prepared it is not possible to reliably estimate the influence of the application of a new interpretation. The company has started the analysis of the effects of the implementation of a new intepretation.

- Change to IAS 40: *Transfer of investment property*

A change to IFRS 40 was published on December 8, 2016 and applies to interim periods starting on January 1, 2018 or later. Its goal is to make it more precise that the transfer of real estate from or to investment real estate may take place only when a change as to the way the real estate is used has occurred.
The Company shall apply changes to annual periods beginning on or after 1 January 2018.

The Company expects that the application of the changed standards shall have no influence on the Company's financial statement.

IFRS in the shape approved by EU do not significantly differ from the regulations adopted by the International Accounting Standards Council with the exception of those standards, interpretations and changes thereto that on the day of approval of the foregoing financial statement for publication were not yet approved for application by EU:

- IFRS 14 *Regulatory Deferral Accounts* published on January 30, 2014,

- IFRS 16 *Leasing* published on January 13, 2016,
- Changes to IFRS 10 and IAS 28: *Sale or transfer of assets between investor and its affiliated unit or common enterprise* published on September 11, 2014,
- Changes to IAS 12: *Disclosure of assets due to deferred income tax due to unrealized losses* published on January 19, 2016
- Changes to IAS 7: *Disclosure Initiative* published on 29 January 2016,
- Clarifications to IFRS 15: *Revenue from Contracts with Customers* published on 12 April 2016,
- Changes to IFRS 2: Classification and Measurement of Share-based Payment Transactions published on 20 June 2016,
- Changes to IFRS 4: Application of IFRS 9 *"Financial instruments*" in IFRS 4 "*Insurance contracts*" published on September 12, 2016.
- Changes to various standards resulting from an annual review of the International Financial Reporting Standards (*Annual Improvements 2014-2016*) published on December 8, 2016,
- IFRIC 22 *Foreign currency transactions and advance consideration,* published on December 8, 2016,
- Change to IAS 40: *Transfer of investment real estate,* published on December 8, 2016,

Policy of accounting

Intangible assets

Intangible assets are priced at cost and include proprietary rights such as: concessions, patents, licenses, trademarks, copyrights, know-how and computer software. Intangible assets are identifiable non-monetary assets. Intangible assets are recognizable if:

- they are identifiable,
- the company controls such assets, due to which it is entitled to future economic benefits that are attributable to them and is able to restrict third party access to such benefits,
- they generate future economic benefits which may occur in the form of revenues from sales or cost savings for the company,
- the acquisition price or manufacturing cost of a given asset can be measured reliably

Intangible assets with a specified useful life are amortized in accordance with the straight-line method in a period corresponding to an estimated period of their economic life, which is as follows:

- Computer software from 10% to 50%

Intangible assets of an indefinite useful life (goodwill) are not amortized but tested for impairment on an annual basis, in accordance with IAS 36.

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Tangible assets

Tangible assets cover resources controlled by the company (owned by the same) as a result of past events, from which future economic benefits are expected to flow to the company and which are kept by the same for use in production or supply of goods and services, for rendering them for use to other entities under lease agreements or for the purpose of administration, and which are expected to be used for over one year. The company recognizes tangible assets as assets when they are usable, complete and their cost (acquisition price or manufacturing cost) may be measured reliably.
Tangible assets are measured at acquisition price or manufacturing cost. Tangible assets are depreciated with the straight-line method for the period of their useful life as follows: Tangible assets are depreciated with the straight-line method for the period of their useful life as follows:

- Buildings and structures: the depreciation rates from 1,25% – 4,5%
- Machinery and equipment: 6% - 30%
- Means of transport: 12,5% - 20%
- Other fixed assets: 5% - 50%

Subsequent expenditures on tangible assets are included in their carrying value if it is probable that the business entity will gain future economic benefits exceeding the ones obtainable under the initially estimated earnings from assets held before such expenditures. Current costs of maintenance and repairs are expensed in the period in which they were incurred.
Fixed small assets with a value below PLN 3,500,00 are amortized once on the date of purchase. In case of fixed assets, which permanently lost their economic usefulness , unplanned depreciation charge included in other operating costs is made.
The Company verified the value of their assets. Fixed assets that are disclosed in the financial statements do not differ from their assumed cost.

Impairment of tangible assets and intangible assets

Whenever there are indications that tangible assets and intangible assets may be impaired, the said assets are tested for impairment. The established amounts of impairment losses reduce the carrying value of an asset subject to impairment and are disclosed in the income statement.

Impairment losses on assets that were earlier re-measured adjust the revaluation reserve up to the amounts disclosed in equity, and below the acquisition price they are disclosed in the income statement. An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of the asset's net realizable value and the value in use. Impairment losses are reversed when the circumstances due to which they were made cease to exist. Impairment loss reversals are disclosed in the income statement except for the ones which earlier reduced the revaluation reserve. They then adjust the said reserve up to the value of earlier reductions.

Investment real estate

Investment real estate is real estate (land, building or a part of the same, or both) treated by the owner as a source of revenues from rents or held for growth in value. Such real estate is not used in production, supply of goods and services or administration activities, neither is it held for sale in an ordinary course of business. Investment real estate is in particular land kept for its long-term growth in value or land whose future use is presently undetermined. Investment real estate is initially measured at acquisition price or manufacturing cost including transaction expenses.

After initial recognition, an entity using a model of fair value measurement, measures at the fair value all investment properties and investment properties under construction, with the exception of cases where an entity can not reliably determine the fair value of investment properties. The gain or loss arising from changes in fair value of investment property affects net profit or net loss for the period in which the change occurred

Leasing

A lease is an agreement whereby a lessor conveys to a lessee, in return for a specific payment or a series of payments, the right to use an asset for a specified time. The company classifies leases as operating leases or financial leases. A lease is classified as a financial lease when substantially all risks and rewards of ownership of the leased asset are transferred to company. A financial lease is initially disclosed on the lease commencement date understood as the day from which the company is entitled to use the leased asset.

As at the lease commencement date, the financial lease is disclosed in the balance sheet of the company as a component of assets and liabilities:

- in the amount equal to the market value of the leased asset,
- the present (discounted) value of lease payments, depending on which amount is lower.

Lease payments are divided into financial expenses (presented in the income statement for a given period) and principal payments, reducing the liability under the lease. Financial expenses are disclosed directly in the income statement.

Leased assets disclosed in the balance sheet are amortized and depreciated under the same principles as other purchased assets of a similar kind. The period of amortization or depreciation is equal to the period of lease unless after the end of the lease the company intends to buy the ownership right to the leased asset.

Any lease that does not satisfy the criteria of a financial lease is classified as an operating lease. Payments made under an operating lease are expensed in the income statement on a straight-line basis over the period of lease

Inventories

Inventories comprising materials, work in progress, finished products, goods and trade advances are understood as assets which are:

- materials or raw materials designated for use during production or supply of services,
- produced for the purpose of sale in an ordinary course of business,
- held for sale in an ordinary course of business.

Finished products are components of the completed projects (residential homes, multifamily housing), such as apartments, commercial spaces, basements, garage and parking places. Finished products are components of completed projects (housing estates, multi-family housing estates) such as apartments, commercial premises, basements, garages, garage places, parking places. This item comprises other finished products used in the production process of the company. Finished products are measured at the lower of acquisition price (manufacturing cost - including direct costs and a substantiated part of indirect costs as well as costs of borrowings incurred until the production completion date) and a net realizable value.

Should the acquisition price or manufacturing cost be higher than the expected net realizable value, the company discloses an impairment loss adjusting costs of goods sold. The depletion of finished products is performed through detailed identification of particular items.

Work in progress covers expenditures made on building housing estates and costs connected with auxiliary production. Auxiliary production is measured at manufacturing cost. Production connected with building of housing estates is valued in accordance with IAS 11 "Construction Contracts" and the principles referred to under section "Long-term developer contracts".

Borrowing Costs

Costs of borrowings comprise interest, exchange losses and other financial expenses incurred by the company due to borrowings. The Company defers costs of borrowings that may be allocated directly to acquisition (land and construction services), construction or manufacturing of an asset as a part of acquisition price or manufacturing cost of such asset. The said costs are deferred until the production or construction completion date. Other costs of borrowings are recognized in the period in which they are incurred, regardless of the manner of using the borrowings..

Current and non-current receivables
Receivables are disclosed in the financial statements at the amount due less impairment allowance. Receivables are measured taking account of the probability of their payment, by way of making impairment allowance. Impairment allowance is included in other operating expenses or financial expenses, respectively, depending on the type of receivables covered by such allowance. Remitted, prescribed or uncollectible debts reduce the impairment allowance earlier recognized for the same. Remitted, prescribed or uncollectible debts for which no or only some impairment allowance was recognized are charged to other operating expenses or financial expenses, respectively.

Guarantee deposits
Guarantee deposits being parts of receivables, retained by customers under contractual provisions as security for the guarantee and warranty period, are disclosed in assets of the Company.
Guarantee deposits securing claims of the Company against sub-contractors are disclosed as payables in liabilities. Deposits are measured as at the balance sheet date at acquisition price adjusted with an effective discount rate.

Cash and cash equivalents
Cash on hand and with bank as well as current deposits kept to maturity are measured at par value

Prepaid expenses
The Company defers expenditures of prepaid expenses when it is probable that incurred costs refer to more than one reporting period, and in accordance with the principles of significance and prudence in accounting. The most important criterion for deferment of expenses is satisfaction of the definition of assets i.e. resources whose value can be measured reliably, recognized as a result of past events and from which future economic benefits are expected to flow to the company.

Provisions for liabilities
Provisions are liabilities of uncertain amount or timing. The Company companies recognize provisions when all the following conditions are fulfilled:
- the company has a present (legal or constructive) obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- a reliable estimate can be made of the amount of such obligation.

Provisions for liabilities in J.W. Construction Holding S.A. comprise:
- a provision for guarantee repairs disclosed at amounts of guarantee repair costs incurred in previous periods,
- a provision for unused annual leaves of employees, recognized based on records on unused days of annual leaves of particular employees at a given date and their daily gross salaries plus social insurance premiums paid by the Employer,
- provision for retirement benefits,
- deferred income tax liabilities.

Long-term developer contracts
The core business of the Issuer Company is the realization of development contracts. The core business of the Company is performance of developer contracts. The characteristic feature of developer contracts is the construction of apartments that are generally financed by the principal over the whole project, by way of contractually agreed advances, and then - after the investment process has been completed - the ownership right is transferred to the apartment buyer. Such contracts are performed for over one year. Advances paid by buyers under concluded agreements are recorded as deferred income. Costs by nature incurred in a given period are disclosed as work in progress under inventories. From 1 January 2009, the Company recognizes revenues and expenses regarding the developer contracts in accordance with the IFRIC 15 interpretation : “ Agreements for the construction of real estate”, published in July 2008. This interpretation concerns the moment of recognition of revenue from sales of property.
From 2009, the Company recognizes revenues from developer contracts – sale of immovable property to the purchaser upon the transfer of control and significant risk of ownership. Transfer of control and significant risk of ownership take place the latest on the date of concluding the contract in a form of a notarial deed.
The Company changed the accounting policy for the moment of transferring the control and significant risks to the Buyer. After the amendment, the Company using the interpretation of IFRIC 15 recognizes revenue from the sale of the property after meeting the following conditions:
- date of completion:
- receiving property transfer protocol.

Long-term developer contracts
As a provider of construction services, the Company of Issuer applies the regulations under IAS 11 "Construction Contracts" for accounting and recognition of construction services

a) Zero-profit method
The zero-profit method is applied when it is not possible to measure the stage of completion of an unfinished construction service reliably. In accordance with the said method revenues from an unfinished construction service are established at a month end at costs incurred in the said month, not higher than costs probable to be covered by the

principal in future. When invoiced revenues exceed incurred costs, a relevant part of revenues is transferred to deferred income

b) Percentage-of-completion method

The percentage-of-completion method is applied when it is possible to measure the stage of completion of an unfinished construction service reliably. Revenues from an unfinished construction contract are disclosed pro rata to costs incurred at a given moment of its performance. Revenues, expenses and profits are disclosed proportionally to the stage of work completion.

To measure the stage of completion of a construction contract the Company applies a method that will allow it to reliably establish the stage of completion of works as at a given date. Depending on the nature of a contract such method may comprise:

- establishing costs of the contract incurred due to work performed to date proportionally to estimated total costs of such contract,
- measurement of works performed,
- comparing physically completed parts of work with contractual works.

When establishing the stage of completion of a construction service, based on contractual expenses incurred to date, costs of the said works include only those contractual expenditures that can be allocated to the stage of completed work

Borrowings

Borrowings are recognized at acquisition price equal to fair value of received cash less costs of acquisition.

Borrowings are subsequently measured at acquisition price adjusted with an effective interest rate. All effects of the adjusted acquisition price and effects of recognition of a liability from the balance sheet or recognition of its impairment are disclosed in the profit and loss account.

Deferred income tax

Deferred income tax assets and liabilities are estimated based on temporary differences between the value of assets and liabilities disclosed in books and their tax value and a tax loss deductible in future from the tax base.

Income tax liabilities are recognized for temporary positive differences at the amount of income tax payable in future.

Deferred income tax assets are recognized at the amount of expected future deduction from income tax due to temporary negative differences and a deductible tax loss, in accordance with the principle of prudence in accounting. The carrying value of deferred income tax assets is verified as at each balance sheet date unless it is probable that taxable income sufficient to realize the whole or a part of a deferred income tax asset will be generated. Deferred income tax assets and deferred income tax liabilities are measured at tax rates applicable for the period when the asset is realized and the liability is discharged, based on tax rates applicable as at the balance sheet date.

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Held-for-sale assets and discontinued operations

Available-for-sale assets and discontinued operations are assets or companys of assets classified as such, disclosed in the financial statements at the lower of their carrying value or fair value less selling expenses.

Assets can be classified to that company when active operations are performed to locate a buyer, it is highly probable that assets will be sold within one year of their classification and they are available for immediate sale.

Liabilities

Liabilities are obligations of the Company, arising from future events, the value of which can be measured reliably and which will cause the use of present or future assets of the company.

Based on their characteristics, liabilities can be divided into:

- current liabilities,
- non-current liabilities,
- financial liabilities,
- contingent liabilities.

Current liabilities are all trade payables and all or those of other liabilities that fall due within one year of the balance sheet date. Non-current liabilities are those liabilities, other than trade payables, which fall due after one year of the balance sheet date.

Financial liabilities are obligations of the company to deliver financial assets or to exchange a financial instrument with another company on unfavorable conditions.

Contingent liabilities are obligations dependent on occurrence of certain events. Contingent liabilities are disclosed in additional information and notes.

Liabilities are measured as at the balance sheet date in the amount due.

Accrued expenses

Accrued expenses are recognized at the amount of probable obligations falling to the reporting period.

Revenues
The Company of Issuers recognize revenues at the amount of probable economic benefits flowing due to a transaction, which can be measured reliably. Revenues are recognized on an accrual basis, regardless of the date of payment receipt.

Revenues from sales of developer services - apartments - are disclosed in the manner provided under the section "Long-term developer contracts".

Revenues from sales of construction services are recognized in the period of service supply, on the basis of the stage of completion of a concrete transaction, established based on the relation of actually performed works to all services to supply.

