



**Financial Statements
for the period from 01 January 2012
to 31 December 2012.**

**Prepared in accordance with International
Financial Reporting Standards**





Financial Statements
for the period from 01 January 2012 to 31 December 2012

1. INTRODUCTION TO THE FINANCIAL STATEMENT

1. General Information

J.W. Construction Holding S.A. ("JWCH"), a joint-stock company domiciled in Ząbki at ul. Radzymińska 326, REGON id. no.: 010621332 was initially registered as Towarzystwo Budowlano-Mieszkaniowe Batory Sp. z o.o., a limited liability company, on 7 March 1994 under number RHB 39782. On 15 January 2001 it was transformed into a joint-stock company and registered with the District Court for Warsaw under 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 (Polska Klasyfikacja Działalności -PKD) the core business of the Company is development and sale of own properties for the Company's own account. The subject of the Company's activity is also the implementation of the building, designing and supportive production, as well as trade in real estate, sale of aggregates and hotel services.

As at 31.12.2012 the lifetime of the Company is unlimited. The accounting year of the Company is a calendar year i.e. the period from 1 January to 31 December.

2. ADOPTED PRINCIPLES (POLICY) OF ACCOUNTING

Going concern basis and comparability of financial statements

The Company J.W. Construction Holding S.A. assumes a going concern assumption and comparability of financial statements. As at the balance sheet date 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 financial statements are comparable.

Declaration of unconditional compliance with IFRS

The financial statements of J.W. Construction Holding S.A., were 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 Company under contracts for a specified time. Services supplied by the Company are long-term ones and their term of performance is over six months.

The results of applying new standards of accounting and changes to the accounting policy

The principles (policy) of accounting that were used for preparation of this financial statements for the financial year ended on 31 December 2011 are consistent with those used for preparation of the financial statements for the financial year ended in 2011, with the exception of changes described below.



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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.

The change did not affect the data for the current and comparable period.

The same principles were used for the current and comparable period.

Changes resulting from changes to IFRS

The following new or revised standards or interpretations issued by the International Accounting Standards Board or IFRS Interpretations Committee are applied from 01 January 2012:

- Amendments to IFRS 1 Severe hyperinflation and removal of fixed dates
- Amendments to IAS 12 Deferred tax: *Recovery of Underlying Assets as a basis for its determination.*
- Amendments to IFRS 7 Disclosures—Transfers of Financial Assets

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 eventually in expanding of the scope of required disclosures or terminology used.

The main consequences of the application of new regulations:

- Amendments to IFRS 1 Severe hyperinflation and removal of fixed dates

The amendments to IFRS 1 were published on 20 December 2010 and are applicable to annual periods beginning on 01 July 2011 or thereafter. The changes relate to the constant reference to the date "1 January 2004" as the date of application of IFRS for the first time and change it to "the date of adoption of IFRS for the first time" in order to eliminate the need for conversion transactions that occurred before the date of transition to IFRS by the entity. In addition, some guidelines for re-use of IFRS in the periods that follow periods of significant hyperinflation, preventing full compliance with IFRS, are added to the standard.

The Company will apply amended IFRS 1 after the date of entry into force set by the European Commission, it is from 1 January 2013.

The amended IFRS 1 had no impact on the financial statements of the Company.

- Amendments to IAS 12 Deferred tax: *Recovery of Underlying Assets as a basis for its determination.*

The amendment to IAS 12 was published on 20 December 2010 and is applicable to annual periods beginning on or after 01 January 2012. The change clarifies, among others, a valuation method of assets and provisions for deferred tax in the case of investment properties valued in accordance with the fair value model which is specified in IAS 40 Investment Property. Entry into force of the revised standard will also withdraw SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets

The Company will apply amended IAS 12 after the date of entry into force set by the European Commission, it is from 1 January 2013.

The amended IAS 12 had no impact on the financial statements of the Group.

- Amendments to IFRS 7 Disclosures—Transfers of Financial Assets

The amendments to IFRS 7 were published on 07 October 2010 and are applicable to annual periods beginning on 01 July 2011 or thereafter. The aim of the changes in the standard is to enable users of financial statements to understand the transactions of financial assets better (eg, securitization), including understanding the potential effects of risks that are in the unit that provided assets. The changes also require additional disclosure in the case of a transfer of assets of significant value near the end of the reporting period.

The amended IFRS 7 had no impact on the financial statements of the Company.

Not effective standards (New standards and interpretations)

In this financial statement, the Group 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

The new standard was published on 12 November 2009 and is the first step of IASB to replace IAS 39 Financial Instruments: Recognition and Measurement. Following the publication, a new standard was subject to further works and was partially modified. The new standard will enter into force from 01 January 2015.

The Group will apply the new standard from 01 January 1 2015.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IFRS 10 Financial Instruments

The new standard was published on 12 May 2011 and it is supposed to replace the SIC 12 Consolidation – Special Purpose Entities and some of the provisions of IAS 27 Consolidated and Separate Financial Statements The standard defines the concept of control as a factor in determining whether an entity should be included in the consolidated financial statements and provides guidance to help determine whether an entity has control or not.



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The Company will apply amended standard from 01 January 2014, after the date of entry into force set by the European Commission.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IFRS 11 Joint Arrangements

The new standard was published on 12 May 2011 and it is supposed to replace the SIC 13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers and IAS 31 Interests in Joint Ventures. The standard emphasizes the rights and obligations arising from the common agreement, regardless of its legal form and eliminates the inconsistencies in reporting by defining the method to account for interests in jointly controlled entities.

The Company will apply amended standard from 01 January 2014, after the date of entry into force set by the European Commission.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IFRS 12 Disclosure of Interests in Other Entities

The new standard was published on 12 May 2011 and includes requirements for disclosure of information on the relationship between entities.

The Company will apply amended standard from 01 January 2014, after the date of entry into force set by the European Commission.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IFRS 13 Fair Value Measurement

The new standard was published on 12 May 2011 and the assumption of it is to facilitate the use of fair value by reducing the complexity of the solutions and to increase consistency in applying the principles of fair value measurements. The standard clearly defines the objective of such a valuation, and clarifies the definition of fair value.

The Group will apply the new standard from January 1, 2013

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IAS 27 Consolidated and Separate Financial Statements

The new standard was published on May 12, 2011, and it mainly results from the transfer of certain provisions of the existing IAS 27 to the new IFRS 10 and IFRS 11. The standard contains requirements for the presentation and disclosures in the separate financial statements of the investments in associates, subsidiaries or joint ventures. The standard will replace the previous IAS 27 Consolidated and Separate Financial Statements

The Company will apply amended standard from 01 January 2014, after the date of entry into force set by the European Commission.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- IAS 28 — Investments in Associates and Joint Ventures

The new standard was published on May 12, 2011, and addresses the accounting for investments in associates. It also specifies requirements for the application of equity method in associates and joint ventures. The standard will replace the previous IAS 28 Investments in Associates

The Company will apply amended standard from 01 January 2014, after the date of entry into force set by the European Commission.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new standard.

- Amendments to IAS 19 Employee Benefits

Amendments to IAS 19 were published on 16 June 2011 and they apply to annual periods beginning on 1 January 2013 or thereafter. The amendments eliminate potential delay in recognising profits and losses known as the "corridor method".

Moreover, they improve presentation of changes in the balance sheet following from employee benefit schemes and of mandatory estimates presented in the statement of other comprehensive income as well as broaden the scope of required disclosures related thereto.

The Company will apply the amended IAS from 01 January 2013.

As of the date of preparing these Financial Statements, it is not possible to assess reasonably the impact of applying the amended standard.

- Amendments to IAS 1 Presentation of Statement of Other Comprehensive Income

Amendments to IAS 1 were published on 16 June 2011 and they apply to annual periods beginning on 01 July 2012 or thereafter. The amendments concern grouping of items of the statement of other comprehensive income that may be transferred to the profit and loss statement. Moreover, the amendments confirm the possibility to present items of the statement of other comprehensive income and items of the profit and loss statement as one statement or two separate statements.

The Company will apply the amended IAS from 01 January 2013.

As of the date of preparing these Financial Statements, it is not possible to assess reasonably the impact of applying the amended standard.

- Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities



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The amendments to IFRS 7 were published on 16 December 2011 and are applicable to annual periods beginning on 01 January 2013 or thereafter. Without changing the general principles regarding the offsetting of financial assets and liabilities, the amendment extended the scope of disclosures relating to the offset amounts. It also introduced the requirement of broader (more transparent) disclosures with respect to the management of credit risk using received or transferred collaterals (pledges).

The Company will apply the amended IFRS from 01 January 2013.

As of the date of preparing these Financial Statements, it is not possible to assess reasonably the impact of applying the amended standard.

- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

Amendments to IAS 32 were published on 16 December 2011 and they apply to annual periods beginning on 1 January 2014 or thereafter. These amendments were introduced in response to existing incoherence regarding the application of offsetting criteria in IAS 32.

The Company will apply the amended IAS from 01 January 2013.

As of the date of preparing these Financial Statements, it is not possible to assess reasonably the impact of applying the amended standard.

- Interpretation IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

Interpretation IFRIC 20 was issued on 19 October 2011 and it applies to annual periods beginning on 1 January 2013 or thereafter. The interpretation provides guidelines regarding the recognition of costs relating to the removal of surface layers of ground in order to access mined resources in surface mines.

The Company will apply the new interpretation as of 1 January 2013.

The amended interpretation should not have any impact on the Group's Financial Statements.

- Amendments in IFRS 1

The amendments to IFRS 1 were published on 13 March 2012 and are applicable to annual periods beginning on 01 January 2013 or thereafter. The aim of amendments is to enable the release of entities applying IFRS for the first time from full retrospective application of all IFRS in case, where such individuals benefit from government loans with interest below market rates.

The Company will apply the amended IFRS 1 from 01 January 2013.

The amended IFRS 1 will have no impact on the financial statements of the Group.

- The amendments to different standards resulting from the annual review of the International Financial Reporting Standards (Annual Improvements 2009-2011)

On 17 May 2012, subsequent amendments to the seven standards arising from the draft of proposed amendments to International Financial Reporting Standards, published in June 2011. They are applicable to annual periods beginning on or after 01 January 2013 (depending on a standard).

The Company has applied revised standards in the scope of the amendments, which were made, since 01 January 2013, unless their different date of entry into force is provided.

Application of the revised standards will have no significant impact on the financial statements of the Group.

- Guidelines on the transitional rules (Amendments to IFRS 10, IFRS 11 and IFRS 12)

Guidelines were published on 28 June 2012 and contain additional information regarding the application of IFRS 10, IFRS 11 and IFRS 12, including the presentation of comparative data for the first application of the above mentioned standards.

The Company will apply the amendments when the European Union accepts the amendments.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new changes.

- Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

Guidelines were published on 31 October 2012 and contain another principles regarding the application of IFRS 10, IFRS 12 concerning entities, which meet the definition of investment funds.

The Company will apply the amendments when the European Union accepts the amendments.

At the date of preparation of these financial statements, it is not possible to reliably estimate the impact of applying new changes.

The accounting policies applied by the Company are as follows:

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 recognisable 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 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 are amortised with the straight-line method for the period of their expected useful life.



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

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 recognises 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:

- Buildings and structures: the depreciation rates from 2% - 4,5%
- Machinery and equipment: 6% - 30%
- Means of transport: 12.5% - 20%

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 remeasured 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 recognised 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.

Lease

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 an asset and a liability at the lower of:

- 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 amortised and depreciated under the same principles as other purchased assets of a similar kind. The period of amortisation 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,



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- 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 realisable value, the company discloses an impairment loss adjusting costs of goods sold.

