

Report
on the financial statements
J.W. Construction Holding Spółka Akcyjna

for a financial year
from 1 January 2010 to 31 December 2010

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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, at ul. Radzymińska 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 2010 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.

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 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 2010 the share capital of the Company amounted to PLN 10 814 656.00 and was divided into 54 698 280 shares with a par value PLN 0.20 each.

On 18 May 2010, pursuant to Resolution No. 26, the General Meeting of the Shareholders acting pursuant to article 359 of the CCC and the Articles of Association decided to redeem its own shares purchased from the net profit located in the supplementary capital. In connection with the redemption of shares under Article 455 of the CCC, the value of the Company's capital share was reduced from the amount of PLN 10 939 656.00 by the amount of PLN 125 000.00. The aim of the reduction was to redeem of own shares purchased by the Company and transfer the reduction amount to the supplementary capital, in accordance with the article 457.2 of the CCC.

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 2009 and 2010 were as follows:

As at 31 December 2009

Shareholder	Shares		% of share capital
	Number	Value (PLN)	
EHT S.A.	24 448 300	4,889,660.00	44.70%
Mr. Józef Wojciechowski	15 413 713	3,082,742.60	28.18%
Own shares	625,000	125,000.00	1.14%
Other shareholders	14,211,267	2,842,253.40	25.98%
TOTAL	54,698,280	10,939,656.00	100.00%

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 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%

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 was slightly changed. In reference to the above, shareholders holding directly, or indirectly through subsidiaries, at least 5% of the total number of votes in the General Meeting as at 28 February 2011 were as follows:

As at 15 March 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 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%

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 2010 the equity of the Company consists of the following items:

- Revaluation capital	PLN 7,472,000
- other reserves	PLN 375,108,000
- Net profits	PLN 79,401,000

Total equity as at 31 December 2010 was positive and amounted to PLN 472,795,000.

1.8. The Management Board of the Company

As at 1 January 2010 the Management Board of the Company was composed of:

- Ms. Barbara Czyż	Vice President of the Management Board
- Mr. Robert Wojcik	Vice President of the Management Board
- Ms. Grażyna Maria Szafarowska	Member of the Management Board
- Mr. Piotr Ciszewski	Member of the Management Board
- Mr. Tomasz Panabażys	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 25 January 2010 pursuant to the statement of Mr. Józef Wojciechowski, Mr. Marek Samarcew was appointed as the Member of the Management of the Board;
- on 14 June 2010 Ms. Barbara Czyż resigned from her function as the Member of the Management Board and Vice -Chairman of the Board;
- On 5 August 2010, pursuant to the resolution of the Supervisory Board Ms. Grażyna Szafarowska was recalled from the Management Board.
- On 25 October 2010 Mr. Piotr Ciszewski resigned from the position of the Mamber 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 11 January 2011 pursuant to the statement of Mr. Józef Wojciechowski, 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 statement of Mr. Józef Wojciechowski, Mr. Tomasz Panabażys changed his position from the Member of the Management Board to the Vice-Chairman of the Management Board.

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

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

1.9. The Supervisory Board

As at 1 January 2010 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. Jacek Obłąkowski Member of the Supervisory Board
- Mr. Józef Oleksy Member of the Supervisory Board

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

- on 25 January 2010 pursuant to the statement of Mr. Józef Wojciechowski, Mr. Marek Maruszyński was appointed as the Member of the Supervisory Board;
- on 8 April 2010, Mr. Marek Maruszyński resigned from his position as the Member of the Supervisory Board;
- on 13 May 2010 pursuant to the statement of Mr. Józef Wojciechowski, Mr. Andrzej Podsiadło was appointed as the Member of the Supervisory Board;
- In connection to the expiration of the term of office of Mr. Jacek Obłąkowski under the Article 386 of the CCC, Mr. Jacek Obłąkowski's mandate expired;
- on 18 May 2010 under Resolution No. 23 of the General Meeting of Shareholders, Mr. Henryk Pietraszkiewicz was appointed as the Vice-Chairman of the Supervisory Board;
- on 18 May 2010 under Resolution No. 24 of the General Meeting of Shareholders, Mr. Jarosław Król was appointed as the Member of the Supervisory Board;
- on 18 May 2010 under Resolution No. 25 of the General Meeting of Shareholders, Mr. Marcin Michnicki was appointed as the Member 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 2010 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. Andrzej Podsiadło Member of the Supervisory Board
- Mr. Józef Oleksy Member of the Supervisory Board
- Mr. Jarosław Król Member of the Supervisory Board
- Mr. Marcin Michnicki 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
 - Interlokum Sp. z o.o.
 - Projekt55 Sp. z o.o.
 - TBS Marki Sp. z o.o.
 - JWCH Produkcja Budowlana Sp. z o.o.
 - 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,
 - Construction Invest Sp. z o.o.
 - Business Financial Construction Sp. z o.o.
 - Polonia SSA
 - YAKOR HOUSE Sp. z oo
 - J.W. Bułgaria Sp. z o.o.,
 - J.W. Construction S.A.
 - Stadnina Mazowiecka 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 1 January 2010 to 31 December 2010, comprised of:

