

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

A supplementary report of an independent certified auditor
on the consolidated financial statements
from 01 January 2011 to 31 December 2011

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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 in Ząbki 05-091, at ul. Radzywińska 326.

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 2011 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 core 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 (SPVs).

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

1.4. Legal basis

J.W. 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 and
- 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 of the Company

As at 31 December 2011 the share capital of the Company amounted to PLN 10 814 656.00 and was divided into 54 073 280 shares with a par value PLN 0.20 each.

The 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 2010 and 2011 were as follows:

As at 31 December 2010

Shareholder	Shares		% of share capital
	Number	Value (PLN)	
EHT S.A.	18,568,300	3,713,660.00	34.34%
Mr. Józef Wojciechowski	15,413,713	3,082,742.60	28.51%
Funds managed by PKO TFI S.A	3,245,668	649,133.60	6.00%
Funds managed by Pioneer Pekao TFI	2,740,362	548,072.40	5.07%
Other shareholders	14,105,237	2,821,047.40	26.09%
TOTAL	54,073,280	10,814,656.00	100.00%

As at 31 December 2011

Shareholder	Shares		% of share capital
	Number	Value (PLN)	
EHT S.A.	18,568,300	3,713,660.00	34.34%
Mr. Józef Wojciechowski	15,413,713	3,082,742.60	28.51%
Funds managed by PKO TFI S.A	3,245,668	649,133.60	6.00%
Funds managed by Pioneer Pekao TFI	5,382,182	1,076,436.40	9.95%
Other shareholders	11,463,417	2,292,683.40	21.20%
TOTAL	54,073,280	10,814,656.00	100.00%

The shareholding structure of the Company and its share capital value from the balance sheet date until the date of this audit report on the financial statements did not change. Therefore, the number of shareholders holding directly or indirectly through subsidiaries, at least 5% of the total number of votes at the General Assembly as at 15 March 2012, is as above.

In case of investment funds, whose share capital of the Company is in the range from 5% to 10%, they may freely buy and sell shares of the Company without any obligation to inform about the current state ownership. Therefore, the shareholding as at the date of this report is identical with the shareholding as at the balance sheet date.

As at 31 December 2011 the equity of the Company consists of the following items:

- Revaluation capital PLN 7,493,000
- supplementary capital and other reserve capitals PLN 485,637,000
- losses from previous years PLN (8,585,000)
- Net profits PLN 25,372,000

Total equity as at 31 December 2011 was positive and amounted to PLN 520,732,000.

1.8. The Management Board of the Company

As at 01 January 2011 the Management Board of the Company was composed of:

- Mr. Robert Wójcik Vice President of the Management Board
- Mr. Tomasz Panabażys Member of the Management Board
- Mr. Wojciech Rajchert Member of the Management Board
- Mr. Marek Samarcew Member of the Management Board

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

- on 11 January 2011 Mr. Robert Wójcik changed his position from the Vice-Chairman of the Management Board to the Member of the Management Board;
- on 17 January 2011 pursuant to the Resolution of the Supervisory Board No.2 the position of Mr. Tomasz Panabażys was changed from the Member of the Management Board to the Vice-Chairman of the Management Board.
- on 27 October 2011 on the basis of personal rights entitled to the shareholder holding over 50% of the shares, Mr. Marek Samarcew was dismissed from the Management Board of the Company;
- on 28 October 2011 on the basis of personal rights entitled to the shareholder holding over 50% of the shares, Ms. Irmina Łopuszyńska was appointed as the Member of the Management Board;
- on 28 October 2011 on the basis of personal rights entitled to the shareholder holding over 50% of the shares, Ms. Bożena Regina Malinowska was appointed as the Member of the Management Board;

In the period from the balance sheet date until the end of the audit the composition of the Management Board of the Company was changed as follows:

- on 01 February 2012 pursuant to the Resolution of the Supervisory Board No.2, Mrs. Magdalena Starzyńska was appointed as the Member of the Management of the Board;

As at the date of stand-alone annual financial statements of the Company the Management Board of the Company for the trading year 2011 was composed of:

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

1.9. The Supervisory Board

As at 01 January 2011 the Supervisory Board of the Company was composed of:

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

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

- on 01 June 2011, Mr. Henryk Pietraszkiewicz resigned from his position as the Vice-Chairman of the Supervisory Board;
- on 29 June 2011 pursuant to the Resolution of the General Assembly No.6, Mr. Marcin Michnicki was appointed as the Vice- Chairman of the Supervisory Board.