Other income, expenses, gains and losses

Other operating income and expenses are income and expenses not connected directly with operating activities.
Financial income and expenses comprise, among other things, interest connected with loans and credits granted and used, default interest received and paid, foreign exchange gains and losses, commissions paid and received, gains and losses on sale of securities, provisions dissolved and created in the burden of financial expenses.
Extraordinary profits and losses present financial results of events that come into existence outside the main business of the company.

Taxes
Corporate income tax expense is calculated based on taxable earnings (tax base) for a given accounting year. Tax profit (loss) differs from net book profit (loss) due to exclusion of next-year taxable income and tax deductible costs, as well as permanently non-taxable income and expenses. Tax expense is calculated at a tax rate applicable in a given trading year.

2. FINANCIAL STATEMENT

Financial situation statement

ASSETS	Note	2016-12-31	2015-12-31
FIXED ASSETS		**708 548 512,08**	**842 997 161,93**
Intangible assets	1	12 505 771,91	12 743 704,03
Tangible assets	2	229 049 142,36	227 400 157,30
Investment real estate	3	197 649 050,83	405 269 174,24
Other financial assets	4	240 911 963,27	178 339 779,28
Deferred income tax assets	13	26 547 164,76	17 478 087,72
Trade and other receivables	5	1 885 418,96	1 766 259,37
CURRENT ASSETS		**741 289 463,18**	**472 692 002,41**
Inventories	6	28 966 002,80	27 822 881,13
Construction contracts	6	517 990 585,99	267 739 043,96
Trade and other receivables	7	54 003 191,47	53 473 215,20
Other financial assets	8	61 761 754,10	42 030 670,09
Cash and cash equivalents	9	69 622 774,77	73 600 261,65
Accruals	10	8 945 154,04	8 025 930,38
Total Assets		**1 449 837 975,26**	**1 315 689 164,35**
EQUITY AND LIABILITIES			
EQUITY		**684 285 638,24**	**674 694 704,07**
Share capital	11	17 771 888,60	17 771 888,60
Revaluation capital		7 493 208,19	7 493 208,19
Other capital	11	655 109 117,27	640 069 533,01
Retained earnings		-5 679 509,98	-5 679 509,99
Net profit / loss		9 590 934,16	15 039 584,26
LIABILITIES		**765 552 337,01**	**640 994 460,27**
Non-current liabilities		**191 979 387,66**	**300 856 821,59**
Borrowings	12	61 382 914,16	50 841 566,42
Deferred income tax liabilities	13	31 643 333,25	38 243 749,24
Retirement benefit obligations		200 416,45	200 416,45
Provision for other liabilities and charges		0,00	0,00
Other liabilities	15	98 752 723,80	211 571 089,48
Current liabilities		**573 572 949,35**	**340 137 638,68**
Trade and other payables	16	142 769 869,83	112 913 932,77

Construction contracts	6	309 521 338,23	51 892 131,72
Borrowings	12	16 796 962,71	13 667 098,43
Provision for other liabilities and charges	14	20 656 238,04	12 161 856,31
Other liabilities	16	83 828 540,54	149 502 619,45
EQUITY AND LIABILITIES		**1 449 837 975,26**	**1 315 689 164,35**

Total income statement

	Note	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
Net revenues from sales of products, goods and materials, of which:	17	**185 437 923,60**	**207 880 323,75**
Net revenues from sales of products		182 532 439,13	205 999 038,62
Net revenues from sales of goods and materials		2 905 484,47	1 881 285,13
Costs of products, goods and materials sold, of which:	18	**181 323 122,82**	**166 510 845,36**
Manufacturing cost of products sold		178 438 318,48	164 597 595,73
Value of goods and materials sold		2 884 804,34	1 913 249,63
Gross profit (loss) on sales		**4 114 800,78**	**41 369 478,39**
Sales costs	18	18 071 948,35	22 776 924,84
Overheads	18	12 373 504,79	11 105 867,79
Revaluation of investment properties		-7 531 011,53	31 329 588,34
Profit (loss) on sales		**-33 861 663,88**	**38 816 274,10**
Other operating income	19	3 353 142,80	1 884 100,96
Other operating expenses	20	38 652 062,05	14 062 610,45
Operating profit (loss)		**-69 160 583,13**	**26 637 764,61**
Financial Revenues	21	91 577 965,63	10 779 776,73
Profit (loss) on business activity	22	28 495 941,36	19 066 219,08
Profit (loss) on business activity		**-6 078 558,86**	**18 351 322,26**
Gross profit (loss)		**-6 078 558,86**	**18 351 322,26**
Income tax	23	-15 669 493,02	3 311 738,00
Net profit (loss)		**9 590 934,16**	**15 039 584,26**

Other comprehensive income:		**0,00**	**0,00**
Foreign exchange rate operation differences		0,00	0,00
Profit/loss from acquisitions		0,00	0,00
Profit from revaluation of tangible fixed assets		0,00	0,00
Other comprehensive income		0,00	0,00
Total revenue		**9 590 934,16**	**15 039 584,26**

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE		**between 01-01-2016 and 31-12-2016**	**between 01-01-2015 and 31-12-2015**
Profits			
(A) Profit resulting from the financial statements		9 590 934,16	15 039 584,26
Number of shares			
(B) Number of ordinary shares and preferred shares (as to the right to vote in the General Meeting of Company Shareholders) for the purpose of calculating earnings per share		88 859 443,00	88 859 443,00
(C) Number of ordinary shares and preferred shares (as to the right to vote in the General Meeting of the Company) for the purpose of calculating diluted earnings per share		88 859 443,00	88 859 443,00
Basic earnings per share = (A)/(B)		**0,11**	**0,17**
Diluted earnings per share = (A)/(B)		**0,11**	**0,17**

* In accordance with IAS 33 "Earnings Per Share" the number of shares assumed for calculation of basic earnings per share was the weighted average number of shares during a given period. The said number was established as the number of shares as at the beginning of the given period adjusted by the number of shares bought back or issued during such period, weighted with an index reflecting the period of such number of shares (number of days of existence of shares to total number of days in a given period - from the day of share capital increase registration). In the analyzed period C-series share were issued, which influenced share dilution.

Statement of changes in equity

	Share Capital	Own shares (negative figure)	Revaluation capital	Supplementary capital	Other capital reserves	Retained earnings	Net earnings	Equity
As at December 31, 2015	**17 771 888,60**	**0,00**	**7 493 208,19**	**634 337 945,82**	**5 731 587,19**	**-5 679 509,99**	**15 039 584,26**	**674 694 704,07**
Basic error corrections	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Corrections due to transformation to IFRS	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
As at January 1, 2016	**17 771 888,60**	**0,00**	**7 493 208,19**	**634 337 945,82**	**5 731 587,19**	**-5 679 509,99**	**15 039 584,26**	**674 694 704,07**
Share issuance	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Share redemption	0,00	0,00		0,00				**0,00**
Purchase of own shares	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Dividends paid	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Profit / (losses) from the revaluation of fixed assets and investment real estate	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Profits (losses) on revaluation of available-for-sale assets	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Profits (losses) on cash flow hedges	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Foreign exchange differences from the convertions of financial reports of foreign entities	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Income tax regarding the items transferred directly to equity	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Gains / (losses) on business acquisitions (subsidiaries of the company)	0,00	0,00		0,00	0,00	0,00	0,00	**0,00**
Profits/losses from including/excluding in/from consolidation	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Changes in accounting policies/presentation	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Adjustments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Transformation to IFRS	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Total profit / loss recognized directly in equity	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
Net profit (loss) for the accounting year	0,00	0,00	0,00	0,00	0,00	0,00	9 590 934,16	**9 590 934,16**
Total profit / loss recognized in equity and net earnings	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**9 590 934,16**	**9 590 934,16**
Increase / decrease of profit distribution	0,00	0,00	0,00	15 039 584,26	0,00	0,00	-15 039 584,26	**0,00**
As at December 31, 2016	**17 771 888,60**	**0,00**	**7 493 208,19**	**649 377 530,08**	**5 731 587,19**	**-5 679 509,99**	**9 590 934,16**	**684 285 638,24**

	Share Capital	Own shares (negative figure)	Revaluation capital	Supplementary capital	Other capital	Retained earnings from previous years	Net earnings	Equity
As of December 31, 2014	**17 771 888,60**	**0,00**	**7 493 208,19**	**612 458 642,24**	**5 731 587,19**	**-3 398 696,37**	**19 598 489,97**	**659 655 119,82**
Basic error corrections	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
IFRS adjustments	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Stan na 1 stycznia 2015	**17 771 888,60**	**0,00**	**7 493 208,19**	**612 458 642,24**	**5 731 587,19**	**-3 398 696,37**	**19 598 489,97**	**659 655 119,82**
Issuance of shares	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Share redemption	0,00	0,00		0,00				**0,00**
Purchase of own shares	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Dividends paid	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Profits / (losses) from the revaluation of fixed assets and investment real estate	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Profits (losses) on revaluation of available-for-sale assets	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Profits (losses) on cash flow hedges	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Gains / (losses) on business acquisitions(part of Company)	0,00	0,00		0,00	0,00	0,00	0,00	**0,00**
Changes in accounting policies/presentation	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Adjustments	0,00	0,00	0,00	0,00	0,00	0,45	0,00	**0,45**
Transformation to IFRS	0,00	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
Total profit / (loss) recognized directly in equity	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,45**	**0,00**	**0,45**
Net profit (loss) for the business year	0,00	0,00	0,00	0,00	0,00	0,00	15 039 584,26	**15 039 584,26**
Total profit / (loss) recognized in equity and net earnings	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,45**	**15 039 584,26**	**15 039 584,71**
Increase / decrease from profit distribution	0,00	0,00	0,00	21 879 303,58	0,00	-2 280 814,07	-19 598 489,97	**-0,46**
As of December 31, 2015	**17 771 888,60**	**0,00**	**7 493 208,19**	**634 337 945,82**	**5 731 587,19**	**-5 679 509,99**	**15 039 584,26**	**674 694 704,07**

Cash flow statements (indirect method)

Cash flows from business operations - indirect method	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
Net profit (loss)	**9 590 934,16**	**15 039 584,26**
Item adjustments:	**26 939 151,69**	**2 225 523,28**
Depreciation and amortization	7 236 213,66	7 456 504,30
(Profits) loss on foreign exchange differences regarding financial and investment activities	-2 796 441,75	-1 859 097,82
(Profits) loss from investment activities	4 176 316,42	5 167 194,77
Interest and dividends	18 886 386,72	16 702 155,52
Changes in provisions and accruals	-8 094 334,89	6 000 280,25
Change in investment properties	7 531 011,53	-31 329 588,34
Other adjustments:	0,00	88 074,60
- other adjustments	0,00	88 074,60
Changes in working capital	**141 043 041,11**	**45 218 081,74**
Change in inventories	-1 143 121,67	807 208,17
Change in construction contract	138 037 262,57	41 893 596,41
Changes in receivables	-1 003 171,63	5 601 821,30
Changes in current liabilities, except for borrowings	5 152 071,84	-3 084 544,14
Operating cash flow	**177 573 126,96**	**62 483 189,28**
Investment activity cash flows		
Disposal of tangible and intangible assets and other non-current assets	76 360 688,18	5 554 525,20
Acquisition of tangible and intangible assets and other non-current assets	-15 164 563,05	-21 266 724,57
Expenses related to assets earmarked for sale	0,00	0,00
Purchase of equity instruments and debt instruments	0,00	0,00
Disposal of equity instruments and debt instruments	0,00	0,00
Loans granted	-3 240 971,94	-789 699,00
Loans paid	4 043 800,00	3 206 200,00
Other purchase of financial assets	0,00	0,00
Other disposal of financial assets	0,00	0,00
Dividends received	0,00	0,00
Interest received	323 842,73	253 408,07
Disposal of subsidiaries	10 390,74	10 000,00
Acquisition of subsidiaries	-79 360 624,20	-8 935 000,00
Net financing cash flow	**-17 027 437,54**	**-21 967 290,30**
Financial acitivity cash flow		
Net revenue from share issuance (handing over shares) and other capital instruments as well as equity infusions	0,00	0,00
Acquisition of shares or payment for shares	0,00	0,00
Loans and borrowings granted	70 752 258,34	15 027 269,25
Loans and borrowings paid	-57 258 118,29	-87 558 401,42
Debt securities issued	0,00	77 620 000,00
Debt securities redeemed	-185 180 000,00	-10 570 000,00
Payments under financial lease agreements	-1 181 474,61	-64 136,08

Dividends and other shared profits	0,00	0,00
Interest paid	-16 076 566,38	-22 301 016,34
Other financial proceeds (including notes)	144 670 000,00	44 750 000,00
Other financial expenditures (including notes)	-120 249 275,30	0,00
Net financial activities cash flow	**-164 523 176,24**	**16 903 715,41**
NET DECREASE/(INCREASE) IN CASH	**-3 977 486,82**	**57 419 614,39**
Cash and cash equivalents at the beginning of the year	73 600 261,65	16 180 647,26
- foreign exchange gains/(losses) on cash		
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	**69 622 774,77**	**73 600 261,65**

3. Explanatory notes to the report on the financial situation

Note 1. Intangible assets

Intangible assets	**2016-12-31**	**2015-12-31**
a) research and development expenses	0,00	0,00
b) goodwill	12 389 648,22	12 389 648,22
c) other intangible assets	116 123,69	354 055,81
d) advances on intangible assets	0,00	0,00
Total intangible assets	**12 505 771,91**	**12 743 704,03**

The initial presentation of intangible values takes place in accordance with the cost of acquisition of creation thereof.
After the initial presentation, intangible assets are valuated according to the costs of acquisition or creation decreased by a write-down or a write-off due to permanent loss of value. Intangible assets are linearly amortized in the period corresponding to the period of their economic life. A period and an amortization method are verified by the end of each business year.

A key position in other intangible assets is the integrated system SAP.

As of December 31, 2016 there were no circumstances as a result of which the Company should create write-downs for intangible assets.
In the years 2015-2016 as part of the Company is concerned there were development works conducted and no costs were incurred as a result of this. The companies did not have advancements for intangible assets.

As at 31 December 2016 there is no impairment of goodwill. This value is bound to a real estate investment, from which future cash flow is expected. The management board analyzed the loss of the value of assets in accordance with IAS 36, e.g. the comparison of the book value of real estate with goodwill against market value.