- statement of financial position as at 31 December 2010 with total assets and total equity and liabilities of PLN 1 250 870 ;
- income statement for the period from 1 January 2010 to 31 December 2010 with net profit of PLN 79 401 000;
- statement of comprehensive income for the period from 1 January 2010 to 31 December 2010 with net profit of PLN 79 401 000;
- statement of changes in equity for the period from 1 January 2010 to 31 December 2010 with an increase in equity by of PLN 79 401 000 ;
- statement of cash flow for the period from 1 January 2010 to 31 December 2010 with an increase in cash by 43 109 000;
- 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 2010

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 2009 was conducted by BDO Sp. z o.o. domiciled 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. 1 of 8 July 2010.

The audit was conducted pursuant to the audit agreement concluded on 26 July 2010 by the certified auditor Edyta Kalińska (Reg. No. 10336). The audit was conducted from 21 February 2011, with breaks, until the date of issue of the opinion. The audit was preceded by a preliminary audit conducted from 6 December 2010.

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 1 January 2009 to 31 December 2009, 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 1 January 2009 to 31 December 2009 was approved by the Resolution No. 3 of the Annual General Meeting of 18 May 2010. Pursuant to the resolution No. 8 of 18 May 2010, the General Meeting of the Shareholders decided to allocate a generated profit in the amount of PLN 77 142 000 from 2009 for an increase of the supplementary capital.

The financial statements for 2009 were submitted to the Tax Office of the proper venue and to the National Court Register.

The financial statements of the Company for 2009 were published in the Monitor Polski B official bulletin 5 August 2010.

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 years.

1. Key items from the income statement

Detailed list	2010	Dynamics 2010/2009	2009	Dynamics 2009/2008	2008
Revenues from sales	576,657	105.22%	548,048	142.67%	384,138
Costs of goods and products sold	426,108	104.57%	407,468	134.98%	301,884
Gross profit on sales	150,548	107.09%	140,580	170.91%	82,255
Selling and overhead expenses	43,540	131.85%	33,022	78.14%	42,259
Revaluation of investment properties	10,191	-	0	-	0
Profit on sales	117,200	109.0%	107,558	268.9%	39,996
Other operating income	9,727	703.40%	1,383	-17.19%	(8,043)
Financial net	(25,137)	133.20%	(18,872)	232.64%	(8,112)
Gross profit	101,790	113.01%	90,069	377.79%	23,841
Income tax	22,389	173.19%	12,927	188.80%	6,847
Net profit	79,401	102.93%	77,142	453.93%	16,994

2. Key items from the balance sheet

ASSETS	31/12/2010	% of balance sheet total	31/12/2009	% of balance sheet total	31/12/2008	% of balance sheet total
Non-current assets	459,792	36.8%	317,537	23.2%	357,135	24.5%
Intangible assets	5,860	0.5%	6,779	0.5%	10,987	0.8%
Tangible assets	215,178	17.2%	180,707	13.2%	175,378	12.0%
Non-current receivables	14,485	1.2%	13,770	1.0%	13,121	0.9%
Long-term investments	216,466	17.3%	107,906	7.9%	147,573	10.1%
Long-term accruals	7,803	0.6%	8,375	0.6%	10,075	0.7%
Current assets	791,078	63.2%	1,048,777	76.8%	1,100,005	75.5%
Inventories	8,157	0.7%	8,246	0.6%	6,285	0.4%
Current receivables	60,973	4.9%	57,782	4.2%	72,921	5.0%
Short-term investments	124,470	10.0%	81,160	5.9%	44,211	3.0%
Short-term prepayments	16,535	1.3%	11,502	0.8%	12,937	0.9%
Construction contracts	580,944	46.4%	890,088	65.1%	963,650	66.1%
TOTAL ASSETS	1,250,870	100.0%	1,366,315	100.0%	1,457,140	100.0%