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 recognised 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 remeasured 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 recognised 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, recognised 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 Group companies recognise 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, recognised 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 Company is the realization of development contracts. The core business of the Group 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



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contracts are performed for over twelve months. Advances paid by buyers under concluded agreements are recorded as deferred income. Costs by nature incurred in a given period are disclosed as production 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 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 written off 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 recognised 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 derecognition 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 recognised for temporary positive differences at the amount of income tax payable in future.

Deferred income tax assets are recognised 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 realise 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 realised and the liability is discharged, based on tax rates applicable as at the balance sheet date.

Held-for-sale assets and discontinued operations

Available-for-sale assets and discontinued operations are assets of the Company and are disclosed in the financial statements at the lower of their carrying value or fair value diminished by selling expenses.

Assets can be classified to that group 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.



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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 unfavourable 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 recognised at the amount of probable obligations falling to the reporting period.

Revenues

The Company recognises revenues at the amount of probable economic benefits flowing due to a transaction, which can be measured reliably. Revenues are recognised 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 recognised 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 against 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.



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2. FINANCIAL STATEMENTS

Balance sheet statement

ASSETS	Note	31-12-2012	31 -12 -2011*
NON-CURRENT ASSETS		826,527,139.72	575,206,739.42
Intangible assets	1	15,910,645.94	17,007,126.13
Tangible assets	2	284,625,843.32	254,638,379.31
Investment real estate	3	205,980,247.51	162,912,350.94
Other financial assets	4	124,667,782.26	117,937,029.14
Deferred income tax assets	13	14,018,058.51	7,224,382.00
Trade and other receivables	5	181,324,562.18	15,487,471.90
CURRENT ASSETS		625,522,591.89	685,900,795.13
Inventories	6	27,879,623.82	32,873,127.51
Construction contracts	6	502,214,445.43	501,515,547.76
Trade and other receivables	7	58,702,182.75	73,665,256.61
Other financial assets	8	15,281,741.43	20,367,080.44
Cash and cash equivalents	9	8,480,981.31	34,198,725.58
Accruals	10	12,963,617.15	23,281,057.23
Total Assets		1,452,049,731.61	1,261,107,534.55
EQUITY AND LIABILITIES			
EQUITY		521,788,333.53	520,731,629.90
Share capital	11	10,814,656.00	10,814,656.00
Revaluation capital		7,493,208.19	7,493,208.19
Other capital	11	511,017,652.86	485,636,997.77
Retained earnings		-15,598,247.08	-8,584,817.69
Net profit / loss		8,061,063.56	25,371,585.63
LIABILITIES		930,261,398.07	740,375,904.65
Non-current liabilities		554,926,742.56	341,272,443.52
Borrowings	12	140,803,453.42	104,768,229.58
Deferred income tax liabilities	13	24,384,909.91	14,752,455.65
Retirement benefit obligations		300,027.14	373,000.00
Provision for other liabilities and charges	14	460,316.60	843,914.11
Other liabilities	15	388,978,035.49	220,534,844.18
Current liabilities		375,334,655.51	399,103,461.13
Trade and other payables	16	118,000,541.55	100,084,747.96
Construction contracts	6	73,963,198.78	68,637,033.73
Borrowings	12	137,813,016.54	76,565,707.54
Provision for other liabilities and charges	14	11,224,303.61	12,028,430.17
Other liabilities	16	34,333,595.03	141,787,541.73
Total Equity and Liabilities		1,452,049,731.60	1,261,107,534.55

* Data for 2011 prior to the merger with its subsidiaries and restating the opening balance



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Profit and loss account

	Note	for the period 01-01-2012 to 31-12-2012	for the period 01-01-2011 to 31-12-2011
Net revenues from sales of products, goods and materials, of which:	17	282,960,790.55	333,213,675.91
Net revenues from sales of products		279,162,485.00	329,639,376.13
Net revenues from sales of goods and materials		3,798,305.55	3,574,299.78
Costs of products, goods and materials sold, of which:	18	211,798,399.61	253,189,454.58
Manufacturing cost of products sold		208,355,066.22	249,638,712.58
Value of goods and materials sold		3,443,333.39	3,550,742.00
Gross profit (loss) on sales		71,162,390.94	80,024,221.33
Selling expenses	18	24,690,595.10	27,864,632.97
Overhead expenses	18	23,332,171.53	23,857,531.17
Revaluation of investment properties		21,354,973.00	21,202,649.25
Profit (loss) on sales		44,494,597.31	49,504,706.44
Other operating income	19	17,117,951.22	9,011,565.61
Other operating expenses	20	9,729,538.75	5,587,509.14
Operating profit (loss)		51,883,009.78	52,928,762.91
Financial income	21	22,250,429.83	11,978,826.14
Financial expenses	22	62,909,694.29	31,914,865.10
Profit (loss) on ordinary activities		11,223,745.32	32,992,723.95
Gross profit (loss)		11,223,745.32	32,992,723.95
Income tax	23	3,162,681.76	7,621,138.32
Net profit (loss)		8,061,063.56	25,371,585.63

Other comprehensive income:		0.00	0.00
Exchange differences on foreign operations conversion		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		8,061,063.56	25,371,585.63

CALCULATION OF BASIC AND DILUTED EARNINGS PER SHARE		for the period 01-01-2012 to 31-12-2012	for the period 01-01-2011 to 31-12-2011
Profits			
(A) Profit disclosed in the consolidated financial statements		8,061,063.56	25,371,585.63
Number of shares			
(B) 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 earnings per share *		54,073,280.00	54,073,280.00
(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		54,073,280.00	54,073,280.00
Basic earnings per share = (A)/(B)		0.15	0.47
Diluted earnings per share = (A)/(B)		0.15	0.47

* 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). During the period, there were no factors that would affect the number of dilutive shares.



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Statement of changes in equity

	Share Capital	Own shares (negative figure)	Revaluation capital	Supplementary capital	Other capital	Retained earnings	Net earnings	Equity
As at 31 December 2011	10,814,656.00	0.00	7,493,208.19	479,905,410.58	5,731,587.19	-8,584,817.69	25,371,585.63	520,731,629.90
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
As at 01 January 2012	10,814,656.00	0.00	7,493,208.19	479,905,410.58	5,731,587.19	-8,584,817.69	25,371,585.63	520,731,629.90
Issue 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
Gains / (losses) on revaluation of fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Exchange gains / (losses) on translation of financial statements of foreign operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income tax referring to items attributed to equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gains / (losses) on business acquisitions(unitary jwch)	0.00	0.00		9,069.46	0.00	-7,013,429.04	0.00	-7,004,359.58
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	-0.35	0.00	-0.35
Transformation to IFRS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total profit / (loss) recognised directly in equity	0.00	0.00	0.00	9,069.46	0.00	-7,013,429.39	0.00	-7,004,359.93
Net profit (loss) for the accounting year	0.00	0.00	0.00	0.00	0.00	0.00	8,061,063.56	8,061,063.56
Total profit / (loss) recognised in equity and net earnings	0.00	0.00	0.00	9,069.46	0.00	-7,013,429.39	8,061,063.56	1,056,703.63
Increase / decrease from profit distribution	0.00	0.00	0.00	25,371,585.63	0.00	0.00	-25,371,585.63	0.00
As at 31 December 2012	10,814,656.00	0.00	7,493,208.19	505,286,065.67	5,731,587.19	-15,598,247.08	8,061,063.56	521,788,333.53



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	Share Capital	Own shares (negative figure)	Revaluation capital	Supplementary capital	Other capital	Retained earnings	Net earnings	Equity
As at 31 December 2010	10,814,656.00	0.00	7,471,818.19	398,831,651.02	5,731,587.19	-6,912,104.54	79,401,046.41	495,338,654.27
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
As at 01 January 2011	10,814,656.00	0.00	7,471,818.19	398,831,651.02	5,731,587.19	-6,912,104.54	79,401,046.41	495,338,654.27
Issue 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
Gains / (losses) on revaluation of fixed assets and investment properties	0.00	0.00	21,390.00	0.00	0.00	0.00	0.00	21,390.00
Gains/(losses) on revaluation of available-for-sale assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gains / (losses) on cash flow hedges	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Exchange gains / (losses) on translation of financial statements of foreign operations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income tax referring to items attributed to equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gains / (losses) on business acquisitions(unitary jwch)	0.00	0.00		1,672,713.15		-1,672,713.15	0.00	0.00
Profit/loss from the inclusion/exclusion of companies to consolidate	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) recognised directly in equity	0.00	0.00	21,390.00	1,672,713.15	0.00	-1,672,713.15	0.00	21,390.00
Net profit (loss) for the accounting year	0.00	0.00	0.00	0.00	0.00	0.00	25,371,585.63	25,371,585.63
Total profit / (loss) recognised in equity and net earnings	0.00	0.00	21,390.00	1,672,713.15	0.00	-1,672,713.15	25,371,585.63	25,392,975.63
Increase / decrease from profit distribution	0.00	0.00	0.00	79,401,046.41	0.00	0.00	-79,401,046.41	0.00
As at 31 December 2011	10,814,656.00	0.00	7,493,208.19	479,905,410.58	5,731,587.19	-8,584,817.69	25,371,585.63	520,731,629.90

Cash flow statements (indirect method)

	for the period 01-01-2012 to 31-12-2012	for the period 01-01-2011 to 31-12-2011
Operating cash flow - two-step method		
Net profit (loss)	8,733,846.00	25,371,585.63
Item adjustments:	50,168,167.13	-3,811,706.46
Depreciation and amortisation	8,513,182.34	6,933,181.68
(Profits) losses on exchange differences related to investment and financial activities	5,427,561.78	-5,963,221.74
(Profits) loss from investment activities	20,708,646.25	-1,727,337.04
Interest and dividends	29,794,792.88	27,836,220.05
Changes in provisions and accruals	11,234,020.92	-8,921,124.72
Change in investment properties	-21,354,973.00	-21,181,259.25
Other adjustments:	-4,155,064.04	-788,165.44
- other adjustments	-4,155,064.04	-788,165.44
Changes in working capital	-22,459,678.35	-554,088.02
Change in inventories	177,787.08	6,644,463.09
Change in construction contracts	8,487,487.87	5,421,112.47
Changes in receivables	-55,900,678.12	-10,763,571.15
Changes in current liabilities, except for borrowings	24,775,724.82	-1,856,092.42
Operating cash flow	36,442,334.78	21,005,791.16
Investment activity cash flows		
Disposal of tangible and intangible assets and other non-current assets	10,475,909.38	8,982,341.01
Acquisition of tangible and intangible assets and other non-current assets	-60,802,835.69	-75,370,472.54
Expenses associated with the asset to be sold	0.00	0.00
Purchase of equity instruments and debt instruments	-9,000,250.00	-13,000.00
Disposal of equity instruments and debt instruments	0.00	0.00
Loans granted	-1,000,913.64	-1,063,700.34
Loans repaid	392,464.85	7,882,179.67
Other purchase of financial assets	-200,000.00	609,453.96
Other disposal of financial assets	0.00	0.00
Dividends received	0.00	0.00
Interest received	24,326.72	94,679.45
Disposal of subsidiaries	1,272.90	0.00
Acquisition of subsidiaries	0.00	0.00
Net investment cash flow	-60,110,025.48	-58,878,518.79
Financing cash flow		
Net proceeds from issue of shares, other equity instruments and additional capital contributions	0.00	0.00
Purchase of own shares or repayment of shares	0.00	0.00
Borrowings	637,744,386.42	427,572,920.56
Borrowings repaid	-543,067,708.24	-386,776,622.32
Debt securities issued	95,000,000.00	0.00
Debt securities redeemed	0.00	0.00
Payments under financial lease agreements	-4,113,605.08	-4,507,455.16
Dividends and other shared profits	0.00	0.00
Interest paid	-39,619,742.17	-24,936,131.71
Other financial proceeds (including notes)	9,620,700.00	12,140,000.00
Other financial expenditures (including notes)	-157,614,084.50	-13,112,315.34
Net financing cash flow	-2,050,053.57	10,380,396.03
NET DECREASE/(INCREASE) IN CASH	-25,717,744.27	-27,492,331.60
Cash and cash equivalents at the beginning of the year	34,198,725.58	61,691,057.18
- foreign exchange gains/(losses) on cash		
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	8,480,981.31	34,198,725.58

3. EXPLANATORY NOTES TO THE BALANCE SHEET

Note 1. Intangible assets

The key position of other intangible assets is an integrated SAP system.