CHANGES IN INTANGIBLE ASSETS (BY COMPANY TYPE) 31-12-2016	**Goodwill**	**Computer software**	**TOTAL**
a) the gross value of tangible fixed assets at the opening period	**12 389 648,22**	**14 986 156,88**	**27 375 805,10**
b) increase (due to)	**0,00**	**16 288,50**	**16 288,50**
- acquisition	0,00	16 288,50	16 288,50
c) decrease (due to)	**0,00**	**0,00**	**0,00**
- sale	0,00	0,00	0,00
d) the gross value of tangible fixed assets at the closing period	**12 389 648,22**	**15 002 445,38**	**27 392 093,60**
e) accumulated depreciation at the opening period	**0,00**	**14 632 101,07**	**14 632 101,07**
f) amortization for the period (due to)	**0,00**	**254 220,62**	**254 220,62**
- annual depreciation allowance	0,00	254 220,62	254 220,62
- liquidation	0,00	0,00	0,00
- sale	0,00	0,00	0,00
g) accumulated amortization (depreciation) at the period end	**0,00**	**14 886 321,69**	**14 886 321,69**
h) impairment losses at the beginning of the reporting period	0,00	0,00	**0,00**

- increase	**0,00**	**0,00**	**0,00**
- impairment loss	0,00	0,00	0,00
- reclassification between company types	0,00	0,00	0,00
- decrease	**0,00**	**0,00**	**0,00**
- reverting impairment losses - transfer to a financial result	0,00	0,00	0,00
- reclassification between type companys	0,00	0,00	0,00
- contribution in kind amortization	0,00	0,00	0,00
i) impairment losses at the end of a reporting period	**0,00**	**0,00**	**0,00**
j) net value of intangible and legal assets at the beginning of the reporting period	**12 389 648,22**	**354 055,81**	**12 743 704,03**
k) net value of intangible and legal assets at the end of a reporting period	**12 389 648,22**	**116 123,69**	**12 505 771,91**

CHANGES OF INTANGIBLE ASSETS (IN ACCORDANCE WITH TYPE COMPANYS) AS OF 31-12-2015	**Goodwill**	**Computer software**	**TOTAL**
a) gross value of intangible assets at the beginning of a reporting period	**12 389 648,22**	**14 900 250,88**	**27 289 899,10**
b) increase (due to)	**0,00**	**85 906,00**	**85 906,00**
- purchase	0,00	85 906,00	85 906,00
c) decrease (due to)	**0,00**	**0,00**	**0,00**
- sale	0,00	0,00	0,00
d) gross value of intangible assets at the end of a reporting period	**12 389 648,22**	**14 986 156,88**	**27 375 805,10**
e) accumulated amortization at the beginning of a reporting period	**0,00**	**13 476 716,06**	**13 476 716,06**
f) amortization for the period (due to)	**0,00**	**1 155 385,01**	**1 155 385,01**
- amortization (annual write-off)	0,00	1 155 385,01	1 155 385,01
g) accumulated amortization (impairment loss) at the end of a reporting period	**0,00**	**14 632 101,07**	**14 632 101,07**
h) impairtment losees due to an impairment loss at the beginning of a reporting period	0,00	0,00	**0,00**
- increase	**0,00**	**0,00**	**0,00**
- decrease	**0,00**	**0,00**	**0,00**
i) impairment losses at the end of a reporting period	**0,00**	**0,00**	**0,00**
j) net value of intangible assets at the beginning of a reporting period	**12 389 648,22**	**1 423 534,82**	**13 813 183,04**
k) net value of intangible assets at the end of a reporting period	**12 389 648,22**	**354 055,81**	**12 743 704,03**

Note 2. Fixed assets

Fixed assets	**2016-12-31**	**2015-12-31**
a) fixed assets, including:	224 531 327,88	223 915 997,69
- land (including right of perpetual usufruct)	15 783 531,64	14 969 731,64
- buildings and structures	185 721 508,02	187 145 322,61
- plant and machinery	12 089 932,78	13 155 230,72
- motor vehicles	3 480 595,36	115 845,92
- other fixed assets	7 455 760,08	8 529 866,80
b) constructions in progress	4 517 814,48	3 484 159,61
c) advances on constructions in progress	0,00	0,00
Total tangible assets	**229 049 142,36**	**227 400 157,30**

The initial presentation of fixed assets takes place in accordance with the acquisition or creation cost thereof. After the initial presentation, fixed assets are valuated as of a balance sheet date in accordance with the cost of their acquisition or creation decreased by a write-off and accumulated write-offs due to their loss of value. Fixed assets are linearly amortized in the period corresponding to the estimated period of their economic life.

Fixed assets under construction are valuated in accordance with the direct total costs borne by their acquisition or creation decreased by write-offs as a result of their permanent loss of value. Fixed assets under construction are amortized until their construction is finished and taken over for occupancy.

The “other fixed assets” row comprises equipment, office equipment and other tools.

In 2016, the company did not activate financial costs in the fixed assets column.

The Management Board of the dominant entity, having reviewed amortization rates being applied to the Company, decided on January 1, 2013 to update balance sheet amortization rates being applied in the Czarny Potok hotel, the 500 hotel company in the scope regarding hotels, as well as other activity in other activity of the Company in the scope of the amortization of the company headquarters building and sewage treatment facility in Ożarów Mazowiecki near Warsaw.

between 01-01-2016 and 31-12-2016	Land (including right of perpetual usufruct)	Buildings and structures	Plant and machinery	Motor vehicles	Other fixed assets	Assets in constructions	Total tangible assets
a) the gross value of tangible fixed assets at the opening period	**14 969 731,64**	**213 049 678,99**	**25 202 302,78**	**2 408 923,72**	**16 560 486,66**	**3 484 159,61**	**275 675 283,40**
b) increase (due to)	813 800,00	1 661 895,18	599 317,31	4 364 841,08	561 439,69	1 034 154,87	9 035 448,13
- purchase	813 800,00	1 533 902,08	599 317,31	328 335,13	561 439,69	1 034 154,87	**4 870 949,08**
- investment acquisition	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
- investment in a third-party fixed asset	0,00	127 993,10	0,00	0,00	0,00	0,00	**127 993,10**
- taken over based on a financial lease agreement	0,00	0,00	0,00	4 036 505,95	0,00	0,00	**4 036 505,95**
c) decrease (due to)	0,00	138 654,70	486 387,21	511 334,72	5 500,00	0,00	1 141 876,63
- sale	0,00	138 654,70	486 387,21	511 334,72	5 500,00	0,00	**1 141 876,63**
- transfer to fixed assets	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
d) the gross value of tangible fixed assets at the closing period	**15 783 531,64**	**214 572 919,47**	**25 315 232,88**	**6 262 430,08**	**17 116 426,35**	**4 518 314,48**	**283 568 854,90**
e) accumulated depreciation at the opening period	**0,00**	**25 904 356,38**	**12 047 072,06**	**2 288 064,47**	**8 035 633,19**	**0,00**	**48 275 126,10**
f) amortization for the period (due to)	**0,00**	**3 091 223,10**	**1 664 615,15**	**867 360,64**	**1 763 264,18**	**0,00**	**7 386 463,07**
- annual depreciation allowance	0,00	3 091 223,10	1 664 615,15	867 360,64	1 763 264,18	0,00	7 386 463,07
decrease (due to)	**0,00**	**138 654,70**	**486 387,21**	**511 334,72**	**5 500,00**	**0,00**	**1 141 876,63**
- sale of a fixed asset	0,00	138 654,70	486 387,21	511 334,72	5 500,00	0,00	**1 141 876,63**
g) accumulated depreciation at closing period	**0,00**	**28 856 924,78**	**13 225 300,00**	**2 644 090,39**	**9 793 397,37**	**0,00**	**54 519 712,54**
h) impairment losses at beginning of period	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
increase (due to)	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
decrease (due to)	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
i) impairment write-offs at the closing period	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
j) the net value of tangible fixed assets at the opening period	**14 969 731,64**	**187 145 322,61**	**13 155 230,72**	**120 859,25**	**8 524 853,47**	**3 484 159,61**	**227 400 157,30**
k) the net value of tangible fixed assets at the closing period	**15 783 531,64**	**185 715 994,69**	**12 089 932,88**	**3 618 339,69**	**7 323 028,98**	**4 518 314,48**	**229 049 142,36**

between 01-01-2015 and 31-12-2015	Land	Buildings and structures	Plant and machinery	Means of transport	Other property, plant and equipment	Assets in constructions	TOTAL
a) the gross value of tangible fixed assets at the opening period	**15 006 566,26**	**214 089 893,16**	**26 876 677,87**	**2 602 216,81**	**15 928 734,05**	**3 354 558,41**	**277 858 646,56**
b) increase (due to)	**0,00**	**2 523 678,88**	**140 509,00**	**3 328,76**	**631 752,61**	**2 732 254,31**	**6 031 523,56**
- purchase	0,00	82 560,00	140 509,00	3 328,76	606 883,19	274 540,92	**1 107 821,87**
- investment acquisition	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
- transfer from costs 4*	0,00	0,00	0,00	0,00	24 869,42	16 594,51	**41 463,93**
- repair works Stryków	0,00	667 000,00	0,00	0,00	0,00	667 000,00	**1 334 000,00**
- repair works Tarnów	0,00	1 774 118,88	0,00	0,00	0,00	1 774 118,88	**3 548 237,76**
c) decrease (due to)	**36 834,62**	**3 563 893,05**	**1 814 884,09**	**196 621,85**	**0,00**	**2 602 653,11**	**8 214 886,72**
- sale	0,00	552 431,00	79 562,98	196 621,85	0,00	0,00	**828 615,83**
- liquidation of a fixed asset	0,00	0,00	984 110,32	0,00	0,00	96 633,03	**1 080 743,35**
- sale of Teresin real estate	36 834,62	3 002 333,48	751 210,79	0,00	0,00	64 901,20	**3 855 280,09**
- transfer to fixed assets	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**
- sales of units transferred from ready inventory	0,00	9 128,57	0,00	0,00	0,00	0,00	**9 128,57**
- repair works at Stryków	0,00	0,00	0,00	0,00	0,00	667 000,00	**667 000,00**
- repair works at Tarnów	0,00	0,00	0,00	0,00	0,00	1 774 118,88	**1 774 118,88**
d) the gross value of tangible fixed assets at the closing period	**14 969 731,64**	**213 049 678,99**	**25 202 302,78**	**2 408 923,72**	**16 560 486,66**	**3 484 159,61**	**275 675 283,40**
e) accumulated depreciation at the opening period	**0,00**	**24 036 292,48**	**12 017 480,85**	**2 244 405,55**	**6 384 649,49**	**0,00**	**44 682 828,37**
f) amortization for the period (due to)	**0,00**	**1 868 063,90**	**29 591,21**	**43 658,92**	**1 650 983,70**	**0,00**	**3 592 297,73**
- annual depreciation allowance	0,00	2 975 244,41	1 434 610,41	240 280,77	1 650 983,70	0,00	6 301 119,29
decrease (due to)	**0,00**	**1 107 180,51**	**1 405 019,20**	**196 621,85**	**0,00**	0,00	**2 708 821,56**
- sale of a fixed asset	0,00	35 975,06	79 562,98	196 621,85	0,00	0,00	**312 159,89**
- liquidation of a fixed asset	0,00	1 007,93	982 680,32	0,00	0,00	0,00	**983 688,25**
- sale of real estate in Teresin	0,00	1 070 197,52	342 775,90	0,00	0,00	0,00	**0,00**
g) accumulated depreciation at closing period	0,00	**25 904 356,38**	**12 047 072,06**	**2 288 064,47**	**8 035 633,19**	**0,00**	**48 275 126,10**
h) impairment losses at beginning of period	0,00	0,00	0,00	0,00	0,00	0,00	**0,00**

i) impairment write-offs at the closing period	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**	**0,00**
j) the net value of tangible fixed assets at the opening period	**15 006 566,26**	**190 053 600,68**	**14 859 197,02**	**357 811,26**	**9 544 084,56**	**3 354 558,41**	**233 175 818,19**
k) the net value of tangible fixed assets at the closing period	**14 969 731,64**	**187 145 322,61**	**13 155 230,72**	**120 859,25**	**8 524 853,47**	**3 484 159,61**	**227 400 157,30**

Note 3. Investment real estate

The Company recognizes that the investment properties, as at the balance sheet date, are measured at their fair values.

Other long-term investments	2016-12-31	2015-12-31
a) investment properties	197 649 050,83	405 269 174,24
b) other	0,00	0,00
Total other long-term investments	**197 649 050,83**	**405 269 174,24**

CHANGE IN INVESTMENT PROPERTIES	Fair value	Acc. to historical cost	Value of investment properties in total
a) state for the beginning of the period	**377 873 667,92**	**27 395 506,32**	**405 269 174,24**
expenditure incurred	221 834 584,71	22 206 197,08	244 040 781,79
financial expenses	23 658 769,01	5 189 309,24	28 848 078,25
revaluation value	132 380 314,20	0,00	132 380 314,20
b) increase (due to)	**9 559 020,41**	**959 601,58**	**10 518 621,99**
expenditure incurred	8 567 653,24	932 006,79	9 499 660,03
financial expenses	622 077,55	27 594,79	649 672,34
revaluation value	369 289,62	0,00	369 289,62
change in construction contracts	0,00	0,00	0,00
c) decrease (due to)	**207 513 091,72**	**10 625 653,68**	**218 138 745,40**
incurred expenses - sale, corrections	78 541 380,77	1 586 444,53	80 127 825,30
financial expenses	10 155 166,05	5 000,00	10 160 166,05
revaluation value	7 900 301,15	0,00	7 900 301,15
change in construction contracts	110 916 243,75	9 034 209,15	119 950 452,90
d) closing balance	**179 919 596,61**	**17 729 454,22**	**197 649 050,83**
expenditures	40 944 613,43	12 517 550,19	53 462 163,62
financial expenses	14 125 680,51	5 211 904,03	19 337 584,54
revaluation value	124 849 302,67	0,00	124 849 302,67

J.W. Construction Holding S.A for the purpose of the investment property evaluation orders the preparation of appraisal report with determining the market value to independent Property Valuers, having the appropriate permissions. In order to determine the valuation, the property valuer use the principles in accordance with General National Principles of Valuation adopted by the Polish Federation of Valuers' Associations where the market value is the most probable price obtainable on the market at the measurement date.

In order to determine the market value, the property valuer determines the optimal or the most probable way of the property use by properly selected method of valuation. The property valuer especially takes into account the purpose of the valuation, the type and location of the property, destiny in the local plan, the level of equipment in the technical infrastructure and the available data on prices, income and similar real estate characteristics.

In the hierarchy of the fair value estimation of the investment properties are classified to Level 3, where:
1 - Quoted prices, which are not adjusted, in an active market for identical assets and liabilities that the entity can access at the measurement date.
2 - Inputs, other than quoted prices, that are observable, either directly or indirectly.
3 - Unobservable inputs.
The hierarchy is established based on the lowest level of the inpput data. In the reporting period there were no transfers between hierarchy levels.