EQUITY AND LIABILITIES

Equity	472,795	37.8%	393,394	28.8%	321,253	22.0%
Liabilities and reserves						
for liabilities	778,075	62.2%	972,920	71.2%	1,135,886	78.0%
Provisions for liabilities	23,698	1.9%	21,223	1.6%	24,314	1.7%
Non-current liabilities,	240,289	19.2%	73,482	5.4%	132,358	9.1%
Current liabilities	361,786	28.9%	569,861	41.7%	544,509	37.4%
Accruals	11,115	0.9%	10,769	0.8%	9,457	0.6%
Accruals	141,187	11.3%	297,585	21.8%	425,249	29.2%
TOTAL LIABILITIES	1,250,870	100.0%	1,366,315	100.0%	1,457,140	100.0%

3. Key financial ratios

Liquidity ratios	2010	2009	2008
Liquidity ratios I			
$\frac{\text{total current assets}}{\text{current liabilities}}$	2.2	1.8	2.0
Liquidity ratios II			
$\frac{\text{total current assets- inventories}}{\text{current liabilities}}$	2.2	1.8	2.0
Activity ratios			
Receivables turnover in days			
$\frac{\text{average trade receivables *)} \times 365}{\text{Revenues from sales}}$	32	32	23
Inventories turnover in days			
$\frac{\text{average inventories *)} \times 365}{\text{cost of products, goods and services sold}}$	7	7	8
Return ratios			
Net profit margin on sales			
$\frac{\text{Net profit/loss}}{\text{Revenues from sales}}$	13.8%	14.1%	4.4%
Return on sales			
$\frac{\text{operating income}}{\text{Revenues from sales}}$	26.1%	25.7%	21.4%
ROA			
$\frac{\text{Net profit/loss}}{\text{total assets}}$	6.3%	5.6%	1.2%

ROE	<u>Net profit/loss</u>	16.8%	19.6%	5.3%
	Equity			
Debt ratios				
Payables turnover in days				
	<u>average trade payables *) x 365 days</u>	76	104	146
	cost of products, goods and services sold			
Debt ratio				
	<u>liabilities and provisions for liabilities</u>	61.3%	70.4%	77.3%
	total equity and liabilities			
Efficiency of shares				
BVPS in PLN				
	<u>Equity</u>	0.01	0.01	0.01
	number of shares			
Net profit/loss per share in PLN				
	<u>Net profit/loss</u>	0.00	0.00	0.00
	number of shares			

*) 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 79,401,000.

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 increased in comparison to the previous year what was as a result of increased sales of residential premises.

As at 31 December 2010 the current assets represent 63% of total assets, and in comparison to 31 December 2009, their share fell by 14 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 14 percentage points over the previous year can be noticed, which is mainly related to the purchase of the real property classified as the investment property.

An analysis of the structure of equity and liabilities proved that the business activity of the Company was financed in 2010 in 38% with equity, and in 62% with external capital. Fixed assets of the audited Company were covered entirely with equity.

During the analysed accounting year ROA went up in comparison to the previous year and amounted to 6.3%, which means that each PLN 100 worth of employed fixed assets generated PLN 6,3 of net profit. In the audited period, ROE went down to 16,8%. A decrease in the ratio was due to the increase in equity of the Company.

In 2010, compared to the previous year, the liquidity level of the Company increased, which was connected with a decrease in the value of short-term liabilities. The debt rate of the Company,

compared to the previous year, went down by almost 9.1 percentage points, what was the result of the increase in equity and decrease in liabilities.

In the analysed period, a collection rate did not change compared to the previous year. The average period of settling liabilities shortened in comparison to the previous period. The values of these indicators show that the Company collected its trade receivables. The changes in the level of indicators during the audited period were due to higher sales and lower trade receivables compared to the previous year.

The average period of keeping inventories has not changed over the previous year.

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 and 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 1 January 2010, 2010 was the financial statements as at 31 December 2009.

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

Statement of changes in equity was properly prepared in accordance with the provisions of International Financial Reporting Standards, and those not regulated in these standards - according to the requirements of the Accounting Act (Journal of Laws as amended), and issued on the basis of executory provisions. The data presented in this statement are correctly connected with the statement of financial position and income statement, and they present the changes in equity of the Company in a fair and correct manner

5. 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

6. 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 for the audited period. Information presented in the Management Commentary complies with the information presented in the audited financial statements.

7. 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 2011

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

Auditor:

Edyta Kalińska

Certified auditor with Reg. No. 10336

Acting for BDO:

Krystyna Sakson

Member of the Management Board

Certified auditor with Reg. No. 7899