Intangible assets	31-12-2012	31-12-2011
a) research and development expenses	0.00	0.00
b) goodwill	12,389,648.22	12,389,648.22
c) other intangible assets	3,520,997.72	4,617,477.91
d) advances on intangible assets	0.00	0.00
Total intangible assets	15,910,645.94	17,007,126.13

Changes in intangible assets	Goodwill	Software	TOTAL
a) the gross value of intangible assets at the opening period	12,389,648.22	14,214,820.37	26,604,468.59
b) increase (due to)	0.00	926,168.84	926,168.84
- purchase	0.00	560,460.86	560,460.86
- transfers from development works	0.00	0.00	0.00
- merger of the companies 31 October 2012	0.00	365,707.98	365,707.98
c) decrease (due to)	0.00	0.00	0.00
- sale	0.00	0.00	0.00
- liquidation	0.00	0.00	0.00
- in-kind contribution	0.00	0.00	0.00
- Reclassification between generic groups	0.00	0.00	0.00
d) the gross value of intangible assets at the closing period	12,389,648.22	15,140,989.21	27,530,637.43
e) accumulated depreciation at the beginning of the period including redemption of merged companies 31.10.2012	0.00	10,044,080.44	10,044,080.44
f) amortization for the period (due to)	0.00	1,575,911.05	1,575,911.05
- Depreciation (a copy of the annual)	0.00	1,211,288.07	1,211,288.07
- merger of the companies	0.00	364,622.98	364,622.98
- liquidation	0.00	0.00	0.00
- sale	0.00	0.00	0.00
g) accumulated depreciation at closing period	0.00	11,619,991.49	11,619,991.49
h) impairment losses at beginning of period	0.00	0.00	0.00
- Increase	0.00	0.00	0.00
h) impairment write-offs	0.00	0.00	0.00
- Reclassification between generic groups	0.00	0.00	0.00
- decrease	0.00	0.00	0.00
- reversal of impairment write-offs - to financial result	0.00	0.00	0.00
- Reclassification between generic groups	0.00	0.00	0.00
- depreciation of in-kind contribution	0.00	0.00	0.00
i) impairment write-offs at the closing period	0.00	0.00	0.00
j) the gross value of intangible assets at the opening period	12,389,648.22	4,170,739.93	16,560,388.15
k) the net value of intangible assets at the closing period	12,389,648.22	3,520,997.72	15,910,645.94

Intangible assets are initially disclosed at acquisition price or manufacturing cost.

Upon initial recognition intangible assets are measured at acquisition price or manufacturing cost less amortisation and impairment losses. Intangible assets are amortised with the straight line method for the period of their expected useful life. The period and method of amortisation are verified at the end of each accounting year.

As at 31 December 2012 there were no circumstances requiring the Company to make impairment allowance on intangible assets.

The Company did not conduct in 2012-2011 any development works and no costs were incurred on them. The Company did not have any advances on intangible assets.

Note 2. Tangible assets

Tangible assets	31-12-2012	31-12-2011
a) fixed assets, including:	281,680,575.17	119,261,975.78
- land (including right of perpetual usufruct)	16,466,162.74	18,895,894.74
- buildings and structures	233,107,819.70	95,572,949.88
- plant and machinery	17,943,435.54	2,268,389.45
- motor vehicles	1,651,849.17	2,345,273.57
- other property, plant and equipment	12,511,308.02	179,468.14
b) constructions in progress	2,945,268.15	135,376,403.53
c) advances on constructions in progress	0.00	0.00
Total tangible assets	284,625,843.32	254,638,379.31

Tangible assets are initially disclosed at acquisition price or manufacturing cost. Upon initial recognition tangible assets are measured at acquisition price or manufacturing cost less amortisation and impairment losses. Tangible assets are amortised with the straight line method for the period of their expected economic useful life.

The assets that are under construction are valued at the amount of the total cost of remaining in direct relation to their acquisition or construction, less accumulated permanent loss of value. The assets under construction are not depreciated until they are completed and commissioned.



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	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	18,972,589.74	119,093,089.91	12,301,204.28	7,468,907.63	3,404,197.38	135,376,403.53	296,616,392.47
b) increase (due to)	992,805.00	151,562,129.20	19,646,995.37	215,112.11	13,286,117.21	32,876,306.61	218,579,465.50
- purchase	0.00	240,447.81	131,178.22	215,112.11	150,608.17	363,068.99	1,100,415.30
- Adoption of the investment	992,805.00	149,368,258.18	16,445,945.56	0.00	12,334,133.39	0.00	179,141,142.13
- merger of the companies 31 October 2012	0.00	0.00	3,069,871.59	0.00	435,958.30	10,000.00	3,515,829.89
- capital expenditure for tangible fixed assets under construction	0.00	0.00	0.00	0.00	0.00	32,503,237.62	32,503,237.62
- movement to tangible fixed assets under construction	0.00	1,953,423.21	0.00	0.00	365,417.35	0.00	2,318,840.56
c) decrease (due to)	3,499,232.00	10,285,651.92	1,041,090.85	1,355,352.22	22,559.34	165,860,583.99	182,064,470.32
- sale	3,343,186.00	10,138,196.73	1,041,090.85	1,355,352.22	22,559.34	1,106,284.17	17,006,669.31
- liquidation	0.00	147,455.19	0.00	0.00	0.00	0.00	147,455.19
- transfer to tangible fixed assets	0.00	0.00	0.00	0.00	0.00	164,754,299.82	164,754,299.82
- Other value adjustments	156,046.00	0.00	0.00	0.00	0.00	0.00	156,046.00
d) the gross value of tangible fixed assets at the closing period	16,466,162.74	260,369,567.19	30,907,108.80	6,328,667.52	16,667,755.25	2,392,126.15	333,131,387.65
e) accumulated depreciation at the opening period	76,695.00	23,520,140.03	10,032,814.83	5,123,634.06	3,224,729.24	0.00	41,978,013.16
f) amortization for the period (due to)		3,741,607.46	728,545.34	-446,815.71	707,703.65	0.00	4,731,040.74
- annual depreciation allowance	0.00	4,128,489.98	1,602,319.19	846,210.28	721,590.82	0.00	7,298,610.27
- merger of the companies 31 October 2012	0.00	0.00	2,202,313.09	0.00	224,014.34	0.00	2,426,327.43
decrease (due to)	0.00	386,882.52	873,773.85	1,293,025.99	13,887.17	0.00	2,567,569.53
- sale of fixed assets	0.00	312,786.29	873,773.85	1,293,025.99	13,887.17	0.00	2,493,473.30
- liquidation of fixed assets	0.00	74,096.23	0.00	0.00	0.00	0.00	74,096.23
g) accumulated depreciation at closing period	0.00	27,261,747.49	12,963,673.26	4,676,818.35	4,156,447.23	0.00	49,058,686.33
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	553,142.00	553,142.00
- sale of fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- liquidation of fixed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- exercise of write-off	0.00	0.00	0.00	0.00	0.00	0.00	0.00
- transfers	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	-553,142.00	-553,142.00
j) the net value of tangible fixed assets at the opening period	18,895,894.74	95,572,949.88	2,268,389.45	2,345,273.57	179,468.14	135,376,403.53	254,638,379.31
k) the net value of tangible fixed assets at the closing period	16,466,162.74	233,107,819.70	17,943,435.54	1,651,849.17	12,511,308.02	2,945,268.15	284,625,843.32



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Note 3. Investment real estate

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

Other long-term investments	31-12-2012	31-12-2011
a) investment properties	205,980,247.51	162,912,350.94
b) other	0.00	0.00
Total other long-term investments	205,980,247.51	162,912,350.94

In the reporting year, the Company changed its business strategy in relation to the property constituting the right of perpetual usufruct of a plot located in Warsaw. The property was originally classified as "inventories", as it was intended to implement the investment project on the property. Due to changes in the business model, the property will be held in the investment portfolio of the Company in anticipation of the increase in its value.

Note 4. Long-term financial assets

LONG-TERM FINANCIAL ASSETS	31-12-2012	31-12-2011
a) shares	86,770,311.43	80,991,934.33
b) loans granted	36,023,558.08	36,945,094.81
c) other long-term investments	1,873,912.75	0.00
Total long-term financial assets	124,667,782.26	117,937,029.14

LONG-TERM FINANCIAL ASSETS	31-12-2012	31-12-2011
a) in subsidiaries	124,009,941.62	117,347,649.68
- shares	86,556,116.81	80,777,739.71
- other securities	1,873,912.75	0.00
- loans granted	35,579,912.06	36,569,909.97
- other long-term financial assets	0.00	0.00
b) in other parties	657,840.64	589,379.46
- shares	214,194.62	214,194.62
- other securities	0.00	0.00
- loans granted	443,646.02	375,184.84
- other long-term financial assets	0.00	0.00
Total long-term financial assets	124,667,782.26	117,937,029.14



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Name of a unit (and its legal form)	Domicile	Business	Relation	Method of consolidation	Date of assuming control	Value of shares/interests at acquisition price	Revaluation adjustments (total)	Write-offs up to book value of in-kind contribution	Carrying value of shares	% of total number of votes in the general meeting
TBS Marki Sp.z o.o.	Warsaw	social building	subsidiary	full consolidation	14/11/2003	13,360,000.00	0.00	0.00	13,360,000.00	100.00%
Business Financial Construction Sp. z o.o.	Warsaw	services	subsidiary	not consolidated	16/06/2003	4,346,500.00	0.00	0.00	4,346,500.00	99.99%
Lokum Sp. z o.o.	Warsaw	developer activity	subsidiary	full consolidation	13/09/2005	3,778,500.00	0.00	0.00	3,778,500.00	100.00%
Deweloper Sp. z o.o.	Siemianowice Slaskie	construction	subsidiary	full consolidation	08/09/2004	49,500.00	0.00	0.00	49,500.00	99.00%
Królewski Port Żerań Sp. z o.o.	Warsaw	developer activity	associate	not consolidated	08/09/2000	500,000.00	500,000.00	0.00	0.00	4.92%
Polonia SSA	Warsaw	sports	subsidiary	not consolidated	30/03/2006	15,440.00	15,440.00	0.00	0.00	100.00%
J.W. Construction Bulgaria Sp. z o.o.	Warna (Bulgaria)	developer activity	subsidiary	not consolidated	08/10/2007	9,854.98	0.00	0.00	9,854.98	100.00%
Porta Transport Sp. z o.o. in liquidation	Szczecin	transport	subsidiary	full consolidation	12/11/2007	19,118,737.41	0.00	0.00	19,118,737.41	100.00%
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%
J.W. Construction Sp. z o.o.	Ząbki	prefabricated unit production for the building industry	subsidiary	full consolidation	19/02/2008	57,451,956.00	0.00	30,430,356.00	27,021,600.00	99.99%
JW. Marka Sp. z o.o.	Ząbki	leasing of intellectual property	subsidiary	full consolidation	23/08/2011	155,841,000.00	0.00	155,779,575.58	61,424.42	100.00%
J.W. Group Sp. z o.o.	Ząbki	management of other entities	subsidiary	full consolidation	23/02/2012	50,000.00	0.00	0.00	50,000.00	100.00%
J.W. Group Sp. z o.o. 2 SKA	Ząbki	developer activity	subsidiary	full consolidation	26/03/2012	50,000.00	0.00	0.00	50,000.00	100.00%
J.W. Group Sp. z o.o. 1 SKA	Ząbki	developer activity	subsidiary	full consolidation	26/03/2012	50,000.00	0.00	0.00	50,000.00	100.00%
Seahouse Sp. z o.o.	Ząbki	developer activity	subsidiary	full consolidation	18/10/2012	8,750,000.00	0.00	0.00	8,750,000.00	100.00%
J.W. 2 Sp. z o.o.	Ząbki	developer activity	subsidiary	full consolidation	18/10/2012	50,000.00	0.00	0.00	50,000.00	100.00%
J.W. 6 Sp. z o.o.	Ząbki	developer activity	subsidiary	full consolidation	16/11/2012	50,000.00	0.00	0.00	50,000.00	100.00%
Karczma Regionalna Sp.z o.o.	Krynica Górská	hotel activity	subsidiary	not consolidated	16/12/2004	208,550.00	0.00	0.00	208,550.00	8.06%
SASPOL INFRASTRUKTURE Sp. z o.o.(former Trinity Self Comapnies Sp. z o.o.)	Warsaw	participation in public tenders as a leader of the consortium	associate	not consolidated	06/10/2009	4,644.62	0.00	0.00	4,644.62	25.00%
TBS Nowy Dom Sp. z o.o.	Ząbki	social building	associate	not consolidated	30/09/2006	1,000.00	0.00	0.00	1,000.00	2.00%



