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J.W. Construction Holding
Spółka Akcyjna (a joint-stock company)
ul. Radzymińska 326, 05-091 Ząbki

Report supplementing the audit opinion
on the financial statements
for the period from 1 January to 31 December 2008

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I. GENERAL INFORMATION

1. Identification particulars of the Company

1.1 Name and legal form

J.W. Construction Holding Spółka Akcyjna (a joint-stock company)

1.2 Domicile

The Company is domiciled at ul. Radzyńska 326 in Żąbki.

1.3 Business

In accordance with the entry into the National Court Register the business of the Company covers 87 different types of activity. In the accounting year 2008 the business of J.W. Construction Holding SA consisted mainly of:

- building, designing and supporting production,
- trade in domestic and foreign property, plant and equipment and perishable assets used in particular for developing and equipping housing buildings and other constructions,
- trade and management of real estate,
- hotel and catering activities.

During the audited period the business of the Company comprised building and sale of housing and commercial real estate. J.W Construction Holding S.A. implemented developer projects on its own and through special purpose vehicles.

The real business is compliant with the one disclosed in the National Court Register.

1.4 Legal basis

J.W. Construction Holding S.A. operates under:

- the Articles of Association of the Company, drawn up as a notarial deed on 28 December 2000 (Register A 16595/2000), as amended,
- the Code of Commercial Companies of 15 September 2000 (Journal of Laws No. 94, Item 1037, as amended).

1.5 Registration with the Business Court

On 16 July 2001 the Company was registered with the National Court Register at the District Court for Warsaw, under number KRS 0000028142.

1.6 Registration with the Revenue Office and the Provincial Statistical Office

tax number NIP: 125-00-28-307
statistical number REGON: 010621332

1.7 Equity and changes in equity during the reporting period

As at 31 December 2008 the share capital of the Company amounted to PLN 10,939,656 and was divided into 54,698,280 ordinary bearer shares worth PLN 0.20 each.

Both during the audited period and in the year following the audited period the value of share capital did not change, which was confirmed with the latest excerpt from the National Court Register of 3 March 2009.

Under the authorisation of the General Meeting, given under Resolution No. 26 of 19 June 2008, drawn up as a notarial deed (Register A No. 10655/2008), the Management Board of the Company commenced the purchase of own shares of the Company for the purpose of their redemption. In the period from 19 June 2008 to 30 June 2009 the Company will purchase at least 1,500,000 shares for funds under supplementary capital created from previous-year profits. After the process of buying own shares is completed, the Management Board of the Company will convene the Extraordinary General Meeting to pass a resolution on redemption of own shares and reduction of share capital.

Shareholders holding directly, or indirectly through subsidiaries, at least 5% of the total number of votes in the General Meeting as at the end of 2007 and 2008:

As at 31 December 2007

Shareholder	Shares		% of share capital
	Number	Value	
EHT SA	25,448,300	5,089,660.00	46.52%
Mr. Józef Wojciechowski	19,241,219	3,848,244.80	35.18%
Other shareholders	10,008,761	2,001,752.20	18.30%
TOTAL	54,698,280	10,939,656.00	100.00%

As at 31 December 2008

Shareholder	Shares		% of share capital
	Number	Value	
EHT SA	25,448,300	5,089,660.00	46.53%
Mr. Józef Wojciechowski	19,385,213	3,877,042.60	35.44%
Own shares	312,304	62,460.80	0.57%
Other shareholders	9,552,463	1,910,492.60	17.46%
TOTAL	54,698,280	10,939,656.00	100.00%

The shareholding structure of the Company from the balance sheet date until the date of this audit report on the financial statements was further changed and as at 29 April 2009 it was as follows:

Shareholder	Shares		% of share capital
	Number	Value	
EHT SA	25,448,300	5,089,660.00	46.53%
Mr. Józef Wojciechowski	19,385,213	3,877,042.60	35.44%
Own shares	602,500	120,500.00	1.10%
Other shareholders	9,262,267	1,852,453.40	16.93%
TOTAL	54,698,280	10,939,656.00	100.00%