In the period from the balance sheet date until the end of the audit the composition of the Supervisory Board wasn't changed.

As at the date of stand-alone annual financial statements of the Company for the financial year 2011 the Supervisory Board of the Company was composed of:

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

1.10. Information on related parties

J.W. Construction Holding S.A is a parent company of the capital Group. Related parties of the Company are domestic and foreign entities meeting the definition of a related party provided in International Financial Reporting Standards. 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) and related parties associated with these entities;
- subsidiaries of the capital group of J.W. Construction Holding S.A. i.e.:
 - Lokum Sp. z oo
 - TBS Marki Sp. z o.o.
 - JWCH Produkcja Budowlana Sp. z o.o.
 - J.W. Construction S.A.,

- JWCH 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. in liquidation,
- Business Financial Construction Sp. z o.o.
- Polonia SSA
- J.W. Construction Bułgaria Sp. z o.o.
- YAKOR HOUSE Sp. z oo
- J.W. Marka Sp. z o.o.
- Architects Polska Sp. z o.o

J.W. Construction Holding S.A – 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 as the parent company 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 01 January 2011 to 31 December 2011, comprised of:

- statement of financial position as at 31 December 2011 with total assets and total equity and liabilities of PLN 1 261 108 ;
- income statement for the period from 01 January 2011 to 31 December 2011 with net profit of PLN 25 372 000;
- statement of comprehensive income for the period from 01 January 2011 to 31 December 2011 with net profit of PLN 25 372 000;
- statement of changes in equity for the period from 01 January 2011 to 31 December 2011 with an increase in equity by of 25 393 000;
- statement of cash flow for the period from 01 January 2011 to 31 December 2011 with an increase in cash by 27 492 000;
- 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 for 2011.

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 Żąbki for the accounting year ended on 31 December 2011 was conducted by BDO Sp. z o.o. domiciled in Warsaw, at ul. Postępu 12 in Warsaw, a licensed auditing firm registered with the National Board of Certified Auditors under number 3355.

The certified auditor was chosen by the Supervisory Board of the audited Company by virtue of its Resolution No. 17 of 01 June 2011.

The audit was conducted pursuant to the audit agreement concluded on 05 August 2011 by the certified auditor Edyta Kalińska (Reg. No. 10336). The audit was conducted from 15 February 2012, with breaks, until the date of issue of the opinion. The audit was preceded by a preliminary audit conducted from 05 December 2011.

We represent that BDO Sp. Ltd., its Management Board, the certified auditor with the teams auditing the above-mentioned statements meet the requirements for issuing an objective and independent opinion on the audited financial statements - in accordance with the article 56.3 and 4 of the Act on certified auditors, their self-government and entities authorised to audit financial statements and on public supervision. (Journal of Laws of 2009, No. 77, item 649).

The Company made all the representations and explanations and provided all the information necessary to conduct the audit and requested by the certified auditor during the audit. The Company also informed that no significant events occurred in the period from the balance sheet date to the day of the representation.

The certified auditor was not limited in choosing appropriate methods of auditing.

4. Information on 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 01 January 2010 to 31 December 2010, audited by BDO Sp. z o.o. and was given an opinion without any objections.

The financial statements of the Company for the period from 01 January 2010 to 31 December 2010 was approved by the Resolution No. 3 of the Annual General Meeting of 29 June 2011. Pursuant to the resolution No. 7 of 29 June 2011, the General Meeting of the Shareholders decided to allocate a generated profit in the amount of PLN 79 401 000 from 2010 for an increase of the supplementary capital.

The financial statements for 2010 were submitted to the Tax Office of the proper venue and to the National Court Register.

The financial statements of the Company for 2010 were published in the Monitor Polski B official bulletin 29 July 2011.