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Note 5. Non-current receivables

NON-CURRENT RECEIVABLES	31-12-2012	31-12-2011
a) guarantee receivables	0.00	0.00
b) deposit receivables(leasing)	16,364,359.90	15,487,471.90
b) other receivables	164,960,202.28	0.00
Total receivables	181,324,562.18	15,487,471.90

Non-current receivables include a security deposit for the lease of hotels (securing receivables of the financing party under the sale and lease back agreement) and a guarantee deposit paid by the Company in accordance with the schedule appended to the lease agreement for real estate located in Ząbki (office building).

Note 6. Inventories and construction contracts

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

INVENTORIES	31-12-2012	31-12-2011
a) materials	1,318,726.95	938,893.99
b) semi-finished products and work in progress	0.00	0.00
c) finished products	0.00	0.00
d) goods	26,550,889.57	31,934,233.52
e) trade advances	10,007.30	0.00
Total inventories	27,879,623.82	32,873,127.51

Construction contracts - the assets comprise , among other things, amounts of expenditure on projects, the value of finished premises, which were not passed on to customers.

CONSTRUCTION CONTRACTS	31-12-2012	31-12-2011
a) semi-finished products and work in progress	206,821,622.97	367,775,907.76
b) finished products	293,859,080.01	118,450,896.94
c) advances for supplies	1,102,040.65	14,780,048.58
d) short-term prepayments	431,701.80	508,694.48
Total construction contracts	502,214,445.43	501,515,547.76

Construction contracts- liabilities are, among other things, the amount of: advances paid by contractors in connection with ongoing work.

CONSTRUCTION CONTRACTS	31-12-2012	31-12-2011
a) accruals	73,963,198.78	68,637,033.73
Total construction contracts	73,963,198.78	68,637,033.73

Accruals	31-12-2012	31-12-2011
-advances on premises	66,096,565.90	65,558,964.89
-works provision	7,865,702.88	2,155,550.05
-other	930.00	922,518.79
The total value of accruals	73,963,198.78	68,637,033.73

The Companies of the Group, in connection with the business activities, incur the loans that are secured with the mortgage on the property. As at 31 December 2012, the Company of the Group established securities in the form of mortgages presented in inventories and construction contracts with the value of PLN 370,400,000 and presented in fixed assets with the value of PLN 123,000,000. 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 Company. As at 31 December 2012, the loan liabilities amounted to PLN 275,700,000.

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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	31-12-2012	31-12-2011
a) trade receivables - related parties	9,860,293.97	30,763,633.61
b) trade receivables - other parties	27,079,650.91	31,584,752.59
c) taxes, subsidies, customs duties, social and health insurance and other payments	13,118,095.52	9,175,952.07
d) other	8,644,142.35	2,140,918.34
Total receivables	58,702,182.75	73,665,256.61

Note 8. Short-term financial assets

SHORT-TERM INVESTMENTS	31-12-2012	31-12-2011
a) shares	0.00	0.00
b) loans granted	14,944,725.02	18,517,477.18
c) other securities	337,016.41	1,849,603.26
d) other short-term investments	0.00	0.00
Total long-term financial assets	15,281,741.43	20,367,080.44

SHORT-TERM INVESTMENTS	31-12-2012	31-12-2011
a) in subsidiaries	14,580,475.97	19,934,066.23
- shares	0.00	0.00
- other securities	123,683.11	1,849,603.26
- loans granted	14,456,792.86	18,084,462.97
- other short-term financial assets	0.00	0.00
b) in other parties	701,265.46	433,014.21
- shares	0.00	0.00
- other securities	213,333.30	0.00
- loans granted	487,932.16	433,014.21
- other short-term financial assets	0.00	0.00
Total value of short-term investments	15,281,741.43	20,367,080.44

Note 9. Cash and cash equivalents

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

CASH AND CASH EQUIVALENTS	31-12-2012	31-12-2011
a) cash on hand and with bank	7,383,887.82	20,451,982.63
b) other cash	1,073,699.36	13,741,192.38
c) other cash equivalents	23,394.13	5,550.57
Total cash	8,480,981.31	34,198,725.58

Note 10. Short-term prepayments

ACCRUALS	31-12-2012	31-12-2011
a) short-term prepayments	12,963,617.15	23,281,057.23
The total value of accruals	12,963,617.15	23,281,057.23

In the position of other prepaid expenses, the Company recognizes e.g costs incurred in connection with deferred income. 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	31-12-2012	31-12-2011
- property insurance	144,214.36	90,678.71
- interest	3,619,040.08	4,859,505.46
- commission expenses	6,863,213.12	9,819,270.74
- other	2,337,149.59	8,511,602.32
The total value of accruals	12,963,617.15	23,281,057.23

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Note 11. Share capital

SHARE CAPITAL (STRUCTURE) as at 31 December 2012								
Class / issue	Share type	Type of shares preference	Types of restrictions on rights to shares	Number of shares	Par value of class/issue	Coverage of capital	Registration Date	Right to dividend (from)
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	
Total number of shares				54,073,280				
Total share capital					10,814,656			
Par value of one share = PLN 0.20								

On 18 May 2010, the General Meeting („General”) adopted the Resolution No.26 on the basis of which the District Court of the Capital City of Warsaw XIV Division of the National Court Register registered on 1 July 2010 the decrease in share capital of the Company from PLN 10.939.656 to PLN 10.814.656 that is PLN 125,000 by cancellation of 625.000 shares. The General was recorded in the minutes by a notary form Warsaw Krzysztof Kruszewski under a notarial deed with a number Rep. A 6811/2010.

Redeemed shares were owned by the Company which were acquired on the basis of the Resolution No.26 of the General Meeting of 19 June 2008 as a result of purchasing its own shares for redemption. Redeemed shares were purchased by net profit contained in the supplementary capital, in accordance with the Article 360.2.2 of the Code of Commercial Companies there was no convocation procedure. The average price of redeemed shares amounted to PLN 7,09.

At 31 December 2012 the shareholding structure was as follows:

Company	Number of shares held	% of share capital	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	15.413.713	28.51 %	15.413.713	28.51 %
EHT S.A domiciled in Luxembourg	18.568.300	34.34 %	18.568.300	34.34 %
Other *	20.091.267	37.15 %	20.091.267	37.15 %

of which:

Investment funds managed by PKO TFI S.A	Between 5 and 10% of the shares ^x
Pioneer Pekao TFI S.A	Between 5 and 10% of the shares ^{xx}

^x on 9 April 2010, the Company received a notification on exceeding a 5% threshold of the share capital of the Company by the Funds managed by PKO TFI S.A, as at 9 April 2010 it was 3,245,668 shares representing 5.93% of the share capital of the Company entitling to 3,245,668 votes at the General Meeting of the Company and representing 5.93% of the total number of votes. In accordance with applicable law, a shareholder must notify the Company of exceeding the threshold of 5% and 10% of the total number of shares of the Company. To date, the Company has not received any notice from a shareholder, which would include information about reducing the number of shares held less than 5% or increase above 10% of the share capital of the Company.

^{xx} on 22 November 2011, the Company received a notification on a decrease below a 10 % threshold of the share capital of the Company by the Pioneer Open_End Investment Fund managed by Pioneer Pekao TFI S.A, as at that day it was 5.382.182 shares representing 10.008 % of the share capital of the Company entitling to 5.382.182 votes at the General Meeting of the Company representing 9.95% of the total number of votes.

In accordance with applicable law, a shareholder must notify the Company of exceeding the threshold of 5% and 10% of the total number of shares of the Company. To date, the Company has not received any notice from a shareholder, which would include information about reducing the number of shares held less than 5% or increase above 10% of the share capital of the Company.

Mr. Józef Wojciechowski controls EHT S.A. domiciled in Luxembourg.

Information about the company's shareholders as at the date of the preparation of this report

Company	Number of shares held	% of share capital	Number of votes	% of total number of votes in the General Meeting
Józef Wojciechowski	15.413.713	28.51 %	15.413.713	28.51 %
EHT S.A domiciled in Luxembourg	18.568.300	34.34 %	18.568.300	34.34 %
Other *	20.091.267	37.15 %	20.091.267	37.15 %



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of which:

Investment funds managed by PKO TFI S.A	Between 5 and 10% of the shares ^x
Pioneer Pekao TFI S.A	Between 5 and 10% of the shares ^{xx}

^x on 9 April 2010, the Company received a notification on exceeding a 5% threshold of the share capital of the Company by the Funds managed by PKO TFI S.A, as at 9 April 2010 it was 3,245,668 shares representing 5.93% of the share capital of the Company entitling to 3,245,668 votes at the General Meeting of the Company and representing 5.93% of the total number of votes. In accordance with applicable law, a shareholder must notify the Company of exceeding the threshold of 5% and 10% of the total number of shares of the Company. To date, the Company has not received any notice from a shareholder, which would include information about reducing the number of shares held less than 5% or increase above 10% of the share capital of the Company.

^{xx} on 22 November 2011, the Company received a notification on a decrease below a 10 % threshold of the share capital of the Company by the Pioneer Open_End Investment Fund managed by Pioneer Pekao TFI S.A, as at that day it was 5.382.182 shares representing 9.95 % of the share capital of the Company entitling to 5.382.182 votes at the General Meeting of the Company representing 9.95% of the total number of votes.

In accordance with applicable law, a shareholder must notify the Company of exceeding the threshold of 5% and 10% of the total number of shares of the Company. To date, the Company has not received any notice from a shareholder, which would include information about reducing the number of shares held less than 5% or increase above 10% of the share capital of the Company.

Mr. Józef Wojciechowski controls EHT S.A. domiciled in Luxemburg.

OTHER CAPITAL	31-12-2012	31-12-2011
a) supplementary capital	505,286,065.67	479,905,410.58
b) other reserve capital	5,731,587.19	5,731,587.19
Total other capital	511,017,652.86	485,636,997.77

The Company's supplementary capital comes from the retained earnings that were obtained in the previous years, and from the surplus value of the issue over the nominal value of issued shares.