The following methods to determine the market value of the property in presented reports by the property valuers from accounting records of J.W. Construction Holding S.A were used:

- income-based valuation method
- comparison in pairs method
- residual method

The following key assumptions were adopted to use the income-based valuation method:

KEY ASSUMPTIONS	Values
long-term profitability of investments	2,00% - 2,10%
rn - the real estate risk premium	3,00% - 5,00%
rs - the real estate risk premium (initial phase)	2,05% - 2,50%
capitalization rate	**7,40% - 9,50%**

Note 4. Long-term financial assets

LONG-TERM FINANCIAL ASSETS	2016-12-31	2015-12-31
a) shares	235 933 018,01	156 587 493,81
b) loans granted	4 978 945,26	21 752 285,47
c) other long-term investments	0,00	0,00
Total long-term financial assets	**240 911 963,27**	**178 339 779,28**

LONG-TERM FINANCIAL ASSETS	2016-12-31	2015-12-31
a) in subsidiaries	240 702 413,27	178 130 229,28
- shares	235 723 468,01	156 377 943,81
- other securities	0,00	0,00
- loans granted	4 978 945,26	21 752 285,47
- other long-term financial assets	0,00	0,00
b) in other units	209 550,00	209 550,00
- shares	209 550,00	209 550,00
- other securities	0,00	0,00
- loans granted	0,00	0,00
- other long-term financial assets	0,00	0,00
Total long-term financial assets	**240 911 963,27**	**178 339 779,28**

	Name of entity with the indication of its legal status	Registered office	Business	Relation	Applied consolidation methid	Date of assuming control	Value of shares/interests at acquisition price	Correction updating value (total)	Write-downs to the amont of book value of the contribution in kind	Balance sheet value of shares	% of total number of votes in the general meeting
1	TBS Marki Sp.z o.o.	Warsaw	construction of social buildings	subsidiary	full consolidation	14.11.2003	13 360 000,00	0,00	0,00	13 360 000,00	100,00%
2	Business Financial Construction Sp. z o.o.	Warsaw	services	subsidiary	full consolidation	16.06.2003	4 347 000,00	0,00	0,00	4 347 000,00	100,00%
3	J.W. Construction Bułgaria Sp. z o.o.	Varna (Bulgaria)	developer activity	subsidiary	not consolidated	08.10.2007	9 854,98	0,00	0,00	9 854,98	100,00%
4	Yakor House Sp. z o.o.	Sochi (Russia)	developer activity	subsidiary	full consolidation	07.12.2007	9 810 000,00	0,00	0,00	9 810 000,00	70,00%
5	J.W. Construction Sp. z o.o.	Ząbki	prefabricated unit production for the building industry	subsidiary	full consolidation	19.02.2008	70 197 456,00	0,00	36 125 456,00	34 072 000,00	100,00%
6	JW. Marka Sp. z o.o.	Ząbki	licensing intellectual property	subsidiary	full consolidation	23.08.2011	186 661 450,00	0,00	172 044 225,58	14 617 224,42	100,00%
7	Seahouse Sp.zvo.o.	Ząbki	developer activity	subsidiary	full consolidation	18.10.2012	10 950 000,00	0,00	0,00	10 950 000,00	100,00%
8	Nowe Tysiąclecie Sp.z o.o.	Ząbki	developer activity	subsidiary	full consolidation	11.06.2013	15 240 000,00	0	0	15 240 000,00	100,00%
9	Dana Invest Sp z o.o.	Ząbki	developer activity	subsidiary	full consolidation	22.11.2013	14 308 350,00	0,00	0,00	14 308 350,00	99,99%
10	Bałtycka Invest Sp. z o.o.	Ząbki	developer activity	subsidiary	full consolidation	23.01.2014	5 000,00	0,00	0,00	5 000,00	100,00%
11	Berensona Invest Sp. z o.o.	Ząbki	developer activity	subsidiary	full consolidation	28.01.2014	5 000,00	0,00	0,00	5 000,00	100,00%
12	Bliska Wola 4 Sp z o.o.1 SK	Ząbki	developer activity	subsidiary	full consolidation	22.01.2014	13 979 850,00	0,00	0,00	13 979 850,00	48,00%
13	Bliska Wola 4 Sp z o.o.2SK	Ząbki	developer activity	subsidiary	full consolidation	29.01.2014	6 769 550,00	0,00	0,00	6 769 550,00	48,00%
14	Wola Invest Sp z o.o.	Ząbki	developer activity	subsidiary	full consolidation	23.01.2014	5 000,00	0,00	0,00	5 000,00	100,00%
15	Bliska Wola 4 Sp z o.o.	Ząbki	developer activity	subsidiary	full consolidation	24.01.2014	5 000,00	0,00	0,00	5 000,00	100,00%
16	Zdziarska Invest Sp z o.o.	Ząbki	developer activity	subsidiary	full consolidation	22.01.2014	5 000,00	0,00	0,00	5 000,00	100,00%
17	Łódź Invest Sp z o.o.	Ząbki	developer activity	subsidiary	full consolidation	22.01.2014	3 800 000,00	0,00	0,00	3 800 000,00	100,00%

18	Porta Transport	Szczecin	developer activity	subsidiary	full consolidation	24.04.2014	19 309 914,41	0,00	0,00	19 309 914,41	100,00%
	Name of an entity with the indication of its legal status	**Registered office**	**Business activity**	**Type of relation**	**Applied Consolidatio n Method**	**Date of assuming control**	**Value of shares/interests at acquisition price**	**Correction updating value (total)**	**Write-downs to the amount of book value of the contribution in kind**	**Balance sheet value of shares**	**% of total number of votes in the general meeting**
19	Lewandów Invest Sp zoo	Ząbki	developer activity	subsidiary	full consolidation	24.07.2014	5 000,00	0,00	0,00	5 000,00	100,00%
20	J.W. Ergo Energy	Ząbki	developer activity	subsidiary	not consolidated	06.10.2014	2 501,00	0,00	0,00	2 501,00	100,00%
21	Hanza Invest S.A.	Ząbki	developer activity	subsidiary	full consolidation	26.10.2016	75 117 223,20	0,00	0,00	75 117 223,20	100,00%

Not direct ties											
1	Bliska Wola 4 Sp z o.o.1 SK	Ząbki	developer activity	subsidiary	subsidiary	26.02.2016	30 820 450,00	0,00	0,00	30 820 450,00	51,00%
2	Bliska Wola 4 Sp z o.o.2SK	Ząbki	developer activity	subsidiary	subsidiary	26.02.2016	12 745 500,00	0,00	0,00	12 745 500,00	51,00%
3	Bliska Wola 4 Sp z o.o.1SK	Ząbki	developer activity	subsidiary	subsidiary	26.02.2016	211,74	0,00	0,00	211,74	1,00%
4	Bliska Wola 4 Sp z o.o.2SK	Ząbki	developer activity	subsidiary	subsidiary	26.02.2016	178,00	0,00	0,00	178,00	1,00%
5	Dana Invest Sp. z o.o.	Ząbki	developer activity	subsidiary	subsidiary	27.11.2014	50,00	0,00	0,00	50,00	0,01%
6	TBS Nowy Dom Sp. z o.o.	Ząbki	social building	affiliated company	unconsolidated	30.09.2006	1 000,00	0,00	0,00	1 000,00	2,00%
7	Karczma Regionalna Sp.z o.o.	Krynica Górska	hotel services	subsidiary	nie konsolidowana	16.12.2004	208 550,00	0,00	0,00	208 550,00	8,06%

Note 5. Non-current receivables

NON-CURRENT RECEIVABLES	2016-12-31	2015-12-31
a) guarantee receivables	0,00	0,00
b) deposit receivables(lease)	0,00	0,00
b) other receivables	1 885 418,96	1 766 259,37
Total receivables	**1 885 418,96**	**1 766 259,37**

In other long-term receivables, the sums of settlements with a special purpose vehicle from guaranteed used funds are presented.

Note 6. Inventories and construction contracts

The costs associated with impairment allowances are recognized in statement ofcomprehensive income of operating activities.

INVENTORIES	2016-12-31	2015-12-31
a) materials	1 481 341,65	1 314 821,92
b) semi-finished products and work in progress	0,00	0,00
c) finished products	0,00	0,00
d) goods	27 425 754,76	26 507 109,62
e) trade advances	58 906,39	949,59
Total inventories	**28 966 002,80**	**27 822 881,13**

Every month, the Company carries out the inventorying and compares the amount of inventories against budgets and realized sales transactions through detailed analysis of every item.

Construction contracts - assets constitute expenditure in relation to realized projects, the value of ready units that have not been taken over by customers.

CONSTRUCTION CONTRACTS	2016-12-31	2015-12-31
a) semi-finished products and work in progress	462 795 786,01	247 413 025,92
b) finished products	51 230 350,50	18 039 749,45
c) advances for supplies	3 845 831,41	2 167 650,52
d) short-term prepayments	118 618,07	118 618,07
Total value of construction contracts	**517 990 585,99**	**267 739 043,96**

Construction contracts - liabilities comprise paid advances by counterparties as part of the works being carried out

CONSTRUCTION CONTRACTS	2016-12-31	2015-12-31
a) Accruals	309 521 338,23	51 892 131,72
Total construction contracts	**309 521 338,23**	**51 892 131,72**

ACCRUALS	2016-12-31	2015-12-31
- advances on premises	308 499 908,02	47 932 749,45
- works reserves	583 872,23	3 318 602,58
- other	437 557,98	640 779,69
The total value of accruals	**309 521 338,23**	**51 892 131,72**

The company, in connection with the business activities, incur loans that are secured with the mortgage on the property. As at December 31, 2016, the Company established securities in the form of mortgages presented in inventories and construction contracts with the total value of PLN 461,9 million. The value of the mortgage is established on the amount of the credit granted (or higher), therefore, this amount exceeds the value of the property shown in assets of the Companies of the Company. As at December 31, 2016, the loan liabilities amounted to PLN 73,2 million.

The company, in connection with the business activities, issue the bonds that are secured with the mortgage on the property. As at December 31, 2016, the company established securities in the form of mortgages presented in inventories and construction contracts with the value of PLN 125 m. The value of the mortgage is established on the amount of the bond issued (or higher), therefore, this amount exceeds the value of the property shown in assets of the company. As at December 31, 2016, the liabilities from bonds issued amounted to PLN 127,5 m.

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Note 7. Trade and other receivables

Impairment allowance was made in accordance with the best knowledge and experience of the Company, in a way of detailed analysis of the risk of debt repayment. Income and expenses connected with making and dissolving the allowance were recognised in the income statement under other operating activity.

CURRENT RECEIVABLES	2016-12-31	2015-12-31
a) trade receivables - related entities	28 769 900,92	17 112 489,72
b) trade receivables - other entities	20 884 595,48	24 409 019,29
c) taxes, subsidies, customs duties, social and health insurance and other payments	436 486,05	7 536 526,50
d) other	3 912 209,02	4 415 179,69
Total receivables	**54 003 191,47**	**53 473 215,20**

AGE STRUCTURE OF TRADE RECEIVABLES	2016-12-31	2015-12-31
Not overdue	45 018 729,94	39 618 535,86
Overdue for 3 months	2 193 457,86	827 407,71
Overdue between 3 and 6 months	901 473,20	439 786,26
Overdue between 6 and 1 year	694 863,62	370 269,23
Overdue for longer than 1 year	845 971,78	265 509,95
Gross delivery and service receivables	**49 654 496,40**	**41 521 509,01**
Write-downs updating receivables	0,00	0,00
Net delivery and service receivables	**49 654 496,40**	**41 521 509,01**

Tax liabilities are VAT liabilities constituting PLN 0,4 million as of December 31, 2016 (7,5 m as of December 31, 2015).

The company created write-downs that update the values of receivables that were not disclosed in operational costs. Write-downs were prepared in accordance with the best knowledge and experience of the Company based on individual analysis of relevant balances.

CHANGE OF THE STATE OF WRITE-DOWNS UPDATING THE VALUES OF TRADE AND OTHER RECEIVABLES	2016-12-31	2015-12-31
As of the beginning of the period	7 276 123,98	8 458 150,07
a) increase	0,00	0,00
b) decrease	171 713,88	1 182 026,09
As of the end of the period	**7 104 410,10**	**7 276 123,98**

Write-downs related to the entirety of overdue sums.

Costs and revenues related to the creation and annulment of write-downs updating the values of receivables are properly disclosed in other operational costs and operational revenue.

As of the balance sheet days, there were no delivery and service receivables or other receivables in foreign currencies..

Note 8. Short-term financial assets

SHORT-TERM INVESTMENTS	2016-12-31	2015-12-31
a) shares	0,00	0,00
b) loans granted	61 400 184,46	41 684 323,27
c) other securities	361 569,64	346 346,82
d) other short-term investments	0,00	0,00
Total long-term financial assets	**61 761 754,10**	**42 030 670,09**

SHORT-TERM INVESTMENTS	2016-12-31	2015-12-31
a) in subsidiaries	60 342 697,09	41 628 838,73
- shares	0,00	0,00
- other securities	0,00	0,00
- loans granted	60 342 697,09	41 628 838,73
- other short-term financial assets	1 419 057,01	401 831,36
b) in other entities	0,00	0,00
- shares	361 569,64	346 346,82
- other securities	1 057 487,37	55 484,54
- loans granted	**61 761 754,10**	**42 030 670,09**

Note 9. Cash and cash equivalents

Cash on hand and with bank as well as current deposits kept to maturity are measured at par value.

CASH AND CASH EQUIVALENTS	2016-12-31	2015-12-31
a) cash on hand and with bank	69 578 318,52	16 953 072,45
b) other cash	747,80	56 642 004,15
c) other cash equivalents	43 708,45	5 185,05
Total cash	**69 622 774,77**	**73 600 261,65**

Other cash means constitute deposits with a matuiry date under 3 months.

CASH IN ESCROW ACCOUNTS	2016-12-31	2015-12-31
Cash in escrow accounts	**58 218 235,50**	**7 475 720,76**
J.W. Construction Holding SA	58 218 235,50	7 475 720,76

Note 10. Short-term accruasls

ACCRUALS	2016-12-31	2015-12-31
a) short-term prepayments	8 945 154,04	8 025 930,38
Total value of accruals	**8 945 154,04**	**8 025 930,38**

In the position of other prepaid expenses, the Company recognizes e.g costs incurred in connection with deferredincome. The main item are expenses incurred on commissions received by salesmen for sale of apartments. The said commissions are allocated to concrete apartments/premises sold by the Company and are deferred until premises are delivered to the buyer.

Accruals	2016-12-31	2015-12-31
- property insurance	104 331,55	20 376,24
- interest	1 675 923,29	3 538 277,06
- commission expenses	6 545 148,71	3 209 553,66
- other	619 750,49	1 257 723,42
The total value of accruals	**8 945 154,04**	**8 025 930,38**

Note 11. Share capital

Share capital and other capitals

Series / issue	**Share type**	Type of share preference	**Types of restrictions on rights to shares**	Number of shares	**Par value of class/issue**	**Coverage of capita**	**Registration Date**	**Right to dividend (since)**
A and B	bearer		-	54 073 280	10 814 656	Assets of a transformed company - TBM Batory Sp. z o.o. / Cash	01.07.2010*	
C				34 786 163	6 957 232,60	Cash	30.09.2014	
Total number of shares				88 859 443				
Total share capital					17 771 888,60			
Par value of one share = 0,20 PLN								

* court registration of merging A and B series shares due to the redemption of 625 000 shares acquired via a company repurchasing period with an eye to the redemption thereof

Information of the company shareholders as of December 31, 2016

Shareholder	Number of shares held	% of share capital	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	8.566.039	9,64 %	8.566.039	9,64 %
EHT S.A.	47.846.225	53,84 %	47.846.225	53,84 %
Towarzystwo Funduszy Inwestycyjnych PZU S.A.	Between 5 and 10 % of the shares [x]			

[x] On July 21, 2015, the company received a notification on exceeding a 5% share capital threshold by the Towarzystwo Funduszy Inwestycyjnych PZU S.A. działające w imieniu : PZU Fundusz Inwestycyjny Otwarty Parasolowy, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Globalnych Inwestycji, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum. As of the day of receiving a notification this numer constituted 5.139.931 shares, which was 5,7843 % of the share in the share capital of the company, which entitled said entities to 5.139.931 shares during the General Meeting of the Shareholdersm which constituted 5, 7843 % of the total vote. At the Annual General Meeting on 29 June 2016 Investment Funds Managed by TFI PZU SA registered 8,531,060 shares, representing 9.60% of the share capital and enitling to 8,531,060 votes at the General Meeting constituting 9.60% of the total number of votes at the General Meeting.
In accordance with the current provisions of law, a shareholder is obliged to inform the Company about exceeding a 5% share threshold, and then about exceeding a 10% threshold regarding the general number of Company shares. As of today, the Company has not received any notification from a shareholder that included information about exceeding a 5% share threshold or decreasing the number thereof under a 10% threshold.