As at 1 January 2008 equity of
J.W. Construction Holding S.A. amounted to PLN 494,789,292.71

Changes in equity during the audited period:

Basic error correction	negative PLN 0.01
Revaluation of investment projects	PLN 4,414,231.19
Purchase of own shares	negative PLN 2,476,626.31
Profit from acquisition of companies	PLN 3,451,221.19
Net profit for the accounting year	PLN 102,511,754.84
Other changes	negative PLN 252,963.99

As at 31 December 2008 equity of
J.W. Construction Holding S.A. amounted to PLN 602,436,909.98

From the balance sheet date until the end of the audit of the financial statements there were no changes in equity of the Company, other than described above.

1.8 Management Board of the Company

As at 1 January 2008 the Management Board of the Company was composed of:

- Mr. Jerzy Zdrzałka President of the Management Board
- Ms. Barbara Czyż Member of the Management Board
- Ms. Grażyna Maria Szafarowska Member of the Management Board
- Ms. Bożena Regina Malinowska Member of the Management Board
- Ms. Irmina Łopuszyńska Member of the Management Board
- Mr. Wojciech Rajchert Member of the Management Board

During the audited period the composition of the Management Board of the Company was changed as follows:

- on 21 August 2008 Mr. Jerzy Zdrzałka resigned from his office as of 22 August 2008 due to personal reasons;
- on 9 October 2008 Mr. Robert Wójcik was appointed as Vice-President of the Management Board;
- on 10 December 2008 a then-current member of the Management Board – Ms. Barbara Czyż was appointed as Vice-President of the Management Board.

As at 31 December 2008 the Management Board of the Company was composed of:

- Ms. Barbara Czyż Vice-President of the Management Board
- Mr. Robert Wójcik Vice-President of the Management Board
- Ms. Grażyna Maria Szafarowska Member of the Management Board
- Ms. Bożena Regina Malinowska Member of the Management Board
- Ms. Irmina Łopuszyńska Member of the Management Board
- Mr. Wojciech Rajchert Member of the Management Board

Until the end of 2008 the composition of the Management Board did not change any further. From the balance sheet date until the end of audit of the financial statements the composition of the Management Board of J.W. Construction Holding S.A. did not change.

1.9 Supervisory Board

As at 1 January 2008 the Supervisory Board of the Company was composed of:

- Mr. Józef Kazimierz Wojciechowski Chairman of the Supervisory Board
- Mr. Henryk Pietraszkiewicz Member of the Supervisory Board
- Mr. Roman Kobyliński Member of the Supervisory Board
- Mr. Jacek Obłękowski Member of the Supervisory Board

- Mr. Marek Rocki Member of the Supervisory Board

During the audited period the General Meeting of J.W. Construction Holding SA and the shareholder exercising his personal rights, introduced the following changes to the composition of the Supervisory Board:

- on 25 March 2008 Mr. Henryk Pietraszkiewicz was appointed as Deputy Chairman of the Supervisory Board;
- on 13 June 2008 Mr. Marek Rocki resigned from membership in the Supervisory Board;
- on 19 June 2008 Mr. Jacek Obłąkowski was recalled from membership in the Supervisory Board and then appointed as an Independent Member of the Supervisory Board;
- on 19 June 2008 Mr. Grzegorz Ślak was appointed as a Member of the Supervisory Board and on 17 October 2008 he was recalled from the said office;
- on 22 October 2008 Mr. Józef Oleksy was appointed as a Member of the Supervisory Board.

As at 31 December 2008 the Supervisory Board of the Company was composed of:

- Mr. Józef Kazimierz Wojciechowski Chairman of the Supervisory Board
- Mr. Henryk Pietraszkiewicz Deputy Chairman of the Supervisory Board
- Mr. Roman Kobyliński Member of the Supervisory Board
- Mr. Jacek Obłąkowski Member of the Supervisory Board
- Mr. Józef Oleksy Member of the Supervisory Board

From the balance sheet date until the end of audit of the financial statements the composition of the Supervisory Board of the Company did not change.

1.10 Headcount

As at 31 December 2008 the headcount was 361 persons.