Note 12. Borrowings

In a financial year 2012 and from the balance sheet date until the date of these financial statements none of the concluded loan agreements was terminated by the bank.

BORROWINGS	31-12-2012	31-12-2011
a) credits	275,707,149.77	181,333,937.12
<i>of which: long-term</i>	<i>140,803,453.42</i>	<i>104,768,229.58</i>
<i>Short-term</i>	<i>134,903,696.35</i>	<i>76,565,707.54</i>
b) loans	2,909,320.19	0.00
<i>of which: long-term</i>	<i>0.00</i>	<i>0.00</i>
<i>Short-term</i>	<i>2,909,320.19</i>	<i>0.00</i>
Total borrowings	278,616,469.96	181,333,937.12
Borrowings - long-term	140,803,453.42	104,768,229.58
Borrowings - short-term	137,813,016.54	76,565,707.54

LOANS PER MATURITY	31-12-2012	31-12-2011
Up to 1 year	134,903,696.35	76,565,707.54
Over 1 year up to 2 years	63,300,760.00	39,630,932.30
Over 2 year up to 5 years	53,043,392.09	45,054,441.13
Over 5 years	24,459,301.33	20,082,856.15
Total loans, including:	275,707,149.77	181,333,937.12
- long-term	140,803,453.42	104,768,229.58
- short-term	134,903,696.35	76,565,707.54



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Note 13. Deferred income tax assets

DEFERRED INCOME TAX ASSETS AND DEFERRED INCOME TAX LIABILITIES	31-12-2012		
	Deferred income tax assets	Deferred tax liabilities	Net value
Tangible assets	0.00	1,450,832.90	-1,450,832.90
Investment real estate	0.00	10,377,168.71	-10,377,168.71
Intangible assets	0.00	0.00	0.00
Other financial assets	97,933.60	0.00	97,933.60
Non-current receivables	0.00	0.00	0.00
Inventories and construction contracts	1,146,961.04	4,590,946.21	-3,443,985.17
Trade and other receivables	802,413.97	0.00	802,413.97
Income tax receivables	0.00	0.00	0.00
Accruals	1,007,650.42	1,403,171.13	-395,520.71
Cash and cash equivalents	0.00	0.00	0.00
Borrowings	5,216,317.05	5,032,199.46	184,117.59
Provisions	203,502.91	0.00	203,502.91
Trade and other receivables	0.00	0.00	0.00
Other financial liabilities	0.00	0.00	0.00
Other	5,543,279.52	1,530,591.51	4,012,688.01
Deferred income tax assets / liabilities disclosed in the balance sheet	14,018,058.51	24,384,909.91	-10,366,851.41

Note 14. Provision for other liabilities and charges

PROVISIONS FOR OTHER LIABILITIES AND CHARGES	31-12-2012	31-12-2011
a) short-term, of which:	11,224,303.61	12,028,430.17
- accrued expenses, including:	10,453,262.82	8,163,704.17
- <i>interests charged</i>	2,206,281.27	2,207,264.45
- <i>rent deposits</i>	477,649.38	477,649.38
- <i>other</i>	7,769,332.17	5,478,790.34
- other provisions, including:	771,040.79	3,864,726.00
- <i>provisions for future liabilities</i>	0.00	0.00
- <i>provisions for guarantee repairs</i>	0.00	3,000,000.00
- <i>other provisions</i>	771,040.79	864,726.00
a) long-term, of which:	460,316.60	843,914.11
- accrued expenses, including:	460,316.60	843,914.11
- <i>deferred surplus of revenues from sales over the carrying value/sale and lease back</i>	460,316.60	843,914.11
Total provisions for other liabilities and charges	11,684,620.21	12,872,344.28

Note 15. Other non-current liabilities

OTHER NON-CURRENT LIABILITIES	31-12-2012	31-12-2011
a) lease obligations	37,453,980.19	42,389,994.04
b) deposit liabilities	5,186,085.12	3,883,544.01
c) liabilities from securities	200,700,000.00	130,000,000.00
d) other non-current liabilities	0.00	0.00
e) note liabilities	28,900,991.81	21,705,908.36
f) note liabilities- foreign	92,883,177.27	0.00
g) loans granted- related parties	23,853,801.10	22,555,397.77
Total other liabilities	388,978,035.49	220,534,844.18

Other financial liabilities comprised among other things concluded lease agreements liabilities\ and debt obligations from securities' emission.



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Note 16. Trade and other payables

TRADE AND OTHER PAYABLES	31-12-2012	31-12-2011
a) trade payables - other parties	24,348,584.21	15,580,673.25
b) trade payables - related parties	77,084,697.76	57,068,045.96
c) taxes, customs duties, insurance and other payments	3,776,076.97	10,253,806.95
d) salaries	1,797,659.97	1,420,259.93
e) trade advances received	0.00	0.00
f) loans granted- related parties	0.00	0.00
g) liabilities on bill of exchange - related parties	2,838,710.36	6,511,981.24
h) other	8,154,812.28	9,249,980.63
Total trade and other payables	118,000,541.55	100,084,747.96

OTHER LIABILITIES	31-12-2012	31-12-2011
a) debt securities issue- liabilities	28,856,972.00	3,042,000.00
b) note liabilities - foreign	0.00	134,178,961.81
c) lease liabilities	5,476,623.03	4,566,579.92
d) other financial liabilities	0.00	0.00
Total other liabilities	34,333,595.03	141,787,541.73

3. NOTES TO THE INCOME STATEMENT

Note 17. Operating income

OPERATING INCOME	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Revenues from sales of products	245,606,338.19	289,767,644.68
Revenues from sales of services	33,556,146.81	39,871,731.45
Revenues from sales of goods	3,798,305.55	3,574,299.78
Total income	282,960,790.55	333,213,675.91

	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Revenues from sales, of which:	282,960,790.55	333,213,675.91
- from sales of products - units, plots, buildings	245,606,338.19	289,767,644.68
- sales of services	33,556,146.81	39,871,731.45
- sales of goods	3,798,305.55	3,574,299.78

	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Revenues from sales of products and services per business segment	279,162,485.00	329,639,376.13
- developer activity	255,768,123.93	306,196,994.95
- hotel activities	17,389,134.49	15,465,402.19
- property management	6,005,226.58	7,976,978.99

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	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Revenues from sales of products - premises, plots, buildings per geographic segments	245,606,338.19	289,767,644.68
- Warsaw and vicinity	182,212,570.15	284,581,718.22
- Gdynia	1,355,436.08	5,394,856.44
- Łódź	29,316,385.96	-212,002.86
- Katowice	0.00	3,072.88
- Sopot	32,721,946.00	0.00

	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Revenues from sales of hotel services per geographic segments	17,389,134.49	15,465,402.19
- Warsaw and vicinity	5,752,363.92	6,234,147.61
- Tarnowo	4,867,614.85	4,757,229.20
- Stryków	2,287,026.25	2,923,171.25
- Cieszyn	1,043,015.43	1,156,980.74
- Krynica Górská	3,439,114.04	393,873.39

Note 18. Operating expenses

OPERATING EXPENSES	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Costs on sale of products	177,003,613.10	216,455,752.82
Costs on sale of services	31,351,453.12	33,182,959.76
Costs on sale of goods	3,443,333.39	3,550,742.00
Total costs of products, services and goods sold	211,798,399.61	253,189,454.58

Selling and overhead expenses	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Selling expenses	24,690,595.10	27,864,632.97
Overhead expenses	23,332,171.53	23,857,531.17
Total selling and overhead expenses	48,022,766.63	51,722,164.14

Costs by type	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Depreciation and amortisation	8,513,182.34	6,933,181.68
Cost of materials and energy	7,627,267.62	16,079,088.40
Services made by other contractions	200,092,854.52	132,132,926.59
Taxes and duties	6,844,569.33	9,029,277.42
Wages and Salaries	22,428,568.41	22,433,057.72
Services for the benefit of employees	4,023,198.74	3,995,104.02
Other costs	14,954,328.12	20,113,690.77
Total costs according to types	264,483,969.08	210,716,326.60

Note 19. Other operating income

OPERATING INCOME	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) profit from disposal of non-financial fixed assets	0.00	477,337.04
b) other operating income	17,117,951.22	8,534,228.57
Total operating income	17,117,951.22	9,011,565.61



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OPERATING INCOME	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) profit from disposal of non-financial fixed assets	0.00	477,337.04
b) handling charges	14,366,834.75	3,065,250.98
c) provisions	0.00	2,251,434.17
g) other (including compensation for land dedicated for roads)	2,751,116.47	3,217,543.42
Total operating expenses	17,117,951.22	9,011,565.61

Note 20. Other operating expenses

OPERATING EXPENSES	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) loss on disposal of non-financial fixed assets	3,655,593.22	0.00
b) revaluation of non-financial assets	0.00	0.00
c) other operating expenses	6,073,945.53	5,587,509.14
Total operating expenses	9,729,538.75	5,587,509.14

OPERATING EXPENSES	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) loss on disposal of non-financial fixed assets	3,655,593.22	0.00
b) revaluation of non-financial assets	1,913,346.27	0.00
c) provisions	185,400.41	363,824.05
d) compensation, penalties and damages	794,066.43	1,412,908.44
e) compensation fee	146,304.30	254,295.74
f) litigation costs	395,224.01	681,831.07
g) other	2,639,604.11	2,874,649.84
Total operating expenses	9,729,538.75	5,587,509.14

Note 21. Financial income

FINANCIAL INCOME	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) dividends	6,413,610.32	465,043.30
b) interest	15,821,583.90	5,182,169.52
c) revaluation of investment	0.00	0.00
d) other	15,235.61	6,331,613.32
Total financial income	22,250,429.83	11,978,826.14

Financial income	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) dividends	6,413,610.32	465,043.30
b) interests from customers	631,991.99	1,423,721.60
c) loan interests	1,525,502.33	1,745,398.76
d) deposit interests	351,971.02	947,484.90
e) bill interests	161,325.90	124,169.01
f) other interests	13,150,792.66	941,395.25
g) foreign exchange differences	0.00	5,877,101.44
h) revaluation of the investment value	0.00	0.00
i) other	15,235.61	454,511.88
Total	22,250,429.83	11,978,826.14

Note 22. Financial expenses

FINANCIAL EXPENSES	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) interest	41,991,282.53	31,906,352.67
b) revaluation of investment	0.00	0.00
c) loss on disposal of investments	16,871,596.65	0.00
d) other	4,046,815.11	8,512.43
Total financial expenses	62,909,694.29	31,914,865.10



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FINANCIAL EXPENSES	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) interest, commission, credits	10,226,999.50	4,900,832.19
b) interest - leases	2,644,587.55	2,916,658.72
c) interest-loans	1,355,771.27	1,213,811.65
d) interest-bills	10,911,912.40	11,798,496.88
e) interest-bond issue	16,050,308.21	9,359,549.37
f) other interests	801,703.60	1,717,003.86
g) foreign exchange differences	4,041,486.20	0.00
h) loss on disposal of investments	16,871,596.65	0.00
i) other	5,328.81	8,512.43
Total financial expenses	62,909,694.19	31,914,865.10

Note 23. Income tax

INCOME TAX	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
a) income tax	323,904.00	11,539,644.65
b) deferred income tax	2,838,777.76	-3,918,506.33
Total income tax	3,162,681.76	7,621,138.32

Reconciliation of effective tax rate	Closing balance on 31 December 2012
<i>Gross Profit / (loss) before tax from continuing operations</i>	11,223,745.32
Profit / (loss) before tax from abandoned operations	0.00
Gross profit (loss) before tax	11,223,745.32
Tax at statutory tax rate of 19%	2,132,511.61
Non tax deductible expenses -permanent differences	706,266.15
Tax from the previous years.	323,904.00
Tax at effective tax rate	3,079,470.25
Income tax (charge) shown in the profit and loss account	3,162,681.76
<i>of which:</i>	
current	323,904.00
deffered	2,838,777.76

4. OTHER NOTES

Note 24. Headcount

Company	31-12-2012	31-12-2011
Management Board	4	4
Managers	32	27
Administration	196	234
Other employees	149	109
Total	381	374

Contracts	31-12-2012	31-12-2011
The employment contract	381	374
Commission contracts	137	110
Contracts for a specific task	4	4
TOTAL	522	488

Note 25. The 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 Group). The remuneration due to other titles is presented in the consolidated financial statements.