Mr. Józef Wojciechowski controls the Company EHT SA based in Luxembourg.

Information of the Company shareholders as of the day on which this statement was prepared:

Shareholder	Number of shares held	% of share capital	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	10.766.039	12,12 %	10.766.039	12,12 %
EHT S.A.	47.846.225	53,84 %	47.846.225	53,84 %
Towarzystwo Funduszy Inwestycyjnych PZU S.A.	Between 5 and 10 % of the shares [x]			

[x] On July 21, 2015, the company received a notification on exceeding a 5% share capital threshold by the Towarzystwo Funduszy Inwestycyjnych PZU S.A. działające w imieniu : PZU Fundusz Inwestycyjny Otwarty Parasolowy, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Globalnych Inwestycji, PZU Specjalistyczny Fundusz Inwestycyjny Otwarty Universum. As of the day of receiving a notification this numer constituted 5.139.931 shares, which was 5,7843 % of the share in the share capital of the company, which entitled said entities to 5.139.931 shares during the General Meeting of the Shareholdersm which constituted 5, 7843 % of the total vote. At the Annual General Meeting on 29 June 2016 Investment Funds Managed by TFI PZU SA registered 8,531,060 shares, representing 9.60% of the share capital and enitling to 8,531,060 votes at the General Meeting constituting 9.60% of the total number of votes at the General Meeting.
In accordance with the current provisions of law, a shareholder is obliged to inform the Company about exceeding a 5% share threshold, and then about exceeding a 10% threshold regarding the general number of Company shares. As of today, the Company has not received any notification from a shareholder that included information about exceeding a 5% share threshold or decreasing the number thereof under a 10% threshold.

Mr. Józef Wojciechowski controls the Company EHT SA based in Luxembourg.

OTHER CAPITAL	2016-12-31	2015-12-31
a) supplementary capital	649 377 530,08	634 337 945,82
b) other reserve capital	5 731 587,19	5 731 587,19
Total other capital	**655 109 117,27**	**640 069 533,01**

Supplementary capital in the capital company comes from the earned profit from previous years and from the surplus of the issuance value over the nominal value of issued shares.

Other reserve capitals constitute reserves earmarked for dividend.

Note 12. Borrowings

In 2015 and from the balance sheet date until the day on which the consolidated financial statement was prepared none of the signed credit agreements was terminated by the bank.

BORROWINGS	2016-12-31	2015-12-31
a) credits	73 185 389,92	57 298 512,44
of which: long-term	*58 192 685,94*	*47 741 232,44*
Short-term	*14 992 703,98*	*9 557 280,00*
b) loans	4 994 486,95	7 210 152,41
of which: long-term	*3 190 228,22*	*3 100 333,98*
Short-term	*1 804 258,73*	*4 109 818,43*
Total borrowings	**78 179 876,87**	**64 508 664,85**
Borrowings - long-term	**61 382 914,16**	**50 841 566,42**

Borrowings - short-term	**16 796 962,71**	**13 667 098,43**

CREDITS PER MATURITY	**2016-12-31**	**2015-12-31**
Up to 1 year	14 992 703,98	9 557 280,00
Over 1 year up to 2 years	44 587 177,32	13 036 761,87
Over 2 year up to 5 years	13 605 508,62	33 758 069,95
Over 5 years	0,00	946 400,62
Total loans, including:	**73 185 389,92**	**57 298 512,44**
- long-term	58 192 685,94	47 741 232,44
- short-term	14 992 703,98	9 557 280,00

CREDITS PER MATURITY	**2016-12-31**	**2015-12-31**
Up to 1 year	1 804 258,73	4 109 818,43
Over 1 year up to 2 years	3 190 228,22	3 100 333,98
Over 2 year up to 5 years	0,00	0,00
Over 5 years	0,00	0,00
Total loans, including:	**4 994 486,95**	**7 210 152,41**
- long-term	3 190 228,22	3 100 333,98
- short-term	1 804 258,73	4 109 818,43

Nota 13. Deferred income tax assets

The applicable rate of income tax for 2016 was 19%.

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES	**2016-12-31**		
	Deferred income tax assets	**Deferred tax reserve**	**Net value**
Tangible assets	0,00	6 688 269,49	-6 688 269,49
Investment real estate	0,00	12 625 890,59	-12 625 890,59
Other financial assets	0,00	5 970 814,38	-5 970 814,38
Inventories and construction contracts	0,00	5 012 241,09	-5 012 241,09
Trade receivables and other receivables	0,00	1 346 118,34	-1 346 118,34
Reserves	5 430 998,96	0,00	5 430 998,96
Trade and other liabilities	34 093,85	0,00	34 093,85
Other financial liabilities	4 418 541,46	0,00	4 418 541,46
Other (including asset for loss)	16 663 530,49	0,00	16 663 530,49
Deferred income tax assets / liabilities disclosed in the balance sheet	**26 547 164,76**	**31 643 333,89**	**-5 096 169,13**

DEFERRED INCOME TAX ASSETS AND LIABILITIES	**2015-12-31**		
	Deferred income tax assets	**Deferred tax reserve**	**Net value**
Tangible assets	0,00	5 990 810,97	-5 990 810,97
Investment real estate	0,00	25 152 259,70	-25 152 259,70
Other financial assets	0,00	4 517 385,68	-4 517 385,68
Inventories and construction contracts	0,00	616 647,04	-616 647,04
Trade receivables and other receivables	0,00	1 346 118,34	-1 346 118,34
Cash and cash equivalents	0,00	609 815,20	-609 815,20
Reserves	3 751 926,22	0,00	3 751 926,22
Trade and other liabilities	73 376,33	0,00	73 376,33
Other financial liabilities	2 892 477,50	0,00	2 892 477,50
Other (including asset for loss)	10 760 307,67	10 712,32	10 749 595,35
Deferred income tax assets / liabilities disclosed in the balance sheet	**17 478 087,72**	**38 243 749,24**	**-20 765 661,52**

INCOME TAX	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
a) current income tax	0,00	0,00
b) deferred income tax	-15 669 492,39	3 311 738,00
Total income tax	**-15 669 492,39**	**3 311 738,00**

CHANGE OF THE STATE OF DEFERRED INCOME TAX	2016-12-31	2015-12-31
Change of the assets towards the deferred tax	9 069 077,04	2 322 338,50
Change of the reserves towards the deferred tax	6 600 415,35	-5 634 076,50
Change of the deferred tax in total	**15 669 492,39**	**-3 311 738,00**
Deferred tax disclosed in the profit and loss account	**-15 669 492,39**	**3 311 738,00**
Deferred income tax included in total revenue	**0,00**	**0,00**

Note 14. Provision for other liabilities and charges

PROVISIONS FOR OTHER LIABILITIES AND CHARGES	2016-12-31	2015-12-31
a) short-term, of which:	**20 656 238,11**	**12 161 856,31**
- accrued expenses, including:	10 621 961,26	10 819 506,40
- accrued interest	1 586 617,79	1 572 025,00
- rent deposits	480 433,64	480 433,64
- hotel advances	3 425 189,45	3 522 741,67
- other	*5 129 720,38*	5 244 306,09
- other provisions, including:	10 034 276,85	1 342 349,91
- other provisions	*10 034 276,85*	1 342 349,91
a) long-term, of which:	**0,00**	**0,00**
- accrued expenses, including:	0,00	0,00
Provision for other liabilities and charges in total	**20 656 238,11**	**12 161 856,31**

Note 15. Other long-term liabilities

OTHER LONG-TERM LIABILITIES	2016-12-31	2015-12-31
a) lease obligations	1 546 189,64	8 324,99
b) deposit liabilities	28 747 371,63	23 086 165,86
c) security paper and bond obligations	51 500 000,00	171 750 805,00
d) other non-current liabilities	0,00	0,00
e) note liabilities to related companies	16 340 300,01	16 725 793,63
f) note liabilities to foreign companies	618 862,52	0,00
g) received loans - related entities	0,00	0,00
Total other liabilities	**98 752 723,80**	**211 571 089,48**

All lease receivables are in Polish zloty. The fair value of lease receivables corresponds to its book value and constitutes PLN 2.942.018,48 as of December 31, 2015, PLN 1.546.189,64 of which constitutes long-term obligations

Prospect payable leasing payments:

	Minimum leasing payments	Interest	Current liability value
	2016-12-31	2016-12-31	2016-12-31
under 1 year	1 468 331,33	72 502,49	1 395 828,84
over 1 year up to 5 years	1 626 502,20	80 312,56	1 546 189,64
over 5 years	0,00	0,00	0,00
Total	**3 094 833,53**	**152 815,05**	**2 942 018,48**

	Minimum leasing payments	Interest	Current liability value
	2015-12-31	**2015-12-31**	**2015-12-31**
under 1 year	82 691,28	4 029,13	78 662,15
over 1 year up to 5 years	9 718,83	1 393,84	8 324,99
over 5 years	0,00	0,00	0,00
Total	**92 410,10**	**5 422,96**	**86 987,14**

Current lease value is presented in the report as follows:

LEASE LIABILITIES	2016-12-31	2015-12-31
a) short-term liabilities	1 395 828,84	78 662,15
b)long-term liabilities	1 546 189,64	8 324,99
Total	2 942 018,48	86 987,14

Note 16. Trade and other payables

TRADE AND OTHER PAYABLES	2016-12-31	2015-12-31
a) trade payables - other parties	17 827 277,06	15 588 723,89
b) trade payables - related parties	10 571 830,01	10 646 605,42
c) taxes, customs duties, insurance and other payments	3 692 946,87	1 761 239,26
d) salaries	2 096 913,42	1 647 925,07
e) received delivery advances	0,00	0,00
f) received loans - related entities	24 663 009,10	23 970 953,26
g) promissory note liabilities - related parties	77 452 406,71	47 779 391,56
h) other	6 465 486,66	11 519 094,31
Total trade and other payables	**142 769 869,83**	**112 913 932,77**

OTHER LIABILITIES	2016-12-31	2015-12-31
a) debt securities issue- liabilities	76 042 890,70	142 411 358,83
b) promissory note liabilities	6 389 821,00	7 012 598,47
c) financial lease liabilities	1 395 828,84	78 662,15
d) other financial liabilities	0,00	0,00
Total other liabilities	**83 828 540,54**	**149 502 619,45**

4. EXPLANATORY NOTES TO PROFIT AND LOSS ACCOUNT

Note 17. Operating income

OPERATING INCOME	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
Revenues from sales of products	101 899 197,01	122 530 205,98
Revenues from sales of services	80 633 242,12	83 468 832,64
Revenues from sales of goods	2 905 484,47	1 881 285,13
Total income	**185 437 923,60**	**207 880 323,75**

	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
Proceeds from sales, including:	**185 437 923,60**	**207 880 323,75**
- sales of products - units, plots, buildings	101 899 197,01	122 530 205,98
- sales of services	80 633 242,12	83 468 832,64
- sales of goods	2 905 484,47	1 881 285,13

	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
Revenue from selling products and services per segment	**182 532 439,13**	**205 999 038,62**
-developer activity	137 969 405,67	165 084 361,99
-hotel activity	39 493 482,57	34 910 845,02
-real estate management	5 069 550,89	6 003 831,61

	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
Revenue from selling products - premises, plots, buildings per geographic segments	**101 899 197,01**	**122 530 205,98**
--Warsaw and the surrounding area	9 003 568,43	99 916 944,92
-Gdynia	10 953 269,62	15 661,74
- Łódź	190 760,82	3 182 326,69
- Szczecin	76 582 980,88	4 452 362,77
- Katowice	0,00	0,00
- Poznań	5 168 617,26	14 962 909,86

	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
Revenue from hotel services by geographical segment	**39 493 482,57**	**34 910 845,02**
- Warsaw and the surrounding area	5 852 232,86	5 973 221,22
- Tarnowo	5 790 282,88	5 456 985,97
- Stryków	3 835 926,57	3 622 850,56
- Cieszyn	0,00	0,00
- Krynica Górska	24 015 040,26	19 857 787,27

Note 18. Operating expenses

OPERATING EXPENSES	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
Costs on sale of products	113 045 743,48	98 764 081,43
Costs on sale of services	65 392 575,00	65 833 514,30
Costs on sale of goods	2 884 804,34	1 913 249,63
Total costs of products, services and goods sold	**181 323 122,82**	**166 510 845,36**

Sales and overhead expenses	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
Sales expenses	18 071 948,35	22 776 924,84
Overhead expenses	12 373 504,79	11 105 867,79
Total sales and overhead expenses	**30 445 453,13**	**33 882 792,63**

Costs by type	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
Depreciation and amortization	7 236 213,66	7 456 504,30
Cost of materials and energy	16 975 742,71	13 296 582,16
Services rendered by other contractions	198 844 203,35	93 460 550,35
Taxes and duties	8 353 350,68	13 060 717,18
Wages and Salaries	27 861 741,37	24 104 381,40
Social security and other payments to the benefit of employees	4 406 423,88	4 056 648,05
Other costs of type	7 570 765,00	7 023 999,78
Total costs according to types	**271 248 440,65**	**162 459 383,22**

Note 19. Other operating revenue

OPERATING INCOME	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
a) income from sale of non-financial fixed assets	174 118,15	0,00
b) other operating income	3 179 024,65	1 884 100,96
Total operating income	**3 353 142,80**	**1 884 100,96**

OPERATING REVENUE	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
a) profit from disposal of non-financial fixed assets	174 118,15	0,00
b) handling charges	804 777,93	271 539,04
c) reserves	1 463 337,59	505 711,09
d) assets disclosure	0,00	0,00
e) other (including compensation, contractual fines)	910 909,13	1 106 850,83
Total operating expenses	**3 353 142,80**	**1 884 100,96**

Note 20. Other operating expenses

OPERATING COSTS	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
a) loss on disposal of non-financial fixed assets	0,00	5 167 194,77
b) revaluation of non-financial assets	0,00	495 899,29
c) other operating expenses	38 652 062,05	8 399 516,39
Total operating expenses	**38 652 062,05**	**14 062 610,45**

OPERATING COSTS	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
a) loss on the sale of non-financial fixed assets	0,00	5 167 194,77
b) revaluation of non-financial assets	0,00	495 899,29
c) reserves	15 397 838,16	57 447,33
d) compensation, penalties and damages	2 432 347,52	2 508 721,47
e) compensation fee	0,00	53,80
f) litigation costs	473 855,30	397 581,09
g) costs of stopped investments	0,00	0,00
h) other (including perpetual usufruct)	20 348 021,07	5 435 712,70
Value of operating expenses in total	**38 652 062,05**	**14 062 610,45**

On September 27, 2016 a verdict of a court of appeals for the capital city of Warsaw on the payment for perpetual usufruct of a building plot no. 2/6 located at Górczewska 181 street for the years 2009-2013 was reached. The court ordered the Company to pay PLN 14,123,787 with due interest and litigation costs to the capital city of Warsaw.