1.11 Related parties

J.W. Construction Holding S.A. is the parent company of the capital group. Related parties of the Company are domestic and foreign entities meeting the definition of a related party provided under the Act on Accounting. The following entities were considered as related parties for the purpose of the financial statements:

- main shareholders of the Company i.e. EHT S.A. and Józef Wojciechowski (personal relation),
- subsidiaries of the capital group of J.W. Construction Holding S.A. i.e.:
 - Lokum Sp. z o.o.,
 - Interlokum Sp. z o.o.,
 - Projekt55 Sp. z o.o.,
 - TBS Marki Sp. z o.o.,
 - JCWH Produkcja Budowlana Sp. z o.o.,
 - JCWH Budownictwo Drogowe Sp. z o.o.,
 - JW Projekt Sp. z o.o.,
 - Deweloper Sp. z o.o.,
 - J.W. Construction International Sp. z o.o.,
 - Porta Transport Sp. z o.o.,
 - Construction Invest Sp. z o.o.,
 - Business Financial Construction Sp. z o.o.,
 - J.W. Construction AZS Politechniki Warszawskiej S.A.,
 - KSP Polonia Warszawa SSA (since July 2008 Polonia SSA),
 - J.W. Construction 1 Sp. z o.o.,
 - Ośrodek Wypoczynkowy Ogoniok Sp z o.o. (presently YAKOR HOUSE Sp z o.o.),
 - J.W. Bułgaria Sp. z o.o.,

➤ J.W. Construction S.A.

J.W. Construction Holding – as the parent company – presents the nature of relation and the method of consolidation of the aforesaid subsidiaries in notes to the financial statements. The audited company – J.W. Construction Holding SA prepares consolidated financial statements.

2. Particulars of the audited financial statements

The audit covered the financial statements of J.W. Construction Holding S.A. for the period from 1 January 2008 to 31 December 2008, comprised of:

- balance sheet as at 31 December 2008 with total assets and total equity and liabilities of PLN 1,404,040,000,
- income statement for the period from 1 January 2008 to 31 December 2008 with net profit of PLN 102,512,000,
- statement of changes in equity for the period from 1 January 2008 to 31 December 2008 with an increase in equity by PLN 107,648,000;
- cash flow statement for the period from 1 January 2008 to 31 December 2008 with a decrease in cash by PLN 28,497,000;
- additional information and notes presenting the applied principles of accounting, notes to the financial statements and notes to off-balance sheet items;

and the Management Commentary on the Company.

3. Particulars of the licensed auditing firm and the certified auditor conducting the audit

The audit of the financial statements of J.W. Construction Holding S.A. domiciled in Warsaw was conducted by BDO Numerica International Auditors & Consultants Spółka z o.o. (legal successor of BDO Numerica S.A.) domiciled in Warsaw, a licensed auditing firm registered with the National Board of Certified Auditors under number 3355, in accordance with the appointment of the Supervisory Board made under a resolution of 13 August 2008 and provisions of an agreement concluded with the licensed auditing firm on 15 August 2008.

In performance of the said agreement the licensed auditing firm was represented by a certified auditor – Krystyna Sakson (reg. No.: 7899/483).

The audit was conducted in the registered office of the Company in the period from 30 March to 9 April 2009 and in the registered office of BDO Numerica International Auditors & Consultants Sp. z o.o. until the issue hereof.

We represent that BDO Numerica International Auditors & Consultants Spółka z o.o., its management board and supervisory board members as well as the certified auditor and other persons participating in the audit of the aforesaid financial statements meet the requirements for issuing an objective and independent opinion on the audited financial statements, in accordance with Article 66 of the Act on Accounting.

During the conducted audit its scope was not limited whatsoever. The Management Board of the Company and employees authorised by the Management Board made representations and explanations and provided information requested by the certified auditor during the audit.

The audit was conducted assuming that the Company would operate as a going concern while its business would not be materially curtailed in the foreseeable future. The conducted audit did not disclose any events or circumstances indicating that the aforesaid assumption may be threatened.