5. Information the merger of the Companies

Pursuant to the Resolution No.23 of the Ordinary General Assembly of the Shareholders of 29 June 2011, the merger of the Company of J.W. Construction Holding S.A with subsidiaries occurred. On 2 August 2011, the District Court for the City of Warsaw, XIV Commercial Division of the National Court Register registered the merger of the Company with its subsidiaries on 29 July 2011:

- 1) a company under the company Interlokum Spółka z o.o with its seat in Warsaw ("the Acquired Company"), which was a special purpose vehicle dedicated to the implementation of a chosen multi-family investment in Warsaw in Bukowińska 10 Street;
- 2) a company under the company Project 55 Spółka z o.o with its seat in Warsaw ("the Acquired Company"), which was a special purpose vehicle dedicated to the implementation of a chosen multi-family investment in Warsaw in Górczewska 200 Street;

- 3) a company under the company Stadnina Mazowiecka Spółka z o.o with its seat in Ząbki ("the Acquired Company"), which was a special purpose vehicle dedicated to the preparation of the investment in Warsaw in the area of Berensona Street;
- 4) a company under the company Construction Invest Spółka z o.o with its seat in Ząbki ("the Acquired Company"), which was a special purpose vehicle dedicated to utilization of the property located in Warsaw in the area of Pileckiego and Bociana Street.

The merger was in accordance with art. 492.1.1 of the Commercial Companies Code by transferring all the assets of the Acquired Companies to the Company (merger by acquisition).

II. FINANCIAL ANALYSIS OF THE COMPANY

Below there 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 years.

1. Key items from the income statement

(in thousands of PLN)

Detailed list	2011	Dynamics		Dynamics	
		2011/2010	2010	2010/2009	2009
Revenues from sales	333,213	57.78%	576,657	105.22%	548,048
Costs of goods and products sold	253,189	59.42%	426,108	104.57%	407,468
Gross profit on sales	80,024	53.15%	150,549	107.09%	140,580
Selling and overhead expenses	51,722	118.79%	43,540	131.85%	33,022
Revaluation of investment properties	21,203	-	10,191	-	0
Profit on sales	49,505	42.2%	117,200	109.0%	107,558
Other operating income	3,424	35.20%	9,727	703.33%	1,383
Financial net	(19,936)	79.31%	(25,137)	133.20%	(18,872)
Gross profit	32,993	32.41%	101,790	113.01%	90,069
Income tax	7,621	34.04%	22,389	173.20%	12,927
Net profit	25,372	31.95%	79,401	102.93%	77,142

2. Key items from the income statement

(in thousands of PLN)

ASSETS	31/12/2011	% of balance sheet		% of balance sheet		% of balance sheet	
		31/12/2010	31/12/2010	31/12/2010	31/12/2009	31/12/2009	
Non-current assets	575,207	45.6%	457,394	36.0%	317,537	23.2%	
Intangible assets	4,618	0.4%	5,859	0.5%	6,779	0.5%	
Goodwill	12,390	1.0%	12,390	1.0%	0	0.0%	
Tangible assets	254,638	20.2%	215,178	16.9%	180,707	13.2%	
Non-current receivables	15,488	1.2%	14,485	1.1%	13,770	1.0%	
Long-term investments	280,849	22.3%	201,215	15.8%	107,906	7.9%	
Long-term accruals	7,224	0.6%	8,267	0.6%	8,375	0.6%	
Current assets	685,901	54.4%	814,520	64.0%	1,048,778	76.8%	
Inventories	32,873	2.6%	27,820	2.2%	8,246	0.6%	
Current receivables	73,665	5.8%	63,904	5.0%	57,782	4.2%	
Short-term investments	54,566	4.3%	118,859	9.3%	81,160	5.9%	
Long-term accruals	23,281	1.8%	20,431	1.6%	11,502	0.8%	
Construction contracts	501,516	39.8%	583,506	45.9%	890,088	65.1%	
TOTAL ASSETS	1,261,108	100.0%	1,271,914	100.0%	1,366,315	100.0%	