The company paid a due sum in the amount of PLN 14.123.787 which was included in the financial report in other operating costs as well as due interest to the amount of PLN 7.965.870 included in financial costs. The Company does not agree with the court reasoning included in said verdicts considers utilization of other legal measures, such as a recurso de amparo or an application to the European Court of Human Rights.
The company in accordance with the precautionary principle has created reserves to the amount of PLN 9.230.000 regarding payment for perpetual usufruct of the plot no, 2.6 located in Warsaw at Górczewska 181 street for the years 2014 – 2016 with due interest.The basis for the creation of a reserve was a verdict made on September 27, 2016 and described bove. The amount of the reserves was included in operating expenses.

Note 21. Financial income

FINANCIAL INCOME	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
a) dividends	86 062 065,94	4 677 348,01
b) interest	2 649 560,17	4 170 217,59
c) revaluation of investment	0,00	0,00
d) profit on disposal of investments	13 390,74	0,00
e) other	2 852 948,78	1 932 211,13
Total financial income	**91 577 965,63**	**10 779 776,73**

Financial income	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
a) dividends	86 062 065,94	4 677 348,01
b) interests from customers	-397 693,82	308 113,52
c) loan interest	1 272 750,02	1 315 550,34
d) deposit interest, bank interest	366 312,15	135 344,62
e) interest on promissory notes	15 222,82	17 356,08
f) other interest	1 392 969,00	2 393 853,03
g) foreign exchange differences	2 796 441,75	1 862 702,22
h) revaluation of investment	0,00	0,00
i) profit on disposal of investments	13 390,74	0,00
j) other	56 507,03	69 508,91
Total	**91 577 965,63**	**10 779 776,73**

Note 22. Financial expenses

FINANCIAL EXPENSES	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
a) interest	28 492 700,73	19 065 825,26
b) revaluation of investment	0,00	0,00
c) loss on disposal of investments	0,00	0,00
d) other	3 240,63	393,82
Total financial expenses	**28 495 941,36**	**19 066 219,08**

FINANCIAL EXPENSES	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
a) interest, commissions, credits	3 578 878,21	4 726 804,71
b) interest - leases	73 634,48	166 411,97
c) interest - loans	869 127,81	1 033 508,16
d) interest - promissory notes	5 924 035,23	2 355 161,15
e) interest-bond issue	9 728 683,83	9 832 061,23
f) other interest	8 318 341,17	951 878,04
g) foreign exchange differences	0,00	0,00
h) loss on disposal of investments	0,00	0,00
i) other	3 240,63	393,82
Total financial expenses	**28 495 941,36**	**19 066 219,08**

Note 23. Income tax

INCOME TAX	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
a) income tax	0,00	0,00
b) deferred income tax	-15 669 492,39	3 311 738,00
Total income tax	**-15 669 492,39**	**3 311 738,00**

Reconciliation of effective tax rate	between 01-01-2016 and 31-12-2016	between 01-01-2015 and 31-12-2015
Gross Profit / (loss) before tax from continuing operations	-6 078 558,86	18 351 322,26
Profit / (loss) before tax from abandoned operations	0,00	0,00
Gross profit (loss) before tax	**-6 078 558,86**	**18 351 322,26**
Income tax (charge) indicated in the profit and loss account	**-15 669 492,39**	**3 311 738,00**
including		
current	0,00	0,00
deferred	-15 669 492,39	3 311 738,00
Tax in accordance with a 19% tax rate	**-1 154 926,18**	**3 486 751,23**
Adjustments regarding a current income tax from previous years	0,00	0,00
Differences arising from not established reserves and assets in previous years	1 627 588,33	543 159,30
Expenditure not constituting tax deductible expenses - permanent differences	4 845 847,70	3 213 066,45
Dividend	-86 062 065,94	-4 677 348,01
Conversion cost of convertible bonds for the shares of Hanza Invest	33 800 000,00	0,00
Participation in the profits of partnerships	-30 603 823,83	0,00
Adjusted income tax	**-82 471 012,59**	**17 430 200,00**
Tax at effective tax rate	**-15 669 492,39**	**3 311 738,00**

5. EXPLANATORY NOTES EXPLAINING OTHER NOTES

Note 24. Headcount

Company	2016	2015
Management Board	2	3
Managers	18	13
Administration	206	159
Other employees	127	85
Total	**353**	**260**

Contracts	2016	2015
The employment contract	353	260
Commission contracts	298	247
Contracts for a specific task	20	4
TOTAL	**671**	**511**

Note 25. Remuneration of the Management Board and Supervisory Board of the Company

The presented figures refer to remuneration for holding an office of the Management Board and Supervisory Board Member. They do not include remuneration due to other forms of employment (also in other Companies of the Company). The remuneration due to other titles is presented in the consolidated financial statements.

JW Construction Holding S.A.	between 01-01-2016 and 31-12-2016
Management Board	
Rajchert Wojciech	296 200,00
Starzyńska Magdalena	264 900,00
Ostrowska Małgorzata	209 400,00
Suprynowicz Piotr	60 000,00

JW Construction Holding S.A.	between 01-01-2016 and 31-12-2016
Supervisory Board, other remuneration	
Szwarc-Sroka Małgorzata	293 269,52
Łopuszyńska Irmina	321 132,64
Czyż Barbara	153 015,84
Michnowicz Laura	25 832,64

Note 26. Off-balance sheet entries

OFF-BALANCE SHEET COLLATERALS - credit agreements	2016-12-31
Investment real estate pledged as collateral - loans	461 868 936,00
Blank bills	199 023 724,20
Writs of execution	159 218 000,00
Assignment of the insurance contract	194 289 046,00
A guarantee granted by Company to BZ WBK SA /Dana Invest/	29 694 872,00
A guarantee granted by Company to Nowe Tysiąclecie - credit loan	36 000 000,00

* the amounts of collateral in the form of blank promissory notes are presented up to the full value of the principal liability

The above table presents all the collaterals arising from loan agreements to secure the payment obligations. Due to the fact that within particular loan agreements several collaterals were established, the summary of collateral values was not made.

As at 31 December 2016 there were disclosed insurance guarantees to remove failures and defects granted by banks and insurance institutions to the benefit of the J.W. Construction Holding S.A. company. Moreover, there were blank promissory notes issued to the benefit of J.W. Construction Holding S.A. to secure rights of such companies under guarantees granted by counterparties, which the Companies may fill in at any time with the amount corresponding to the costs of failure and defect removal. As of 31 December 2016 the total value of guarantees was PLN 17,3m and EUR 1.0 thousand EUR (JW. Construction Holding SA)

OFF- BALANCE SHEET COLLATERALS - other	2016-12-31
Investment real estate pledged as collateral - bonds	125 000 000,00
Writs of execution	1 134 750,00
Registered pledge	60 000 000,00
Guarantees to the benefit of J.W. Construction Sp. z o.o.	7 000 000,00
Guarantees to the benefit of Capital City of Warsaw	151 300,00
Guarantees to the benefit of TBS "Marki" Sp z o.o.	22 400 000,00

* sums of guarantees in the form of blank bills of echange were presented up to the total sum of the main liability

Note 27. Transactions with related companies - balances

The Company within its business activity enters into transactions with related companies especially in the scope of the management of sales, administrative services, rental property, execution of works, the provision of guarantees, financing. Below, there are transactions with subsidiaries and other affiliated companies, the value of which in 2016 was significant from the point of view of the presented data. Materiality threshold was adopted for commercial transactions over PLN 100 thousand with the remaining 10% of equity. All transactions concluded in 2016 by the Company or a subsidiary with the related parties were concluded on market terms.

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	Receivables from related parties	
COMPANY NAME	**2016-12-31**	**2015-12-31**
TBS Marki Sp. z o.o.	1 060 203,17	121 707,97
J.W. Marka Sp. z o. o.	0,00	561 558,64
Business Financial Construction Sp. z o.o.	235 741,90	347,38
Seahouse Sp. z o.o.	0,00	402 730,80
J.W. Construction Sp. z o.o.	12 327 627,03	11 379 373,95
Nowe Tysiąclecie Sp. Z o.o.	0,00	1 336 235,48
Dana Invest Sp. z o.o.	169 881,03	366 178,26
Porta Transport Sp. z o.o. w likwidacji (in liquidation)	14 760,00	14 760,00
Bałtycka Invest Sp. z o.o.	19 288,86	13 089,66
Berensona Invest Sp. Z o.o.	20 445,06	14 245,86
Bliska Wola 4 Sp.z o.o.1 SK	4 068 047,53	2 830 782,78
Bliska Wola 4 Sp.z o.o. 2 SK	910 619,15	1 585 627,17
Wola Invest Sp. z o.o.	18 969,06	0,00
Bliska Wola 4 Sp. z o.o.	20 834,80	14 245,86
Łódź Invest Sp. z o.o.	415 965,10	727 895,88

	Liabilities to related parties	
COMPANY NAME	**2016-12-31**	**2015-12-31**
TBS Marki Sp. z o.o.	30 563 179,29	29 653 707,26
J.W. Marka Sp. z o. o.	366 499,58	0,00
Business Financial Construction Sp. z o.o.	1 228 600,63	1 067 332,12
J.W. Construction Sp. z o.o.	27 637 127,12	8 847 589,59
Nowe Tysiąclecie Sp. Z o.o.	0,00	40 994,46
Seahouse Sp. z o.o.	6 275,99	0,00
Bliska Wola 4 Sp.z o.o.1 SK	0,00	23 526,05

J.W. Construction Holding S.A. as an entity buying products or services (transactions for more than PLN 100 thousand)

	TRANSACTION/AGREEMENT SUBJECT	**between 01-01-2016 and 31-12-2016**	**between 01-01-2015 and 31-12-2015**
J.W. Marka Sp. Z o.o.	marketing services	565 826,00	524 806,40
J.W. Marka Sp. Z o.o.	trademark licence fee	830 633,03	3 764 467,56
Business Financial Construction Sp. z o.o.	marketing services	3 001 939,16	2 326 252,52
J.W.Construction Sp. z o.o.	construction works at Zdziarska the 17KL road	246 084,80	0,00
J.W.Construction Sp. z o.o.	construction works at Zdziarska II	26 309 183,11	10 413 345,66
J.W.Construction Sp. z o.o.	construction works at Ożarów Domki - single family homes	2 825 696,64	510 401,14
J.W.Construction Sp. z o.o.	construction works at Kręczki Kaputy	16 991 798,38	0,00
J.W.Construction Sp. z o.o.	construction works at Zdziarska II	0,00	10 413 345,66
J.W.Construction Sp. z o.o.	construction works at aranżacje Zdziarska I - interior design work	0,00	1 856 538,77
J.W.Construction Sp. z o.o.	construction works at Kasprzaka	0,00	3 821 330,84
J.W.Construction Sp. z o.o.	construction works at Osada Wiślana	243 493,00	0,00
J.W.Construction Sp. z o.o.	construction works at Condo Hotel	48 200,00	0,00
J.W.Construction Sp. z o.o.	construction works at Kasprzaka Ck	692 000,00	0,00
J.W.Construction Sp. z o.o.	construction works at Cm	986 400,00	0,00
Nowe Tysiąclecie sp zo.o.	reinvoicing(electric energy)	0,00	149 203,86

J.W. Construction Holding S.A. as the party rendering (selling) services (transactions for more than PLN 100 thousand)

	TRANSACTION/AGREEMENT SUBJECT	between 01-01-2016 and 31-12-2016	between 01-01-2015 do 31-12-2015
TBS Marki Sp. z o.o.	real estate administration	0,00	159 144,36
TBS Marki Sp. z o.o.	administrative services	232 921,50	0,00
TBS Marki Sp. z o.o.	installation and construction services	489 790,11	0,00
TBS Marki Sp. z o.o.	credit guarantee	784 000,00	0,00
J.W. Marka Sp. z o.o.	other services	0,00	813 230,58
Business Financial Construction Sp. z o.o.	car rentals	310 062,38	0,00
Seahouse Sp. z o.o.	administrative services	1 200,00	200 000,00
Seahouse Sp. z o.o.	sales services	241 179,00	262 992,00
J.W.Construction Sp. z o.o.	reinvoicing - other	42 337,32	380 880,40
J.W.Construction Sp. z o.o.	reinvoicing - electric energy	342 599,93	0,00
J.W.Construction Sp. z o.o.	other	99 944,91	816 242,20
J.W.Construction Sp. z o.o.	administrative services	600 000,00	755 594,00
J.W.Construction Sp. z o.o.	guaranteed repair work	806 981,50	836 396,31
J.W.Construction Sp. z o.o.	renting rooms in the headquarters building	589 986,30	634 140,84
Nowe Tysiąclecie Sp. Z o.o.	construction and fitting services	17 060 633,00	19 297 949,11
Nowe Tysiąclecie Sp. Z o.o.	design services	0,00	463 841,69
Nowe Tysiąclecie Sp. Z o.o.	administrative services	366 240,00	366 240,00
Nowe Tysiąclecie Sp. Z o.o.	sales services	254 242,00	255 408,00
Nowe Tysiąclecie Sp. Z o.o.	goods	0,00	4 290 000,00
Dana Invest Sp. Z o.o.	other services	0,00	119 187,84
Dana Invest Sp. Z o.o.	administrative services	60 000,00	667 278,00
Dana Invest Sp. Z o.o.	advertisment package reinvoicing	236 000,00	200 000,00
Porta Transport Sp .z o.o. w likwidacji (in liquidation)	real estate rental	144 000,00	144 000,00
Bliska Wola 4 Sp.z o.o.1 SK	administrative services	1 776 600,00	3 548 400,00
Bliska Wola 4 Sp.z o.o.1 SK	sales services	330 378,00	658 356,00
Bliska Wola 4 Sp.z o.o.1 SK	construction work	2 092 251,08	0,00
Bliska Wola 4 Sp.z o.o.1 SK	logging concession	1 022 572,04	0,00
Bliska Wola 4 Sp.z o.o.1 SK	other	146 610,00	0,00
Bliska Wola 4 Sp.z o.o. 2 SK	administrative services	1 293 012,00	2 581 227,24
Bliska Wola 4 Sp.z o.o. 2 SK	sales services	267 912,00	534 624,00
Bliska Wola 4 Sp.z o.o. 2 SK	construction work	1 670 790,45	0,00
Bliska Wola 4 Sp.z o.o. 2 SK	design services	0,00	156 447,00
Łódź Invest Sp. Z o.o.	administrative services	2 400,00	366 180,00
Łódź Invest Sp. Z o.o.	construction and fitting services	2 018 728,00	7 963 450,00
Łódź Invest Sp. Z o.o.	sales services	177 472,00	163 728,00

Transactions related to capital investments, financial assets were described in significant events prior to balance sheet date and thereafter. Other transactions entered into related entities do not exceed the significance threshold.

All transactions entered into by the Issuer and its subsidiaries are entered into on market conditions.