4. Financial statements for the previous year

The opening balance was based on the financial statements prepared by J.W. Construction Holding S.A. for the period from 1 January 2007 to 31 December 2007, audited by BDO Numerica SA (legal predecessor of BDO Numerica International Auditors & Consultants Spółka z o.o.) and was given an unqualified opinion with an explanatory comment reading as follows:

“In 2006 J.W. Construction Holding S.A. changed the principles of accounting to the extent of calculating revenues from implemented building projects, which was described in detail under Note 6 of additional information to these financial statements. As a result of the same net earnings for 2007 went up by PLN 70,969,000.

With reference to the changed principles of accounting we inform about a draft interpretation of the International Financial Reporting Interpretation Committee (IFRIC) presenting the principles of accounting for construction and sale of housing buildings under developer activities.

Drafted changes, as well as their effects on financial reporting, if any, were presented in detail in the description of the applied principles of accounting.”

The financial statements of the Company for the period from 1 January 2007 to 31 December 2007 and the Management Commentary on the Company for 2007 were approved with Resolutions No. 3 and 4 of the Annual General Meeting of 19 June 2008 drawn up as a notarial deed register Reg. A No.: 10655/2008.

According to Resolution No. 25 of 19 June 2008 of the Meeting of the Shareholders it was resolved to allot the entire net profit generated by the Company in 2007 of PLN 119,409,027.74 to the Company's supplementary capital, with PLN 404,512.14 thereof set aside for covering the accumulated losses disclosed in the financial statements for the accounting year 2007.

The financial statements for 2007 were submitted to the Tax Office of the proper venue and to the National Court Register.

The financial statements of the Company for 2007 were published in the *Monitor Polski B* official bulletin No. 710 on 21 April 2008.

5. Other significant events during the reporting period and from the balance sheet date to the day of the financial statements

5.1 Sale of organised parts of the enterprise

On 1 April 2008 an Extraordinary General Meeting of the Company was held, in the course of which it was resolved to give consent to sell organised parts of the enterprise in the form of branches of the Company operating as J.W. Construction Holding S.A. Oddział “Budownictwo” (*Branch: “Construction”*) domiciled in Ząbki, J.W. Construction Holding S.A. Oddział “Pracownia Architektoniczna” (*Branch: “Architectonic Workroom”*) domiciled in Ząbki and J.W. Construction Holding S.A. Oddział “Zakład Prefabrykacji Budowlanej” (*Branch: “Building Prefabrication Plant”*) domiciled in Ząbki, by contributing them in kind to subsidiaries of the Company.

- On 30 April 2008 the Extraordinary General Meeting of the Parent Company's subsidiary – J.W. Construction S.A. domiciled in Ząbki was held. The General Meeting resolved to increase share capital by PLN 11,026,618 by issuing 11,026,618 B-class registered ordinary shares with a par value of PLN 1 each. The entire issue was subscribed by the Company and covered with an in-kind contribution in the form of its branch that operated as J.W. Construction Holding S.A. Oddział “Budownictwo” domiciled in Ząbki.

- On 30 April 2008 the Extraordinary General Meeting of the Parent Company's subsidiary – J.W. Projekt Spółka z o.o. domiciled in Warsaw was held. The General Meeting resolved to increase share capital by PLN 1,103,600 by creating 5,518 new shares with a par value of PLN 200 each. The entire issue was subscribed by the Company and covered with an in-kind contribution in the form of its branch that operated as J.W. Construction Holding S.A. Oddział "Pracownia Architektoniczna" domiciled in Ząbki.
- On 30 April 2008 the Extraordinary General Meeting of the Parent Company's subsidiary – JWCH Produkcja Budowlana Spółka z o.o. domiciled in Ząbki was held. The General Meeting resolved to increase share capital by PLN 15,395,000 by creating 307,900 new shares with a par value of PLN 50 each. The entire issue was subscribed by the Company and covered with an in-kind contribution in the form of its branch that operated as J.W. Construction Holding S.A. Oddział "Zakład Prefabrykacji Budowlanej" domiciled in Ząbki.