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Wages and Salaries	31-12-2012	31-12-2011
Management Board of the Company	1,261,224.34	957,046.20
Supervisory Board	296,000.00	179,471.43
Total remuneration	1,557,224.34	1,136,517.63

JW Construction Holding S.A.	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Management Board		
Panabażys Tomasz	48,834.73	49,000.00
Rajchert Wojciech	306,000.00	312,000.00
Samarcew Marek	0.00	198,757.87
Wójcik Robert	304,000.00	312,000.00
Łopuszyńska Irmina	277,000.00	44,000.00
Malinowska Bożena	148,136.36	0.00
Starzyńska Magdalena	177,253.25	0.00

JW Construction Holding S.A.	from 01-01-2012 to 31-12-2012	from 01-01-2011 to 31-12-2011
Supervisory Board		
Król Jarosław	24,000.00	24,000.00
Michnicki Marcin	21,304.35	24,000.00
Oleksy Józef	186,000.00	177,000.00
Pietraszkiewicz Henryk	0.00	10,000.00
Podsiadło Andrzej	24,000.00	24,000.00
Samarcew Marek	40,695.65	0.00
Wojciechowski Józef	0.00	0.00

Note 26. Off-balance sheet entries

OFF-BALANCE LIABILITIES - credit agreements (the amounts cannot be summed)	31-12-2012
Investment real estate pledged as collateral - loans	493,443,936.00
blank bill*	324,353,028.00
Executory titles	505,462,543.05
Assignment of the insurance contract	379,535,977.00

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

The table above presents all collateral under concluded loan agreements. Since several items of collateral were established under particular loan agreements, the value of collateral was not summed up.

OFF-BALANCE LIABILITIES - other	31-12-2012
blank bill*	35,749,082.90
Guarantees to the benefit of TBS "Marki" Sp z o.o.	22,400,000.00
Guarantees to the benefit of ZPM Metalcon Sp z o.o.	800,000.00
Guarantees to the benefit of Deweloper Sp. z o.o.	341,697.97
Guarantees to the benefit of JW. Wronia Sp. z o.o.	75,000,000.00
Guarantees to the benefit of JW. Consulting Sp. z.o.o J.W.2 partnership limited by shares	39,653,100.00
Guarantees to the benefit of Capital City of Warsaw	907,800.00
Other	500,000.00

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

As at 31 December 2012 there were disclosed insurance guarantees to remove failures and defects, granted by banks and insurance institutions to the benefit of the 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 at 31 December 2012 the total value of guarantees was PLN 4.7 million and EUR 12.3 thousand.



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Note 27. Transactions with related companies-balance

All transactions concluded in 2012 by the Company or a subsidiary with the related parties were concluded on market terms.

No.	COMPANY NAME	Receivables from related parties		Liabilities to related parties	
		31-12-2012	31-12-2011	31-12-2012	31-12-2011
1	TBS Marki Sp. z o.o.	73,441.01	426,736.60	26,247,753.11	24,793,734.70
2	Business Financial Construction Sp. z o.o.	152,157.80	138,570.47	2,954,633.60	3,236,794.88
3	Lokum Sp. z o.o.	257,920.01	91,402.84	0.00	0.00
4	Deweloper Sp. z o.o.	18,813.03	126,977.74	20,000.00	20,000.00
5	J.W.Bulgaria	34,014,045.58	35,749,007.08	0.00	0.00
6	Porta Transport Sp. z o.o. in liquidation	31,491.69	16,041.00	11,258,140.04	9,152,712.74
7	Yakor House Sp.z o.o.	15,316,561.38	12,248,060.52	0.00	0.00
8	J.W. Construction Sp. z o.o.	22,728,679.96	15,846,387.12	109,062,218.19	72,848,687.94
9	Saspol Infrastruktury Sp. z o.o.	49,836.70	46,627.95	0.00	0.00
10	J.W. Marka Sp. z o.o.	4,602,419.73	484,763.87	5,637,903.61	1,648,097.67
11	J.W.Group Sp. z o.o.	16,551.81	4,040.00	0.00	0.00
12	J.W.Group Sp. z o.o. 1 SKA	168,049,284.27	0.00	0.00	0.00
13	J.W.Group Sp. z o.o. 2 SKA	10,651.80	0.00	0.00	0.00
14	J.W.2 Sp. z o.o.	15,751.08	4,040.40	0.00	0.00
15	Seahouse Sp. z o.o.	1,990,536.00	4,428.00	369.00	0.00
16	J.W.6 Sp. z o.o.	25,310.28	13,212.00	0.00	0.00

5. SUPPLEMENTARY INFORMATION

Note 28. Events during the accounting year

The following important events took place over the period of time covered in this report:

Changes in the Board

On 01 February 2012, the Supervisory Board appointed Ms. Magdalena Starzyńska to the Management Board as its member.

On July 26, 2012, the Company received a statement on the exercise of personal rights entitled to the Shareholder in terms of dismissal of Ms. Bożena Malinowska from the Management Board.

On 03 December 2012, the Company received a statement from Mr. Tomasz Panabażys - the Member of the Management Board on his resignation from the membership in the Management Board on 03 December 2012.

Changes in Supervisory Board of the Company

-On 22 October, 2012, the Company received a statement on the exercise of personal rights entitled to the Shareholder in terms of:

- dismissal Mr. Andrzej Podsiadło from the Supervisory Board of the Company;
- appointment Mr. Marek Samarcew to the Company's Supervisory Board

On 22 October 2012, the Extraordinary General Meeting passed the following resolutions:

- on dismissal Mr. Marcin Michnicki from the Supervisory Board of the Company.
- on appointment Mr. Andrzej Podsiadło to the Supervisory Board of the Company;

The Annual General Meeting

On 26 June 2012 the Annual General Meeting was held, which approved unitary financial statements, consolidated financial statements for 2011, reports on activities of the Management Board of the Company and its Capital Group and gave discharge to the members of the Company, appropriated the profit by allocating it entirely for a supplementary capital of the Company.

On 22 October 2012, the Extraordinary General Assembly was held in order to adopt the following resolutions:

- consent to the merger plan agreed between the Company and its subsidiaries; JW Projekt Spółka z o.o with its seat in Żąbki, Architects Polska Spółka z o.o. with its seat in Żąbki, and JWCH Budownictwo Drogowe Spółka z o.o.with its seat in Żąbki, agreed on 31 May 2012 and published in the Court and Economic Monitor 108/2012 and to complete the merger under the terms of the merger plan;



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- dismissal Mr. Marcin Michnicki from the Supervisory Board of the Company
- appointment Mr. Andrzej Podsiadło to the Supervisory Board of the Company

On 13 December 2012, there was the Extraordinary General Meeting, which approved a resolution expressing approval for the sale of the Organised Part of the Enterprise in the form of Hotel 500 Zegrze Południowe. In accordance with the resolution of the Extraordinary General Meeting, the sale of the Organised Part of the Enterprise Hotel 500 in Zegrze Południowe by the Company will be conducted through in kind contribution to the Company operating under the name of J.W.6 Spółka z o.o based in Ząbki, which is a 100% subsidiary of the Company, in order to cover the shares acquired by the Company in the increased share capital.

Registration of the merger

On 31 October 2012, the District Court for the City of Warsaw, XIV Commercial Division of the National Court Register registered the merger of the Company (as a merging company) with its subsidiaries: JW Projekt Spółka z o.o with its seat in Ząbki, Architects Polska Spółka z o.o with its seat in Ząbki and JWCH Budownictwo Drogowe Spółka z o.o with its seat in Ząbki (as a merged company). The merger was conducted pursuant to Art. 492.1.1 of the Commercial Companies Code by transferring all assets of the acquired companies to the Company.

Credit agreements

On 20.02.2012, the Company concluded the revolving credit agreement with Millenium Bank S.A in the amount of PLN 21.000.000 for financing the investment at Jaroczyńskiego Street in Poznań. The repayment date was set on 31 March 2015.

On 09.03.2012, the Company concluded an agreement on Nowy Dow investor loan in the amount of PLN 27,558,000 for co-financing the implementation of Lewandów investment buildings 3-6 at Lewandów Street in Warsaw. The repayment date was set on 25 December 2014.

On 16 April 2012, the Company concluded a revolving credit agreement in the amount of PLN 30 milion with Bank Polskiej Spółdzielczości S.A dedicated to finance a current activity. The repayment date was set on 15 April 2015.

On 29 May 2012, the Company concluded a non-revolving credit with Bank Polskiej Spółdzielczości S.A in the amount of PLN 13 milion dedicated to finance a current activity. The repayment date was set on 28 May 2015.

On 27 July 2012, the Company concluded the investment loan agreement with Getin Noble Bank S.A in the amount of PLN 20.000.000 for refinancing the investment costs of building 292 residential units in Villa Campina investment in Ożarów Mazowiecki. The repayment date was set on 20 July 2015.

In 2012, the Company repaid the following credits:

On May 30, 2012, the Company fully repaid the overdraft facility granted by BOŚ Bank S.A in the amount of PLN 13 milion which was dedicated to finance the current activity.

On 6 November 2012, the Company paid off the investment credit granted by Getin Noble Bank S.A for co-financing the implementation of the "Osiedle Swiatowida" investment at Swiatowida Street in Warsaw.

On 30 November 2012, the Company concluded a working-capital credit with Bank Polskiej Spółdzielczości S.A in the amount of PLN 30 milion for financing the purchase of real estate located in Spokojna and Leśna Street, in Gdynia.

On 21 December 2012, the Company repaid in full an investor loan " Nowy Dom" granted by Bank PKO BP to co-finance the implementation of Lewandów investment buildings 3-6 at Lewandów Street in Warsaw.

In 2012, the following changes in the credit agreements occurred

On 16 April 2012, the Company concluded an Annex to the working capital credit granted by Bank Polskiej Spółdzielczości S.A in the amount of PLN 10 milion, dedicated to finance a current activity.

By virtue of the Annex, the credit use period and repayment date were postponed. The final repayment date is set on 26 April 2013.

On 24 April 2012, the Company concluded an overdraft facility agreement with Invest Bank S.A in the amount of PLN 15 milion. By virtue of the Annex, the credit use period and repayment date were postponed. The final repayment date is set on 25 April 2013.



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On 25 May 2012, the Company concluded an Annex to the overdraft credit with PKO BP S.A. in the amount of PLN 10 million. By virtue of the Annex, the credit use period and repayment date were postponed. The final repayment date is set on 27 April 2013.

On 23 August 2012, the Company entered into the Annex to the revolving working capital loan granted by Invest Bank to co-finance the commercial investment of "Łódź Tymienieckiego II" at Tymienieckiego Street in Łódź. By virtue of the Annex, the repayment term of the credit was postponed and set on 30 September 2013.