6. OTHER INFORMATION

Note 28. Events that took place in the business year

Receiving administrative decisions such as building permits and certificates of occupancy
In 2016 the Company received the following permits and occupancies:

a) *building permit*

On 16 March 2016 the Company received a building permit for reconstruction including the change of use of an existing office building in Warsaw at Jerozolimskie 212 Av. into an aparthotel - Jerozolimska Invest.
On October 19, 2016 the Company received a building certificate for the construction of the living and business complex Bliska Wola phase E in the region of the Ordona, Kasprzaka, and Aleja Prymasa Tysiąclecia street in Warsaw. The permit is final and binding, and the Company plans to apply for a changed permit allowing for the construction of 781 living units and a commercial space with an area of 10,500 sq. m.
On November 3, 2016 the Company received a building permit for the construction of single-family buildings in a semi-detached fashion in Kręczki Kaput in Ożarów Mazowiecki allowing for the construction of 21 single-family homes. The permits are final and binding.
On April 5, 2016 and December 30, 2016 the Company received a substitute permit allowing for the construction of a building with living, office and business spaces with an underground garage at Wyzwolenia/Odzieżowa street in Szczecin, Poland. The investment shall encompass the construction of 479 apartments and almost 11,000 sq. m. of aparthotel and commercial space and will be carried out as via Hanza Invest S.A., a subsidiary.

b) occupancy permit

On December 27, 2016 the Company received an occupancy permit for multi-family living buildings as part of the realization of a living complex in Bernadowo at Leśna and Parkowa street in Gdynia as phase 1. The permit is final and binding.

Contracts for the realization of construction works

On June 14, 2016 the company entered into a contract with Instalbud-Rzeszów sp. z o.o. with its business seat in Rzeszów, Poland for the construction of Zielona Dolina II community at Zdziarska and Verdiego street in Warsaw as a general contractor. The community shall comprise 25 buildings with 570 living and business units (multiplace garages). The date of finishing the construction work is set to be 23 months after handing over the construction site to the Contractor. The value of the works was set at PLN 71.267.774 net.

On December 5, 2016 the Company entered into 2 contracts with Hochtief Polska S.A. with its business seat in Warsaw for the construction of 2 two phases of the Bliska Wola investment in Warsaw, the EM phase comprising 671 living and business units with a works completion date before January 20, 2019. The company, however, by September 30, 2017 will perform ground works. The value of works realized based on the said contract shall constitute PLN 110.207.209 net. The EK phase shall comprise 110 living units as well as aparthotel and business spaces with the total area of 10,000 sq. m. with the works completion date set to be before January 31, 2019. The company, however, shall perform ground works before August 7, 2017. The value of carried out works based on the said agreement shall constitute PLN 67.697.012 zł net.

Credit agreements

Entered into:

On June 22, 2016 the company entered into a contract with Bank Millennium S.A. regarding a revolving credit for co-financing Bernadowo Park phase II in Gdynia, a residential investment, to the amount of PLN 33.700.000. For said investment an open-ended escrow account was opened. The credit payment date was set to be September 30, 2018.
On August 23, 2016 the company entered into an agreement with Plus Bank S.A. regarding a revoling credit for co-financing the realization costs of the Osiedle Kamerata residential investment in Gdynia to the amount of 9,700,000 as well as an open-ended escrow account. The payment date was set at October 31, 2018.

On October 3, 2016 the company entered into bank BOS S.A. an agreement on a revolving credit for co-financing costs regarding the realization of the Zielona Dolina II phase II residential investment in Warsaw to the amount of PLN 49.500.000. Earlier on an escrow account for the investment was created. The credit payment date was set at March 31, 2019.

Paid:
On August 17, 2016 the company paid out fully a revolving credit granted by Bank Polskiej Spółdzielczości S.A. to the amount of PLN 3.000.000 earmarked for financing current activity. On November 21, 2016 the company fully paid an investment credit granted by Getin Noble Bank S.A. to the amount of PLN **39.900.000 earmarked for co-financing the Bernadowo Park phase I residential investment in Gdynia.**

Annexes to earlier credit agreements:
On March 21, 2016 the company signed an annex to a current account revolving credit agreement to the amount of PLN 16.830.000 entered into with Bank Millennium S.A. Based on the annex, a payment date was set at October 23, 2016.
On April 25, 2016, the company signed an annex to a current account revolving credit agreement to the amount of PLN 15.000.000 entered into with Plus Bank S.A.Based on the anndex, a credit payment and use date was extended. The final credit payment date is set at April 25, 2018.
On April 27, 2017 the company signed an annex to a current account revolving credit granted by PKO BP S.A. to the amount of PLN 10.000.000. Based on the annex, the credit payment and use date were extended. The final payment date of the credit is set at April 27, 2017.
On September 21, 2016, the company signed an annex to a revolving credit agreement granted by BOS Bank SA for co-financing the costs of realization of the Zielona Dolina III residential investment in Warsaw. Based on the annex, the credit payment and use date was extended. The new payment date is set at March 31, 2018.
On October 20, 2016 the company signed an annex to a current account credit agreement granted by Bank Millennium S.A. to the sum of PLN 16.830.000. Based on the annex, a payment date was set at October 23, 2017.

Bond repurchasing:

On 25 January 2016 the Company redeemed bonds:
- 5782 bonds with a nominal value of 10,000 PLN each, ISIN code PLJWC0000043
- 992 bonds with a nominal value of 80,000 PLN each, ISIN code PLJWC0000050.

The repurchasing and payment of interest of the above bonds, together with the redemption of the bonds acquired in exchange for the issued bonds (ISIN code PLJWC00050) on 10 December 2015, mean that the payment of the Company's liabilities described above is finalised.
On December 9, 2016, the company carried out a partial repurchasing of the JWC1217 shares issued in the number of 120,000 pieces with the nominal value PLN 1,000 each and the total value of PLN 120,000,000 registered in the state depository of security papers with the code ISIN PLJWC0000100. Repurchasing in the nominal value of PLN 48.000.000 encompassed the 40% of the previous value of issued bonds. Repurchasing took place within the timeframe and on conditions presented in the bond issuance conditions.

Listing of bonds*:*
As of 12 February 2016 120.000 of Company's bonds (ISIN PLJWC000100), with a nominal value of 1,000 PLN each, are listed on Catalyst. Due to a repurchasing transaction of the 48,000,000 PLN worth of bonds of December 9, 2017, currently security papers with the total value of PLN 72,000,000 are listed on Catalyst.

Selling real estate to associates:
On December 2, 2016 an agreement was signed with an eye to selling by the company to its subsidiary Hanza Invest S.A with its business seat in Ząbki, Poland an ownership title to the plot no. 22/2 KW SZ1S/82676/9 with an area of 5.261 sq. m. KW SZ1S/82676/9 and the plot no. 22/3 KW SZ1S/221568/6 with an area of 455 sq. m. with a residential object in raw state for the net sum of PLN 61.797.028. Sold were also the entire design documentation constituting a basis for issuing a permit for the construction of a multifamily building, a building permit as well as the rights to actions related with the preparation of an investment. The total value of the transaction was PLN 74.000.000 net.

Other significant agreements:
On February 26, 2016, a land title sale agreement into a third party was entered into. The subject of the transaction was a plot located in Lodz at 59 Lipowa street, Pogonowskiego 70 street with the number 135, KW LD1M/00096196/3 with an area of 3,429 sq. m. Due to disvantagous conditions, the company decided to abandaon the realization of the investment. However, it bore costs related to the prepration of the investment. The price for which the plot was sold did not cover the costs related to the purchase thereof, preparation of the investment, and the costs related to its maintenance.

Acquiring shares:

On August 23, 2016 the company acquired 50 shares with the nominal value of PLN 2,500 in the J.W. Ergo Energy sp. z o.o. with its business seat in Ząbki, Poland for the sum of PLN 1. As a result of said transaction, the company increased the number of held shares in J.W. Ergo Energy sp. z o.o. to 100%.

On October 26, 2016 the company acquired 100,000 shares constituting 100% shares of the share capital of the Homsly Investmemts S.A. with its business seat in Warsaw,Poland (currently Hanza Invest S.A with its business seat in Ząbki, Poland).

Increase of share capital in associates:

J.W. Marka Sp. z o.o.
On February 8, 2016, pursuant to a notary deed, number in register Rep. A 1189/2016, prepared by Anna Sota, a notary in Warsaw, the share capital was increased in Dana Invest Sp. z o.o with its business seat in Ząbki, a subsidiary. The share capital was increased from PLN 10.065.000 to the sum of PLN 11.125.850, i.e. by the sum of PLN 1.060.850 by way of creation of 21.217 new shares with the nominal value of PLN 50 each and the issuance value of PLN 200 each. The shares were fully obtained in exchange for a cash contribution.

On February 26, 2016, pursuant to a notary deed, number in register Rep. A 2096/2016, prepared by Anna Sota, a notary in Warsaw, the share capital was increased in J.W. Marka Sp. z o.o with its business seat in Ząbki, a subsidiary. The share capital was increased from PLN 158.838.000 to the sum of PLN 189.658.450, i.e. by the sum of PLN 30.820.450 by way of creation of 616.409 new shares with the nominal value of PLN 50. The shares were fully taken over by the Company in exchange for a contribution in kind in the form of 145.558 shares with the nominal value of PLN 7.277.900 in Bliska Wola 1 Sp. z o.o. with its business seat in Ząbki, Poland.

On February 26, 2016 by way of the exercise of the above-mentioned decision and a statement on taking over shares, a new agreement was entered into based on which the Company transferred to J.W. Marka Sp. z o.o. with its business seat in Ząbki 145,558 shares with the nominal value of PLN 7.277.900 held in the company Bliska Wola 1 Sp. z o.o. with its business seat in Ząbki, Poland.

On March 14, 2016, the district court for the capital city of Warsaw in Warsaw, XIV Economic Register of the National Court Register registered the increase of the capital in J.W. Marka Sp. z o.o. with its business seat in Ząbki, Poland by the sum of PLN 30.820.450 to the sum of PLN 189.658.450.

J.W. Construction Sp. z o.o.
On February 26, 2016, based on a notarial deed A 2106/2016 prepared by Anna Sota, a notary in Warsaw, the share capital was increased in J.W. Construction Sp. z o.o. with its business seat in Ząbki, a subsidiary. The share capital was increased from PLN 27.021.650 to the sum of PLN 39.767.150, i.e. by the sum of PLN 12.745.500 by way of creation of 254.910 new shares with the nominal value of PLN 50 each and the issuance value of PLN 200 each.The shares were fully taken over by the company in exchange for a contribution in kind in the form of 71.604 shares with the nominal value of PLN 3.580.200 in Bliska Wola 2 Sp. z o.o. with its business seat in Ząbki, Poland.

On February 26, 2016 by way of the exercise of the above-mentioned decision and a statement on taking over shares, a new agreement was entered into based on which the Company transferred to J.W. Construction Sp. z o.o. with its business seat in Ząbki 71.604 shares with the nominal value of PLN 3.580.200 held in the company Bliska Wola 2 sp. z o.o. with its business seat in Ząbki, Poland.

Hanza Invest S.A.
On October 31, 2016, based on a notarial deed no.13890/2016 prepared by Ewa Rokos, a notary in Warsaw, a share capital was increased in Homsly Investmens S.A. (currently Hanza Invest S.A.). The share capital was increased from the sum PLN 100,000 to the sum of PLN 41,100,000, which is the incease by the sum of PLN 41,000,000 via the issuance of 41,000,000 B-series bearer shares fully acquired by the company for cash contribution.
On December 21, 2016, the company made a declaration to Hanza Invest regarding the 34,000 bonds convertible to shares being held so that said bonds are converted to 200,000 C-series bearer shares with the nominal value PLN 1 each and the total value of PLN 200,000.

Corporate events

On June 29, 2016 an ordinary General Meeting of Shareholders was held during which the decisions were made with regard to accepting and approving of reports such as the 2015 financial report and the report on the activity of the Management Board of the company in 2015, its Company in 2015, profit distribution in 2015 and granting a discharge to members of the company's governing bodies.

Extraordinary events having an effect of the financial result:

On September 27, 2016 a verdict of a court of appeals for the capital city of Warsaw on the payment for perpetual usufruct of a building plot no. 2/6 located at Górczewska 181 street for the years 2009-2013 was reached. The court ordered the Company to pay PLN 14,123,787 with due interest and litigation costs to the capital city of Warsaw.The company paid a due sum in the amount of PLN 14.123.787 which was included in the financial report in other operating costs as well as due interest to the amount of PLN 7.965.870 included in financial costs. The Company does not agree with the court reasoning included in said verdicts and plans to appeal against the said verids to the Supreme Court. The company relies on the fact that the real estate in the local use plan was earmarked for a public road, which means that a de facto expropriation took place. At the same time an obligation to carry out annual payments not matching the real possibilities of using the real estate was required.

The company in accordance with the precautionary principle has created reserves to the amount of PLN 9.230.000 regarding payment for perpetual usufruct of the plot no, 2.6 located in Warsaw at Górczewska 181 street for the years 2014 – 2016 with due interest.The basis for the creation of a reserve was a verdict made on September 27, 2016 and described bove. The amount of the reserves was included in operating expenses.

Note 29. Events which occurred after the balance sheet date

Announcing a call to subscribe for company shares

On January 20, 2017 Mr. Józef Wojciechowski, a dominant shareholder of the company, announced a call to subscribe for company shares due to an intention of exceeding 66% share threshold during the General Meeting of Shareholders. The call encompasses the sale of 30.247.179 company shares comprising the 34,04 % of the company shares and entitling to 30.247.179 votes during the General Meeting, which constitutes 34,04 % of the total number of votes during the General Meeting. The subscription list for the sale of shares was set to be February 9, 2016, and and the finanal date for subscribing was set to be March 15, 2017.

Guarantees granted

On Febraury 10, 2017, the Company granted a credit guarantee to Alior Bank S.A. with its business seat in Warsaw to the sum of PLN 141.789.712 for the credit liabilities on the part of its subsidiary Hanza Invest S.A. with its business seat in Ząbki near Warsaw. Hanza Invest has taken two loans, namely an investment loan to the sum of PLN 138.789.712 as well as a loan for the payment of the VAT tax and financing a part of the Hanza Tower investment realization to the sum of PLN 3.000.000.

Signing an annex to a credit agreement

On January 30, 2017 the company signed an annex to a revolving credit agreement granted by Bank Polskiej Spółdzielczości S.A. in the final amount of PLN 4.944.327 earmarked fo financing current business activity. Based on said annex, the credit payment date was extended, and a credit payment schedule was set. The new credit payment date is December 31, 2017.

Building permit

On June 30, 2017 the company received a building permit for the construction of a single-family home at Villa Campina community in Ożarów Mazowiecki, Poland. The permit is final and binding.

Note 30. Selected financial data including basic items of the financial statement in thousands PLN (also denominated to euro).

In order to convert the balance sheet data on the last day of the period between January 1, 2016 through January 31, 2016 the adopted exchange rate of euro was fixed by the National Bank of Poland, which was PLN 4,4240 per 1 euro.

In order to convert the balance sheet data on the last day of the period between January 1, 2015 through December 31, 2015 the adopted exchange rate of euro was fixed by the National Bank of Poland, which was PLN 4,2615 per 1 euro.