The Company presented the value of assets, equity and liabilities transferred under the aforesaid in-kind contributions in the description of significant changes made during the balance sheet period, included in additional information to these financial statements.

5.2. Mergers of the companies

On 26 November 2008 an Extraordinary General Meeting was held, which passed a resolution on merger of the Company with a subsidiary – Przedsiębiorstwo Turystyczne "CZARNY POTOK" S.A. domiciled in Krynica (Target Company). The merger was performed in the mode of Article 492.1.1 of the Code of Commercial Companies, by transferring the entire assets of the Target Company to J.W. Construction Holding S.A. (Surviving Company). On 5 December 2008 the District Court for the Capital City of Warsaw, 14th Business Division of the National Court Register, competent for J.W. Construction Holding S.A., issued a decision on registering the merger.

On 9 December 2008 on the grounds of assets of the target company – Przedsiębiorstwo Turystyczne "CZARNY POTOK" S.A. domiciled in Krynica, a branch of the Company called J.W. Construction Holding S.A. Branch "Czarny Potok" was established. As a consequence of the merger the assets of the Company were increased by assets of the Target Company that implements an investment project of a complex modernisation and development of the "Czarny Potok" recreational centre in Krynica.

II. FINANCIAL ANALYSIS OF THE COMPANY

Below are presented selected items of the income statement and balance sheet in thousands of zlotys as well as key financial ratios compared to the same items for the previous year. The following analysis is presented based on carrying values of the Company, without the effect of inflation.

1. Income statement (in PLN '000)

	Year ended 31 Dec 2008	Dynamics 2008/2007	Year ended 31 Dec 2007	Dynamics 2007/2006	Year ended 31 Dec 2006
Revenues from sales	671,694	-1.7%	683,412	18.0%	578,940
Revenues from sales of products	651,540	-2.8%	669,972	17.9%	568,021
Revenues from sales of goods and materials	20,154	50.0%	13,440	23.1%	10,919
Costs of products, goods and materials sold	481,987	0.3%	480,554	16.4%	412,776
Manufacturing costs of products sold	460,787	-1.3%	466,696	16.1%	402,051
Value of goods and materials sold	21,199	53.0%	13,858	29.2%	10,725
Gross profit on sales	189,707	-6.5%	202,858	22.1%	166,164
Selling expenses	26,449	-3.1%	27,287	27.1%	21,474
Overhead expenses	18,439	-9.3%	20,333	14.5%	17,754
Revaluation of investment real estate	-	-100.0%	1,868	-	-
Profit on sales	144,820	-7.8%	157,107	23.8%	126,936
Other operating income	10,238	52.7%	6,706	-42.6%	11,681
Profit on disposal of non-current assets	6,754	432.0%	1,270	-86.3%	9,250
Other operating income	3,484	-35.9%	5,437	123.7%	2,431
Other operating expenses	18,280	161.8%	6,983	-49.5%	13,826
Revaluation of non-financial assets	12,133	1060.7%	1,045	-69.3%	3,407
Other operating expenses	6,147	3.5%	5,937	-43.0%	10,418
Operating profit (loss)	136,777	-12.8%	156,830	25.7%	124,791
Financial income	16,985	95.2%	8,700	116.1%	4,026
Dividends	990	-	-	-	-
Interest	6,649	-12.7%	7,618	216.0%	2,411
Other	9,346	763.7%	1,082	-33.0%	1,615
Financial expenses	25,097	28.8%	19,489	70.1%	11,460
Interest	23,634	25.8%	18,781	67.0%	11,245
Revaluation of investment projects	-	-	-	-100.0%	15
Other	1,463	106.8%	708	254.6%	200
Gains/(losses) on assets held for sale	-	-	-	-100.0%	-1,072
Extraordinary gains and losses	-	-	-	-	-
Profit (loss) before tax	128,665	-11.9%	146,042	25.6%	116,285
Corporate income tax	26,153	-1.8%	26,633	36.0%	19,589
Net profit (loss)	102,512	-14.2%	119,409	-84.2%	96,696