EQUITY	AND					
LIABILITIES						
Equity	520,732	41.3%	495,339	38.9%	393,395	28.8%
Liabilities and reserves for liabilities	739,911	58.7%	776,575	61.1%	972,920	71.2%
Provisions for liabilities	18,990	1.5%	23,909	1.9%	21,223	1.6%
Non-current liabilities,	325,303	25.8%	234,912	18.5%	73,482	5.4%
Current liabilities	318,438	25.3%	362,245	28.5%	569,861	41.7%
Accruals	9,008	0.7%	11,202	0.9%	10,769	0.8%
Accruals	68,637	5.4%	144,307	11.3%	297,585	21.8%
	1,261,108				1,366,315	
TOTAL LIABILITIES	8	100.0%	1,271,914	100.0%	5	100.0%

3. Key financial ratios

Liquidity ratios	2011	2010	2009
Liquidity ratios I			
$\frac{\text{total current assets}}{\text{current liabilities}}$	2.2	2.2	1.8
Liquidity ratios II			
$\frac{\text{total current assets- inventories}}{\text{current liabilities}}$	2.1	2.2	1.8
Activity ratios			
Reveivables turnover in days			
$\frac{\text{average trade receivables *) x 365}}{\text{Revenues from sales}}$	63	32	16
Inventories turnover in days			
$\frac{\text{average inventories *) x 365}}{\text{cost of products, goods and services sold}}$	826	647	805
Return ratios			
Net profit margin on sales			
$\frac{\text{Net profit/loss}}{\text{Revenues from sales}}$	7.6%	13.8%	14.1%
Return on sales			
$\frac{\text{operating income}}{\text{Revenues from sales}}$	24.0%	26.1%	25.7%

ROA

$\frac{\text{Net profit/loss}}{\text{total assets}}$	2.0%	6.2%	5.6%
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ROE

$\frac{\text{Net profit/loss}}{\text{Equity}}$	4.9%	16.0%	19.6%
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Debt ratios

Payables turnover in days

$\frac{\text{average trade payables *)} \times 365 \text{ days}}{\text{cost of products, goods and services sold}}$	98	76	101
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Debt ratio

$\frac{\text{liabilities and provisions for liabilities}}{\text{total equity and liabilities}}$	58.0%	60.2%	70.4%
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Efficiency of shares

BVPS in PLN

$\frac{\text{Equity}}{\text{number of shares}}$	9.40	8.74	7.19
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Net profit/loss per share in PLN

$\frac{\text{Net profit/loss}}{\text{number of shares}}$	0.47	1.47	1.41
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*) average receivables, inventories and payables are calculated as arithmetic mean of the value of the items in the opening balance sheet and in the closing one.

4. Interpretation

In the audited period, the Company generated profit of PLN 25,372,000.

The main source of revenues from sales generated by the Company during the audited period were revenues derived from sales of land, construction of industrial and commercial facilities sales of apartments. and commercial and apartment sales. During the audited period, revenues from sales and cost of goods, products sold decreased in comparison to the previous year what was as a result of decreased sales of residential premises.

As at 31 December 2010 the current assets represent 54.4% of total assets, and in comparison to 31 December 2010, their share fell by 9.6 percentage points due to increased long-term investments and fixed assets. Analysing the value of the assets of the Company, increase in their share in the balance sheet by nearly 9.6 percentage points over the previous year can be noticed, which is mainly related to the implementation of the investments in the capital work in progress.

An analysis of the structure of equity and liabilities proved that in the audited period the business activity of the Company in 2011 was financed in 41.3% with equity and in 58.7% with external capital. Fixed assets of the audited Entity was entirely covered with equity.

In the analysed trading year, the rate of return on assets fell in comparison to the previous year and amounted to 2%, which means that each PLN 100.00 of fixed assets employed generated PLN 2.00 of profits net. In the audited period, the return on equity decreased to the level of 5%. The decrease of a level of the ratio was a result of a decrease in a financial result of the Company in a comparison to the previous year.

In 2011, in comparison to the previous year, the level of liquidity of the Company maintained on a comparable level. The debt ratio of the Company, in a comparison to the previous year, decreased by 2.2 percentage point.