The issue of Bonds

On April 27, 2012, the Company issued a total number of 9,500 long-term unsecured bonds with a nominal value of PLN 10,000 each. The total value of the issue is PLN 95,000,000. Interest bonds was determined on a basis of WIBOR 3M plus margin, thus the maturity date was set on 27 April 2015. The bonds were used to finance a part of the purchase price of the property located in Kasprzaka 29/31 street with a total area of 81,185.00 m², purchased by the subsidiary operating under the name of J.W. Group limited liability company 1 company limited by shares with its registered office in Ząbki.

Guarantees and sureties

On April 27, 2012, the Company provided a guarantee for the liabilities of J.W. Group Spółka z o.o 1 SKA (partnership limited by shares) based in Ząbki to VIS Investments SKA (partnership limited by shares) with its registered seat in Warsaw. The subject of a guarantee was a payment of the contract sale price of acquiring the right of perpetual usufruct of land plots with ownership of the buildings erected on them, located in Warsaw in Kasprzaka 29/31 Street. The total area of the property that is the subject of the contract is 81,185.00 m². The value of the guarantee, which is also the purchase price of the property, amounts to PLN 155 million net (PLN 157,614.085 gross). The Company is the sole shareholder of the Buyer and the sole shareholder of the general partner. The guarantee expired to the amount of the sale price upon payment of the price of the property.

On July 5, 2012, the Company provided a guarantee for the liabilities of J.W. Construction S.A based in Ząbki to Powszechna Kasa Oszczędności Bank Polski S.A with its seat in Warsaw for granted working capital of that company in the amount of PLN 7,000,000.

Other significant agreements:

The Company concluded two agreements for sale with the company under the name of J.W. Consulting Spółka z o.o J.W. 3 SKA (Partnership limited by shares) with its seat in Ząbki with a total value of PLN 44,400,719 net (i.e PLN 54,612,883.79 gross) and applied to:

- Sale Agreement of 21 November 2012, regarding the sale of ownership rights to the property located in Sopot, in Parkowa 67/69 Street developed with two guest-house buildings with a total usable area of 2,848.37 m² for the amount of PLN 24,265,946 net (i.e PLN 29,847,113 gross).
- Sale Agreement of 23 November 2012, regarding the sale of ownership rights to 38 plots for detached houses development with a total area of 31,165 m² located in the municipality of Kręczki Kaputy, Ozarów Mazowiecki for the amount of PLN 20,134,773 net (i.e PLN 24,765,770.79 gross).

The above agreements were signed in accordance with binding agreements of 29 June 2012.

On 30 November 2012, the Company sold a property situated in Gdynia, at Powstania Wielkopolskiego/Powstania Śląskiego Street creating a plot of land with the area of 0.4150 ha to a subsidiary operating under the name of J.W Spółka z o.o. based in Ząbki (at the date of this report, the company has changed the name to Seahouse Spółka z o.o) for the amount of PLN 8,456,000 net (PLN 10,400,880 gross). The building project was sold together with the property. Within the Capital Group of the Company, the buyer will be implementing the housing investment dedicated for sale within a separate project.

Construction contracts

The agreements concluded with a subsidiary of J. W. Construction sp. z o.o (in connection with the acquisition of JW Construction S.A by this company) on the implementation of the following investments:



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Project's name	Date of the agreement	Subject of the contract
Poznań, at Jaroczyńskiego Street	12/09/2012	implemenatation of housing buildings in general contracting system
Szczecin/ Aleje Wyzwolenia Street	2012-03-03	performance of the diaphragm wall, excavation
Szczecin/ Aleje Wyzwolenia Street	2012-03-03	performance of reinforced concrete construction of multi-purpose building with a garage

The total value of the above agreements exceeds 10% of the Company's equity.

In 2012, the Company received the following decision on permission:

a) Building permission

On 26 April 2012, the Company received the decision on building permission of a group of multi-family buildings with a garage and technical infrastructure in Powstania Wielkopolskiego Street and Powstania Śląskiego Street in Gdynia. The permit is final.

On 12 June 2012, the Company received the decision on building permission of a group of multi-family-service buildings with land development at Tysiaclecia Street in Katowice. The permit is final.

b) Occupancy permits

On 27 January 2012, the Company received the decision on occupancy of a sewage treatment plant located in Ożarów Mazowiecki.

On 27 April 2012, the Company received the decision on building permit of a group of multi-family houses in Ożarów Mazowiecki. The permit is final.

On 04 June 2012, the Company received the decision on occupancy permit of two guest -house buildings in Sopot, at Parkowa Street. The permit is final.

On 20 August 2012, the Company received the decision on the occupancy permit of Czarny Potok -a hotel complex in Krynica Zdrój. The permit is final.

On 14 September 2012, the Company received the decision on building permit of single-family houses in Villa Campina Investment near Ożarów Mazowiecki. The permit is final.

On 07 November 2012, the Company received the final occupancy permit for the multi-family community "Lewandów buildings 3-6 at Lewandów Street in Warsaw. The permit is final.

On 13 November 2012, the Company received a certificate of occupancy of the multi-family housing estate "Łódź Tymienieckiego II" at Tylna Street in Łódź. The permit is final.

The investment implementation commencement

On 15 December 2012, the entry on the completion of the construction of a multi-family housing estate "Green Valley" at Zdziarska Street, Warsaw was made in the Construction Logbook.

On 17 December 2012, the entry on the completion of the construction of a multi-family housing estate "Osiedle Światowida" at Światowida Street, Warsaw was made in the Construction Logbook.

Note 29. Events which occurred after the balance sheet date

Occupancy permits

On 12 March 2013, the Company received the occupancy permit for the multi-family real estate "Osiedle Światowida" at Światowida Street in Warsaw. The permit is not final.

On 14 March 2013, the Company received the occupancy permit for the multi-family real estate " Zielona Dolina" at Zdziarska Street in Warsaw. The permit is not final.



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Credit Agreements

On 21 January 2013, the Company signed the Annex to the overdraft facility agreement with Millennium Bank S.A. By virtue of the Annex, the repayment term of the credit was postponed and set on 22 January 2014.

On 29 January 2013, the Company concluded an investment credit agreement in the amount of PLN 10,955,252 with PKO BP for refinancing the construction costs of unsold flats built within the development of Lewandów Park II real estate in Warsaw. The repayment date was set on 31 December 2014.

On 15 February 2013, the Company concluded the Annex to the revolving loan granted by Millennium Bank S.A. to co-finance the investment at Jaroczyńskiego Street in Poznań. Pursuant to the Annex, the amount of the given credit was reduced from PLN 21 million to PLN 20 million and the final repayment date with credit use period were postponed. The final repayment date is set on 30 June 2015.

Changes in the Board

On 07 February 2013, the Company received a statement from Mr. Robert Wójcik - the Member of the Management Board on his resignation from the membership in the Management Board on 09 February 2013.

The issue of Bonds

On 24 January 2013, the Board of the Company passed a Resolution, on the basis of which it changed conditions of issuance of the Company's bonds, issued pursuant to the Resolution of 26 April 2012, in the number of 9,500 units with a par value PLN 10,000 each and a total value of PLN 95 million marked in a system of KDPW PLJC0000043, the above-mentioned issuance was mentioned by the Company in the current report no 14/2012 of 27 April 2012 in the following scopes: (i) the maturity of the bond, which was changed from 27 April 2015 to 25 January 2016, (ii) supplementing interest table with three new interest periods falling respectively on the date from 24 April 2015 to 24 July 2015, from 24 July 2015 to 23 October 2015 and from 23 October 2015 to 25 January 2016; (iii) the interest by an increase margin by 0.75% binding from 25 January 2013, the Company obtained the approval of all bondholders to change the above mentioned terms of the issue.

On 25 January 2013, the Company issued a total number of 1,057 pieces of secured bonds with a par value PLN 100,000 each and a total value of PLN 105,700,000, of which the issue price corresponds to the par value, and the interest rate was based on WIBOR 3M plus margin (the "Bonds"), with a final maturity of 25 January 2016. The purpose of the Bonds issue was a partial debt repayment of repayment of the Series A bonds issued by the Company pursuant to the Resolution No. 1 of the Management Board of 18 June 2010, registered in the The National Depository for Securities S.A in Warsaw under ISIN code of PLJWC0000035. The bonds were paid with series A Bonds. In consequence of the Bonds issuance, 1057 series A bonds marked with ISIN code of PLJWC0000035 were deregistered from depository of securities held by the National Depository for Securities S.A, 243 bonds of the above-mentioned series remained. The bonds entitle bondholders to be given a redemption installment in the amount of 10% of a par value on 25 April 2014 and 25 April 2015.

The redemption installment, referred to above, reduces the amount of the redemption of the Bonds attributable to pay on the final maturity date Interest is paid quarterly. The bonds are secured by the establishment of:

(1) joint mortgage in the amount of PLN 135,000,000 on:

(a) real estate ownership right built with an office building located in Warsaw, in Aleje Jerozolimskie 216 Street, entitled to the Company. The property is comprised of a plot of land No. 62/2 with an area of 3,999m², for which the District Court for Mokotów Warsaw XIII Division of Land Registry maintains land and mortgage register No. WA1M/00149632/9 (a value of the above-mentioned property is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 36,365,800 net) (the Company provides a collateral);

(b) right of perpetual usufruct of property, entitled to the Company, which consists of a parcel of land located in Krynica-Zdrój at Czarny Potok Street with No. 163/1, 164/1, 164/4, 174/4, 146, 172, 173, 174/8, 174/9, with a total area of 29,491 m², and the right of ownership of buildings built on the property and are under separate ownership, for which the District Court in Nowy Sącz, X Branch Land Registry in Muszyna maintains the Land and Mortgage Register No. NS1M/00007069/8 (a value of the above-mentioned property is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 200,268,000,000) (the Company provides a collateral);

(c) undeveloped real estate ownership right entitled to the company of Lokum Spółka z o.o with its seat in Warsaw (a subsidiary):



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(i) comprising of plots of land No. 86/2 i 86/4, with a total area of 15,066 m², located in Konstancin - Jeziorna, at Bielawska Street, for which the District Court in Piaseczno, IV Land Registry maintains the Land and Mortgage Register No. WA11/00006117/5 and

(ii) comprising of a plot of land with No. 84/27 with an area of 29m² located in Konstancin-Jeziorna at Bielwska Street, for which the District Court in Piaseczno, IV Land Registry maintains the Land and Mortgage Register No. WA11/00006116/8,

(which the value is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 4,212,000) (Lokum Spółka z o.o provides a collateral); and

(2) property mortgage in the amount of PLN 75,000,000 which ownership right is entitled to the Company and which is located in the municipality of Ozarów Mzaowiecki, in the area of Sochaczewska and Żyzna Street, consisting of plots of land with a total area of 141,497 m², for which the District Court in Pruszkow, VI Land Registry maintains Land and Mortgage Register No. WA1P/00105675/5 (a value of the above-mentioned property is according to the evaluation prepared by certified property appraiser which was estimated at the amount of PLN 86,152,000) (the Company provides a collateral).

The mortgages were written in favour of bondholders, whose rights and obligations of the encumbrancer are performed by Bieddecki Bieddecki and Partners Legal Advisers, as an administrator of the mortgage.

Note 30. Selected financial data including the main items of the financial statements (also converted to EURO) in thousands of PLN

In order to convert the balance for the period from 1 January 2010 – 31 December 2012, the average EUR exchange rate, that was determined by the National Bank of Poland on that day; was PLN 4.0882/ EUR

In order to convert the balance for the period from 1 January 2010 – 31 December 2011, the average EUR exchange rate, that was determined by the National Bank of Poland on that day; was PLN 4.4168/ EUR

In order to convert the income statement for the period from 01/01/2012 – 31 /12/2012, the average EUR exchange rate was assumed, that was calculated as the arithmetic mean of exchange rates on the last day of month of the given period, as determined by the National Bank of Poland on that day; the exchange rate PLN 4.1521 / EURO.