2. Balance sheet (in PLN '000)

	<u>31 Dec 2008</u>	% of balance sheet total	<u>31 Dec 2007</u>	% of balance sheet total	<u>31 Dec 2006</u>	% of balance sheet total
ASSETS						
Non-current assets	356,795	25.4%	285,038	23.9%	277,343	36.7%
Intangible assets	10,987	0.8%	12,354	1.0%	12,522	1.7%
Tangible assets	175,378	12.5%	154,110	12.9%	139,598	18.5%
Non-current receivables	13,121	0.9%	26,881	2.3%	69,643	9.2%
Long-term investments	147,573	10.5%	86,427	7.2%	50,323	6.7%
Non-current prepaid expenses	9,735	0.7%	5,266	0.4%	5,257	0.7%
Current assets	1,047,245	74.6%	909,121	76.1%	478,728	63.3%
Inventories	6,285	0.4%	23,528	2.0%	20,878	2.8%
Current receivables	72,921	5.2%	126,617	10.6%	27,986	3.7%
of which trade receivables	48,125	3.4%	101,604	8.5%	22,285	2.9%
Short-term investment projects	44,211	3.1%	136,465	11.4%	41,663	5.5%
Prepaid expenses	12,035	0.9%	10,979	0.9%	9,610	1.3%
Held-for-sale assets	0	0.0%	0	0.0%	25,462	3.4%
Construction contracts	911,793	64.9%	611,532	51.2%	353,129	46.7%
TOTAL ASSETS	1,404,040	100.0%	1,194,159	100.0%	756,071	100.0%
EQUITY AND LIABILITIES						
Equity	602,437	42.9%	494,789	41.4%	168,520	22.3%
Share capital	10,940	0.8%	10,940	0.9%	10,250	1.4%
Own shares	-2,477	-0.2%	0	0.0%	0	0.0%
Supplementary capital	478,512	34.1%	359,500	30.1%	57,198	7.6%
Revaluation reserve	7,472	0.5%	0	0.0%	0	0.0%
Other capital reserves	5,732	0.4%	5,345	0.4%	2,472	0.3%
Retained earnings	-253	0.0%	-405	0.0%	1,903	0.3%
Net profit / loss for the year	102,512	7.3%	119,409	10.0%	96,696	12.8%
Liabilities and provisions for liabilities	801,603	57.1%	699,369	58.6%	587,551	77.7%
Provisions for liabilities	79,707	5.7%	50,137	4.2%	24,833	3.3%
Non-current liabilities	132,358	9.4%	163,509	13.7%	141,135	18.7%
Current liabilities	547,414	39.0%	348,598	29.2%	227,653	30.1%
of which trade payables	120,368	8.6%	79,205	6.6%	50,038	6.6%
Accrued expenses	19,223	1.4%	18,589	1.6%	12,082	1.6%
Liabilities connected with held-for-sale assets	0	0.0%	0	0.0%	18,124	2.4%
Construction contracts	22,901	1.6%	118,536	9.9%	163,725	21.7%
TOTAL EQUITY AND LIABILITIES	1,404,040	100.0%	1,194,159	100.0%	756,071	100.0%

3. Key financial ratios

	1 Jan 2008 – 31 Dec 2008	1 Jan 2007 – 31 Dec 2007	1 Jan 2006 – 31 Dec 2006
ROA			
<u>net profit/loss</u> total assets	7.30%	10.00%	12.79%
ROE			
<u>net profit/loss</u> equity	17.02%	24.13%	57.38%
Net profit margin on sales			
<u>net profit/loss</u> revenues from sales	15.26%	17.47%	16.70%
Liquidity I (current)			
<u>total current assets</u> current liabilities	1.91	2.61	2.10
Liquidity II (quick)			
<u>total current assets – inventories</u> current liabilities	1.90	2.54	2.01
Liquidity III (cash)			
<u>cash and cash equivalents</u> current liabilities	0.04	0.15	0.13
Receivables turnover in days			
<u>average trade receivables, net x 365 days</u> revenues from sales	41	33	34
Payables turnover in days			
<u>average trade payables x 365 days</u> cost of goods sold	76	49	50
Inventories turnover			
<u>average inventories x 365 days</u> cost of goods sold	11	17	21
Equity to fixed assets			
<u>equity</u> fixed assets	1.69	1.74	0.61
Debt ratio			
<u>non-current liabilities + current liabilities</u> total equity and liabilities	48.42%	29.68%	28.70%
BVPS			
<u>equity</u> number of shares	11.01	9.05	3.29