In the analysed period, the collection ratio of payments increased by 31 days in comparison to the previous year and amounted to 63 days. The average creditors ratio was extended by 22 days when compared to the previous period and amounted to 98 days. The values of these ratios indicate that the Company collected its trade debtors approximately by 35 days faster than settling its accounts. Changes in the level of the ratios in the audited period were the result of lower sales and lower trade liabilities in a comparison to the previous year.

The average inventory ratio lengthened in comparison to the previous year, due to lower costs of products, services and goods. Long cycle inventory turnover is characteristic of the development industry, in which the Company operates.

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

The Company holds documents describing the principles (policy) of accounting accepted by the same, specified in the Article 10 of the Act on Accounting. Applied principles of cost account, valuation of assets and liabilities and determining the financial result are in accordance with International Financial Reporting Standards and related interpretations issued in the form of European Commission, and to the extent not regulated in these standards - in accordance with the requirements of the Act on Accounting (Journal of Laws of 2009, No. 152, Item 1223, as amended) and issued on its basis the executory provisions on the basis of properly maintained accounting records. The assets and liabilities valuation principles and the principles of determining the financial result adopted by the Company, were described also in the introduction to the financial statements of the Company.

Accounting records are kept in the Company's headquarters. In the audited reporting period business operations were recorded in the general ledger with the use of the integrated SAP management system. Access to the data, system and processing of the data is only for authorized persons.

The basis for opening the accounting book of the Company as at 01 January 2011, 2010 was the financial statements as at 31 December 2010.

Entries in the accounts reflect the actual situation of economic operations. The data is entered completely and correctly on the basis of accounting documents properly classified to be booked. The continuity of records and the accuracy of the procedures used was ensured.

Accounting records were kept on a chronological and systematic basis. The Company makes monthly closing of books, drawing a trial balance and the journal which allows to reconcile its turnover with trial balance of a general lodger. The accounting documents which are the basis of accounting records contain necessary information required by the Act on Accounting.

The inventory of assets conducted in the scope, terms and frequency provided under the Act on Accounting, may be considered as correct and stated differences were disclosed in books of accounts for the audited period.

The audit of the internal control system of the Company was performed with reference to the financial statements. It was not intended to reveal all the possible irregularities of the system.

2. Additional Information

The Company prepared in the correct additional information covering the applied principles of accounting, notes to the financial statements, as well as additional information and notes in accordance with the International Financial Reporting Standards, and to the extent not regulated in these standards - in accordance with the requirements of the Act on Accounting (Journal of Laws of 2009, No. 152, Item 1223, as amended) and and supporting regulations issued under the same.

Additional information is complete and the figures contained in it arise from the accounting records and comply with other parts of the audited financial statements and the factual findings.

3. Statement of changes in equity

The statement of changes in equity was prepared properly and in accordance with the International Financial Reporting Standards, and to the extent not regulated in these standards - in accordance with the requirements of the Act on Accounting (Journal of Laws of 2009, No. 152, Item 1223, as amended) and issued on the basis of executory provisions. The data presented in this report show the correct connection with the report of financial position and profit and loss account in a fair and proper way illustrate changes in equity of the Company.

4. Cash flow statements

The cash flow statement was prepared with a two-step method in accordance with the principles (policy) of accounting pursuant to the provisions of IAS 7 and is correctly connected with the financial statements, income statement and books of accounts and fairly and properly shows the sources of financing of the Company

5. Management Commentary

In accordance with Article 49 of the Act on Accounting, the Code of Commercial Companies 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), the Management Board prepared the Management Commentary on the Company for the audited period. Information presented in the Management Commentary on the Company complies with the information presented in the audited financial statements.

6. Statement of the Management Board of the Company

The Management Board of the Company made a written statement that all data were recognised in books of accounts, all contingent liabilities were disclosed and no significant events occurred after the balance sheet date apart from those which were disclosed in the financial statements.

Poznań, 15 March 2012

BDO Sp. z oo ul. Postępu 12
02-676 Warszawa
Registration number 3355

Key auditor:

Edyta Kalińska
Certified Auditor Reg. No. 10336

Acting for BDO Sp. z o.o

Dr. André Helin
President of the Management Board
Certified Auditor Reg. No. 90004