In order to convert the income statement for the period from 01/01/2011 – 31 /12/2011, the average EUR exchange rate was assumed, that was calculated as the arithmetic mean of exchange rates on the last day of month of the given period, as determined by the National Bank of Poland on that day; the exchange rate PLN 4.1401 / EURO.

Issuer's balance sheet item	31-12-2012		31-12-2011	
	PLN	EUR	PLN	EUR
Total Assets	1,452,050	355,181	1,261,108	285,525
Non-current assets	826,527	202,174	575,207	130,232
Current assets	625,523	153,007	685,901	155,294
Total Equity and Liabilities	1,452,050	355,181	1,261,108	285,525
Equity	521,788	127,633	520,732	117,898
Non-current liabilities	554,927	135,739	341,272	77,267
Current liabilities	375,335	91,809	399,103	90,360



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Consolidated income statement item	from 01-01-2012 to 31-12-2012		from 01-01-2011 to 31-12-2011	
	PLN	EUR	PLN	EUR
Net revenues from sales of products, goods and materials	282,961	68,148	333,214	80,484
Costs of products, goods and materials sold	211,798	51,010	253,189	61,155
Gross profit (loss) on sales	71,162	17,139	80,024	19,329
Selling expenses	24,691	5,946	27,865	6,730
Overhead expenses	23,332	5,619	23,858	5,763
Profit (loss) on sales	44,495	10,716	49,505	11,957
Operating profit (loss)	51,883	12,496	52,929	12,784
Gross profit (loss)	11,224	2,703	32,993	7,969
Income tax	3,163	762	7,621	1,841
Net profit (loss)	8,061	1,941	25,372	6,128

Note 31. Significant issues in litigation

The Company is a party to the proceedings, the value of which exceeds 10% of equity. On 26 April 2012, the Company filed against the Capital City of Warsaw ("Respondent") 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. The Company believes the claim is fully justified and deserves the judgement in accordance with the petition of the Company.

As at 31 December 2012, the Company was a party to proceedings brought against it in the total amount of PLN 51,800,145.

Note 32. Financial instruments and hedge accounting

The Company does not use derivatives. The Company uses bank credits, loans, bond issues as well as financial leases.

The main financial assets of the Company include shares in associated Companies, loans for related companies and bank deposits.

The fair values of particular classes of financial instruments

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



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	Category in accordance with IAS 39	Carrying value		Fair value	
		31-12-2012	31-12-2011	31-12-2012	31-12-2011
Financial assets					
Long term financial assets in related entities	DDS	86,556,116.81	80,777,739.71	0.00	0.00
Long term financial assets in related entities	DDS	214,194.62	214,194.62	0.00	0.00
Short-term loans	PiN	14,944,725.02	18,517,477.18	14,944,725.02	18,517,477.18
Trade and other receivables		45,584,087.23	64,489,304.54	45,584,087.23	64,489,304.54
Cash and cash equivalents	WwWGpWF	8,480,981.31	34,198,725.58	8,480,981.31	34,198,725.58
Financial liabilities					
Loans with a variable interest rate	PZFwgZK	275,707,149.77	181,333,937.12	140,213,209.27	140,213,209.27
Loans from related companies	PZFwgZK	23,853,801.10	22,555,397.77	23,853,801.10	22,555,397.77
Liabilities from long-term financial lease	PZFwgZK	37,453,980.19	42,389,994.04	45,573,433.11	45,573,433.11
Liabilities from short-term financial lease	PZFwgZK	5,476,623.03	4,566,579.92	5,868,617.87	5,868,617.87
Trade and other receivables	PZFwgZK	109,588,094.25	81,898,699.84	109,588,094.25	81,898,699.84
Bonds	PZFwgZK	229,556,972.00	133,042,000.00	229,556,972.00	133,042,000.00
Liabilities from long-term deposits	PZFwgZK	5,186,085.12	3,883,544.01	9,113,295.63	9,113,295.63
bill payables - other	PZFwgZK	92,883,177.27	134,178,961.81	92,883,177.27	134,178,961.81
Bill payables -related	PZFwgZK	31,739,702.17	28,217,889.60	31,739,702.17	28,217,889.60

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 December 2012 - variable interest rate	Up to 1 year	Up to 2 years	from 2 - 5 years	Total
Cash Assets	8,480,981.31	0.00	0.00	8,480,981.31
Loans for related companies	14,944,725.02	0.00	0.00	14,944,725.02
Loans from related companies	0.00	23,853,801.10	0.00	23,853,801.10
Bank Loans	63,300,760.00	53,043,392.09	509,691,461.88	626,035,613.97
Bonds liabilities	28,856,972.00	0.00	200,700,000.00	229,556,972.00

COLLATERALS

The Company does not apply hedge accounting.

Note 33. Suggested profit distribution

The Management Board will suggest allotting the profit generated in 2012 to increase the supplementary capital.

Note 34. Changes in the Management and Supervisory Board

Management Board of the Company

As at 01 January 2012 the Management Board of the Company was composed of:

- Mr. Tomasz Panabażys Vice-Chairman of Management Board
- Mr. Wojciech Rajchert Member of Management Board
- Mr. Robert Wojcik Member of Management Board
- Ms. Bożena Malinowska Member of Management Board
- Ms. Irmina Łopuszyńska Member of Management Board

In the current period, the following changes in the composition of the Management Board occurred:

- On 01 February 2012, the Supervisory Board appointed Ms. Magdalena Starzyńska to the Management Board as its member.
- On July 26, 2012, the Company received a statement on the exercise of personal rights entitled to the Shareholder in terms of dismissal of Ms. Bożena Malinowska from the Management Board.



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- On 03 December 2012, the Company received a statement from Mr. Tomasz Panabazys - the Member of the Management Board on his resignation from the membership in the Management Board on 03 December 2012.

As at 31 December 2012 the Management Board of the Company was composed of:

- Mr. Wojciech Rajchert Member of Management Board
- Mr. Robert Wojcik Member of the Management Board
- Ms. Magdalena Starzyńska Member of Management Board
- Ms. Irmina Łopuszyńska Member of Management Board

From the balance sheet date until the date of the report in the Management Board, the following changes occurred:

- On 07 February 2013, the Company received a statement from Mr. Robert Wójcik - the Member of the Management Board on his resignation from the membership in the Management Board on 09 February 2013.

Supervisory Board

As at 01 January 2012 the Supervisory Board of the Company was composed of:

- Mr. Józef Wojciechowski Chairman of Supervisory Board
- Mr. Józef Oleksy Vice Chairman of Supervisory Board
- Mr. Marcin Michnicki Vice Chairman of Supervisory Board
- Mr. Andrzej Podsiadło Member of Supervisory Board
- Mr. Jarosław Król Member of Supervisory Board

During 2012 the composition of the Supervisory Board of the Company was changed as follows:

- -On 22 October, 2012, the Company received a statement on the exercise of personal rights entitled to the Shareholder in terms of :
 - dismissal Mr. Andrzej Podsiadło from the Supervisory Board of the Company;
 - appointment Mr. Marek Samarcew to the Company's Supervisory Board
- On 22 October 2012, the Extraordinary General Meeting passed the following resolutions:
 - on dismissal Mr. Marcin Michnicki from the Supervisory Board of the Company.
 - on appointment Mr. Andrzej Podsiadło to the Supervisory Board of the Company;

As at 31 December 2012 the Supervisory Board of the Company was composed of:

- Mr. Józef Wojciechowski Chairman of Supervisory Board
- Mr. Józef Oleksy Vice Chairman of Supervisory Board
- Mr. Andrzej Podsiadło Member of Supervisory Board
- Mr. Jarosław Król Member of Supervisory Board
- Mr. Marek Samarcew Member of Supervisory Board

From the balance sheet date to the date of the report in the Supervisory Board, there were no changes.

Note 35. The targets and principles of financial risk management

The main financial instruments used by the Company include 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 is 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 the Group 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, the Company did not apply any interests rate securities as at 31.12.2012, considering that the interest rate risk is not significant.

Regardless of the current situation, the 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.

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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 the percentage points	The influence on gross profit
Closing balance on 31 December 2012		
PLN	1%	-4,687
PLN	-1%	4,687
USD	0.25%	38
USD	-0.25%	-38
EUR	0.25%	85
EUR	-0.25%	-85

Currency risk

The Group is exposed to the exchange rate risk changes due to a loan granted in EUR and USD currency to the related companies.

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 rate change	The fair value as at 31.12.2012 (in thousand)	The value of the assets to the historical value	The value of the financial assets	change (in thousands of PLN)
decrease by 20%	34,014,046	80%	27,211,236	6,802,809
decrease by 10%	34,014,046	90%	30,612,641	3,401,405
no change	34,014,046	100%	34,014,046	0
increase by 10%	34,014,046	110%	37,415,450	-3,401,405
increase by 20%	34,014,046	120%	40,816,855	-6,802,809

EUR/PLN rate change	The fair value as at 31.12.2012 (in thousand)	The value of the assets to the historical value	The value of the financial assets	change (in thousands of PLN)
decrease by 20%	15,316,561	80%	12,253,249	3,063,312
decrease by 10%	15,316,561	90%	13,784,905	1,531,656
no change	15,316,561	100%	15,316,561	0
increase by 10%	15,316,561	110%	16,848,218	-1,531,656
increase by 20%	15,316,561	120%	18,379,874	-3,063,312

Credit Risk

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

When it comes to a loan for a related company, the risk is considered irrelevant due to ongoing monitoring of financial standing and the control.

The maximum exposure to credit risk is PLN 27,080,000 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

The 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.

Note 36. Capital Management

The Company manages its capital in order to maintain the capacity to continue operations, 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.



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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.

	31 December 2012	31 December 2011
Interest-bearing loans and borrowings	278,616,469.96	181,333,937.12
Trade and other receivables	651,644,928.11	559,041,967.53
Minus cash and cash equivalents	-8,480,981.31	-34,198,725.58
Net debt	921,780,416.76	706,177,179.07
Equity	521,788,333.53	520,731,629.90
Net unrealized gains reserve	0	0
Total share capital	521,788,333.53	520,731,629.90
Capital and net debt	1,443,568,750.29	1,226,908,808.97
Equity ratio	36.15%	42.44%
Credits ratio	63.85%	57.56%

Note 37. Information on the agreement with the entity authorized to audit the financial statements and review of financial statements

On 02 July 2012, the Company concluded an agreement, with BDO Sp. Ltd., a company authorized to perform audits of financial statements, on performing the interim review and audit of financial statements for the year 2012.

The remuneration of the auditor for auditing the unitary financial statements for the financial year ended 31.12.2012 amounted to PLN 140 thousand, of which PLN 50 thousand for an interim unitary review, and PLN 90 thousand for an annual unitary audit of the financial statement. The given amounts are net amounts.

The remuneration of the auditor for auditing the unitary financial statements for the previous year that ended 31.12.2011 amounted to PLN 155 thousand, of which PLN 65 thousand for an interim unitary review, and PLN 90 thousand for an annual unitary audit of the financial statement. The given amounts are net amounts. In addition, the Company concluded agreement on providing audit and attestation services with the entity authorized to audit the financial statements. The remuneration in this agreement is set in the amount of PLN 6 thousand net.



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Signature of the preparer of the Financial Statements

Irmina Łopuszyńska Chief Accountant Member of Management Board	Signature
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Signatures of Board Members

Wojciech Rajchert Member of Management Board	Signature
Magdalena Starzyńska Member of Management Board	Signature

Ząbki, 20 March 2013.