4. Interpretation of ratios and overall economic situation

During the audited period the business activity of J.W. Construction Holding S.A. generated profit of PLN 102,512,000. The following results added to net profit for the period from 1 January 2008 to 31 December 2008:

• net sales generating the profit of	PLN 144,820,000
• other operating loss of	PLN 8,042,000
• financial loss of	PLN 8,112,000
• income tax of	PLN 26,154,000

The main source of profit generated by the Company were revenues from sales under developer activity. The other part of revenues from sales was generated on hotel activity, real estate management and construction.

As at 31 December 2008 the majority of assets (75%) were current assets most of which, due to the nature of the core business of the Company, were inventories connected with construction contracts (66% of the total value of assets of the Company). Tangible assets of the Company constituted only 13% of the total value of assets.

An analysis of the structure of equity and liabilities proved that in the audited period the business activity of the Company was financed in 43% with equity and in 57% with external capital. Fixed assets of the audited Company were covered entirely with equity.

During the analysed accounting year ROA went down compared to the previous year and amounted to 7.3%, which means that each PLN 100 worth of employed fixed assets generated over PLN 7 worth of net profit. In the audited period ROE went down as well – to 17%. Both the aforesaid ratios decreased mainly due to a significant growth in the value of assets of the Company and the value of equity, chiefly as a consequence of increasing the value of supplementary capital of the Company by the value of profit generated by the same in the previous year, retained in the Company.

Over the whole analysed period the liquidity of the Company deteriorated, which was connected, above all, with the growth in the value of current liabilities.

During the last accounting year the receivables turnover ratio and payables turnover ratio increased compared to the previous year and their values indicate that the Company regulated its payables on average by 35 days later than it collected its receivables.

The average period of keeping inventories went down to 11 days in the audited accounting year. However, it should be noted that calculations of that ratio did not account for construction contracts which for the purpose of transparency are presented under a separate item in the balance sheet. Qualification of that item for the purpose of the calculation formula of the ratio of inventories turnover in days would extend the period of keeping inventories by the Company, which is characteristic for its core business (developer industry).

Compared to the previous years, the debt ratio of the Company went up by almost 19 percentage points. In the audited period book value per share went up as well. The average book value for 2008 was PLN 11.01.

Neither the results achieved nor the overall financial condition of J.W. Construction Holding S.A. indicate that there is any threat to the Company's continuation as a going concern in the year following the audited one according to the provisions of the Act on Accounting.

III. SPECIFIC INFORMATION

1. Accounting and internal control system

1.1 Accounting system

Accounting of J.W. Construction Holding S.A. is maintained in accordance with the principles (policy) of accounting under the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Community regulations and to the extent not provided thereunder – in accordance with the Act on Accounting (Journal of Laws No. 02.76.694, as amended) and supporting regulations issued under the same, as well as based on correct books of accounts. The Company holds documents describing the principles (policy) of accounting accepted by the same, satisfying – in all material aspects – the requirements of Article 10 of the Act on Accounting of 29 September 1994 (Journal of Laws No. 02.76.694, as amended).

Business operations are recorded in the general ledger with the use of the integrated SAP management system.

Accounting records are kept on a chronological and systematic basis. In all material aspects books of accounts are fair, correct, verifiable and the records contained in the same are connected with accounting documents and the financial statements.

The principles of bookkeeping accepted by the Company allowed for correct establishment of its assets and financial standing as well as evaluation of its profitability.

The methods of measuring balance sheet assets, equity and liabilities and establishing earnings in the audited and comparative period, except for the principles of calculating revenues from implemented developer projects, were applied continuously and are compliant with the currently prevailing laws. The methods of assets, equity and liabilities measurement were described in the introduction to the financial statements.