In order to convert the profit and loss account data for the period between January 1, 2016 through December 31, 2016, the adopted exchange rate of euro was fixed by the National Bank of Poland, which was PLN 4,3757 per 1 euro.

In order to convert the profit and loss account data for the period between January 1, 2015 through December 31, 2015, the adopted exchange rate of euro was fixed by the National Bank of Poland, which was PLN 4,1848 per 1 euro.

Balance sheet's item	2016-12-31		2015-12-31	
	PLN	EUR	PLN	EUR
Total Assets	**1 449 838**	**327 721**	**1 315 689**	**308 739**
Fixed assets	708 549	160 160	842 997	197 817
Current assets	741 289	167 561	472 692	110 922
Total equity and liabilities	**1 449 838**	**327 721**	**1 315 689**	**308 739**
Equity	684 286	154 676	674 695	158 323
Long-term liabilities	191 979	43 395	300 857	70 599
Short-term liabilities	573 573	129 650	340 138	79 816

Consolidated profit and loss account item	between 01-01-2016 and 31-12-2016		between 01-01-2015 and 31-12-2015	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	185 438	42 379	207 880	49 675
Costs of products, goods and materials sold	181 323	41 439	166 511	39 790
Gross profit (loss) on sales	**4 115**	**940**	**41 369**	**9 886**
Sales costs	18 072	4 130	22 777	5 443
Overheads	12 374	2 828	11 106	2 654
Profit (loss) on sales	-33 862	-7 739	38 816	9 276
Operating profit (loss)	-69 161	-15 806	26 638	6 365
Gross profit (loss)	**-6 079**	**-1 389**	**18 351**	**4 385**
Income tax	-15 669	-3 581	3 312	791
Net profit (loss)	**9 591**	**2 192**	**15 040**	**3 594**

Note 31. Significant issues in litigation

As at December 31, 2016, the Company a party to the lawsuits brought in its name the value of which is PLN 113m. The lawsuit brought by Company with the largest value that exceeded 10 % of Company equity is the court proceedings started on April 26, 2012 consisting in suing the Capital City of Warsaw ("Defendant") a petition for commitment of the Defendant to submit a declaration of intent for the acquisition from the Company right of perpetual use of the plot no 2/6 with the area of 3,2605 ha for which the District Court for Warsaw- Mokotów, X Division of Land Registry maintains a land and mortgage registry no WA4M/00413015/1 KW ("Property") for a net price of PLN 91,130,975 together with interest from the date of 8 January 2010. The company filed a petition according to the Article 36.1 point. 2) of the Act of 27 March 2003 on spatial planning and development (Journal of Laws 2003.80.717) in connection with the adoption by the Respondent of the area development plan area of Olbrachta Street (approved by the resolution of the City of Warsaw No. LVI/1669/2009, which entered into force on 3 August 2009) ("Plan"). The property has been earmarked for the N-S Route. In the period when the Company acquired the Property, the zoning plan of the property was not obligatory. With the adoption of the Plan and as a result of this adoption, there has been a significant restriction on the use of the Property by the Company, therefore the Company has the right to request to redeem to purchase/buy out the Property by the Defendant. The Company applied to the Defendant with a request to take steps to voluntary purchase of the Property by the Respondent but the request was refused.
Dismissing an appeal to the supreme cout in Poland closes a path to direct realization of a claim, but the Company does not agree with the argumentation of courts included in the issued verdicts, and therefore considers a possibility of using other legal measures, such as a recurso de amparo or an appeal to the European Court of Human Rights.

As at December 31, 2016, the value of court actions against the Company does not exceed 10% of the Company share capital.

Note 32. Financial instruments and hedge accounting

The company does not use derivatives. The company uses banks loans, issues bonds and enters into financial lease contracts. The main financial assets of the company constitute loans to subsidiaries, bank deposits, and shares in subsidiaries.

The fair values of particular classes of financial instruments

The following table shows a comparison of the balance sheet values and fair values of all financial instruments of the Company, divided into different classes and categories of assets and liabilities.

	Category in accordance with IAS 39	**Balance sheet value**		**Fair value**	
		2016-12-31	**2015-12-31**	**2016-12-31**	**2015-12-31**
Financial assets					
Long term financial assets in related entities	DDS	235 723 468,01	156 377 943,81	0,00	0,00
Long term financial assets in other entities	DDS	209 550,00	209 550,00	0,00	0,00
Short-term loans	PiN	61 400 184,46	41 684 323,27	61 400 184,46	41 684 323,27
Trade and other receivables		53 566 705,42	45 936 688,70	53 566 705,42	45 936 688,70
Cash and cash equivalents	WwWGpWF	69 622 774,77	73 600 261,65	69 622 774,77	73 600 261,65
Financial liabilities					
Loans with a floating interest rate	PZFwgZK	73 185 389,92	57 298 512,44	73 185 389,92	57 298 512,44
Loans from subsidiaries	PZFwgZK	24 663 009,10	23 970 953,26	24 663 009,10	23 970 953,26
Liabilities from long-term financial lease	PZFwgZK	1 546 189,64	8 324,99	1 546 189,64	8 324,99
Short-term financial lease obligations	PZFwgZK	1 395 828,84	78 662,15	1 395 828,84	78 662,15
Delivery and service liabilities and other	PZFwgZK	34 864 593,73	37 754 423,62	34 864 593,73	37 754 423,62
Bonds	PZFwgZK	127 542 890,70	314 162 163,83	127 542 890,70	314 162 163,83
Long-term guarantee receivables	PZFwgZK	28 747 371,63	23 086 165,86	28 747 371,63	23 086 165,86
Promissory notes liabilities - other	PZFwgZK	7 008 683,52	7 012 598,47	7 008 683,52	7 012 598,47
Promissory notes liabilities - related companies	PZFwgZK	93 792 706,72	64 505 185,19	93 792 706,72	64 505 185,19

UdtW – Financial assets held to maturity,
WwWGpWF – assets / liabilities at fair value through profit/loss,
PiN – Loans and receivables,
DDS – Financial assets available for sale,
PZFwgZK – Other financial liabilities measured at amortized cost

Interest rate risk

The following table presents the carrying amount of the company's financial instruments which are exposed to interest rate risk, in division into particular age categories.

*31-12-2016 - **floating interest rate***	**up to1 year**	**1 to 2 years**	**2 - 5 years**	**Total**
Cash Assets	69 622 774,77	0,00	0,00	69 622 774,77
Financial assets - short-term loans	61 400 184,46	0,00	0,00	61 400 184,46
Loans from related companies	0,00	24 663 009,10	0,00	24 663 009,10
Bank Loans	14 992 703,98	44 587 177,32	13 605 508,62	73 185 389,92
Bond obligations	76 042 890,70	51 500 000,00	0,00	127 542 890,70

Collaterals

The Company does not apply hedge accounting.

Note 33. Proposal regarding the distribution of profit

The management board of the Company shall make a proposal regargin the distribution of profit for 2015 to increase the reserve capital.

Note 34. Changes in the Management and Supervisory Board
Management Board:

As of 01.01.2016 Company Management Board was composed of:
Wojciech Rajchert – Board Member
Magdalena Starzyńska – Board Member
Małgorzata Ostrowska – Board Member
Piotr Suprynowicz – Board Member

As of 2016 no changes in the composition of the management board occurred.
As of 31.12.2016 the management board of the Company was composed of:
Wojciech Rajchert – Board Member
Magdalena Starzyńska – Board Member
Małgorzata Ostrowska – Board Member
Piotr Suprynowicz – Board Member

Supervisory Board:

As of 01.01.2015, the Company supervisory board was comprised of:
Józef Wojciechowski – the president of the supervisory board
Irmina Łopuszyńska - supervisory board member
Małgorzata Szwarc - Sroka – supervisory board member
Laura Michnowicz – supervisory board member
Barbara Czyż – supervisory board member

In 2016 no changes in the composition of the Supervisory Board occurred.
As of 31.12.2016 the composition of the management board was as follows:
Józef Wojciechowski – president of the supervisory board
Irmina Łopuszyńska - supervisory board member
Małgorzata Szwarc - Sroka – supervisory board member
Laura Michnowicz – supervisory board member
Barbara Czyż supervisory board member

Note 35. Targets and principles of financial risk management
The main financial instruments used by Company comprise bank loans, bonds and financial leasing. The main purpose of these financial instruments is to raise funds for the activities of the Company. The Company also has other financial instruments such as receivables, trade payables, which are formed directly in the course of the Company's activities.

The main risks arising from financial instruments of the Company include interest rate risk, liquidity risk and credit risk. Board review and agree on rules for the administration any of these risks - they were briefly described below. The company also monitors market price risk relating to its possession of all financial instruments.

Interest rate risk

The Company has credit liabilities, for which interest are calculated on the basis of the variable interest rate, and therefore there is a risk of growth of interest in relation to the moment of the agreement conclusion.
Due to the fact that Company had, during the reporting period, both assets and liabilities with variable rate, which counterbalanced the risk, and due to slight fluctuations of interest rates in recent periods, as well as the lack of expected rapid changes of interest rates in subsequent reporting periods, Company did not apply any interests rate securities as at 31.12.2015, considering that the interest rate risk is not significant.
Regardless of the current situation, Company monitors its exposure to interest rate risk and interest rate forecasts and does not preclude the adoption of the precautionary measures in the future.
The Company allocates the financing cost from investment credits for various development projects, which means that the impact of changes in interest rates has a deferred result.

The following table shows the sensitivity of the gross financial result for reasonably possible changes of interest rates, assuming that other factors remain unchanged (in connection with the variable rate liabilities).

	Increase/decrease in percentage points	Influence on gross financial result in thousands of Polish zlotys
PLN	1%	-1 240
PLN	-1%	1 240

Currency risk

Company is exposed to currency exchange rate change risks do to the loans granted in a given currency. These loans are granted in EUR and USD.

The following table shows the sensitivity of the gross financial result to the possible changes of the currency rates, assuming that other factors remain unchanged (in relation to receivables and loans in foreign currencies).

EUR/PLN exchange rate change	Fair value as of December 31, 2016 (in thousands of Polish zlotys)	The value of the assets to the historical value	The value of the financial assets	change (in thousands of PLN)
decrease by 20%	33 179	80%	26 543	6 636
decrease by 10%	33 179	90%	29 861	3 318
no change	33 179	100%	33 179	0
increase by 10%	33 179	110%	36 497	-3 318
increase by 20%	33 179	120%	39 814	-6 636

USD/PLN exchange rate change	Fair value as of December 31, 2016 (in thousands of Polish zlotys	The value of the assets to the historical value	The value of the financial assets	change (in thousands of PLN)
decrease by 20%	17 716	80%	14 173	3 543
decrease by 10%	17 716	90%	15 944	1 772
no change	17 716	100%	17 716	0
increase by 10%	17 716	110%	19 488	-1 772
increase by 20%	17 716	120%	21 259	-3 543

Credit Risk

Company is exposed to the credit risk which is defined as the risk that creditors do not fulfil their obligations and thereby render Company to incur losses.

In case of liabilities of and loans for related companies, the risk is considered irrelevant due to ongoing monitoring of financial standing and the control.

The maximum exposure to credit risk is PLN 20.885 at the balance sheet day was estimated as the carrying value of trade payables from other companies.

In the assessment of the Management Board, the credit risk is included in the financial statements in the position of write-downs.

The credit risk associated with bank deposits is considered irrelevant, because the Company concludes transactions with institutions that have well-established financial position**.**

Liquidity risk

Company is exposed to the liquidity risk, defined as the risk of losing the ability to settle liabilities in a timely manner. The risk results from potential restriction of access to financial markets, which may result in inability to obtain new financing or refinancing its debt.

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Note 36. Capital Management

Company manages its capital in order to maintain the capacity to continue operations including the implementation of the planned investments, in order to generate returns for shareholders and benefits to other stakeholders.
In accordance with market practice, the Company monitors its capital, among other things, on the basis of equity ratio and the ratio of loans, credits and other financing sources / EBITDA.

The equity ratio is calculated as the ratio of net tangible assets (equity diminished by the value of intangible assets) to total assets.
The ratio of credits, loans and other financing sources / EBITDA is calculated as the ratio of credits, loans and other financing sources to EBITDA. Credits, loans and other financing sources presents a total amount of liabilities arising from credits, loans and lease, while EBITDA presents an operating profit after adding depreciation

In order to maintain a liquidity and the credit capacity allowing to attract an external financing with a reasonable level of costs, the Company intends to maintain the equity ratio at the level no lower than 0.3.

	2016-12-31	**2015-12-31**
Interest-bearing loans and borrowings	97 848 399,02	65 655 276,53
Trade and other receivables	667 703 937,99	575 339 183,74
Minus cash and cash equivalents	-69 622 774,77	-73 600 261,65
Net debt	695 929 562,24	567 394 198,62
Company Equity	684 285 638,24	674 694 704,07
Net unrealized gains reserves	0,00	0,00
Total capital	684 285 638,24	674 694 704,07
Capital and net debt	1 380 215 200,49	1 242 088 902,70
Equity ratio	49,58%	54,32%
Credits ratio	50,42%	45,68%

Note 37. Information on the agreement with the entity authorized to audit the financial statement and conduct reviews thereof

On June 15, 2015, the Company entered into an agreement with BDO sp. z o.o., an entity eligilble to audit financial statements, on the preparation of an interim and annual financial report for the year 2016. Auditor's remuneration for auditing the financial statement prepared for the business year ending on December 31, 2016was fixed at PLN 175 thousand, PLN 125 thousand of which pertaining to the review and audit of the entities being part of Company and PLN 50 thousand to an interim review and annual audit of the consolidated financial statement. Auditor's remuneration for the services related to the consolidated financial statements prepared for the business year ended on December 31, 2016 amounted to PLN 50 thousand, PLN 25 thousand of which pertained to the annual consolidated financial statement, and PLN 25 thousand to the review of interim consolidated financial statement.

Auditor's remuneration for the services related to the preparation of financial statements for the business year ended on December 31, 2015 for the entities being part of Company amounted to PLN 125 thousand, PLN 85 thousand of which pertained to the annual audit of the entities being part of Company, and PLN 40 thousand to the interim report. These sums are net sums.

Auditor's remuneration for the services related to the consolidated financial statements prepared for the business year ended on December 31, 2015 amounted to PLN 50 thousand, PLN 25 thousand of which pertained to the annual consolidated financial statement, and PLN 25 thousand to the review of interim consolidated financial statement. Auditor's remuneration for the services related to the preparation of financial statements for the business year ended on December 31, 2015 for the entities being part of Company amounted to PLN 125 thousand, PLN 85 thousand of which pertained to the annual audit of the entities being part of Company, and PLN 40 thousand to the interim report. These sums are net sums.

Note 38. Information on the approval of a financial statement for the past year

The financial statement for the year 2015 was approved by the General Meeting of Shareholders on June 29, 2016.

Signature of a person preparing the Financial Statement

Małgorzata Pisarek Chief Accountant	Signature

Management Board Members' Signatures

Wojciech Rajchert Management Board Member	Signature
Magdalena Starzyńska Management Board Member	Signature
Małgorzata Ostrowska Management Board Member	Signature
Piotr Suprynowicz Management Board Member	Signature

Ząbki, Poland, March 10, 2017