The Management Board of the audited company ensured comparability of financial data disclosed in the financial statements for all presented accounting years (except for financial data on the opening balance of PT “Czarny Potok” S.A. acquired by the Company in 2008). Besides that the opening balance for 2008 was correctly entered into books of accounts and it is compliant with the closing balance for 2007.

Keeping of accounting documents, books of accounts and financial statements as well as methods of securing access to computer data and the data processing system are compliant with the principles provided under Chapter 8 of the act on accounting and they secure books of accounts against unauthorised modifications, damage or destruction.

1.2 Inventory of assets

The audited Company made an inventory of assets and sources of their origin while observing the frequency, deadlines and principles provided under the act on accounting. The Company accounted for the conducted inventories and disclosed the results of the same in books of accounts for the audited period.

1.3 Internal control

The Management Board of the Company is responsible for development and functioning of the internal control system of the Company as well as for preventing and detecting irregularities.

When planning and conducting the audit of the financial statements of the Company for the period ended 31 December 2008 we took account of the internal control procedures to the extent necessary to establish our procedures required to issue a reliable opinion on the audited financial statements.

Therefore, our review of the internal control system might not have disclosed all material weaknesses in the structure of the said system.

2. Key items of the financial statements

2.1. Revenues from sales

PLN 671,694 thousand

Due to the nature of its business the audited Company disclosed, both in 2008 and in the previous year, revenues from implemented developer projects – sale of real estate in accordance with IAS 11.

In accordance with IFRIC-15 published in July 2008 by the International Financial Reporting Interpretations Committee, beginning with 2009 J.W. Construction Holding S.A. is obliged to change the principles of accounting applied to measure developer contracts. Revenues from developer contracts will be accounted with a completed contract method in accordance with IAS 18. That will change the manner of recognition of revenues under implemented developer contracts in particular reporting periods.

The aforesaid changes and their effects, if any, on the financial statements were presented in detail by the Company in the additional information to these financial statements.

3. Additional information to the financial statements

The Company prepared the additional information covering the introduction to the financial statements, applied principles of accounting as well as additional information and notes in accordance with the International Accounting Standards and International Financial Reporting Standards as to the scope of disclosures, and in accordance with requirements of the Regulation of the Minister of Finance of 19 February 2009 on Current and Periodic Filings of Issuers of Securities and Conditions for Recognising Filings Required under Regulations of a Non-member State as Equivalent (Journal of Laws of 2009 No. 33, Item 259), which comply with the information presented in the audited financial statements.

The additional information is complete and the figures contained in the same derive from accounting records and are compliant with other elements of the audited financial statements and the state of facts.

4. Statement of changes in equity

The statement of changes in equity was prepared accurately and is compliant with the regulations of the Act on Accounting.

The data presented in the statement of changes in equity are correctly connected with the balance sheet and income statement, and they present the changes in equity of the Company in a fair and correct manner.

5. Cash flow statement

The cash flow statement was prepared correctly with a two-step method in accordance with the principles (policy) of accounting under the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Community regulations and to the extent not provided thereunder – in accordance with the Act on Accounting and Supporting Regulations issued under the same.

The data disclosed in the cash flow statement are correctly connected with the balance sheet, income statement and books of accounts and they present the sources of financing the activity of the Company in a fair and accurate manner.

6. Management Commentary

In accordance with Article 49 of the act and the Code of Commercial Companies the Management Board prepared the Management Commentary for 2008.

Information presented in the Management Commentary is complete within the meaning of the Act on Accounting and the Regulation of the Minister of Finance of 19 February 2009 on Current and Periodic Filings of Issuers of Securities and Conditions for Recognising Filings Required under Regulations of a Non-member State as Equivalent (Journal of Laws of 2009 No. 33, Item 259), and it complies with the information presented in the audited financial statements.

7. Statement of the Management Board

The Management Board of the Company made a written statement that all data were recognised in books of accounts, all contingent liabilities were disclosed as well as all events that are significant and occurred after the balance sheet date.

Poznań, 29 April 2009

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dr André Helin
President of the Management Board
State Authorised Public Accountant
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